

Registration number: 07038631

Blackrow Corporation Limited

Annual Report and Consolidated Financial Statements

for the Year Ended 31 July 2020

Forrester Boyd
26 South Saint Mary's Gate
Grimsby
North East Lincolnshire
DN31 1LW



Blackrow Corporation Limited

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Blackrow Corporation Limited

Company Information

Directors	D Broughton J Leahy G Ritchie N Ellis C Marfleet
Registered office	Estate Road 7 South Humberside Industrial Estate Grimsby NE Lincolnshire DN31 2TP
Solicitors	Andrew Jackson Solicitors Marina Court Castle Street Hull East Yorkshire HU1 1TJ
Bankers	Barclays Bank Plc 2 Humber Quays Wellington Street West Hull HU1 2BN
Auditors	Forrester Boyd 26 South Saint Mary's Gate Grimsby North East Lincolnshire DN31 1LW

Blackrow Corporation Limited

Strategic Report for the Year Ended 31 July 2020

The directors present their strategic report for the year ended 31 July 2020.

Principal activity

The principal activity of the company is that of a holding company.

Fair review of the business

The Group has experienced a challenging trading year with pre-tax profitability decreasing from £2m in 2019 to £583k. Annual sales were also down £6m to £20m with sales being affected by the uncertainties arising from the Coronavirus Pandemic (Covid).

The gross profit margin improved from 20% in 2019 to 21% mainly due to less utilisation of sub contractors.

Overheads increased by £482k to £3.5m with significant increases in insurance costs and administrative salaries.

A considerable reduction in interest costs down to £89k from £215k has been achieved following the successful exit from invoice discount financing to a bank overdraft.

Sales were deferred/postponed as the initial impact of Covid took hold in March, this led to many employees being furloughed.

Furlough grants were received from the Government to partly offset these costs as shown in exceptional items, however these costs only partially covered the Group's costs in retaining employees during the pandemic. A number of employees unfortunately had to be made redundant due to the effects of Covid on the business.

Significant additional other costs were also incurred as the Group responded to Covid issues. These included additional vehicle hire costs, computers and communication costs, protective clothing, masks and screens. All of these costs amounting to £318,862 are shown in exceptional items. If the exceptional items were excluded from the accounts the pre-tax net profit would have increased to £759,142. Whilst this would have been an improved result it still does not take into account the additional profits that would have been generated from sales lost due to Covid.

The Balance Sheet shows a further strengthening of almost £1m, with borrowings reducing by a further £1.1m.

In these unprecedented circumstances the Directors are pleased with the results achieved and are grateful for the hard work and commitment of their loyal employees.

Principal risks and uncertainties

Like many businesses of our size, the business environment in which we operate continues to be challenging and competitive pricing across the industry continues to put pressure on margins.

A downturn in the economy may adversely affect our future revenue and our ability to attract new business.

Operationally, losses may be incurred as a result of inaccurate cost estimates, project delays, additional research and development required or other unforeseen circumstances. Ensuring that contracts are completed on time and in line with budgeted costs remains a key focus, and internal controls and reporting procedures have been further strengthened in this area. Our results may also be negatively affected if we are unable to fully utilise our full time employees or if our suppliers are unable to deliver equipment to meet agreed contract deadlines.

Health and safety has continued to be a major focus over the past year and additional staff and improved processes have been introduced to further improve our standards, particularly given the ongoing impact of the Covid pandemic. As a result numerous new processes covering segregation, screening, distancing and cleansing have been introduced and enforced. Our focus continues to be on ensuring the safety of our employees and contractors, this is of paramount importance.

The Group mainly deals with Blue Chip customers but there remains the exposure to bad debts as some customers may struggle particularly during these uncertain times.

Covid continues to affect trading and it's full impact remains uncertain. The continued uncertainty surrounding Brexit and its impact also remains an unknown but currently no adverse impact has been seen.

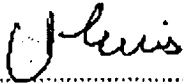
Blackrow Corporation Limited

Strategic Report for the Year Ended 31 July 2020

Future developments

The Directors are hopeful that the current year will remain profitable as our major customers are mainly in the Food Industry where the impact of Covid has not been as significant as other sectors.

Approved by the Board on 22 December 2020 and signed on its behalf by:



N Ellis
Director

Blackrow Corporation Limited

Directors' Report for the Year Ended 31 July 2020

The directors present their report and the for the year ended 31 July 2020.

Directors of the group

The directors who held office during the year were as follows:

D Broughton

J Leahy

G Ritchie

N Ellis

C Marfleet

Other matters

Some items required under schedule 7 of the Large and Medium-sized Companies and Groups (Accounts Reports Regulations) 2008 to be disclosed in the directors' report have been set out in the strategic report in accordance with section 414c(11) of the Companies Act 2006.

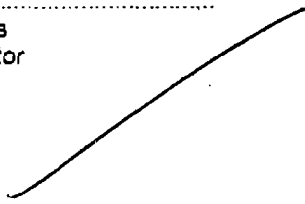
Disclosure of Information to the auditor

Each director has taken steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information. The directors confirm that there is no relevant information that they know of and of which they know the auditor is unaware.

Approved by the Board on 22 December 2020 and signed on its behalf by:



N Ellis
Director



Blackrow Corporation Limited

Statement of Directors' Responsibilities

The directors acknowledge their responsibilities for preparing the Strategic Report, Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Blackrow Corporation Limited

Independent Auditor's Report to the Members of Blackrow Corporation Limited

Opinion

We have audited the financial statements of Blackrow Corporation Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 July 2020, which comprise the Consolidated Profit and Loss Account, Consolidated Balance Sheet, Balance Sheet, Consolidated Statement of Changes in Equity, Consolidated Statement of Cash Flows, and Notes to the Financial Statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the parent company's affairs as at 31 July 2020 and of the group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The directors are responsible for the other information. The other information comprises the information included in the strategic report and directors' report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and Directors' Report have been prepared in accordance with applicable legal requirements.

Blackrow Corporation Limited

Independent Auditor's Report to the Members of Blackrow Corporation Limited

Matters on which we are required to report by exception

In the light of our knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report and the Directors' Report.

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the Statement of Directors' Responsibilities [set out on page 5], the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

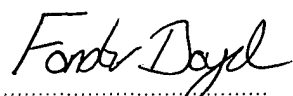
Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.



Neal Watford ACA (Senior Statutory Auditor)
For and on behalf of Forrester Boyd, Statutory Auditor

26 South Saint Mary's Gate
Grimsby
North East Lincolnshire
DN31 1LW

22 December 2020

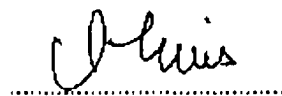
Blackrow Corporation Limited**Consolidated Profit and Loss Account for the Year Ended 31 July 2020**

	Note	2020 £	2019 £
Turnover	3	20,325,225	26,333,236
Cost of sales		<u>(16,009,914)</u>	<u>(20,982,771)</u>
Gross profit		4,315,311	5,350,465
Administrative expenses		<u>(3,475,863)</u>	<u>(2,993,748)</u>
Operating profit	5	<u>839,448</u>	<u>2,356,717</u>
Other interest receivable and similar income		8,613	-
Interest payable and similar expenses	6	(88,919)	(215,205)
Exceptional items	4	<u>(175,851)</u>	<u>(95,082)</u>
		<u>(256,157)</u>	<u>(310,287)</u>
Profit before tax		583,291	2,046,430
Taxation	10	<u>666,152</u>	<u>431,115</u>
Profit for the financial year		<u><u>1,249,443</u></u>	<u><u>2,477,545</u></u>

Blackrow Corporation Limited**(Registration number: 07038631)****Consolidated Balance Sheet as at 31 July 2020**

	Note	2020 £	2019 £
Fixed assets			
Intangible assets	11	1,637,991	1,811,937
Tangible assets	12	<u>3,977,034</u>	<u>3,987,686</u>
		<u>5,615,025</u>	<u>5,799,623</u>
Current assets			
Stocks	14	475,269	314,195
Debtors	15	6,644,500	7,551,218
Cash at bank and in hand		<u>4,792</u>	<u>126,552</u>
		<u>7,124,561</u>	<u>7,991,965</u>
Creditors: Amounts falling due within one year	17	<u>(4,477,783)</u>	<u>(5,818,175)</u>
Net current assets		<u>2,646,778</u>	<u>2,173,790</u>
Total assets less current liabilities		<u>8,261,803</u>	<u>7,973,413</u>
Creditors: Amounts falling due after more than one year	17	<u>(1,775,764)</u>	<u>(2,455,135)</u>
Provisions for liabilities	18	<u>(390,413)</u>	<u>(377,124)</u>
Net assets		<u>6,095,626</u>	<u>5,141,154</u>
Capital and reserves			
Called up share capital	20	2,000	2,000
Share premium reserve	21	399,000	399,000
Revaluation reserve	21	676,979	686,412
Profit and loss account	21	<u>5,017,647</u>	<u>4,053,742</u>
Total equity		<u>6,095,626</u>	<u>5,141,154</u>

Approved and authorised by the Board on 22 December 2020 and signed on its behalf by:

N Ellis
Director

Blackrow Corporation Limited**(Registration number: 07038631)****Balance Sheet as at 31 July 2020**

	Note	2020 £	2019 £
Fixed assets			
Investments	13	3,835,576	3,835,576
Current assets			
Cash at bank and in hand		341	371
Creditors: Amounts falling due within one year	17	<u>(3,246,917)</u>	<u>(2,836,947)</u>
Net current liabilities		<u>(3,246,576)</u>	<u>(2,836,576)</u>
Total assets less current liabilities		589,000	999,000
Creditors: Amounts falling due after more than one year	17	<u>(188,000)</u>	<u>(598,000)</u>
Net assets		<u>401,000</u>	<u>401,000</u>
Capital and reserves			
Called up share capital	20	2,000	2,000
Share premium reserve		<u>399,000</u>	<u>399,000</u>
Total equity		<u>401,000</u>	<u>401,000</u>

The company made a profit after tax for the financial year of £297,184 (2019 - profit of £158,335).

Approved and authorised by the Board on 22 December 2020 and signed on its behalf by:



N Ellis
Director

Blackrow Corporation Limited

Consolidated Statement of Changes in Equity for the Year Ended 31 July 2020 Equity attributable to the parent company

	Share capital £	Share premium £	Revaluation reserve £	Profit and loss account £	Total equity £
At 1 August 2019	2,000	399,000	686,412	4,053,742	5,141,154
Profit for the year	-	-	-	1,249,443	1,249,443
Dividends	-	-	-	(297,184)	(297,184)
Deferred tax movement	-	-	2,213	-	2,213
Transfers	-	-	(11,646)	11,646	-
At 31 July 2020	<u>2,000</u>	<u>399,000</u>	<u>676,979</u>	<u>5,017,647</u>	<u>6,095,626</u>

	Share capital £	Share premium £	Revaluation reserve £	Profit and loss account £	Total equity £
At 1 August 2018	2,000	399,000	695,845	1,722,886	2,819,731
Profit for the year	-	-	-	2,477,545	2,477,545
Total comprehensive income	-	-	-	2,477,545	2,477,545
Dividends	-	-	-	(158,335)	(158,335)
Other share capital movements	-	-	2,213	-	2,213
Transfers	-	-	(11,646)	11,646	-
At 31 July 2019	<u>2,000</u>	<u>399,000</u>	<u>686,412</u>	<u>4,053,742</u>	<u>5,141,154</u>

Blackrow Corporation Limited

Consolidated Statement of Cash Flows for the Year Ended 31 July 2020

	Note	2020 £	2019 £
Cash flows from operating activities			
Profit for the year		1,249,443	2,477,545
Adjustments to cash flows from non-cash items			
Depreciation and amortisation	5	594,734	531,609
Finance income		(8,613)	-
Finance costs	6	88,919	215,205
Income tax expense	10	(666,152)	(431,115)
		<u>1,258,331</u>	<u>2,793,244</u>
Working capital adjustments			
Increase in stocks	14	(161,074)	(35,146)
Decrease/(increase) in trade debtors	15	1,069,042	(62,471)
Decrease in trade creditors	17	(970,716)	(537,733)
Increase in deferred income, including government grants		<u>47,947</u>	<u>-</u>
Cash generated from operations		<u>1,243,530</u>	<u>2,157,894</u>
Income taxes received		<u>519,330</u>	<u>308,324</u>
Net cash flow from operating activities		<u>1,762,860</u>	<u>2,466,218</u>
Cash flows from investing activities			
Interest received		8,613	-
Acquisitions of tangible assets		(321,847)	(500,598)
Proceeds from sale of tangible assets		<u>1,641</u>	<u>12,318</u>
Net cash flows from investing activities		<u>(311,593)</u>	<u>(488,280)</u>
Cash flows from financing activities			
Interest paid	6	(88,919)	(215,205)
Proceeds from bank borrowing draw downs		600,000	470,915
Repayment of bank borrowing		(752,678)	(84,901)
Proceeds from other borrowing draw downs		48,810	191,197
Repayment of other borrowing		(410,000)	(756,267)
Payments to finance lease creditors		(196,950)	(218,704)
Dividends paid		<u>(297,184)</u>	<u>(158,335)</u>
Net cash flows from financing activities		<u>(1,096,921)</u>	<u>(771,300)</u>
Net increase in cash and cash equivalents		354,346	1,206,638
Cash and cash equivalents at 1 August		<u>(561,186)</u>	<u>(1,767,824)</u>
Cash and cash equivalents at 31 July	16	<u>(206,840)</u>	<u>(561,186)</u>

The notes on pages 13 to 25 form an integral part of these financial statements.

Blackrow Corporation Limited

Notes to the Financial Statements for the Year Ended 31 July 2020

1 General information

The company is a private company limited by share capital incorporated in England and the company registration number is 07038631.

The address of its registered office is:

Estate Road 7
South Humberside
Industrial Estate
Grimsby
NE Lincolnshire
DN31 2TP

These financial statements were authorised for issue by the Board on 22 December 2020.

2 Accounting policies

Summary of significant accounting policies and key accounting estimates

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Statement of compliance

These financial statements were prepared in accordance with Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

Basis of preparation

These financial statements have been prepared using the historical cost convention except that as disclosed in the accounting policies certain items are shown at fair value.

The financial statements have been prepared in British pound sterling which is the functional currency of the Company, and rounded to the nearest pound.

Basis of consolidation

The consolidated financial statements consolidate the financial statements of the company and its subsidiary undertakings drawn up to 31 July 2020.

A subsidiary is an entity controlled by the company. Control is achieved where the company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the Profit and Loss Account from the effective date of acquisition or up to the effective date of disposal, as appropriate.

The purchase method of accounting is used to account for business combinations that result in the acquisition of subsidiaries by the group. The cost of a business combination is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the business combination. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Any excess of the cost of the business combination over the acquirer's interest in the net fair value of the identifiable assets & liabilities recognised is recorded as goodwill.

Inter-company transactions, balances and unrealised gains on transactions between the company and its subsidiaries, which are related parties, are eliminated in full.

Blackrow Corporation Limited

Notes to the Financial Statements for the Year Ended 31 July 2020

Revenue recognition

Turnover represents revenue due from the normal activities of the business to the extent that the company obtains a right to consideration in exchange for its performance of those activities, exclusive of value added tax.

Revenue recognised is measured by reference to the amounts likely to be chargeable to customers. The excess of turnover not invoiced over payments on account is reported as amounts recoverable on contracts.

Contract revenue recognition

In the case of long term contracts, where the outcome of individual contracts can be estimated reliably and it is probable that the contract will be profitable, revenue and costs are recognised by reference to the stage of completion of the contract activity at the reporting date. The stage of completion is assessed by reference to the proportion of work done relative to the total value of work under the contract. Provision is made for all known or expected losses on individual contracts in the year in which such losses are first foreseen.

Government grants

Government grants are recognised on a systematic basis over the periods in which the entity recognises the related costs for which the grant is intended to compensate.

Tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except that a change attributable to an item of income or expense recognised as other comprehensive income is also recognised directly in other comprehensive income.

The current tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the group operates and generates taxable income.

Deferred tax represents the future tax consequences of transactions and events recognised in the financial statements of current and previous periods. It is recognised in respect of all timing differences, with certain exceptions. Timing differences are differences between taxable profits and total comprehensive income as stated in the financial statements that arise from the inclusion of income and expense in tax assessments in periods different from those in which they are recognised in the financial statements. Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the balance sheet date that are expected to apply to the reversal of timing differences. Deferred tax on revalued non-depreciable tangible fixed assets and investment properties is measured using rates and allowances that apply to the sale of the asset.

Tangible assets

Tangible assets (excluding land and buildings) are stated in the statement of financial position at cost, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

The cost of tangible assets includes directly attributable incremental costs incurred in their acquisition and installation.

Land and buildings are initially recognised at cost and subsequently measured at their fair value at each reporting date less accumulated depreciation. This use of the revaluation method is considered to provide a more accurate reflection of the value of land and buildings held by the Group at the reporting date.

Depreciation

Depreciation is charged so as to write off the cost of assets, other than land and properties under construction over their estimated useful lives, as follows:

Asset class	Depreciation method and rate
Land and buildings	2% of cost of buildings
Furniture, fittings & equipment	25% and 33% reducing balance
Motor vehicles	25% reducing balance
Other property, plant & equipment	10%, 15% and 25% reducing balance

Blackrow Corporation Limited

Notes to the Financial Statements for the Year Ended 31 July 2020

Goodwill

Goodwill arising on the acquisition of an entity represents the excess of the cost of acquisition over the group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the entity recognised at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less accumulated amortisation and accumulated impairment losses.

Goodwill is amortised over its useful life, which was re-assessed upon transition to FRS 102. The directors believe that the initial estimate of the useful economic life continues to be a reliable estimate and as such justifies its continued use.

Amortisation

Amortisation is provided on intangible assets so as to write off the cost, less any estimated residual value, over their useful life as follows:

Asset class	Amortisation method and rate
Goodwill	straight line over 20 years

Investments

Investments in equity shares which are not publicly traded and where fair value cannot be measured reliably are measured at cost less impairment.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and call deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of change in value.

Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell, after due regard for obsolete and slow moving stocks.

Borrowings

Interest-bearing borrowings are initially recorded at fair value, net of transaction costs. Interest-bearing borrowings are subsequently carried at amortised cost, with the difference between the proceeds, net of transaction costs, and the amount due on redemption being recognised as a charge to the Profit and Loss Account over the period of the relevant borrowing.

Interest expense is recognised on the basis of the effective interest method and is included in interest payable and similar charges.

Interest free loans are initially measured at the present value of future payments, discounted at a market rate of interest for a similar debt instrument. Subsequently these loans are measured at amortised cost using the effective interest method.

Borrowings are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least twelve months after the reporting date.

Leases

Leases in which substantially all the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to profit or loss on a straight-line basis over the period of the lease. Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee.

Assets held under finance leases are recognised at the lower of their fair value at inception of the lease and the present value of the minimum lease payments. These assets are depreciated on a straight-line basis over the shorter of the useful life of the asset and the lease term. The corresponding liability to the lessor is included in the Balance Sheet as a finance lease obligation.

Lease payments are apportioned between finance costs in the Profit and Loss Account and reduction of the lease obligation so as to achieve a constant periodic rate of interest on the remaining balance of the liability.

Blackrow Corporation Limited

Notes to the Financial Statements for the Year Ended 31 July 2020

Share capital

Ordinary shares are classified as equity. Equity instruments are measured at the fair value of the cash or other resources received or receivable, net of the direct costs of issuing the equity instruments. If payment is deferred and the time value of money is material, the initial measurement is on a present value basis.

Defined contribution pension obligation

A defined contribution plan is a pension plan under which fixed contributions are paid into a pension fund and the group has no legal or constructive obligation to pay further contributions even if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

Contributions to defined contribution plans are recognised as employee benefit expense when they are due. If contribution payments exceed the contribution due for service, the excess is recognised as a prepayment.

3 Revenue

The analysis of the group's revenue for the year from continuing operations is as follows:

	2020 £	2019 £
Rendering of services	<u>20,325,225</u>	<u>26,333,236</u>

The amount of contract revenue recognised as revenue in the year was £20,325,225 (2019 - £26,333,236).

4 Exceptional items

The analysis of the group's other gains and losses for the year is as follows:

	2020 £	2019 £
Exceptional bad debt costs	-	(95,082)
Government grant income	271,875	-
Exceptional Costs arising due to Covid issues	(318,862)	-
Employment settlement arrangements	<u>(128,864)</u>	<u>-</u>
	<u>(175,851)</u>	<u>(95,082)</u>

Included within government grant income is £8,814 relating to fixed assets and £263,061 relating to the Coronavirus Job Retention Scheme (CJRS).

5 Operating profit

Arrived at after charging/(crediting)

	2020 £	2019 £
Depreciation expense	420,788	357,663
Amortisation expense	173,946	173,946
Operating lease expense - plant and machinery	127,932	90,239
Operating lease expense - other	<u>43,547</u>	<u>37,467</u>

Blackrow Corporation Limited

Notes to the Financial Statements for the Year Ended 31 July 2020

6 Interest payable and similar expenses

	2020 £	2019 £
Interest on bank overdrafts and borrowings	53,582	48,016
Interest on obligations under finance leases and hire purchase contracts	29,586	30,977
Interest expense on other finance liabilities	5,751	136,212
	<u>88,919</u>	<u>215,205</u>

7 Staff costs

The aggregate payroll costs (including directors' remuneration) were as follows:

	2020 £	2019 £
Wages and salaries	8,297,032	8,383,077
Social security costs	879,585	945,915
Pension costs, defined contribution scheme	188,831	137,116
	<u>9,365,448</u>	<u>9,466,108</u>

The average number of persons employed by the group (including directors) during the year, analysed by category was as follows:

	2020 No.	2019 No.
Production	166	156
Administration and support	11	15
Other departments	5	5
	<u>182</u>	<u>176</u>

8 Directors' remuneration

The directors' remuneration for the year was as follows:

	2020 £	2019 £
Remuneration	<u>56,922</u>	<u>55,579</u>

9 Auditors' remuneration

	2020 £	2019 £
Audit of these financial statements	<u>23,000</u>	<u>23,000</u>

Blackrow Corporation Limited

Notes to the Financial Statements for the Year Ended 31 July 2020

10 Taxation

Tax charged/(credited) in the income statement

	2020 £	2019 £
Current taxation		
UK corporation tax	(527,161)	(364,837)
UK corporation tax adjustment to prior periods	<u>(154,493)</u>	<u>(150,379)</u>
	(681,654)	(515,216)
Deferred taxation		
Arising from origination and reversal of timing differences	<u>15,502</u>	<u>84,101</u>
Tax receipt in the income statement	<u>(666,152)</u>	<u>(431,115)</u>

The tax on profit before tax for the year is lower than the standard rate of corporation tax in the UK (2019 - lower than the standard rate of corporation tax in the UK) of 19% (2019 - 19%).

The differences are reconciled below:

	2020 £	2019 £
Profit before tax	<u>583,291</u>	<u>2,046,430</u>
Corporation tax at standard rate	110,825	388,822
Effect of expense not deductible in determining taxable profit (tax loss)	3,293	37,229
Decrease in UK and foreign current tax from adjustment for prior periods	(154,493)	(150,379)
Tax increase from effect of capital allowances and depreciation	6,841	11,129
Tax decrease from effect of adjustment in research and development tax credit	<u>(632,618)</u>	<u>(717,916)</u>
Total tax credit	<u>(666,152)</u>	<u>(431,115)</u>

Deferred tax

Group

Deferred tax assets and liabilities

	Liability £
2020	
Difference between accumulated depreciation and capital allowance	231,616
Revaluation of freehold property	<u>158,797</u>
	<u>390,413</u>
2019	
Difference between accumulated depreciation and capital allowance	216,114
Revaluation of freehold property	<u>161,010</u>
	<u>377,124</u>

Blackrow Corporation Limited

Notes to the Financial Statements for the Year Ended 31 July 2020

11 Intangible assets

Group

	Goodwill £	Total £
Cost or valuation		
At 1 August 2019	3,478,920	3,478,920
At 31 July 2020	3,478,920	3,478,920
Amortisation		
At 1 August 2019	1,666,983	1,666,983
Amortisation charge	173,946	173,946
At 31 July 2020	1,840,929	1,840,929
Carrying amount		
At 31 July 2020	1,637,991	1,637,991
At 31 July 2019	1,811,937	1,811,937

12 Tangible assets

Group

	Land and buildings £	Fixtures and fittings £	Plant and machinery £	Motor vehicles £	Total £
Cost or valuation					
At 1 August 2019	2,950,419	1,061,988	2,581,449	640,989	7,234,845
Additions	-	77,486	128,705	235,741	441,932
Disposals	-	-	(44,776)	(16,345)	(61,121)
At 31 July 2020	2,950,419	1,139,474	2,665,378	860,385	7,615,656
Depreciation					
At 1 August 2019	486,392	619,732	1,796,304	344,732	3,247,160
Charge for the year	39,956	128,956	153,434	98,442	420,788
Eliminated on disposal	-	-	(14,622)	(14,704)	(29,326)
At 31 July 2020	526,348	748,688	1,935,116	428,470	3,638,622
Carrying amount					
At 31 July 2020	2,424,071	390,786	730,262	431,915	3,977,034
At 31 July 2019	2,464,027	442,256	785,146	296,257	3,987,686

Included within the net book value of land and buildings above is £2,424,071 (2019 - £2,464,027) in respect of freehold land and buildings.

Revaluation

The fair value of the company's land and buildings was revalued on 17 August 2018 by an independent valuer. Had this class of asset been measured on a historical cost basis, the carrying amount would have been £1,588,512 (2019 - £1,616,715).

Blackrow Corporation Limited

Notes to the Financial Statements for the Year Ended 31 July 2020

Assets held under finance leases and hire purchase contracts

The net carrying amount of tangible assets includes the following amounts in respect of assets held under finance leases and hire purchase contracts:

	2020	2019
	£	£
Other property, plant and equipment	<u>740,151</u>	<u>794,043</u>

Restriction on title and pledged as security

Freehold property with a carrying amount of £2,424,071 (2019 - £2,464,027) has been pledged as security for amounts owed to the bank.

13 Investments

Company

	2020	2019
	£	£
Investments in subsidiaries	<u>3,835,576</u>	<u>3,835,576</u>

Subsidiaries

Cost or valuation

At 1 August 2019	<u>3,835,576</u>
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At 31 July 2020	<u>3,835,576</u>
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Carrying amount

At 31 July 2020	<u>3,835,576</u>
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At 31 July 2019	<u>3,835,576</u>
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Details of undertakings

Details of the investments in which the company holds 20% or more of the nominal value of any class of share capital are as follows:

Undertaking	Registered office	Holding	Proportion of voting rights and shares held	
			2020	2019
Subsidiary undertakings				
Blackrow Holdings Limited	United Kingdom	ordinary shares	100%	100%
Blackrow Engineering Co. Limited	United Kingdom	ordinary shares	100%	100%
Blackrow International Limited	United Kingdom	ordinary shares	100%	100%

14 Stocks

	Group		Company	
	2020	2019	2020	2019
	£	£	£	£
Raw materials and consumables	<u>475,269</u>	<u>314,195</u>	<u>-</u>	<u>-</u>

Blackrow Corporation Limited

Notes to the Financial Statements for the Year Ended 31 July 2020

15 Debtors

		Group		Company	
	Note	2020 £	2019 £	2020 £	2019 £
Trade debtors		4,901,484	5,896,522	-	-
Other debtors		53,280	980	-	-
Prepayments		248,350	157,472	-	-
Gross amount due from customers for contract work		914,225	1,131,407	-	-
Corporation tax asset	10	527,161	364,837	-	-
		<u>6,644,500</u>	<u>7,551,218</u>	<u>-</u>	<u>-</u>

16 Cash and cash equivalents

		Group		Company	
		2020 £	2019 £	2020 £	2019 £
Cash on hand		1,318	5,580	-	-
Cash at bank		<u>3,474</u>	<u>120,972</u>	<u>341</u>	<u>371</u>
		4,792	126,552	341	371
Bank overdrafts		<u>(211,632)</u>	<u>(687,738)</u>	<u>-</u>	<u>-</u>
Cash and cash equivalents in statement of cash flows		<u>(206,840)</u>	<u>(561,186)</u>	<u>341</u>	<u>371</u>

17 Creditors

		Group		Company	
	Note	2020 £	2019 £	2020 £	2019 £
Due within one year					
Loans and borrowings	22	1,115,325	1,532,948	200,000	200,000
Trade creditors		1,620,819	2,892,644	-	-
Amounts due to related parties	24	-	-	3,046,917	2,636,947
Social security and other taxes		1,519,475	1,262,297	-	-
Other payables		11,794	-	-	-
Accruals		162,423	130,286	-	-
Deferred income		47,947	-	-	-
		<u>4,477,783</u>	<u>5,818,175</u>	<u>3,246,917</u>	<u>2,836,947</u>
Due after one year					
Loans and borrowings	22	<u>1,775,764</u>	<u>2,455,135</u>	<u>188,000</u>	<u>598,000</u>

Blackrow Corporation Limited

Notes to the Financial Statements for the Year Ended 31 July 2020

18 Deferred tax and other provisions

Group

	Deferred tax £	Total £
At 1 August 2019	377,124	377,124
Increase (decrease) in existing provisions	<u>13,289</u>	<u>13,289</u>
At 31 July 2020	<u>390,413</u>	<u>390,413</u>

19 Pension and other schemes

Defined contribution pension scheme

The group operates a defined contribution pension scheme. The pension cost charge for the year represents contributions payable by the group to the scheme and amounted to £188,831 (2019 - £137,116).

20 Share capital

Allotted, called up and fully paid shares

	2020		2019	
	No.	£	No.	£
Ordinary shares of £1 each	<u>2,000</u>	<u>2,000</u>	<u>2,000</u>	<u>2,000</u>

Rights, preferences and restrictions

Ordinary shares have the following rights, preferences and restrictions:

Full voting and participation rights with no restriction on distribution of dividends or repayment of capital.

21 Reserves

Group

Called up share capital

Share capital comprises of the value of issued share capital at par.

Share premium reserve

The share premium reserve is made up of amounts paid for shares over and above their par value.

Revaluation reserve

Amounts included within the revaluation reserve are previous revaluations of tangible fixed assets less deferred tax recognised on these revaluations.

Profit and loss account

The profit and loss account consists of profits made attributable to the shareholders of the company.

Company

Called up share capital

Share capital comprises of the value of issued share capital at par.

Share premium reserve

The share premium reserve is made up of amounts paid for shares over and above their par value.

Blackrow Corporation Limited

Notes to the Financial Statements for the Year Ended 31 July 2020

22 Loans and borrowings

	Group		Company	
	2020	2019	2020	2019
	£	£	£	£
Non-current loans and borrowings				
Bank borrowings	1,399,957	1,552,635	-	-
HP and finance lease liabilities	187,807	304,500	-	-
Convertible debt	188,000	598,000	188,000	598,000
	<u>1,775,764</u>	<u>2,455,135</u>	<u>188,000</u>	<u>598,000</u>
	Group		Company	
	2020	2019	2020	2019
	£	£	£	£
Current loans and borrowings				
Bank borrowings	147,287	147,287	-	-
Bank overdrafts	211,632	687,738	-	-
HP and finance lease liabilities	207,802	198,132	-	-
Convertible debt	200,000	200,000	200,000	200,000
Other borrowings	348,604	299,791	-	-
	<u>1,115,325</u>	<u>1,532,948</u>	<u>200,000</u>	<u>200,000</u>

Group

Secured creditors

Included within loans and borrowings are various secured amounts which are denominated in sterling. The carrying amount at the year end is £2,542,485 (2019 - £3,688,292).

Hire purchase contracts and finance lease liabilities are secured on the amounts to which they relate.

All other liabilities are secured by a debenture creating a fixed and floating charge over the assets of the Group, including a fixed charge against the book debts.

Company

Secured creditors

Included within convertible debt are debenture loans which are denominated in sterling. The carrying amount at the year end is £388,000 (2019 - £798,000).

Debenture loans are secured by debentures as well as fixed and floating charges over the assets of the Group.

23 Obligations under leases and hire purchase contracts

Group

Finance leases

The total of future minimum lease payments is as follows:

	2020	2019
	£	£
Not later than one year	207,802	198,132
Later than one year and not later than five years	<u>187,507</u>	<u>304,500</u>
	<u>395,309</u>	<u>502,632</u>

Blackrow Corporation Limited

Notes to the Financial Statements for the Year Ended 31 July 2020

Operating leases

The total of future minimum lease payments is as follows:

	2020 £	2019 £
Not later than one year	19,715	69,089
Later than one year and not later than five years	1,660	21,375
	<u>21,375</u>	<u>90,464</u>

The amount of non-cancellable operating lease payments recognised as an expense during the year was £183,939 (2019 - £127,706).

24 Related party transactions

Group

Key management compensation

	2020 £	2019 £
Salaries and other short term employee benefits	<u>170,483</u>	<u>167,809</u>

Income and receivables from related parties

2020

Amounts receivable from related party

Other related parties £
<u>-</u>

2019

Amounts receivable from related party

Other related parties £
<u>20,400</u>

Expenditure with and payables to related parties

2020

Leases

Amounts payable to related party

Key management £	Other related parties £
-	102,000
<u>348,605</u>	<u>10,200</u>

2019

Leases

Amounts payable to related party

Key management £	Other related parties £
-	102,000
<u>299,791</u>	<u>-</u>

Blackrow Corporation Limited

Notes to the Financial Statements for the Year Ended 31 July 2020

Loans from related parties

	Key management £
2020	
At start of period	798,000
Repaid	<u>(410,000)</u>
At end of period	<u>388,000</u>

	Key management £
2019	
At start of period	1,498,000
Repaid	<u>(700,000)</u>
At end of period	<u>798,000</u>

Company

Loans from related parties

	Key management £
2020	
At start of period	798,000
Repaid	<u>(410,000)</u>
At end of period	<u>388,000</u>

	Key management £
2019	
At start of period	1,498,000
Repaid	<u>(700,000)</u>
At end of period	<u>798,000</u>

Dividends

During the year dividends were paid to directors of the company of £297,184 (2019: £158,335).