

Bowmer & Kirkland

2008/2009

Group Accounts

**Abridged Group Report & Financial
Statements Year Ended 31 August 2009**



Financial Report

Balance Sheet



The attached financial information for the year ended 31 August 2009 does not constitute the statutory financial statements for the year. The statutory financial statements have been delivered to the Registrar of Companies and include the auditors' report which was unqualified and did not contain a statement under either section 498(2) of the Companies Act 2006 (accounting records or returns inadequate or accounts not agreeing with the records and returns) or Section 498(3) (failure to obtain necessary information and explanations).

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At the end of what has been a difficult trading year, I am pleased to report satisfactory results for 2009.

Turnover reduced by 2.34% to £874m. Net Profit before Tax was £28.8m, a 33.33% reduction on the previous year. This decrease was in line with expectations.

The group continues to be cash positive, with the cash balance increasing from £182.3m to £220.3m.

The Net Assets of the group increased to £183.8m.

In 2009 the group acquired 100% of the shares of Modus Green Acres (Jersey) Ltd and more recently, Terrace Hill (Heaton) Ltd, to add to its investment property portfolio.

I am pleased to report satisfactory performances from all of our subsidiary companies, given the unprecedented economic climate.

We have a fantastic team of individuals within the business and we thank them for their continued commitment and enthusiasm in challenging times.

During 2009, board director, John Betterton retired. We thank him for his hard work and commitment to the group over his 35 years service.

I am delighted to welcome Jack Kirkland and Michael Kirkland to the board. Their appointments emphasise the importance the Board places on the family involvement in the business.

The Health and Safety of everyone involved in our business is of great importance to us. We are currently seeking to achieve accreditation under BS OHSAS 18001 by implementing an Occupational Health and Safety Management System as part of our risk management strategy to address changing legislation and protect our workforce.

I am proud to report that the following companies were awarded RoSPA Gold Medals after showing our performance and commitment in raising standards in health and safety:

- B&K Structures Ltd
- Bowmer & Kirkland (London) Ltd
- Derry Building Services Ltd
- Keyclad Ltd
- Key Bemo Ltd

Gold Medals are only awarded to those companies achieving 5 or more consecutive Gold Awards.

RoSPA Gold Awards were presented to the following group companies in the year:

- Bowmer & Kirkland Ltd
- Peveril Homes Ltd

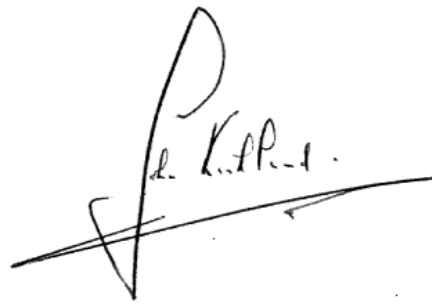
Environmental issues remain paramount to our Group and we are constantly improving our performance, including site specific measurements and carbon reduction initiatives.

Four years ago, the board took the decision to inject a substantial sum into the company's defined benefit scheme. We are delighted with the progress the fund has made, with assets in excess of £100m.

We continue to place emphasis on cash and working capital management. Costs are constantly monitored in order to ensure that the company remains competitive in a challenging market.

We are very appreciative of our Clients for placing their trust in us, and they can be assured that we will always strive to achieve the highest possible level of client satisfaction in all that we undertake.

The following year will be a challenge but the directors believe that the company has a strong infrastructure and is well placed to take advantage of any available opportunities in the various market places in which we operate.

A handwritten signature in black ink, appearing to read 'J N Kirkland OBE', with a long horizontal stroke extending to the right.

J N Kirkland OBE
Chairman
Date - 5 March 2010

Group Profit & Loss Account Year Ended 31 August 2009

	Note	Continuing operations		Acquisitions	
		£'000	£'000	2009 £'000	2008 £'000
Turnover including share of joint ventures		856,368	17,223	873,591	894,565
Less: share of joint ventures' turnover		(3,472)	-	(3,472)	(9,229)
Group turnover		852,896	17,223	870,119	885,336
Cost of sales		(761,985)	(11,484)	(773,469)	(801,099)
Gross profit		90,911	5,739	96,650	84,237
Administrative expenses		(67,006)	(6,773)	(73,779)	(51,389)
Group operating profit		23,905	(1,034)	22,871	32,848
Share of operating profit of joint ventures				972	(6)
Total operating profit including joint ventures				23,843	32,842
Profit on disposal of fixed assets				-	535
Interest receivable and similar income				6,332	10,877
Interest payable and similar charges				(1,422)	(1,058)
Profit on ordinary activities before taxation				28,753	43,196
Tax on profit on ordinary activities				(11,792)	(12,866)
Profit on ordinary activities after taxation				16,691	30,330
Equity minority interests				(1)	10
Profit for the financial year	10			16,960	30,340

Group Balance Sheet Year Ended 31 August 2009

	Note	2009		2008	
		£'000	£'000	£'000	£'000
Fixed assets					
Intangible assets	2		22,888		8,334
Tangible assets	3		28,715		29,526
Investments	4		78,802		39,060
Investment in joint ventures:					
Share of gross assets		12,450		14,616	
Share of gross liabilities		(12,473)		(14,742)	
		(23)		(126)	
Loans in joint ventures		12,150		12,610	
			12,127		12,484
			142,532		89,404
Current assets					
Stock and work in progress	5	67,655		69,749	
Debtors	6	146,788		193,273	
Cash at bank and in hand		220,283		182,260	
		434,726		445,282	
Creditors: amounts falling due within one year	8	(356,863)		(370,617)	
Net current assets			77,863		74,665
Total assets less current liabilities			220,395		164,069
Creditors: amounts falling due after one year	9	(41,515)		-	
Net assets before pension asset			178,880		164,069
Pension asset	13		4,909		11,640
Net assets after pension asset			183,789		175,709
			=====		=====
Capital and reserves					
Called-up equity share capital			199		199
Revaluation reserve	11	(3,463)		(3,095)	
Capital redemption reserve		36		36	
Group profit and loss account	10	187,020		178,574	
Shareholders' funds			183,792		175,714
Equity minority interest			(3)		(5)
Capital employed			183,789		175,709
			=====		=====

These financial statements were approved by the directors on the 5th March 2010 and are signed on their behalf by:

R. M. Kirkland

R M Kirkland

M S Sheldon

M S Sheldon

Group Cash Flow Statement Year Ended 31 August 2009

	Note	2009 £'000	2008 £'000
Net cash inflow from operating activities	12	53,128	61,063
Net cash inflow from returns on investments and servicing of finance		5,858	10,552
Taxation			
Corporation tax paid		(10,837)	(8,177)
Net cash outflow on capital expenditure of financial investments		(3,195)	(4,890)
Net cash outflow on acquisitions		(10,081)	(4,408)
Equity dividends paid		(194)	(194)
		-----	-----
Cash inflow before financing		34,679	53,946
Net cash inflow/(outflow) from financing		163	(3,018)
		-----	-----
Increase in cash in the year		34,842	50,928
		=====	=====



1. Accounting policies

Basis of accounting

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain fixed assets, and in accordance with applicable accounting standards.

Basis of consolidation

The group financial statements include the financial statements of the company and its subsidiaries, all of which make up their financial statements to 31 August. The results of subsidiaries acquired or disposed of are included from the effective date of acquisition or up to the effective date of disposal.

On the acquisition of subsidiaries, the purchase consideration is allocated between the underlying assets initially on the basis of provisional fair value and then on fair value. The difference between the value of the net assets acquired and the purchase price is treated as goodwill on consolidation. Goodwill arising on acquisitions is capitalised and amortised over its useful economic life which is estimated to be ten years. There has been no restatement of goodwill previously credited to or written off against reserves.

The company has taken advantage of Section 408 of the Companies Act 2006 not to publish its own profit and loss account. The result of the company is a profit of £15,778,336 (2008: £24,426,804).

The results of overseas operations are translated into sterling at the average exchange rate ruling throughout the year. The balance sheets of overseas operations are translated into sterling at the rate of exchange ruling at the balance sheet date. Exchange differences arising in the translation of the opening net assets of the overseas subsidiaries are taken directly to reserves.

Investments in joint venture companies are accounted for using the gross equity method.

Turnover

Turnover, which is net of value added tax, trade discounts and all intra-group transactions, represents:

- i) The value of contract work done in the year. Turnover and costs are recognised by reference to the stage of completion of the contract activity at the balance sheet date. When it is probable that total contract costs will exceed total contract turnover, the expected loss is recognised as an expense immediately.
- ii) The invoiced value of house building sales in the year.
- iii) Gross sales of development property, rents receivable and other trade income and recoveries.
- iv) The value of other goods and services supplied in the year.

Tangible fixed assets

Tangible fixed assets are stated at original cost less accumulated depreciation. The cost of tangible fixed assets is their purchase price together with any incidental costs of acquisition.

Depreciation is calculated so as to write off the cost, less the estimated residual value, over the useful economic life of those assets (except freehold land) as follows:

Freehold property	50 years straight line
Plant and equipment	3 – 8 years straight line

Leasehold property is amortised over 50 years or the period of the lease, whichever is the shorter.

Notes to the Financial Statements Year Ended 31 August 2009

Investments

Investment properties are stated at open market value in accordance with Statement of Standard Accounting Practice 19 "Accounting for investment properties". No depreciation is provided as required by the Companies Act 2006, as the directors consider that the valuation results in the financial statements giving a true and fair view.

Where impairments in the value of investment properties arise, temporary impairments are charged to the revaluation reserve and only permanent impairments are charged to the profit and loss account.

Fixed asset investments other than investment properties are stated at their purchase price together with any incidental cost of acquisition less provision for impairment in value.

Stocks and work in progress

Stocks and work in progress are stated at the lower of cost and net realisable value. In respect of developments in progress cost comprises the acquisition of land and buildings, legal charges, attributable overheads, attributable finance costs and the cost of bringing developments to their present condition at the balance sheet date. Other work in progress and finished goods are valued at the cost of direct material and labour plus attributable overheads.

Land held for development is stated at the lower of cost and net realisable value.

Raw materials and consumables are stated at the lower of cost and net realisable value.

Cost is based on the cost of purchase on a first in, first out basis. Net realisable value means estimated selling price less all further costs to completion and all costs to be incurred in marketing, selling and distribution.

Contract work in progress

Amounts recoverable on contracts, which are included in debtors, are stated at cost less progress payments receivable plus an appropriate amount of profit in the case of long term contracts.

Provisions are made for losses incurred or anticipated in bringing contracts to completion.



For contracts where progress payments exceed the book value of work done, the excess is included in creditors as payments on account.

Lease incentives

The cost of lease incentives in respect of developments in progress are spread evenly to the date of the next rent review or the lease end date. The unamortised balance is included in debtors as rents recoverable.

Foreign currencies

Monetary assets and liabilities in foreign currencies are translated into sterling at the rate of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction. Exchange differences are taken into account in arriving at the operating result.

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date, where transactions or events that result in an obligation to pay more or a right to pay less tax in the future have occurred by the balance sheet date with certain limited exceptions.

Deferred tax is calculated on an undiscounted basis at the tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

Pensions

The group operates a number of pension schemes.

Pension costs are accounted for in accordance with the requirements of Financial Reporting Standard 17 "Retirement Benefits".

Defined benefit schemes

The cost of providing benefits under the defined benefit plan is determined using the attained age method and is based on actuarial advice.

Past service costs are recognised in the profit and loss account on a straight-line basis over the vesting period or immediately if the benefits have vested. When a settlement or a curtailment occurs the change in the present value of the scheme liabilities and the fair value of the plan assets reflects the gain or loss which is recognised in the profit and loss account. Losses are measured at the date that the employer becomes demonstrably committed to the transaction and gains when all parties whose consent is required are irrevocably committed to the transaction.

The interest element of the defined benefit cost represents the change in present value of scheme obligations relating from the passage of time, and is determined by applying the discount rate to the opening present value of the benefit obligation, taking into account material changes in the obligation during the year. The expected return on plan assets is based on an assessment made at the beginning of the year of long term market returns on scheme assets, adjusted for the effect on the fair value of plan assets of contributions received and benefits paid during the year. The difference between the expected return on plan assets and the interest cost is recognised in the profit and loss account as other finance income or expense.

Actuarial gains and losses are recognised in full in the statement of recognised gains and losses in the period in which they occur.

The defined benefit pension asset or liability in the balance sheet comprises the present value of the defined benefit obligation (using a discount rate based on high quality corporate bonds that have been rated at AA or equivalent status), less any past service cost not yet recognised and less the fair value of plan assets out of which the obligations are to be settled directly. Fair value is based on market price information and in the case of quoted securities is the published bid price. The value of a net pension benefit asset is limited to the amounts that may be recovered either through reduced contributions or agreed refunds from the scheme.

Defined contribution schemes

Contributions to defined contribution pension schemes are charged to the profit and loss account in the year in which they become payable.

Notes to the Financial Statements Year Ended 31 August 2009**Employee benefit trusts**

The group has established trusts for the benefit of certain employees and directors. Monies held in these trusts are held by independent trustees and managed at their discretion.

Where monies held in a trust are determined by the group on the basis of employees' and directors' past services to the business and the group can obtain no future economic benefit from these monies, such monies whether in the trust or accrued for by the group are charged to the profit and loss account in the period to which they relate.

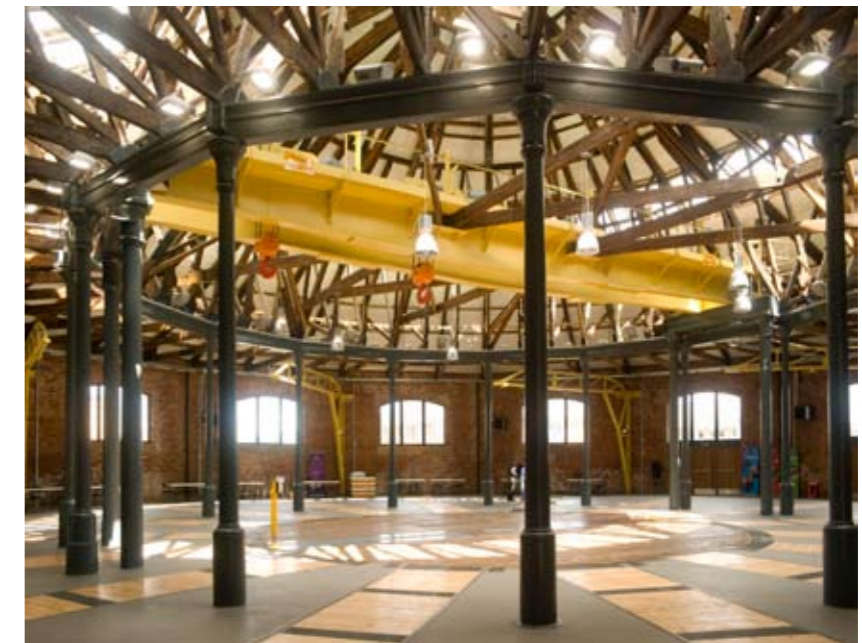
Urgent Issue Task Force Pronouncement 32 requires the group to include the value of any assets held by the trusts where the group retains future economic benefit from, and has de facto control of the assets and liabilities of the trusts as assets and liabilities of the group until the earlier of the date that an allocation of trusts funds to employees and directors in respect of past services is declared and the date that assets of the trusts vest in identified individuals. The value of assets and liabilities held by the trusts are not material at either 31 August 2009 or 31 August 2008 and therefore Urgent Issue Task Force Pronouncement 32 has not been adopted in these financial statements.

Operating leases

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits on a straight line basis over the period of the lease.

Dividends

In accordance with Financial Reporting Standard 21 "Events after the Balance Sheet date", dividends declared prior to the balance sheet date are recognised as liabilities in the financial statements at the balance sheet date. If the company declares dividends after the balance sheet date, the company does not recognise those dividends as a liability at the balance sheet date.



2. Intangible fixed assets

	Goodwill £'000
Cost	
At 1 September 2008	11,232
Adjustment to cost	217
Additions	15,922
Exchange adjustment	37

At 31 August 2009	27,408
	=====
Amortisation	
At 1 September 2008	2,898
Charge for the year	1,622

At 31 August 2009	4,520
	=====
Net book value	
At 31 August 2009	22,888
	=====
At 31 August 2008	8,334
	=====

3. Tangible fixed assets

	Freehold property £'000	Short leasehold property £'000	Plant and equipment £'000	Total £'000
Cost				
At 1 September 2008	21,817	23	33,482	55,322
Exchange adjustments	49	-	154	203
Additions	384	250	4,781	5,415
Disposals	-	-	(4,843)	(4,843)
	-----	-----	-----	-----
At 31 August 2009	22,250	273	33,574	56,097
	=====	=====	=====	=====
Depreciation				
At 1 September 2008	3,868	15	21,913	25,796
Exchange adjustments	17	-	126	143
Charge for year	430	25	4,807	5,262
Disposals	-	-	(3,819)	(3,819)
	-----	-----	-----	-----
At 31 August 2009	4,315	40	23,027	27,382
	=====	=====	=====	=====
Net book value				
At 31 August 2009	17,935	233	10,547	28,715
	=====	=====	=====	=====
At 31 August 2008	17,949	8	11,569	29,526
	=====	=====	=====	=====

Freehold property includes land amounting to £1,849,000 (2008: £1,849,000) which is not being depreciated.

4. Investments

	Freehold investment property £'000	Listed £'000	Unlisted £'000	Total £'000
Cost				
At 1 September 2008	53,628	10	455	54,093
Additions	39,742	-	-	39,742
At 31 August 2009	<u>93,370</u>	<u>10</u>	<u>455</u>	<u>93,835</u>
Provision for diminution in value				
At 1 September 2008	14,578	-	455	15,033
At 31 August 2009	<u>14,578</u>	<u>-</u>	<u>455</u>	<u>15,033</u>
Net book value				
At 31 August 2009	<u>78,792</u>	<u>10</u>	<u>-</u>	<u>78,802</u>
At 31 August 2008	39,050	10	-	39,060

Group undertakings

The directors consider that to give full particulars of all subsidiary and joint venture undertakings would lead to a statement of excessive length. The following information relates to those subsidiary and joint venture undertakings whose results or financial position, in the opinion of the directors, principally affected the figures of the group:

Name of undertaking	Proportion of voting rights and ordinary share capital held	Nature of business
Bowmer & Kirkland (London) Limited	100%	Building contractors
B&K Building Services Limited	100%	Building contractors
Peveril Securities Limited	100%	Property development and investment
Johnsons (Chopwell) Limited	100%	Coal screening
B&K Structures Limited	100%	Hybrid structural frames
Peveril Decorators Limited	100%	Painting and decorating contractors
Peveril Homes Limited	100%	House builders
Derry Building Services Limited	100%	Mechanical engineering and electrical contractors
Key Property Solutions Limited	100%	Building maintenance contractors
KB Reinforcements (Western) Limited	100%	Specialist steel stockholders, steel cutting and bending
Keyclad Limited	100%	Cladding contractors
Central Steel Distributors Limited	100%	Manufacture and sale of steel reinforcing bars
Cell Security Limited	100%	Manufacture and provision of products for custodial suites and prisons
Lancer Properties Limited	100%	Property development and investment
Sonic Communications (International) Limited	100%	Manufacture and distribution of specialised communication equipment
Decatur Electronics Inc	100%	Manufacture and distribution of public safety equipment
AEP Inc	100%	Emergency vehicle up fitter

All of the above companies, with the exception of Central Steel Distributors Limited, Decatur Electronics Inc and AEP Inc, are incorporated in Great Britain. Central Steel Distributors Limited is incorporated in Ireland and Decatur Electronics Inc and AEP Inc are incorporated in the United States of America.

All of the above companies have been included in the consolidated financial statements.

Notes to the Financial Statements Year Ended 31 August 2009

4. Investments (continued)

Joint Ventures

Name of undertaking	Proportion of voting rights and ordinary share capital held	Nature of business
Rokeby (Swadlincote) Limited	50%	Property development
Cobalt Estates (Kenilworth) Limited	50%	Property development
Broadlands Wolverhampton Limited	50%	Property development
Cobalt Estates (Darlington) Limited	50%	Property development

5. Stocks and work in progress

	2009 £'000	2008 £'000
Raw materials and consumables	1,861	307
Work in progress	58,174	65,412
Finished goods	7,620	4,030
	<u>67,655</u>	<u>69,749</u>
	=====	=====

6. Debtors

	2009 £'000	2008 £'000
Trade debtors	117,303	158,601
Amounts recoverable on contracts	13,481	21,379
Accrued rents receivable	1,939	1,995
Other debtors	10,358	5,958
Prepayments and accrued income	2,118	1,367
Deferred taxation (note 7)	1,589	3,800
VAT recoverable	-	173
	<u>146,788</u>	<u>193,273</u>
	=====	=====

The debtors above include the following amounts falling due after more than one year:

	2009	2008
Trade debtors	5,523	12,793
Accrued rents receivable	2,546	1,874
	<u>8,069</u>	<u>14,667</u>
	=====	=====

7. Deferred taxation

The movement in the deferred taxation account during the year was:

	£'000
Balance brought forward	3,800
Profit and loss account movement arising during the year	(2,211)
	<u>1,589</u>
	=====
Balance carried forward	1,589
	=====

The deferred taxation balance consists of the tax effect of timing differences in respect of:

	2009 £'000	2008 £'000
Accelerated capital allowances	703	446
Other timing differences	886	981
Pension fund payment	-	2,373
	<u>1,589</u>	<u>3,800</u>
	=====	=====

8. Creditors: amounts falling due within one year

	2009 £'000	2008 £'000
Bank overdraft (secured)	3,182	-
Payments received on account	126,013	129,462
Trade creditors	172,338	204,001
Other creditors	13,514	3,741
Corporation tax	2,763	4,939
Other taxation and social security	5,925	5,910
Accruals and deferred income	33,128	22,564
	<u>356,863</u>	<u>370,617</u>
	=====	=====

Included in the bank overdraft is £1,450,468 which is secured by a charge over the freehold property and all other assets of a subsidiary company.

Notes to the Financial Statements Year Ended 31 August 2009

9. Creditors: Amounts falling due after one year

	2009 £'000	2008 £'000
Bank loan	41,265	-
Other creditors	250	-
	-----	-----
	41,515	-
	=====	=====

The bank loan is due for repayment as follows:

	2009 £'000	2008 £'000
Amounts repayable:		
Two to five years	765	-
More than five years	40,500	-
	-----	-----
	41,265	-
	=====	=====

The loan is payable in instalments payable from March 2013 until November 2033, and bears interest at 5.93% per annum. The loan is secured on the future income of the property to which it relates.

10. Profit and loss account

	2009 £'000	2008 £'000
Balance brought forward	178,574	144,939
Profit for the financial year	16,960	30,340
Equity dividend paid	(194)	(194)
Currency translation difference on foreign currency investments	335	421
Net actuarial (loss)/gain on pension scheme	(8,655)	3,068
	-----	-----
Balance carried forward	187,020	178,574
	=====	=====

11. Revaluation reserve

	2009 £'000	2008 £'000
Revaluation of freehold investment property	(3,095)	11,483
Unrealised loss on revaluation of investment properties	-	(14,578)
Unrealised loss on revaluation of investment properties held in joint ventures	(368)	-
	-----	-----
Balance carried forward	(3,463)	(3,095)
	=====	=====

12. Notes to the group cash flow statement

Reconciliation of operating profit to net cash inflow from operating activities

	2009 £'000	2008 £'000
Operating profit	22,871	32,849
Depreciation, amortisation and profit on disposal of fixed assets	6,815	5,606
Increase in stocks and work in progress	4,481	6,089
Decrease/(increase) in debtors	45,508	(16,732)
(Decrease)/increase in creditors	(23,875)	35,483
Adjustment for pension funding	(2,672)	(2,232)
	-----	-----
Net cash inflow from operating activities	53,128	61,063
	=====	=====

Notes to the Financial Statements Year Ended 31 August 2009

13. Pensions

The group operates a defined benefits scheme and a number of defined contribution schemes.

Contributions paid in the year ended 31 August 2009 to the defined benefits scheme amounted to £2,346,000 (2008: £2,504,000).

Contributions payable for the year to defined contribution schemes amounted to £1,197,000 (2008: £1,461,000).

Financial Reporting Standard 17

In accordance with Financial Reporting Standard 17 (FRS 17), the actuaries have undertaken a valuation of the assets and liabilities of the scheme at 31 August 2009.

The valuation has been based on the most recent actuarial valuation at 6 April 2006 and updated by the Scheme Actuary to take account of the requirements of FRS 17 in order to assess the liabilities of the scheme at 31 August 2009. Scheme assets are stated at their market value at 31 August 2009.

The assets in the scheme and the expected rate of return were:

	Long term expected rate of return at 31 August 2009	Value at 31 August 2009	Long term expected rate of return at 31 August 2008	Value at 31 August 2008
		£'000		£'000
Bonds	4.1%	77,402	6.2%	75,074
Equity	7.1%	19,869	7.5%	18,508
Property	5.1%	4,737	5.6%	6,859
Cash	2.0%	1,659	5.0%	2,775
Secured pensions	5.2%	437	6.2%	59
		-----		-----
		104,104		103,275
Present value of scheme liabilities		(97,286)		(87,108)
		-----		-----
Surplus		6,818		16,167
Related deferred tax		(1,909)		(4,527)
		-----		-----
Net pension asset		4,909		11,640
		=====		=====