

+BOWMER KIRKLAND

Year End Review & Financial Information

**For the year ended
31 August 2022**



2022 in Review

£1.1bn
Turnover

£47m
Operating
profit

£501.1m
Cash

£493m
Average
daily cash

£63.1m
Profit
before tax

£574m
Net assets

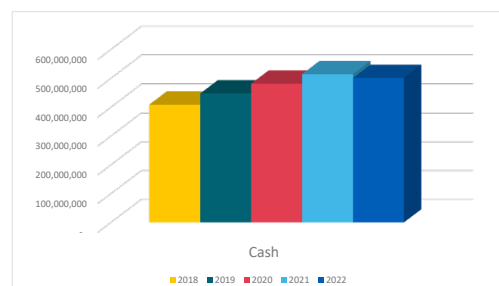
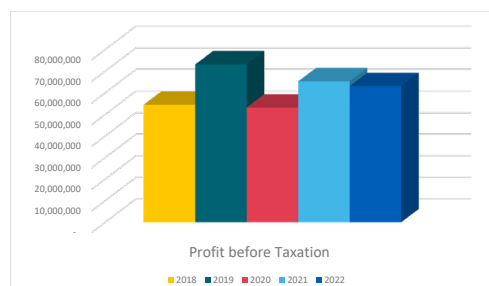
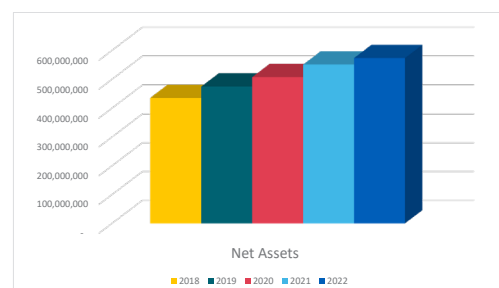
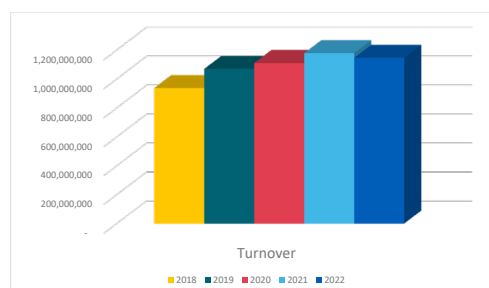
No debt

£8.8m
Cash from
operating
activities

1,625
Employees

**£47.7m total tax
contribution**

Five year history



Abridged Group Financial Statements
Year Ended 31 August 2022

Contents	Pages
Chairman’s statement	1
Section 172 Statement	2
Consolidated statement of comprehensive income	3
Consolidated statement of financial position	4 - 5
Consolidated statement of changes in equity	6
Consolidated statement of cash flows	7
Notes of the financial statements	8 – 17

Vaux, Sunderland



Chairmans Statement

Year Ended 31 August 2022

I am pleased to report that in the year ending August 2022, the Bowmer and Kirkland group achieved a solid financial performance.

Our turnover for the year was £1.15b (2021: £1.18b) and our pre-tax profit for the year was £63.135m (2021: £65.325m).

Net assets grew to £574m (2021: £551m) and our cash balance remained healthy with our end of year net cash position at £501m (2021: £514m).

Our construction companies again performed well in all sectors and in all regions. I am grateful to our clients, both long-standing and new, for placing their trust in us. Our supply-chain partners are vital in delivering our projects and we are committed to building long-term relationships and treating them fairly.

At the end of the year, Paul Lomas retired after 43 years with the company, including 22 as Group Construction Director before he was succeeded in that role by Neil Brook. Paul's contribution to our business has been immense. His character, his sense of fairness, his positive spirit and desire to partner with clients and sub-contractors alike has shaped our company and made it much the better for it. The whole Board joins me in wishing him a long and happy retirement.

In other parts of the group, our construction services companies had a decent year as did our homeland security businesses both in the UK and the US. In a challenging market, property developments through our Peveril Securities arm and our work with joint venture partners again made a key contribution to our returns, with some long-term projects coming to fruition in the year. Our strong cash position enables us to act quickly, and we continue to seek out equity funding opportunities.

All our staff have gone above and beyond this year. Our success is a product of their hard work, professionalism, and dedication to client satisfaction in everything we undertake. I would like to take this opportunity to pay tribute to them and to give them my heartfelt thanks and appreciation.

In September 2022, we welcomed two new group board members: Mark Townsend, Managing Director of Derry Building Services and Munro Building Services, and Chris Arno, Framework Director. They are both long-serving employees (having joined in 1991 and 1999 respectively) who have made, and will continue to make, a hugely positive impact on our business.

2023 marks our first 100 years in business. Proud of our past but always looking to the future, I am confident that our strong balance sheet and outstanding staff will enable us to withstand the challenges and take advantage of the opportunities that we are presented with in the coming months and years.

J A C Kirkland

Chairman

30th May 2023

B+K

Section 172 statement

The directors consider, both individually and collectively, that in the decisions taken during the financial year they have satisfied the requirements of section 172 of the Companies Act 2006 ("s172") in performing their duties, to promote the success of the group and company for the benefit of its members, as a whole, and in doing so having regard to the stakeholders and matters outlined in that section which will have an impact on the long-term success of the group.

The directors recognise that they have an important role in assessing and monitoring that the desired culture is embedded in the values, attitudes and behaviours that the group demonstrates, including our activities and stakeholder relationships.

When making decisions, each director ensures that they consider, in good faith, what would most likely promote the group's success for the benefit of its members as a whole, and in doing so have regard (amongst other matters) to:

- *the likely consequences of any decision in the long term*, by setting the regular process of budgeting and forecasting over the short term in the context of the longer-term strategic plan. To this end the board of directors was augmented by the appointment of key new members with significant experience in the UK construction sector.
- *the interests of the group's employees*, as the directors recognise that employees are fundamental and core to our business and the delivery of our strategic ambitions. The success of our business is dependent upon attracting, retaining and motivating employees and ensuring that we remain a responsible employer, from pay and benefits to our health, safety and workplace environment. The directors factor the implications of decisions on employees and the wider workforce, where relevant and feasible.
- *the need to foster the group's business relationships with suppliers, customers and others*, to develop strong, mutually beneficial relationships to deliver our strategy.
- *the impacts of the group's operations on the community and the environment*, the directors seek to recognise the effects of their long-term decisions, and the ongoing operational activities in the context of the communities in which it operates, as well as the environment in general.
- *the desirability of the group maintaining a reputation for high standards of business conduct*, and in recognising that the group needs to provide its solutions and services in ways which are economically, environmentally and socially responsible and seeks to make its long-term decisions and undertake its daily operations in that context.
- *the need to act fairly between members of the group*, and after consideration of all the relevant factors as outlined above, the directors consider which course of action best enables the delivery of their strategy through the long-term, taking into consideration the impact on stakeholders.

Consolidated Statement of Comprehensive Income

For the year ended 31 August 2022

	2022 £'000	2021 £'000
Turnover	1,146,456	1,178,117
Cost of sales	(1,014,785)	(1,052,040)
Gross profit	131,671	126,077
Administrative expenses	(84,906)	(66,011)
Other operating income	205	278
Operating profit	46,970	60,344
Share of results of associate and joint ventures	96	329
Fair value gains and losses on investment properties and traded investments	12,975	2,641
Income from fixed asset investments	-	1
Interest receivable and similar income	3,535	2,215
Interest payable and similar charges	(441)	(205)
Profit on ordinary activities before taxation	63,135	65,325
Taxation	(11,233)	(11,896)
Profit for the financial year	51,902	53,429
Other comprehensive income (net of tax):		
Currency translation differences	(4,785)	1,109
Remeasurement of defined benefit plans	(14,330)	(3,079)
Total other comprehensive income	(19,115)	(1,970)
Total comprehensive income for the year	32,787	51,459
Profit for the year attributable to:		
Owners of the parent	51,902	53,429
Non-controlling interests	-	-
Profit for the year	51,902	53,429
Total comprehensive income for the year attributable to:		
Owners of the parent	32,787	51,459
Non-controlling interests	-	-
Total comprehensive income for the year	32,787	51,459

Consolidated Statement of Financial Position

For the year ended 31 August 2022

	Note	2022 £'000	2022 £'000	2021 £'000	2021 £'000
Fixed assets					
Positive goodwill		653		2,092	
Other intangible assets		38		52	
Total intangible assets	2		691		2,144
Tangible assets	3		17,110		15,652
Investment properties	4		41,418		40,648
Investments	5		-		-
Investment in associate	5		13,420		3,616
Investments in joint ventures	5		18,002		15,663
			90,641		77,723
Current assets					
Stocks	6	240,005		192,997	
Debtors	7	264,189		252,445	
Cash at bank and in hand		501,162		514,385	
			1,005,356		959,827
Creditors: amounts falling due within one year	8	(549,810)		(527,869)	
Net current assets			455,546		431,958
Total assets less current liabilities			546,187		509,681
Provision for liabilities					
Deferred taxation	9		(3,780)		(9,171)
Net assets excluding pension asset			542,407		500,510
Pension asset	12		31,237		50,495
Net assets including pension asset			573,644		551,005
			=====		=====

Consolidated Statement of Financial Position (cont)

For the year ended 31 August 2022

Capital and reserves

Called-up share capital	199	199
Capital redemption reserve	36	36
Profit and loss account	573,408	550,769
	<hr/>	<hr/>
Equity attributable to owners of the parent	573,643	551,004
Non-controlling interest	1	1
	<hr/>	<hr/>
	573,644	551,005
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These financial statements were approved by the board of directors and authorised for issue on 30th May 2023 and are signed on their behalf by:

J A C Kirkland

M A Mucklestone

Consolidated Statement of Changes in Equity

Year Ended 31 August 2022

	Share capital £'000	Capital redemption reserve £'000	Profit and loss account £'000	Controlling interests £'000	Non- controlling interests £'000	Total £'000
Balance at 1 September 2020	199	36	507,321	507,556	20	507,576
Profit for the year	-	-	53,429	53,429	-	53,429
Other comprehensive income, net of taxation:						
Remeasurement of defined benefit plans	-	-	(3,079)	(3,079)	-	(3,079)
Currency translation differences	-	-	1,109	1,109	-	1,109
Total comprehensive income for the year	-	-	51,459	51,459	-	51,459
Transactions with owners:						
Dividends	-	-	(8,011)	(8,011)	(19)	(8,030)
Balance at 31 August 2021	199	36	550,769	551,004	1	551,005
Profit for the year	-	-	51,902	51,902	-	51,902
Other comprehensive income, net of taxation:						
Remeasurement of defined benefit plans	-	-	(14,330)	(14,330)	-	(14,330)
Currency translation differences	-	-	(4,785)	(4,785)	-	(4,785)
Total comprehensive income for the year	-	-	32,787	32,787	-	32,787
Transactions with owners:						
Dividends	-	-	(10,148)	(10,148)	-	(10,148)
Balance at 31 August 2022	199	36	573,408	573,643	1	573,644
	=====	=====	=====	=====	=====	=====

Consolidated Statement of Cash Flows

Year Ended 31 August 2022

	Notes	2022 £'000	2021 £'000
Operating activities			
Cash generated from operations	10	8,780	48,343
Income taxes paid		(10,790)	(12,205)
Net cash (outflow)/inflow from operating activities		(2,010)	36,138
		=====	=====
Investing activities			
Purchase of intangible fixed assets		(28)	(26)
Purchase of tangible fixed assets		(2,966)	(2,506)
Purchase of investment properties		(89)	(121)
Consideration on purchase of subsidiaries		(1,143)	(112)
Investment in joint ventures		(755)	-
Proceeds on disposal of investments		-	104
Proceeds on disposal of tangible fixed assets		419	8,070
Interest received		2,690	1,256
Dividends received from joint ventures and associates		27	-
Dividends received from investments		-2	1
Net cash (used in)/from investing activities		(1,845)	6,666
		=====	=====
Financing activities			
Increase in loans to joint ventures		(1,049)	(4,036)
Interest paid		(308)	(37)
Dividends paid to minority interests		-	(19)
Dividends paid		(8,011)	(5,869)
Net cash used in financing activities		(9,368)	(9,961)
		=====	=====
Net (decrease)/increase in cash and cash equivalents		(13,223)	32,843
		=====	=====
Cash and cash equivalents at beginning of year		514,385	481,542
		=====	=====
Cash and cash equivalents at end of year		501,162	514,385
		=====	=====

Notes to the Financial Statements

Year Ended 31 August 2022

1. Accounting policies

The condensed consolidated financial information for the year ended 31 August 2022 have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", including the adoption of the amendments issued in December 2017, ("FRS 102") and the requirements of the Companies Act 2006, including the provisions of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008.

The financial information does not include all of the information required for full annual financial statements and should be read in conjunction with the financial statements of the Group for the year ended 31 August 2022 which are prepared in accordance with FRS102 and provides full details of significant judgements and estimates used in the application of the Group's accounting policies.

The financial information included in this document does not constitute the Group's statutory financial statements for the year ended 31 August 2022 within the meaning of section 434 of the Companies Act 2006 but is derived from those audited financial statements. 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 section 498(2) (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) of the Companies Act 2006.

Going concern

At the time of approving the financial statements, the directors have a reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future. The directors have prepared forecasts to reflect the strong pipeline of secured work, with the net cash balance on the group's pooled facility with its bankers at the time of signing these financial statements remaining at a similar level to those at the year end. The directors are confident that the group has sufficient working capital to meet its liabilities as they fall due for a period of at least 12 months from the date of approval of the financial statements. Therefore, the directors continue to adopt the going concern basis of accounting in preparing the financial statements.



2. Intangible fixed assets

	Negative goodwill £'000	Positive goodwill £'000	Customer contracts £'000	Software costs £'000	Total £'000
Cost					
At 1 September 2021	(73)	32,855	1,598	239	34,619
Additions	-	771	-	28	799
Disposals	73	-	-	-	73
At 31 August 2022	-	33,626	1,598	267	35,491
Amortisation and impairment					
At 1 September 2021	(73)	30,763	1,598	187	32,475
Amortisation charge for the year	-	2,210	-	42	2,252
Disposals	73	-	-	-	73
At 31 August 2022	-	32,973	1,598	229	34,800
Carrying amount					
At 31 August 2022	-	653	-	38	691
At 31 August 2021	-	2,092	-	52	2,144

The amortisation of goodwill and other intangibles are included within administrative expenses.

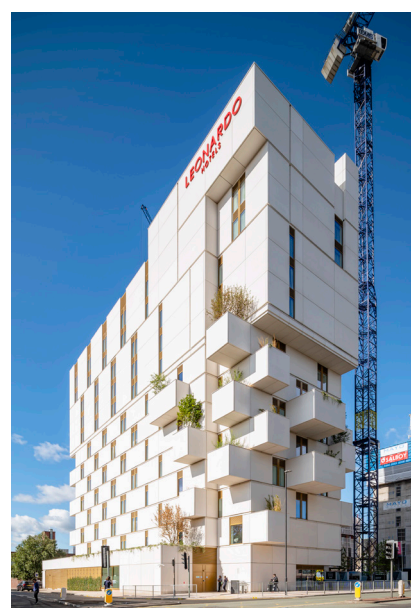
The cumulative amount of goodwill written off directly against reserves in respect of the acquisition of undertakings remaining in the group at 31 August 2022 amounted to £910,000 (2021: £910,000) and will be charged to profit or loss upon disposal of the business to which it relates.



3. Tangible fixed assets

	Freehold property £'000	Short leasehold property £'000	Plant and equipment £'000	Total £'000
Cost				
At 1 September 2021	20,842	275	28,214	49,331
Additions	-	23	2,943	2,966
Business combinations	-	-	700	700
Disposals	-	-	(1,006)	(1,006)
At 31 August 2022	20,842	298	30,851	51,991
Depreciation and impairment				
At 1 September 2021	8,208	8	25,463	33,679
Depreciation charge for year	375	4	1,755	2,134
Impairment charge	1	-	-	1
On disposal	-	-	(933)	(933)
At 31 August 2022	8,584	12	26,285	34,881
Carrying amount				
At 31 August 2022	12,258	286	4,566	17,110
At 31 August 2021	12,634	267	2,751	15,652

Freehold property includes land amounting to £2,172,000 (2021: £2,172,000) which is not being depreciated.



4. Investment properties

	Investment properties £'000
Fair value	
At 1 September 2021	40,648
Additions	89
Fair value gains	681
At 31 August 2022	41,418
	=====

5. Investments

	Unlisted investments £'000	Total £'000
Cost or valuation		
At 1 September 2021 and 31 August 2022	455	455
	=====	=====
Provision for diminution in value		
At 1 September 2021 and 31 August 2022	455	455
	=====	=====
Carrying amount		
At 31 August 2022	-	-
	=====	=====
At 31 August 2021	-	-
	=====	=====

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.



5. Investments (continued)

Group undertakings (continued)

The investment in group companies represents 100% of the ordinary share capital of the following companies:

Subsidiary	Nature of business	Registered office
B&K Building Services Limited	Building contractors	(1)
Peveril Securities Limited	Property development and investment	(1)
Peveril Securities (KSR) Edinburgh Limited	Property development	(1)
B&K Structures Limited	Hybrid structural frames	(1)
Peveril Decorators Limited	Painting and decorating contractors	(1)
Peveril Homes Limited	House builders	(1)
Derry Building Services Limited	Mechanical engineering and electrical contractors	(2)
Key Property Solutions Limited	Building maintenance contractors	(1)
Keyclad Limited	Cladding contractors	(1)
Cell Security Limited (*)	Manufacture and provision of products for custodial suites and prisons	(1)
Soncell NA Inc	Holding company	(3)
Sonic Communications (International) Limited(*)	Manufacture of specialised communication equipment	(1)
Munro Building Services Limited (*)	Commercial heating and electrical engineering	(1)

(*) Indirectly held

Registered offices

- (1) High Edge Court, Church Street, Heage, Belper, Derbyshire, DE56 2BW
- (2) The Old Hospital, London Road, Newark, Nottinghamshire, NG24 1JP
- (3) Suite C, 10729 Wheatlands Avenue, Santee, California, 92071, USA

All of the above companies are 100% owned and all have been included in the consolidated financial statements.

The carrying value of the group's investments in associates and joint ventures was as follows:

	Associates		Joint ventures	
	2022	2021	2022	2021
	£'000	£'000	£'000	£'000
At 1 September	3,616	3,922	1,017	665
Share of profit / (loss)	9,804	(306)	11	352
Dividends received	-	-	(27)	-
Acquisitions	-	-	561	-
Capital introduced	-	-	745	-
At 31 August	13,420	3,616	2,307	1,017
Loans to joint ventures	-	-	15,695	14,646
At 31 August	13,420	3,616	18,002	15,663
	=====	=====	=====	=====

6. Stocks

	2022 £'000	2021 £'000
Raw materials and consumables	6,206	3,530
Work in progress	233,476	189,148
Finished goods	323	319
	<u>240,005</u>	<u>192,997</u>
	=====	=====

During the year, an impairment loss on stocks of £1,684,000 (2021: £1,933,000) was recognised within cost of sales. Earlier stock write-downs of £255,000 (2021: £1,121,000) have been reversed during the current period.

7. Debtors

	2022 £'000	2021 £'000
Amounts falling due within one year:		
Trade debtors	149,576	137,800
Gross amounts owed by contract customers	38,910	30,708
Other debtors	13,767	11,707
Prepayments and accrued income	54,761	56,285
	<u>257,014</u>	<u>236,500</u>
	=====	=====
Amounts falling due after more than one year:		
Trade debtors	5,011	12,606
Other debtors	2,164	3,339
	<u>264,189</u>	<u>252,445</u>
	=====	=====

During the year, an impairment loss of £180,000 (2021: £240,000) was recognised in respect of trade debtors due from customers who are known to be in financial difficulty and from whom payment was overdue by more than three months. Earlier impairment losses of £5,000 (2021: £59,000) have been reversed during the current period.



8. Creditors: amounts falling due within one year

	2022 £'000	2021 £'000
Gross amounts owed to contract customers	196,873	221,077
Trade creditors	211,401	172,232
Other creditors	7,922	9,718
Corporation tax	3,377	4,762
Other taxation and social security	25,815	40,431
Accruals and deferred income	94,274	71,638
Proposed dividend	10,148	8,011
	<u>549,810</u>	<u>527,869</u>
	=====	=====

9. Deferred taxation

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

	2022 £'000
Liability brought forward	9,171
Credited to profit or loss	(614)
Credited to other comprehensive income	(4,777)
	<u>3,780</u>
	=====

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

	2022 £'000	2021 £'000
Depreciation in excess of capital allowances	313	(674)
Other timing differences	(4,815)	(3,284)
Revaluations	497	505
Business combinations	(24)	-
Retirement benefit obligation	7,809	12,624
	<u>3,780</u>	<u>9,171</u>
	=====	=====

Some of the deferred tax liability is expected to reverse within 12 months, especially in relation to decelerated capital allowances and the other timing differences that are expected to mature within the same period, but due to uncertainties in some of the timing differences and also with regard to the retirement benefit obligation the amount of the reversal has not been quantified.

10. Reconciliation of profit after tax to net cash generated from operations

	2022 £'000	2021 £'000
Profit after tax	51,902	53,429
Adjustments for:		
Amortisation and impairment of intangible fixed assets	2,252	2,381
Depreciation and impairment of tangible fixed assets	2,135	3,063
Profit on sale of tangible fixed assets	(346)	(1,573)
Fair value gains on investments	(12,975)	(2,641)
Defined benefit pension schemes	996	1,040
Results from interests in associated undertakings and joint ventures	(96)	(329)
Income from fixed asset investments	-	(1)
Interest receivable	(3,535)	(2,215)
Interest payable	441	205
Taxation	11,233	11,896
Operating cash flows before movements in working capital	52,007	65,255
Increase in stocks and work in progress	(47,008)	(80,875)
Increase in debtors	(12,504)	(2,682)
Increase in creditors	16,285	66,645
Cash generated from operations	8,780	48,343
	=====	=====



11. Analysis of changes in net debt

	1 September 2021 £'000	Cash flows £	31 August 2022 £'000
Cash at bank and in hand	514,385	(13,223)	501,162

12. Retirement benefits

Defined contribution scheme

The group operates a defined contribution pension scheme for all qualifying employees in the United Kingdom. The assets of the scheme are held separately from those of the group in an independently administered fund. The contributions payable by the group charged to profit or loss amounts to £3,308,000 (2021: £2,814,000).

Defined benefit scheme

The group operates a defined benefit plan for qualifying employees of the group. Under the scheme, the employees are entitled to retirement benefits based on final salary on attainment of their retirement age.

The most recent comprehensive actuarial valuation of the plan assets and the present value of the defined benefit obligation was carried out at 6 April 2021.

2022
£'000

Changes in the present value of the defined benefit obligation:

Defined benefit obligation at 1 September	207,515
Current service cost	2,448
Interest cost	3,377
Contributions by scheme participants	24
Actuarial losses	(75,328)
Benefits paid	(7,321)
Defined benefit obligation at 31 August	130,715

Changes in the fair value of plan assets:

Plan assets at 1 September	258,010
Interest income	4,222
Return on plan assets (excluding net interest on the net defined benefit liability)	(94,435)
Contributions by employer	1,452
Contributions by scheme participants	24
Benefits paid	(7,321)
Plan assets at 31 August	161,952

12. Retirement benefits (continued)

Defined benefit scheme (continued)

The analysis of the scheme assets at the reporting date were as follows:

	Fair value of assets	
	2022	2021
	£'000	£'000
Bonds	152,796	241,887
Cash	2,091	2,598
Secured pensions	298	388
Market advantage growth fund	3,996	7,763
UK equities	-	152
Overseas equities	2,771	5,222
	<u>161,952</u>	<u>258,010</u>
	=====	=====



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