

# Northern Bear



## Annual Report and Accounts 2013



## Main Board

### Executive Directors



Graham Jennings  
Managing Director



Steve Roberts  
Finance Director



Keith Soulsby  
Director



Howard Gold  
Non Executive Chairman



Ian McLean  
Non Executive Director

## Managing Directors of Subsidiary Companies



Graeme Tennick  
Joint  
Managing Director  
A1 Trucks



Derek Wymes  
Joint  
Managing Director  
A1 Trucks



David Wales  
Managing Director  
Chairman &  
Chairman Surveying



John Gilstin  
Managing Director  
Isoler



Graham Jennings  
Chief Executive  
Jennings Roofing



Neil Jukes  
Managing Director  
Northern Bear  
Building Services



Brian Young  
Managing Director  
MGM



Jason Harrison  
Managing Director  
Northern Bear  
Safety



Keith Muldoon  
Managing Director  
Springs Roofing



Keith Soulsby  
Managing Director  
Wensley Roofing



Graham Shord  
Divisional Director  
Northern Bear  
(Renewables)



Alan Chapman  
Heritage Manager  
Matthew Charlton  
Slaters

## Contents

|   |    |
|---|----|
| Advisors  | 1  |
| Chairman's statement  | 2  |
| Directors' report   | 4  |
| Statement of directors' responsibilities in respect of the directors' report and the financial statements | 8  |
| Independent auditor's report to the members of Northern Bear Plc  | 9  |
| Consolidated statement of comprehensive income  | 11 |
| Consolidated statement of changes in equity   | 12 |
| Company statement of changes in equity  | 13 |
| Consolidated balance sheet  | 14 |
| Company balance sheet   | 15 |
| Consolidated statement of cash flows  | 16 |
| Company statement of cash flows   | 17 |
| Notes to the financial statements   | 18 |

## **Advisors**

### ***Auditor***

Mazars LLP  
Mazars House  
Gelderd Road  
Gildersome  
Leeds  
LS27 7JN

### ***Bankers***

Yorkshire Bank  
4 Victoria Place  
Manor Road  
Leeds  
LS11 5AE

### ***Legal advisors***

Mincoffs Solicitors LLP  
5 Osborne Terrace  
Jesmond  
Newcastle upon Tyne  
NE2 1SQ

### ***Nominated advisor and Broker***

Strand Hanson Limited  
26 Mount Row  
London  
W1K 3SQ

### ***Registered office***

A1 Grainger  
Prestwick Park  
Prestwick  
Newcastle upon Tyne  
NE20 9SJ

## Chairman's statement

### Introduction

I am pleased to report the Group's results for the year to 31 March 2013.

The Group continued to perform well, despite difficult trading conditions, which were exacerbated in 2012 by the wettest summer in England and Wales for 100 years. Profit from continuing operations, before exceptional items, was £1.0m (2012: £0.9m). Adjusted earnings per share was 5.5p (2012: 4.8p).

The Group made changes to its management structure during the period, including the appointment of Graham Jennings as Managing Director of the Group in July 2012. I would like to thank Graham for his contribution to date and am confident his vast experience in the sector will allow him to guide the Group through the continued difficult trading conditions.

One of the Group's subsidiaries, MGM Ltd, incurred a significant loss in the year ended 31 March 2013 on a contract entered into in February 2011. This loss has been treated as exceptional in these accounts and details of the loss are provided in Note 7. In early 2012, Steven Gray (the previous Managing Director of MGM, from whom the Group acquired the company) was asked by the Board to oversee day to day control at MGM. Lance Rainey, formerly joint Managing Director of MGM, left the business in February 2013 and Steven continues to oversee day to day control.

Historically, all divisions were run relatively autonomously, with support from Operations Directors as required. Following the appointment of Graham Jennings as Managing Director, the Group reporting structure has changed so that all divisional Managing Directors now report directly to Graham. In addition, all contracts carrying a significant value or risk for the Group require approval by the Board.

I am pleased with the performance of the rest of the Group, particularly the roofing division where we have seen continued strong performance and also an uplift in the level of new house build projects. We have continued to deliver savings in central costs although this area remains under constant review.

The Group's results were not affected in the current period by losses from discontinued operations. The disposals of The Roof Truss Company (Northern) Limited and Hastie D Burton Limited resulted in £0.2m of exceptional costs being incurred in the prior period.

### Trading

The Group continued to experience difficult trading conditions, including the adverse weather in 2012. Revenue decreased by 3.6% to £35.1m (2012: £36.4m) but the Group managed to increase its gross margins before exceptional items to 23.2% (2012: 22.8%).

The Group undertook a further review of overheads during the year and this has resulted in a reduction in administrative expenses before exceptional items to £6.5m (2012: £6.7m).

The market conditions in which the Group operates continue to be challenging and remain impacted by the current uncertain macroeconomic conditions. Despite the continued uncertainty, the Group's order books remain healthy, although the roll out of some of these orders remains difficult to predict.

### Cash flow

Net bank debt at 31 March 2013 was £6.4m (2012: £7.0m).

The Board's strategy continues to include a reduction in the level of bank debt and the Group's bank continues to be supportive.

### Dividend

Given the aim of reducing bank debt levels, the Board believes that it would not be appropriate to declare a final dividend for the year.

## **Chairman's statement** *(continued)*

### **Strategy / Outlook**

The Board's priority over recent years has been to use operating cash flow to reduce bank debt levels. Whilst this strategy will remain, we will continue to monitor opportunities for the use of funds generated, including capital investment, bolt-on acquisitions and capital repurchases.

Order books continue to be healthy and we remain cautiously optimistic with regard to maintaining current levels of trading, although market conditions remain volatile.

Our overall priority remains to improve earnings and cash flow, as well as to continue reducing the Group's level of bank debt. In this respect the Group's cost base remains under constant review.

### **People**

Following Graham Forrest's resignation as Chief Executive Officer of the Company in October 2011, I oversaw an operational review resulting in changes to the Group's management structure. This resulted in the appointment of Graham Jennings as Managing Director of the Group effective from 30 July 2012. Keith Soulsby was also re-appointed to the Board as a Director on 11 May 2012.

I am confident that the Group now has a more effective management structure which will allow it to continue to meet the challenges it faces and which is already delivering benefits to the Group.

Steven Gray resigned from the Board on 7 February 2013. However, Steven remains with the Group in day to day control of MGM Limited.

The quality and experience of our people and the key customer relationships they maintain remain fundamental to the Group's success.

**Howard Gold**  
Non-Executive Chairman

23rd August 2013



## **Directors' report**

The directors present their annual report and financial statements for the year ended 31 March 2013.

### **Business review**

#### ***Principal activities***

The principal activity of the Group is to operate businesses in the North of England active in the support services sector. Furthermore, these businesses can be augmented with bolt on acquisitions or by the creation of new ventures.

The Group comprises the Company and a number of subsidiaries which operate in three main operating segments, being Roofing activities, Materials Handling activities, and Building Services activities. In addition the Company and certain intermediate holding companies provide Corporate and other non-trading services and this is classified as a separate operating segment for management information purposes.

#### ***Objective and strategy***

Having established the Group via an acquisition strategy and subsequently restructured operations during the continuing economic downturn through the disposal of non-core businesses, the Group now has an established portfolio of mature businesses wholly focused on the support services sector.

The directors believe that opportunities for growth exist through both providing new services to the existing, long established customer base, and also through further bolt on acquisitions where appropriate.

#### ***Measurement***

The Group uses a number of financial and non financial KPI's to measure performance and these are communicated to the Board of Directors through monthly reports. These KPI's include sales information, order book details, manufacturing and stock levels, detailed operational costs and a number of health and safety and employee related KPI's. The Board considers that the KPI's used are an effective system tailored specifically to the demands of the sector.

Financially, the primary measurements are income, operating profit and cash flow from operations, as identified in the Chairman's Statement. The major non financial KPI's relate to health and safety measures, including our accident incident rate (AIR) and the number of notifiable accidents.

#### ***Statement on risks relating to the Group's business***

The nature of the building services industry means that the Group is subject to a number of risk factors. Some of these factors apply to the building services industry generally, while others are specific to the Group's activities within that market.

#### ***Sector demand***

The Group currently consists of ten businesses which all operate in three main segments of the support services sector of the economy. The Group is therefore exposed to varying activity levels within these diverse industries. Whilst the exposure of the Group to the new house build sector is less than 10% of Group turnover, our exposure to public sector markets is far greater. Consequently, any sustained material reduction in Government expenditure programmes will have an adverse effect on the financial position of the Group.

#### ***Competition***

Some of the businesses within the Group have competitors who, as a result of their funding structure, may be able to accept lower financial returns than that required by the Group. Competition within these companies could adversely affect the Group's profitability and financial position.

## Directors' report (continued)

### Business review (continued)

#### Key clients

There can be no guarantee that the Group's key clients will not change suppliers. While each of the Group's businesses has many longstanding relationships with a number of key customers, the failure to satisfy the needs of these customers could harm the Group's business. Furthermore, these customers may be facing challenges within their own businesses.

#### Dependence on personnel

The Group continues to be dependent on the continued services of its senior management. Retaining qualified personnel, consultants and advisors is important to the continued successful operation of the Group's business. There can be no assurance that the Group will be able to recruit or retain its personnel in the future, which could have an adverse effect upon the Group's business and financial position. The loss of any of the Group's senior personnel could impede the achievement of its objectives.

#### Financial instruments

The Group has exposure to risks from its use of financial instruments which include credit risk, liquidity risk and market risk. A full discussion of these risks and how they are managed is included in Note 24 to the Financial Statements.

#### Future outlook

The future outlook for the business is included in the Chairman's Statement on page 3.

#### Proposed dividend

The directors do not recommend the payment of a dividend.

#### Directors

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

HB Gold  
SM Roberts  
S Gray (resigned 7 February 2013)  
K Soulsby (appointed 11 May 2012)  
GR Jennings  
IT McLean

The directors who held office at the end of the financial year had the following interests in the ordinary shares of the Company according to the register of directors' interests:

|             | Interest at<br>end of year | Interest at<br>beginning<br>of year |
|-------------|----------------------------|-------------------------------------|
| GR Jennings | 1,168,324                  | 1,168,324                           |
| SM Roberts  | 753,300                    | 753,300                             |
| K Soulsby   | 730,481                    | 730,481                             |
| IT McLean   | 71,428                     | 71,428                              |
| HB Gold     | 70,000                     | 20,000                              |

In total the directors' interests in the ordinary shares of the Company totalled 2,793,533 shares, representing 15.8% of allotted shares at the year end.

All the directors benefited from qualifying third party indemnity provisions up to and including the date of this report.



## Directors' report (continued)

### Significant shareholdings

At 30 June 2013, the Company had been notified or was aware of the following shareholders with 3% or more of the issued share capital of the Company:

| Shareholder              | Number of ordinary shares in which interested | % of issued share capital |
|--------------------------|---|---------------------------|
| JP Pither                | 2,937,914                                     | 16.6                      |
| Radmat Building Products | 1,771,944                                     | 10.0                      |
| GR Jennings              | 1,168,324                                     | 6.6                       |
| R Stanley                | 896,500                                       | 5.1                       |
| SM Roberts               | 753,300                                       | 4.3                       |
| K Soulsby                | 730,481                                       | 4.1                       |
| S Gray                   | 655,952                                       | 3.7                       |
| GJ Temnick               | 591,251                                       | 3.3                       |
| DM Wymes                 | 591,251                                       | 3.3                       |
| D Jay                    | 543,000                                       | 3.1                       |

### Political and charitable contributions

Neither the Company nor any of its subsidiaries made any political contributions during the year (2012: £nil). Charitable donations amounted to £7,752 (2012: £5,160).

### Corporate governance

The Company is not obliged to and does not apply the UK Corporate Governance Code. Nonetheless, the directors recognise that some of its principles are relevant to the Company and will consider how these might be applied so far as is practicable and appropriate for a public company of its size. The Company seeks to follow the recommendations on corporate governance of the Quoted Companies Alliance (QCA).

The Board has established an Audit Committee and a Remuneration Committee, each of which comprises the non-executive directors with formally delegated duties and responsibilities.

The Audit Committee receives and reviews reports from the Company's auditors relating to the annual accounts and the accounting and internal control systems in use throughout the Group. The Audit Committee has unrestricted access to the Company's auditors.

The Remuneration Committee reviews the scale and structure of the executive directors' remuneration and the terms of their service contracts. The remuneration and terms and conditions of appointment of the non-executive directors are set by the Board. The Remuneration Committee also administers the Group's share option schemes.

### Employees

The Group provides equal opportunities to all staff and employees and recruits the most suitably qualified person for each position. Full and fair consideration is given to applications for employment from disabled persons. All necessary assistance with initial training courses is given. Once employed, a career plan is developed so as to ensure suitable opportunities for each disabled person. Where an existing employee becomes disabled, the Group's policy is to provide continuing employment under normal terms and conditions wherever possible.

The directors recognise the importance of good communications and inform and consult with employees' representatives on all matters likely to affect them.

The Group operates a range of schemes to involve employees in the financial performance of the business including profit related and other cash bonus arrangements and share option schemes.

## **Directors' report** *(continued)*

### **Supplier payment policy**

The Group's policy is that its individual businesses should agree terms and conditions for transactions with its suppliers and that payment be made on these terms, providing suppliers meet their obligations to the businesses' satisfaction. The Group as a whole does not apply a general payment policy as this would not be practicable or appropriate, given the diverse nature of the transactions undertaken by its business units.

The number of days credit outstanding for the Group averaged 68 days at 31 March 2013 (61 days at 31 March 2012).

### **Annual general meeting**

The business of the AGM is set out in the accompanying circular to shareholders. The AGM is to be held at A1 Grainger, Prestwick Park, Prestwick, Newcastle upon Tyne, NE20 9SJ at 11am on 25 September 2013.

### **Disclosure of information to auditor**

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

### **Auditor**

In accordance with Section 489 of the Companies Act 2006, a resolution for the reappointment of Mazars LLP as auditor of the Company is to be proposed at the forthcoming Annual General Meeting.

By order of the board

**SM Roberts**  
Finance Director

A1 Grainger  
Prestwick Park  
Prestwick  
Newcastle upon Tyne  
NE20 9SJ

23rd August 2013

## **Statement of directors' responsibilities in respect of the directors' report and the financial statements**

The directors are responsible for preparing the annual report and the Group and Parent Company financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare Group and Parent Company financial statements for each financial year. As required by the AIM rules of the London Stock Exchange they are required to prepare the Group financial statements in accordance with IFRSs as adopted by the EU and applicable law and have elected to prepare the Parent Company financial statements on the same basis.

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 Group and Parent Company and of their profit or loss for that period.

In preparing each of the Group and Parent Company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Parent Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the Parent Company and enable them to ensure that its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

## **Independent auditor's report to the members of Northern Bear Plc**

We have audited the financial statements of Northern Bear Plc for the year ended 31 March 2013 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated and Company Statements of Changes in Equity, the Consolidated and Company Balance Sheets, the Consolidated and Company Statements of Cash Flow and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the Parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

### **Respective responsibilities of directors and auditor**

As explained more fully in the Directors' Responsibilities Statement set out on page 8, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors. 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.

### **Scope of the audit of the financial statements**

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's web-site at [www.frc.org.uk/auditscopeukprivate](http://www.frc.org.uk/auditscopeukprivate).

### **Opinion on the financial statements**

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 March 2013 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the Parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

### **Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

## **Independent auditor's report to the members of Northern Bear Plc** *(continued)*

### **Matters on which we are required to report by exception**

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.

**Timothy Hudson (Senior Statutory Auditor)**  
**for and on behalf of Mazars LLP**  
**Chartered Accountants and Statutory Auditor**

23rd August 2013

Mazars House  
Gelder Road  
Gildersome  
Leeds LS27 7JN

## Consolidated statement of comprehensive income

for the year ended 31 March 2013

|  | Note | Before<br>exceptional<br>items<br>£000 | Exceptional<br>items (note 7)<br>£000 | 2013<br>Total<br>£000 | Before<br>exceptional<br>items<br>£000 | Exceptional<br>items<br>£000 | 2012<br>Total<br>£000 |
|--|------|--|---------------------------------------|-----------------------|--|------------------------------|-----------------------|
| <b>Continuing operations</b>   |      |  |                                       |                       |  |                              |                       |
| Revenue  | 5    | 35,147                                 | -                                     | 35,147                | 36,412                                 | -                            | 36,412                |
| Cost of sales  |      | (26,985)                               | (532)                                 | (27,517)              | (28,099)                               | -                            | (28,099)              |
| <b>Gross profit</b>  |      | <b>8,162</b>                           | <b>(532)</b>                          | <b>7,630</b>          | <b>8,313</b>                           | <b>-</b>                     | <b>8,313</b>          |
| Other operating income   | 6    | 23                                     | -                                     | 23                    | 16                                     | -                            | 16                    |
| Administrative expenses  |      | (6,458)                                | (114)                                 | (6,572)               | (6,666)                                | (191)                        | (6,857)               |
| <b>Operating profit/(loss)</b>   |      | <b>1,727</b>                           | <b>(646)</b>                          | <b>1,081</b>          | <b>1,663</b>                           | <b>(191)</b>                 | <b>1,472</b>          |
| Finance income   | 10   | -                                      | -                                     | -                     | 1                                      | -                            | 1                     |
| Finance expense  | 10   | (399)                                  | -                                     | (399)                 | (452)                                  | -                            | (452)                 |
| <b>Profit/(loss) before<br/>income tax</b>   |      | <b>1,328</b>                           | <b>(646)</b>                          | <b>682</b>            | <b>1,212</b>                           | <b>(191)</b>                 | <b>1,021</b>          |
| Income tax expense   | 11   | (350)                                  | 155                                   | (195)                 | (349)                                  | 50                           | (299)                 |
| <b>Profit/(loss) from<br/>continuing operations</b>                                    |      | <b>978</b>                             | <b>(491)</b>                          | <b>487</b>            | <b>863</b>                             | <b>(141)</b>                 | <b>722</b>            |
| <b>Discontinued operations</b>   |      |  |                                       |                       |  |                              |                       |
| Loss from discontinued<br>operations (net of income tax)                               | 4    | -                                      | -                                     | -                     | -                                      | (159)                        | (159)                 |
| <b>Profit/(loss) for the year</b>  |      | <b>978</b>                             | <b>(491)</b>                          | <b>487</b>            | <b>863</b>                             | <b>(300)</b>                 | <b>563</b>            |
| <b>Total comprehensive<br/>income attributable to<br/>equity holders of the parent</b> |      |  |                                       | <b>487</b>            |  |                              | <b>563</b>            |
| Basic and diluted<br>earnings/(loss) per share   | 12   |  |                                       |                       |  |                              |                       |
| - continuing operations  |      |  |                                       | 2.7p                  |  |                              | 4.0p                  |
| - discontinued operations  |      |  |                                       | -                     |  |                              | (0.9)p                |
| - total operations   |      |  |                                       | 2.7p                  |  |                              | 3.1p                  |
| Adjusted (pre exceptional)<br>earnings per share                                       | 12   |  |                                       |                       |  |                              |                       |
| - continuing operations  |      |  |                                       | 5.5p                  |  |                              | 4.8p                  |
| - discontinued operations  |      |  |                                       | -                     |  |                              | -                     |
| - total operations   |      |  |                                       | 5.5p                  |  |                              | 4.8p                  |



## Consolidated statement of changes in equity

for the year ended 31 March 2013

|  | Share<br>capital<br>£000 | Capital<br>redemption<br>£000 | Share<br>premium<br>£000 | Merger<br>reserve<br>£000 | Retained<br>earnings<br>£000 | Total<br>equity<br>£000 |
|--|--------------------------|-------------------------------|--------------------------|---------------------------|------------------------------|-------------------------|
| <b>At 1 April 2011</b>   | 184                      | 6                             | 5,169                    | 10,371                    | 1,569                        | 17,299                  |
| <b>Total comprehensive<br/>income for the year</b>               |                          |                               |                          |                           |                              |                         |
| Profit for the year  | -                        | -                             | -                        | -                         | 563                          | 563                     |
| <b>At 31 March 2012</b>  | 184                      | 6                             | 5,169                    | 10,371                    | 2,132                        | 17,862                  |
| <b>At 1 April 2012</b>   | 184                      | 6                             | 5,169                    | 10,371                    | 2,132                        | 17,862                  |
| <b>Total comprehensive<br/>income for year</b>                   |                          |                               |                          |                           |                              |                         |
| Profit for the year  | -                        | -                             | -                        | -                         | 487                          | 487                     |
| <b>Transactions with owners,<br/>recorded directly in equity</b> |                          |                               |                          |                           |                              |                         |
| Buy back of shares   | -                        | -                             | -                        | -                         | (15)                         | (15)                    |
| <b>At 31 March 2013</b>  | <b>184</b>               | <b>6</b>                      | <b>5,169</b>             | <b>10,371</b>             | <b>2,604</b>                 | <b>18,334</b>           |

## Company statement of changes in equity

at 31 March 2013

|  | Share<br>capital<br>£000 | Capital<br>redemption<br>£000 | Share<br>premium<br>£000 | Merger<br>reserve<br>£000 | Retained<br>earnings<br>£000 | Total<br>equity<br>£000 |
|--|--------------------------|-------------------------------|--------------------------|---------------------------|------------------------------|-------------------------|
| <b>At 1 April 2011</b>   | 184                      | 6                             | 5,169                    | 10,371                    | 1,195                        | 16,925                  |
| <b>Total comprehensive<br/>income for the year</b>               |                          |                               |                          |                           |                              |                         |
| Loss for the year  | -                        | -                             | -                        | -                         | (2,536)                      | (2,536)                 |
| <b>At 31 March 2012</b>  | 184                      | 6                             | 5,169                    | 10,371                    | (1,341)                      | 14,389                  |
| <b>At 1 April 2012</b>   | 184                      | 6                             | 5,169                    | 10,371                    | (1,341)                      | 14,389                  |
| <b>Total comprehensive<br/>income for year</b>                   |                          |                               |                          |                           |                              |                         |
| Profit for the year  | -                        | -                             | -                        | -                         | 1,035                        | 1,035                   |
| <b>Transactions with owners,<br/>recorded directly in equity</b> |                          |                               |                          |                           |                              |                         |
| Buy back of shares   | -                        | -                             | -                        | -                         | (15)                         | (15)                    |
| <b>At 31 March 2013</b>  | <b>184</b>               | <b>6</b>                      | <b>5,169</b>             | <b>10,371</b>             | <b>(321)</b>                 | <b>15,409</b>           |

## Consolidated balance sheet

at 31 March 2013

|   | Note | 2013<br>£000  | 2012<br>£000  |
|---|------|---------------|---------------|
| <b>Assets</b>   |      |               |               |
| Property, plant and equipment                                     | 13   | 2,418         | 2,220         |
| Intangible assets   | 14   | 21,357        | 21,348        |
| Deferred tax assets   | 16   | -             | 33            |
| <b>Total non-current assets</b>                                   |      | <b>23,775</b> | <b>23,601</b> |
| Inventories   | 17   | 715           | 807           |
| Trade and other receivables                                       | 18   | 7,456         | 7,607         |
| Prepayments   |      | 142           | 194           |
| Deferred consideration receivable                                 |      | 197           | 222           |
| Cash and cash equivalents   | 19   | 202           | 243           |
| <b>Total current assets</b>                                       |      | <b>8,712</b>  | <b>9,073</b>  |
| <b>Total assets</b>   |      | <b>32,487</b> | <b>32,674</b> |
| <b>Equity</b>   |      |               |               |
| Share capital   | 23   | 184           | 184           |
| Capital redemption reserve  |      | 6             | 6             |
| Share premium   |      | 5,169         | 5,169         |
| Merger reserve  |      | 10,371        | 10,371        |
| Retained earnings   |      | 2,604         | 2,132         |
| <b>Total equity attributable to equity holders of the Company</b> |      | <b>18,334</b> | <b>17,862</b> |
| <b>Liabilities</b>  |      |               |               |
| Loans and borrowings  | 20   | 1,692         | 2,470         |
| Deferred tax liabilities  | 16   | 24            | -             |
| <b>Total non-current liabilities</b>                              |      | <b>1,716</b>  | <b>2,470</b>  |
| Bank overdraft  | 19   | 4,242         | 4,333         |
| Loans and borrowings  | 20   | 920           | 858           |
| Trade and other payables  | 21   | 7,109         | 6,713         |
| Current tax payable   |      | 166           | 438           |
| <b>Total current liabilities</b>                                  |      | <b>12,437</b> | <b>12,342</b> |
| <b>Total liabilities</b>  |      | <b>14,153</b> | <b>14,812</b> |
| <b>Total equity and liabilities</b>                               |      | <b>32,487</b> | <b>32,674</b> |

These financial statements were approved by the Board of Directors on 23rd August 2013 and were signed on its behalf by:

**SM Roberts**

Finance Director

Company registered number: 05780581

## Company balance sheet

at 31 March 2013

|   | Note | 2013<br>£000  | 2012<br>£000  |
|---|------|---------------|---------------|
| <b>Assets</b>   |      |               |               |
| Property, plant and equipment                                     | 13   | 72            | 37            |
| Investments in subsidiaries                                       | 15   | 35,801        | 35,801        |
| Deferred tax assets   | 16   | -             | 2             |
| <b>Total non-current assets</b>                                   |      | <b>35,873</b> | <b>35,840</b> |
| Inventories   | 17   | 3             | -             |
| Trade and other receivables                                       | 18   | 412           | 661           |
| Prepayments   |      | 39            | 42            |
| Deferred consideration receivable                                 |      | 197           | 222           |
| Cash and cash equivalents   | 19   | -             | 9             |
| <b>Total current assets</b>                                       |      | <b>651</b>    | <b>934</b>    |
| <b>Total assets</b>   |      | <b>36,524</b> | <b>36,774</b> |
| <b>Equity</b>   |      |               |               |
| Share capital   | 23   | 184           | 184           |
| Capital redemption reserve  |      | 6             | 6             |
| Share premium   |      | 5,169         | 5,169         |
| Merger reserve  |      | 10,371        | 10,371        |
| Retained earnings   |      | (321)         | (1,341)       |
| <b>Total equity attributable to equity holders of the Company</b> |      | <b>15,409</b> | <b>14,389</b> |
| <b>Liabilities</b>  |      |               |               |
| Loans and borrowings  | 20   | 1,579         | 2,328         |
| Amounts owed to group undertakings                                |      | 14,673        | 14,986        |
| <b>Total non-current liabilities</b>                              |      | <b>16,252</b> | <b>17,314</b> |
| Bank overdraft  | 19   | 3,525         | 3,597         |
| Loans and borrowings  | 20   | 755           | 641           |
| Trade and other payables  | 21   | 583           | 833           |
| <b>Total current liabilities</b>                                  |      | <b>4,863</b>  | <b>5,071</b>  |
| <b>Total liabilities</b>  |      | <b>21,115</b> | <b>22,385</b> |
| <b>Total equity and liabilities</b>                               |      | <b>36,524</b> | <b>36,774</b> |

These financial statements were approved by the Board of Directors on 23rd August 2013 and were signed on its behalf by:

**SM Roberts**

Finance Director

Company registered number: 05780581

## Consolidated statement of cash flows

for the year ended 31 March 2013

|  | Note   | 2013<br>£000 | 2012<br>£000 |
|--|--------|--------------|--------------|
| <b>Cash flows from operating activities</b>                                |        |              |              |
| Profit for the year  |        | 487          | 563          |
| <i>Adjustments for:</i>  |        |              |              |
| Depreciation   | 13     | 494          | 495          |
| Amortisation   | 14     | 2            | -            |
| Finance income   | 10     | -            | (1)          |
| Finance expense  | 10     | 399          | 452          |
| Loss on sale of property, plant and equipment                              | 13     | 7            | 24           |
| Income tax   | 11     | 195          | 299          |
|  |        | <hr/>        | <hr/>        |
|  |        | 1,584        | 1,832        |
| Change in inventories and materials handling property, plant and equipment | 13, 17 | (284)        | (145)        |
| Change in trade and other receivables                                      | 18     | 151          | (1,579)      |
| Change in prepayments  |        | 52           | (49)         |
| Change in trade and other payables   | 21     | 396          | 1,708        |
|  |        | <hr/>        | <hr/>        |
|  |        | 1,899        | 1,767        |
| Interest received  | 10     | -            | 1            |
| Interest paid  | 10     | (399)        | (452)        |
| Tax paid   |        | (410)        | (271)        |
|  |        | <hr/>        | <hr/>        |
| <b>Net cash from operating activities</b>                                  |        | 1,090        | 1,045        |
| <b>Cash flows from investing activities</b>                                |        |              |              |
| Proceeds from sale of property, plant and equipment                        | 13     | 80           | 70           |
| Proceeds from subsidiary disposal, net of cash disposed of                 | 4      | 25           | 644          |
| Purchase of own shares   | 23     | (15)         | -            |
| Acquisition of property, plant and equipment                               | 13     | (228)        | (181)        |
| Acquisition of intangible assets   | 14     | (11)         | -            |
|  |        | <hr/>        | <hr/>        |
| <b>Net cash from investing activities</b>                                  |        | (149)        | 533          |
| <b>Cash flows from financing activities</b>                                |        |              |              |
| Repayment of borrowings  |        | (684)        | (983)        |
| Repayment of finance lease liabilities                                     |        | (207)        | (184)        |
|  |        | <hr/>        | <hr/>        |
| <b>Net cash from financing activities</b>                                  |        | (891)        | (1,167)      |
| <b>Net increase in cash and cash equivalents</b>                           |        |              |              |
| Cash and cash equivalents at start of year                                 | 19     | (4,090)      | (4,501)      |
|  |        | <hr/>        | <hr/>        |
| <b>Cash and cash equivalents at end of year</b>                            | 19     | (4,040)      | (4,090)      |
|  |        | <hr/> <hr/>  | <hr/> <hr/>  |

## Company statement of cash flows

for the year ended 31 March 2013

|  | Note | 2013<br>£000          | 2012<br>£000          |
|--|------|-----------------------|-----------------------|
| <b>Cash flows from operating activities</b>      |      |                       |                       |
| Profit/(loss) for the year                       |      | 1,035                 | (2,536)               |
| <i>Adjustments for:</i>                          |      |                       |                       |
| Depreciation                                     | 13   | 16                    | 14                    |
| Finance income                                   |      | -                     | (1)                   |
| Finance expense                                  |      | 370                   | 428                   |
| Income tax                                       |      | 2                     | -                     |
|  |      | <u>1,423</u>          | <u>(2,095)</u>        |
| Change in inventories                            | 17   | (3)                   | -                     |
| Change in trade and other receivables            | 18   | 249                   | (599)                 |
| Change in prepayments                            |      | 3                     | (26)                  |
| Change in amounts owed to group undertakings     |      | (313)                 | 3690                  |
| Change in trade and other payables               | 21   | (250)                 | 599                   |
|  |      | <u>1,109</u>          | <u>1,569</u>          |
| Interest received                                | 10   | -                     | 1                     |
| Interest paid                                    | 10   | (370)                 | (428)                 |
|  |      | <u>739</u>            | <u>1,142</u>          |
| <b>Net cash from operating activities</b>        |      |                       |                       |
| <b>Cash flows from investing activities</b>      |      |                       |                       |
| Acquisition of property, plant and equipment     | 13   | (51)                  | (11)                  |
| Purchase of own shares                           | 23   | (15)                  | -                     |
| Disposal of subsidiary                           | 4    | 25                    | 644                   |
|  |      | <u>(41)</u>           | <u>633</u>            |
| <b>Net cash from investing activities</b>        |      |                       |                       |
| <b>Cash flows from financing activities</b>      |      |                       |                       |
| Repayment of borrowings                          |      | (634)                 | (976)                 |
| Repayment of finance lease liabilities           |      | (1)                   | (20)                  |
|  |      | <u>(635)</u>          | <u>(996)</u>          |
| <b>Net cash from financing activities</b>        |      |                       |                       |
| <b>Net increase in cash and cash equivalents</b> |      |                       |                       |
| Cash and cash equivalents at start of year       | 19   | (3,588)               | (4,367)               |
|  |      | <u>63</u>             | <u>779</u>            |
| <b>Cash and cash equivalents at end of year</b>  | 19   | <u><u>(3,525)</u></u> | <u><u>(3,588)</u></u> |



## Notes to the financial statements

year ended 31 March 2013

### 1 Reporting entity

Northern Bear Plc (the “Company”) is a company incorporated in England and Wales.

The Group financial statements consolidate those of the Company and its subsidiaries (together referred to as the “Group”). The Parent Company financial statements present information about the Company as a separate entity and not about its Group.

### 2 Basis of preparation

#### **Statement of compliance**

Both the Parent Company financial statements and the Group financial statements have been prepared and approved by the directors in accordance with International Financial Reporting Standards as adopted by the EU (“Adopted IFRSs”).

On publishing the Parent Company financial statements here, together with the Group financial statements, the Company is taking advantage of the exemption in s408 of the Companies Act 2006 not to present its individual statement of comprehensive income and related notes that form a part of these approved financial statements.

#### **Standards and interpretations applied for the first time**

In these financial statements the following Adopted IFRSs, which became effective for the first time, were adopted by the Group:

- Revised IAS 1 ‘Presentation of Financial Statements’;
- Revised IAS 19 ‘Employee Benefits’;
- Revised IAS 32 ‘Financial Instruments: Presentation’;
- Revised IFRS 7 ‘Financial Instruments: Disclosure’;
- Revised IFRS 13 ‘Fair Value Measurement’; and
- Improvements to IFRSs.

The adoption of the above standards and interpretations has not had a significant impact on the Group’s results for the year or equity.

#### **Basis of measurement**

The financial statements are prepared on the historical cost basis.

#### **Functional and presentation currency**

These financial statements are presented in sterling, which is the Company’s functional currency.

#### **Use of estimates and judgements**

The preparation of financial statements requires management to make judgements, estimates and assumptions that may affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Judgements and estimates made by management in the application of Adopted IFRSs that have a significant impact on the consolidated financial statements with a significant risk of material adjustment in the next year are described in note 27.

#### **Going concern**

The Group’s business activities, together with the factors likely to affect its future development, performance and position are set out in the Business Review on pages 4 and 5. The financial position of the Group, its cash flows and liquidity position are described in the Chairman’s statement on pages 2 and 3. In addition, note 24 to the financial statements includes the Group’s objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and its exposures to credit risk and liquidity risk.

## Notes to the financial statements

year ended 31 March 2013 (continued)

### 2 Basis of preparation (continued)

#### **Going concern (continued)**

The Group meets its day to day working capital requirements through bank overdraft and loan facilities. The overdraft element of the facilities is due for routine review and renewal on 31 January 2014; the directors have a reasonable expectation of successful re-financing. Whilst the current economic outlook remains uncertain, the Group's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Group should be able to operate within the level of its current facilities.

Taking into account all of the above, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Accordingly they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

### 3 Significant accounting policies

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these consolidated financial statements.

#### **Basis of consolidation**

Control exists where the Group has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Subsidiaries are entities controlled by the Company. The financial statements of subsidiaries are included in the consolidated financial information from the date that control commences until the date that control ceases.

Intercompany balances, and any unrealised gains and losses or income and expenses arising from intragroup transactions, are eliminated when preparing the consolidated financial information.

#### **Classification of financial instruments issued by the Group**

Financial instruments issued by the Group are treated as equity only to the extent that they meet the following two conditions:

- (a) they include no contractual obligations upon the Company (or Group as the case may be) to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Company (or Group); and
- (b) where the instrument will or may be settled in the Company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Company's own equity instruments or is a derivative that will be settled by the Company exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the Company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

#### **Non-derivative financial instruments**

Non-derivative financial instruments comprise investments in equity, trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

##### *Trade and other receivables*

Trade and other receivables are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses.

##### *Trade and other payables*

Trade and other payables are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

##### *Interest-bearing borrowings*

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

## Notes to the financial statements

year ended 31 March 2013 (continued)

### 3 Significant accounting policies (continued)

#### **Intangible assets and goodwill**

All business combinations are accounted for by applying the purchase method. Goodwill represents amounts arising on acquisition of subsidiaries. Goodwill represents the difference between the cost of the acquisition and the net fair value of the identifiable assets, liabilities and contingent liabilities acquired. Identifiable intangibles are those which can be sold separately or which arise from legal rights regardless of whether those rights are separable.

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units and is not amortised but is tested annually for impairment.

Acquired brands are stated at cost less accumulated amortisation and impairment losses.

#### **Property, plant and equipment**

Property, plant and equipment (PPE) are stated at cost less accumulated depreciation and impairment losses. Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Leases in which the Group assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. Where land and buildings are held under leases the accounting treatment of the land is considered separately from that of the buildings. Leased assets acquired by way of finance lease are stated at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation and less accumulated impairment losses. Lease payments are accounted for as described below.

Prior to 1 April 2012, transfers between PPE and inventory in relation to materials handling equipment (fork lift trucks) reflected changes in the method of recovering value, with those available for sale held in inventory and those leased to customers held in PPE. Movements between these classifications reflected previously leased items being made available for sale and items previously available for sale being leased. Transfers occurred at net book value with no profit or loss. From 1 April 2012, once fork lift trucks have been transferred into PPE (as leased) these trucks are retained within PPE on the basis that there is no clear intention of a change in purpose for which they are held. This change has had no impact on the result for the year. Proceeds from disposals of fork lift trucks continue to be accounted for as revenue.

Depreciation is charged to the income statement on a straight line basis over the estimated useful economic lives of each part of an item of property, plant and equipment. The depreciation rates are as follows:

|  |  |
|--|--|
| Freehold buildings                                   | 2% straight line   |
| Plant and equipment                                  | 15% diminishing balance<br>(applied when on hire for fork lift trucks) |
| Motor vehicles                                       | 25% diminishing balance  |
| Fixtures and fittings (including computer equipment) | 15-33% diminishing balance   |
| Leasehold, buildings and improvements                | life of lease straight line  |

The residual value, and useful economic life, is reassessed annually. Land is not depreciated.

#### **Investments in subsidiaries**

Investments in subsidiaries are carried at cost less impairment in the Parent Company accounts.

#### **Inventories**

Inventories are stated at the lower of cost and net realisable value. The cost of inventories is based on the first-in first-out principle and includes expenditure incurred in acquiring the inventories and other costs incurred in bringing them to their existing location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

#### **Construction work in progress**

Construction work in progress represents the gross unbilled amount expected to be collected from customers for contract work performed to date. It is measured at cost plus profit recognised to date less progress billings and recognised losses. Cost includes all expenditure related directly to specific projects and an allocation of fixed and variable overheads incurred in the Group's contract activities based on normal operating capacity.

Construction work in progress is presented as part of trade and other receivables in the balance sheet.

## Notes to the financial statements

year ended 31 March 2013 (continued)

### 3 Significant accounting policies (continued)

#### **Impairment**

The carrying amounts of the Group's assets, other than inventories and deferred tax assets, are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, then the assets recoverable amount is estimated. For goodwill which has an indefinite life the recoverable amount is estimated at each reporting date.

The recoverable amount of an asset or cash generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash generating unit"). The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to cash generating units that are expected to benefit from the synergies of the combination.

An impairment loss is recognised if the carrying amount of an asset or its cash generating unit exceeds its estimated recoverable amount. Impairment losses are recognised in the income statement. Impairment losses recognised in respect of cash generating units are allocated first to reduce the carrying amount of any goodwill allocated to cash generating units and then to reduce the carrying amount of other assets within the unit on a pro-rata basis.

#### **Employee benefits**

##### *Defined contribution pension plans*

Obligations for contributions to defined contribution pension plans are recognised as an expense in the income statement as service is provided.

##### *Share-based payment transactions*

The share option programme allows Group and Company employees to acquire shares of the Company. The fair value of share options granted is recognised as an employee expense with a corresponding increase in equity. The fair value is measured at grant date, using an appropriate model taking into account the terms and conditions upon which the share options were granted, and is spread over the period during which the employees become unconditionally entitled to the options. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest except where forfeiture is only due to market conditions.

#### **Revenue**

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts, VAT and other sales related taxes.

Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably.

In relation to key revenue streams (other than construction contracts which are discussed below) this policy is applied as follows:

- Building services – revenue is recognised based on agreed valuations certified by a quantity surveyor;
- Roofing – revenue is recognised based on agreed valuations certified by a quantity surveyor;
- Materials handling – for product sales, revenue is recognised on delivery to the customer (when significant risks and rewards of ownership are transferred);
  - for assets leased to customers, revenue is recognised on a straight line basis over the hire term.

## Notes to the financial statements

year ended 31 March 2013 (continued)

### 3 Significant accounting policies (continued)

#### **Construction contracts**

Contract revenue includes the initial amount agreed in the contract plus any variations in contract work, claims and incentive payments to the extent that it is probable that they will result in revenue and can be measured reliably. As soon as the outcome of a contract can be estimated reliably, contract revenue and expenses are recognised in profit or loss in proportion to the stage of completion of the contract.

The stage of completion is assessed by reference to the proportion of contract costs incurred for the work performed to date in relation to total estimated contract costs. When the outcome of a contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable. An expected loss on a contract is recognised immediately in profit or loss.

#### **Expenses**

##### (i) Operating lease payments

Payments under operating leases are recognised in the income and expenditure account on a straight line basis over the term of the lease. Lease incentives received are recognised in the income statement as an integral part of the total lease expense.

##### (ii) Finance lease payments

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

##### (iii) Finance income

Finance income comprises interest receivable on funds invested. Interest income is recognised in the income statement as it accrues using the effective interest method.

##### (iv) Finance expenses

Finance expenses comprise interest payable on borrowings. All borrowing costs are recognised in profit or loss using the effective interest method.

##### v) Exceptional expenses

Exceptional items are defined as items of expenditure which are material and unusual in nature and which are considered to be of such significance that they require separate disclosure on the face of the statement of comprehensive income, in accordance with IAS 1.

#### **Income tax**

Income tax on the profit or loss for the period comprises both current and deferred tax. Income tax is recognised in the statement of comprehensive income except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profits nor differences relating to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognised for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that a related tax benefit will be realised.

## Notes to the financial statements

year ended 31 March 2013 (continued)

### 3 Significant accounting policies (continued)

#### **Segment reporting**

Segmental information is provided based on internal reports regularly reviewed by the Chief Operating Decision Maker, which is deemed to be the Board of Directors.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that are allocated on a reasonable basis. Segment capital expenditure is the total cost incurred during the period to acquire segment assets that are not expected to be used for more than one segment.

#### **Discontinued operations**

A discontinued operation is a component of the Group's business that represents a separate major line of business or geographical area of operations that has been disposed of or is held for sale, or is a subsidiary acquired exclusively with a view to resale. Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. When an operation is classified as a discontinued operation, the comparative income statement is restated as if the operation has been discontinued from the start of the comparative period.

#### **Standards and Interpretations in use but not applied**

The following standards and interpretations, which have not been applied in these financial statements, were available for early adoption:

- Amendments to IFRS 7 'Disclosures – Transfers of Financial Assets'
- Amendments to IFRS 10 'Consolidated Financial Statements';
- Amendments to IFRS 11 'Joint Arrangements';
- Amendments to IFRS 12 'Disclosure of Interests in Other Entities'; and
- Amendments to IAS 39 'Financial Instruments: Recognition and Measurement'.

The directors anticipate that the adoption of the above will have no material effect on the Group's financial statements.

### 4 Discontinued operations

The Group has disposed of operations as follows:

- The Roof Truss Company (Northern) Limited – on 26 May 2011; and
- Hastie D Burton Limited – on 20 April 2011.

These operations were classified as discontinued in the prior year.



## Notes to the financial statements

year ended 31 March 2013 (continued)

### 4 Discontinued operations (continued)

#### Results from discontinued operations - 2012

|                               | Hastie D<br>Burton<br>£000 | Roof<br>Truss<br>£000 | 2012<br>Total<br>£000 |
|-------------------------------|----------------------------|-----------------------|-----------------------|
| Exceptional expenses          | (54)                       | (105)                 | (159)                 |
| <b>Loss before income tax</b> | <b>(54)</b>                | <b>(105)</b>          | <b>(159)</b>          |
| Income Tax                    | -                          | -                     | -                     |
| <b>Loss for the year</b>      | <b>(54)</b>                | <b>(105)</b>          | <b>(159)</b>          |
| Basic loss per share          |                            |                       | <b>(0.9p)</b>         |

### 5 Segmental analysis

The analysis by segments below is presented on the basis of those segments whose operating results are regularly reviewed by the Board of Directors (the Chief Operating Decision Maker) to assess performance and allocate resources.

- Roofing activities – companies providing a comprehensive range of roofing services including slating, tiling, leadwork, felting, refurbishment and maintenance for domestic, commercial and public sector properties;
- Materials handling activities – supply, service and maintenance of fork lift trucks and warehouse equipment both on hire and for sale;
- Building services activities – aggregation of other specialist building services companies providing services including fire protection and asbestos removal; and
- Corporate and other activities - the provision of head office activity and consolidation items.

## Notes to the financial statements

year ended 31 March 2013 (continued)

### 5 Segmental analysis (continued)

| 2013  | Roofing<br>activities<br>£000 | Materials<br>handling<br>activities<br>£000 | Building<br>services<br>activities<br>£000 | Corporate and<br>other activities<br>£000 | Total<br>£000 |
|---|-------------------------------|---|--|---|---------------|
| <b>Revenue</b>  |                               |   |  |   |               |
| Total segment revenue                                       | 19,936                        | 2,561                                       | 13,123                                     | -   | 35,620        |
| Inter-segment revenue                                       | (218)                         | (5)   | (250)                                      | -   | (473)         |
| External revenue  | 19,718                        | 2,556                                       | 12,873                                     | -   | 35,147        |
| <b>Operating profit/(loss)<br/>before exceptional items</b> |                               |   |  |   |               |
| Operating profit/(loss) before exceptional items            | 1,480                         | 497   | 400  | (650)                                     | 1,727         |
| Exceptional items   | -                             | -   | (593)                                      | (53)                                      | (646)         |
| <b>Operating profit/(loss)</b>                              | 1,480                         | 497   | (193)                                      | (703)                                     | 1,081         |
| Net finance expense   |                               |   |  |   | (399)         |
| Income tax expense  |                               |   |  |   | (195)         |
| <b>Profit for the financial year</b>                        |                               |   |  |   | 487           |
| <b>Segment assets</b>                                       | 15,989                        | 4,830                                       | 10,024                                     | 1,644                                     | 32,487        |
| <b>Segment liabilities</b>                                  | 3,594                         | 237   | 3,527                                      | 6,795                                     | 14,153        |
| Depreciation charge   | 159                           | 218   | 102  | 15  | 494           |
| Capital expenditure   | 310                           | 36  | 6  | 51  | 403           |

## Notes to the financial statements

year ended 31 March 2013 (continued)

### 5 Segmental analysis (continued)

| 2012   | Roofing activities<br>£000 | Materials handling activities<br>£000 | Building services activities<br>£000 | Corporate and other activities<br>£000 | Total<br>£000 |
|--|----------------------------|---------------------------------------|--------------------------------------|--|---------------|
| <b>Revenue</b>   |                            |                                       |                                      |  |               |
| Total segment revenue  | 19,883                     | 2,793                                 | 14,172                               | -                                      | 36,848        |
| Inter-segment revenue  | (166)                      | (8)                                   | (262)                                | -                                      | (436)         |
| External revenue   | 19,717                     | 2,785                                 | 13,910                               | -                                      | 36,412        |
| <b>Operating profit/(loss) before exceptional items</b>      |                            |                                       |                                      |  |               |
| Operating profit/(loss) before exceptional items             | 1,464                      | 435                                   | 376                                  | (612)                                  | 1,663         |
| Exceptional items  | (56)                       | -                                     | -                                    | (135)                                  | (191)         |
| <b>Operating profit/(loss)</b>                               | 1,408                      | 435                                   | 376                                  | (747)                                  | 1,472         |
| Net finance expense  |                            |                                       |                                      |  | (451)         |
| Income tax expense   |                            |                                       |                                      |  | (299)         |
| <b>Profit for the financial year – continuing operations</b> |                            |                                       |                                      |  | 722           |
| <b>Segment assets</b>  | 17,026                     | 4,740                                 | 10,603                               | 305                                    | 32,674        |
| <b>Segment liabilities</b>                                   | 4,474                      | 243                                   | 3,530                                | 6,565                                  | 14,812        |
| Depreciation charge  | 136                        | 217                                   | 128                                  | 14                                     | 495           |
| Capital expenditure  | 132                        | 9                                     | 31                                   | 10                                     | 182           |

As the Board of Directors receives segment revenue and operating profit/(loss) on the same basis as for the statutory financial statements no further reconciliation is considered to be necessary.

#### Revenue

Further analysis of significant categories of gross revenue is provided below:

|                            | 2013<br>£000  | 2012<br>£000  |
|----------------------------|---------------|---------------|
| Roofing                    | 19,708        | 19,717        |
| Materials handling - sales | 1,518         | 1,753         |
| - leasing                  | 1,040         | 1,032         |
| Building services          | 12,881        | 13,910        |
|                            | <b>35,147</b> | <b>36,412</b> |

All revenue is derived from the UK, with no single customer contributing 10% or more of the Group's revenue.

## Notes to the financial statements

year ended 31 March 2013 (continued)

### 6 Other operating income

|               | 2013<br>£000 | 2012<br>£000 |
|---------------|--------------|--------------|
| Rental income | 15           | 16           |
| Other income  | 8            | -            |
|               | <u>23</u>    | <u>16</u>    |

Other operating income relates to the rental of premises and advertising space, along with a compensation payment received from a supplier. As these receipts are not part of the Group's trading activities they have been classified separately.

### 7 Expenses

*Auditor's remuneration:*

|   | 2013<br>£000 | 2012<br>£000 |
|---|--------------|--------------|
| Audit of these financial statements                                   | 19           | 31           |
| Amounts receivable by auditor and their associates in respect of:     |              |              |
| Audit of financial statements of subsidiaries pursuant to legislation | <u>65</u>    | <u>59</u>    |
| Non-audit services provided to the Group:                             |              |              |
| Corporation tax compliance services                                   | 16           | -            |
| iXBRL tax tagging services  | <u>5</u>     | <u>-</u>     |

Amounts paid to the Company's auditor and their associates in respect of services to the Company, other than the audit of the Company's financial statements, have not been disclosed as the information is required instead to be disclosed on a consolidated basis.

*Exceptional expenses:*

One of the Group's subsidiaries, MGM Limited, took on a significant contract for building works on a care home in February 2011. The majority of the work in relation to this contract took place during the financial year ended 31 March 2013. This was a new sphere of work for the Group and, with hindsight, not one that MGM was in a position to carry out at the contracted price. Accordingly, exceptional expenses included within cost of sales of £532,000 (2012: £nil) have been presented separately and comprise the loss on this significant contract (including reversal of previously recognised margin).

*Administrative expenses include the following exceptional expenses:*

|                                   | 2013<br>£000 | 2012<br>£000 |
|-----------------------------------|--------------|--------------|
| Continuing operations:            |              |              |
| Redundancy costs                  | 61           | 86           |
| Legal and professional fees       | 53           | 55           |
| Aborted transaction costs         | -            | 50           |
|                                   | <u>114</u>   | <u>191</u>   |
| Discontinued operations (note 4): |              |              |
| Legal and professional fees       | -            | 159          |
|                                   | <u>-</u>     | <u>159</u>   |

Redundancy costs include redundancy expenses and the related costs, including professional fees, relating to former Directors of the group and subsidiary undertakings who have not been replaced.

Aborted transaction costs represent fees incurred on potential business acquisitions which aborted.

## Notes to the financial statements

year ended 31 March 2013 (continued)

### 8 Staff numbers and costs

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

|                | Number of employees |      |
|----------------|---------------------|------|
|                | 2013                | 2012 |
| Directors      | 6                   | 7    |
| Administration | 85                  | 81   |
| Production     | 245                 | 261  |
|                | 336                 | 349  |
|                | 336                 | 349  |

The aggregate payroll costs of these persons were as follows:

|   | 2013  | 2012  |
|---|-------|-------|
|   | £000  | £000  |
| Wages and salaries                          | 7,880 | 8,704 |
| Social security costs                       | 703   | 774   |
| Contributions to defined contribution plans | 67    | 124   |
|   | 8,650 | 9,602 |
|   | 8,650 | 9,602 |

### 9 Directors' remuneration

The table below sets out details of the emoluments in respect of qualifying services and compensation of each person who served as a Director during the year or for the period served as director if less than the full year (excluding pension contributions, details of which are set out separately below):

| Directors' emoluments | Salary/fees | Annual bonus | Estimated value of benefits | Total 2013 | Total 2012 |
|-----------------------|-------------|--------------|-----------------------------|------------|------------|
|                       | £000        | £000         | £000                        | £000       | £000       |
| HB Gold               | -           | -            | -                           | -          | 10         |
| GR Jennings           | 103         | 70           | 16                          | 189        | 157        |
| SM Roberts            | 62          | -            | -                           | 62         | 69         |
| S Gray                | 49          | -            | 8                           | 57         | 104        |
| K Soulsby             | 64          | -            | 24                          | 88         | 34         |
| IT McLean             | 20          | -            | -                           | 20         | 20         |
| GSL Forrest           | -           | -            | -                           | -          | 89         |
|                       | 298         | 70           | 48                          | 416        | 483        |
|                       | 298         | 70           | 48                          | 416        | 483        |

### Pension contributions

|             | 2013 | 2012 |
|-------------|------|------|
|             | £000 | £000 |
| K Soulsby   | 11   | 6    |
| S Gray      | 11   | -    |
| GR Jennings | -    | 46   |
|             | 22   | 52   |
|             | 22   | 52   |

## Notes to the financial statements

year ended 31 March 2013 (continued)

### 9 Directors' remuneration (continued)

|  | Number of directors |      |
|--|---------------------|------|
|  | 2013                | 2012 |
| Retirement benefits are accruing to the following number of directors under: |                     |      |
| Money purchase schemes   | 1                   | 2    |

### 10 Finance income and expense

| <i>Finance income</i>  | 2013<br>£000 | 2012<br>£000 |
|--|--------------|--------------|
| Bank interest  | -            | 1            |
| <i>Finance expense</i>   |              |              |
| On bank loans and overdrafts   | 367          | 424          |
| Finance charges payable in respect of finance leases and hire purchase contracts | 32           | 28           |
| Total finance expense  | 399          | 452          |

### 11 Taxation

| Recognised in the income statement                | 2013<br>£000 | 2012<br>£000 |
|---|--------------|--------------|
| <i>Current tax expense</i>                        |              |              |
| Current year                                      | 138          | 418          |
| Adjustments for prior years                       | -            | 17           |
| Current tax expense                               | 138          | 435          |
| <i>Deferred tax expense</i>                       |              |              |
| Origination and reversal of temporary differences | 46           | (130)        |
| Adjustments for prior years                       | 11           | (8)          |
| Effect of change in tax rates                     | -            | 2            |
| Deferred tax expense/(credit)                     | 57           | (136)        |
| Tax from discontinued operations                  | -            | -            |
| Total tax expense                                 | 195          | 299          |



## Notes to the financial statements

year ended 31 March 2013 (continued)

### 11 Taxation (continued)

#### Reconciliation of effective tax rate

|  | 2013<br>£000 | 2012<br>£000 |
|--|--------------|--------------|
| Profit before tax  | 682          | 1,021        |
| Tax using the UK corporation tax rate of 24% (2012: 26%) | 164          | 265          |
| Non-deductible expenses                                  | 23           | 72           |
| Small companies tax rate                                 | -            | (8)          |
| Underprovided in prior years                             | 11           | 9            |
| Effect of rate changes                                   | -            | 2            |
| Other differences  | (3)          | (41)         |
| Total tax expense  | <u>195</u>   | <u>299</u>   |

#### Factors that may affect future tax expenses

In March 2013 the Chancellor announced a reduction in the main rate of UK corporation tax to 23% with effect from 1 April 2013. This change became substantively enacted in March 2013 and therefore the effect of the rate reduction on deferred tax balances as at 31 March 2013 has been included in the figures above.

The Chancellor also proposed changes to further reduce the main rate of corporation tax by 2% to 21% from 1 April 2014 and by a further 1% from 1 April 2015, but these changes have not yet been substantively enacted and therefore are not included in the figures above. The overall effect of these further reductions, if applied to the deferred tax balances at 31 March 2013, would not be significant to the deferred tax liability.

### 12 Earnings/(loss) per share

The calculation of basic and diluted earnings/(loss) per share was based on the profit/(loss) for the period and on the weighted average number of ordinary shares outstanding, calculated as follows:

|   | 2013          | 2012          |
|---|---------------|---------------|
| Profit for the period (£000)  |               |               |
| - continuing operations   | 487           | 722           |
| - discontinued operations   | -             | (159)         |
| Total   | <u>487</u>    | <u>563</u>    |
| Weighted average number of ordinary shares excluding shares held in treasury for the proportion of the year held in treasury - (note 23) ('000) | <u>17,765</u> | <u>17,907</u> |
| Earnings/(loss) per share   |               |               |
| - continuing operations   | 2.7p          | 4.0p          |
| - discontinued operations   | -             | (0.9p)        |
| Total   | <u>2.7p</u>   | <u>3.1p</u>   |

## Notes to the financial statements

year ended 31 March 2013 (continued)

### 12 Earnings/(loss) per share (continued)

The calculation of adjusted earnings per share was based on the weighted average number of ordinary shares outstanding as calculated above, and on the profit/(loss) for the period, adjusted for exceptional charges, calculated as follows:

|  |                           | 2013        | 2012        |
|--|---------------------------|-------------|-------------|
| Profit for the period (£000)                           | – continuing operations   | 487         | 722         |
| Exceptional expenses (£000)                            |                           | 491         | 141         |
| Profit for the period (£000) before exceptionals       | – continuing operations   | <u>978</u>  | <u>863</u>  |
| Loss for the period (£000)                             | – discontinued operations | -           | (159)       |
| Exceptional expenses (£000)                            |                           | -           | 159         |
| Loss for the year before exceptionals                  | – discontinued operations | <u>-</u>    | <u>-</u>    |
| Profit for the period – total (£000)                   |                           | 487         | 563         |
| Exceptional expenses (£000)                            |                           | 491         | 300         |
| Profit for the year before exceptionals – total (£000) |                           | <u>978</u>  | <u>863</u>  |
| Adjusted earnings per share                            | – continuing operations   | 5.5p        | 4.8p        |
|  | – discontinued operations | -           | -           |
| Total  |                           | <u>5.5p</u> | <u>4.8p</u> |

## Notes to the financial statements

year ended 31 March 2013 (continued)

### 13 Property, plant and equipment

| Group                              | Land and buildings<br>£000 | Plant and equipment<br>£000 | Fixtures and fittings<br>£000 | Motor vehicles<br>£000 | Total<br>£000 |
|------------------------------------|----------------------------|-----------------------------|-------------------------------|------------------------|---------------|
| <b>Cost</b>                        |                            |                             |                               |                        |               |
| Balance at 1 April 2011            | 139                        | 2,590                       | 485                           | 1,877                  | 5,091         |
| Transfers from stock               | -                          | 823                         | -                             | -                      | 823           |
| Other acquisitions                 | -                          | 29                          | 22                            | 307                    | 358           |
| Materials handling disposals       | -                          | (939)                       | -                             | -                      | (939)         |
| Other disposals                    | -                          | (160)                       | (76)                          | (363)                  | (599)         |
| Balance at 31 March 2012           | 139                        | 2,343                       | 431                           | 1,821                  | 4,734         |
| Balance at 1 April 2012            | 139                        | 2,343                       | 431                           | 1,821                  | 4,734         |
| Transfers from stock               | -                          | 810                         | -                             | -                      | 810           |
| Other acquisitions                 | -                          | 18                          | 45                            | 340                    | 403           |
| Materials handling disposals       | -                          | (544)                       | -                             | -                      | (544)         |
| Other disposals                    | -                          | (10)                        | (14)                          | (265)                  | (289)         |
| Balance at 31 March 2013           | 139                        | 2,617                       | 462                           | 1,896                  | 5,114         |
| <b>Depreciation and impairment</b> |                            |                             |                               |                        |               |
| Balance at 1 April 2011            | 127                        | 1,365                       | 293                           | 1,048                  | 2,833         |
| Depreciation charge for year       | 2                          | 204                         | 50                            | 239                    | 495           |
| Materials handling disposals       | -                          | (305)                       | -                             | -                      | (305)         |
| Other disposals                    | -                          | (158)                       | (74)                          | (277)                  | (509)         |
| Balance at 31 March 2012           | 129                        | 1,106                       | 269                           | 1,010                  | 2,514         |
| Balance at 1 April 2012            | 129                        | 1,106                       | 269                           | 1,010                  | 2,514         |
| Depreciation charge for the year   | 1                          | 209                         | 48                            | 236                    | 494           |
| Materials handling disposals       | -                          | (110)                       | -                             | -                      | (110)         |
| Other disposals                    | -                          | (9)                         | (14)                          | (179)                  | (202)         |
| Balance at 31 March 2013           | 130                        | 1,196                       | 303                           | 1,067                  | 2,696         |
| <b>Net book value</b>              |                            |                             |                               |                        |               |
| At 1 April 2011                    | 12                         | 1,225                       | 192                           | 829                    | 2,258         |
| At 31 March 2012                   | 10                         | 1,237                       | 162                           | 811                    | 2,220         |
| <b>At 31 March 2013</b>            | <b>9</b>                   | <b>1,421</b>                | <b>159</b>                    | <b>829</b>             | <b>2,418</b>  |

#### Leased property, plant and equipment

At 31 March 2013 the net carrying amount of plant and equipment held on finance leases was £477,584 (2012: £450,656).

#### Security

Leased equipment secures lease obligations.

## Notes to the financial statements

year ended 31 March 2013 (continued)

### 13 Property, plant and equipment (continued)

#### Company

|                                    | <b>Fixtures and fittings<br/>£000</b> |
|------------------------------------|---------------------------------------|
| <b>Cost</b>                        |                                       |
| Balance at 1 April 2011            | 65                                    |
| Other acquisitions                 | 10                                    |
|                                    | <hr/>                                 |
| Balance at 31 March 2012           | 75                                    |
|                                    | <hr/>                                 |
| Balance at 1 April 2012            | 75                                    |
| Other acquisitions                 | 51                                    |
|                                    | <hr/>                                 |
| Balance at 31 March 2013           | 126                                   |
|                                    | <hr/>                                 |
| <b>Depreciation and impairment</b> |                                       |
| Balance at 1 April 2011            | 24                                    |
| Depreciation charge for the year   | 14                                    |
|                                    | <hr/>                                 |
| Balance at 31 March 2012           | 38                                    |
|                                    | <hr/>                                 |
| Balance at 1 April 2012            | 38                                    |
| Depreciation charge for the year   | 16                                    |
|                                    | <hr/>                                 |
| Balance at 31 March 2013           | 54                                    |
|                                    | <hr/>                                 |
| <b>Net book value</b>              |                                       |
| At 1 April 2011                    | 41                                    |
|                                    | <hr/> <hr/>                           |
| At 31 March 2012                   | 37                                    |
|                                    | <hr/> <hr/>                           |
| <b>At 31 March 2013</b>            | <b>72</b>                             |
|                                    | <hr/> <hr/>                           |

## Notes to the financial statements

year ended 31 March 2013 (continued)

### 14 Intangible assets

| Group                              | Goodwill<br>£000 | Brands<br>£000 | Goodwill<br>£000 |
|------------------------------------|------------------|----------------|------------------|
| <b>Cost</b>                        |                  |                |                  |
| Balance at 1 April 2011            | 23,394           | -              | 23,394           |
| Disposal of subsidiary             | (2,046)          | -              | (2,046)          |
| Balance at 31 March 2012           | 21,348           | -              | 21,348           |
| Balance at 1 April 2012            | 21,348           | -              | 21,348           |
| Additions                          | -                | 11             | 11               |
| Balance at 31 March 2013           | 21,348           | 11             | 21,359           |
| <b>Amortisation and impairment</b> |                  |                |                  |
| Balance at 1 April 2011            | 2,046            | -              | 2,046            |
| Disposal of subsidiary             | (2,046)          | -              | (2,046)          |
| Balance at 31 March 2012           | -                | -              | -                |
| Balance at 1 April 2012            | -                | -              | -                |
| Amortisation                       | -                | 2              | 2                |
| Balance at 31 March 2013           | -                | 2              | 2                |
| <b>Net book value</b>              |                  |                |                  |
| At 1 April 2011                    | 21,348           | -              | 21,348           |
| At 31 March 2012                   | 21,348           | -              | 21,348           |
| <b>At 31 March 2013</b>            | <b>21,348</b>    | <b>9</b>       | <b>21,357</b>    |

Goodwill is allocated to the Group's cash generating units ("CGUs"), which have been identified on a company basis. A summary of the carrying value presented at CGU basis is shown below:

|                              | 2013<br>£000  | 2012<br>£000 |
|------------------------------|---------------|--------------|
| Ron Gone Limited             | 1,526         | 1,526        |
| Maximuse Limited             | 3,126         | 3,126        |
| Kelmax Roofing Limited       | 4,507         | 4,507        |
| MGM Limited                  | 1,599         | 1,599        |
| Chirmarn Holdings Limited    | 3,891         | 3,891        |
| Jennings Properties Limited  | 4,087         | 4,087        |
| A1 Industrial Trucks Limited | 2,612         | 2,612        |
|                              | <b>21,348</b> | 21,348       |

Brands comprise the Matthew Charlton Slaters brand acquired in the year, which is being amortised on a straight line basis over a period of five years.

## Notes to the financial statements

year ended 31 March 2013 (continued)

### 14 Intangible assets (continued)

#### Impairment testing

Goodwill is tested annually for impairment, or more frequently if there are indications the goodwill may be impaired. All recoverable amounts are based on value in use and the key assumptions applied in the value in use calculations are as follows:

- Cash flow projections – cash flow projections cover a 20 year period based on detailed approved budget forecasts for the next year, directors' projections of profits for years two to five and an assumption of 2% annual growth in profits thereafter.
- Growth rate – taking into account the current economic climate, management have made an assumption that the long term growth rate in each of the CGUs from year five onwards will be 2% per annum when extrapolating future cash flows.
- Discount rate – management have applied a discount rate of 9% (2012: 9%) to the cash flow forecasts, which represents their best estimate of the Group's weighted average cost of capital. The calculation is based on the split of equity and debt funding at the balance sheet date and estimated long term costs for debt and equity. Management believe the market risk associated with each CGU is similar and has applied the average rate across the business. The discount rate reflects the continued difficult trading conditions and economic environment, and is comparable to rates used by other groups operating in similar segments.

#### Sensitivity analysis

The key sensitivities in assessing the value in use of goodwill are forecast cash flows and the discount rate applied:

- 1% reduction in growth rate in forecast cash flows would have no impact on carrying values; and
- 1% increase in the discount rate applied would have no impact on carrying values.

### 15 Investments in subsidiaries

| Company                                       | Shares in group undertakings<br>£000 |
|---|--------------------------------------|
| <b>Cost</b>                                   |                                      |
| Balance at 1 April 2011                       | 40,769                               |
| Disposals                                     | (4,968)                              |
| Balance at 31 March 2012                      | 35,801                               |
| Balance at 1 April 2012                       | 35,801                               |
| Disposals                                     | -                                    |
| Balance at 31 March 2013                      | 35,801                               |
| <b>Impairment</b>                             |                                      |
| Balance at 1 April 2011                       | 4,103                                |
| Credited on disposal                          | (4,103)                              |
| Balance at 31 March 2012 and at 31 March 2013 | -                                    |
| <b>Net book value</b>                         |                                      |
| At 1 April 2011                               | 36,666                               |
| At 31 March 2012                              | 35,801                               |
| <b>At 31 March 2013</b>                       | <b>35,801</b>                        |

## Notes to the financial statements

year ended 31 March 2013 (continued)

### 15 Investments in subsidiaries (continued)

The Company has the following investments in subsidiaries:

| Company                      | Country of Incorporation | Class of shares held | Ownership |       |
|------------------------------|--------------------------|----------------------|-----------|-------|
|                              |                          |                      | 2013      | 2012  |
| Ron Gone Limited             | England and Wales        | Ordinary             | 100%      | 100%  |
| Isoler Limited               | England and Wales        | Ordinary             | 100%      | 100%  |
|                              |                          | A Ordinary           | 100%      | 100%  |
| Dudley Wilson Limited        | England and Wales        | A Ordinary           | 100%      | 100%  |
|                              |                          | B Ordinary           | 100%      | 100%  |
| Kelmax Roofing Limited       | England and Wales        | A Ordinary           | 100%      | 100%  |
|                              |                          | B Ordinary           | 100%      | 100%  |
| Springs Roofing Limited      | England and Wales        | Ordinary             | 100%      | 100%  |
|                              |                          | A Ordinary           | 100%      | 100%  |
|                              |                          | B Ordinary           | 100%      | 100%  |
|                              |                          | C Ordinary           | 100%      | 100%  |
|                              |                          | D Ordinary           | 100%      | 100%  |
| Maximuse Limited             | England and Wales        | A Ordinary           | 100%      | 100%  |
|                              |                          | B Ordinary           | 100%      | 100%  |
| Wensley Roofing Limited      | England and Wales        | Ordinary             | 100%      | 100%  |
|                              |                          | A Ordinary           | 100%      | 100%  |
| MGM Limited                  | England and Wales        | Ordinary             | 100%      | 100%  |
|                              |                          | A Ordinary           | 100%      | 100%  |
| Chirmarn Holdings Limited    | England and Wales        | Ordinary             | 100%      | 100%  |
| Chirmarn Limited             | England and Wales        | Ordinary             | 100%*     | 100%* |
| Chirmarn (Surveying) Limited | England and Wales        | Ordinary             | 100%*     | 100%* |
| Jennings Properties Limited  | England and Wales        | Ordinary             | 100%      | 100%  |
|                              |                          | A Ordinary           | 100%      | 100%  |
|                              |                          | B Ordinary           | 100%      | 100%  |
| Jennings Roofing Limited     | England and Wales        | Ordinary             | 100%*     | 100%* |
| A1 Industrial Trucks Limited | England and Wales        | Ordinary             | 100%      | 100%  |
| Northern Bear Safety Limited | England and Wales        | Ordinary             | 100%      | 100%  |

\*held indirectly.

The Roof Truss Company (Northern) Limited and Hastie D Burton Limited were disposed of on 26 May 2011 and 20 April 2011 respectively.

The Floor Joist Company (Northern) Limited was dissolved by voluntary strike off on 29 November 2011.

Hastie Limited was dissolved by voluntary strike off on 10 April 2012.

## Notes to the financial statements

year ended 31 March 2013 (continued)

### 16 Deferred tax assets and liabilities

#### Group

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

|                               | 2013<br>£000 | 2012<br>£000 |
|-------------------------------|--------------|--------------|
| Property, plant and equipment | (24)         | 15           |
| Other                         | -            | 18           |
|                               | <u>(24)</u>  | <u>33</u>    |
| Net tax (liability)/assets    | <u>(24)</u>  | <u>33</u>    |

Movement in deferred tax during the year

|                               | 1 April<br>2012<br>£000 | Recognised<br>in income<br>£000 | 31 March<br>2013<br>£000 |
|-------------------------------|-------------------------|---------------------------------|--------------------------|
| Property, plant and equipment | 15                      | (39)                            | (24)                     |
| Provisions                    | 18                      | (18)                            | -                        |
|                               | <u>33</u>               | <u>(57)</u>                     | <u>(24)</u>              |

Movement in deferred tax during the prior year

|                               | 1 April<br>2011<br>£000 | Recognised<br>in income<br>£000 | 31 March<br>2012<br>£000 |
|-------------------------------|-------------------------|---------------------------------|--------------------------|
| Property, plant and equipment | (107)                   | 122                             | 15                       |
| Provisions                    | 4                       | 14                              | 18                       |
|                               | <u>(103)</u>            | <u>136</u>                      | <u>33</u>                |

#### Company

Deferred tax assets in the Company represent temporary differences on property, plant and equipment.

### 17 Inventories

|                               | Group        |              | Company      |              |
|-------------------------------|--------------|--------------|--------------|--------------|
|                               | 2013<br>£000 | 2012<br>£000 | 2013<br>£000 | 2012<br>£000 |
| Raw materials and consumables | 715          | 807          | 3            | -            |
|                               | <u>715</u>   | <u>807</u>   | <u>3</u>     | <u>-</u>     |

All inventory is expected to be recovered in less than 12 months. There were no write downs in the year.



## Notes to the financial statements

year ended 31 March 2013 (continued)

### 18 Trade and other receivables

|                             | Group        |              | Company      |              |
|-----------------------------|--------------|--------------|--------------|--------------|
|                             | 2013<br>£000 | 2012<br>£000 | 2013<br>£000 | 2012<br>£000 |
| Trade receivables (note 24) | 7,418        | 7,591        | 376          | 459          |
| Other trade receivables     | 38           | 16           | 36           | 202          |
|                             | <u>7,456</u> | <u>7,607</u> | <u>412</u>   | <u>661</u>   |

At 31 March 2013 trade receivables include retentions of £1,148,000 (2012: £975,000) relating to contract work.

### Construction Contracts

#### Group

*Construction contracts*

|  | 2013<br>£000 | 2012<br>£000 |
|--|--------------|--------------|
| Amounts due from contract customers included in trade and other receivables    | 210          | 220          |
| Amounts due to contract customers included in trade and other payables         | -            | -            |
|  | <u>210</u>   | <u>220</u>   |
|  | 2013<br>£000 | 2012<br>£000 |
| Contract costs incurred plus recognised profits less recognised losses to date | 2,957        | 844          |
| Less: progress billings  | (2,957)      | (844)        |
|  | <u>-</u>     | <u>-</u>     |

#### Company

The Company has no construction contracts.

### 19 Cash and cash equivalents / bank overdrafts

|   | Group          |                | Company        |                |
|---|----------------|----------------|----------------|----------------|
|   | 2013<br>£000   | 2012<br>£000   | 2013<br>£000   | 2012<br>£000   |
| Cash and cash equivalents per balance sheet | 202            | 243            | -              | 9              |
| Bank overdrafts                             | (4,242)        | (4,333)        | (3,525)        | (3,597)        |
|   | <u>(4,040)</u> | <u>(4,090)</u> | <u>(3,525)</u> | <u>(3,588)</u> |

## Notes to the financial statements

year ended 31 March 2013 (continued)

### 20 Loans and borrowings

This note provides information about the contractual terms of the Group and Company's interest-bearing loans and borrowings, which are measured at amortised cost. For more information about the Group and Company's exposure to interest rate risk, see note 24.

|  | Group        |              | Company      |              |
|--|--------------|--------------|--------------|--------------|
|  | 2013<br>£000 | 2012<br>£000 | 2013<br>£000 | 2012<br>£000 |
| <b>Non-current liabilities</b>               |              |              |              |              |
| Secured bank loans                           | 1,569        | 2,328        | 1,569        | 2,328        |
| Finance lease liabilities                    | 123          | 134          | 10           | -            |
| Other loans                                  | -            | 8            | -            | -            |
|  | <u>1,692</u> | <u>2,470</u> | <u>1,579</u> | <u>2,328</u> |
| <b>Current liabilities</b>                   |              |              |              |              |
| Current portion of secured bank loans        | 750          | 625          | 750          | 625          |
| Current portion of finance lease liabilities | 163          | 184          | 5            | 16           |
| Other loans                                  | 7            | -            | -            | -            |
| Shareholder loans                            | -            | 49           | -            | -            |
|  | <u>920</u>   | <u>858</u>   | <u>755</u>   | <u>641</u>   |

#### Terms and debt repayment schedule

|  | Currency | Nominal<br>interest<br>rate | Year of<br>maturity | Face<br>value<br>2013<br>£000 | Carrying<br>amount<br>2013<br>£000 | Face<br>value<br>2012<br>£000 | Carrying<br>amount<br>2012<br>£000 |
|--|----------|-----------------------------|---------------------|-------------------------------|------------------------------------|-------------------------------|------------------------------------|
| Yorkshire Bank<br>term loan A                      | GBP      | Libor + 4.25                | 2016                | 2,319                         | 2,319                              | 2,953                         | 2,953                              |
| Shareholder loan                                   | GBP      | n/a                         | n/a                 | -                             | -                                  | 49                            | 49                                 |
| Revolving credit<br>facility and bank<br>overdraft | GBP      | Libor + 4.25                | 2014                | 4,242                         | 4,242                              | 4,333                         | 4,333                              |
| Finance lease and<br>hire purchase<br>liabilities  | GBP      | n/a                         | Within<br>5 years   | 286                           | 286                                | 318                           | 318                                |
| Other loans  | GBP      | n/a                         | n/a                 | 7                             | 7                                  | 8                             | 8                                  |

The term loan of £2,319,000 (of which £750,000 is due within one year), stated net of £308,000 unamortised directly attributable transaction costs, is secured on a fixed and floating charge over all of the assets (including inventories and trade receivables) of the Group.

## Notes to the financial statements

year ended 31 March 2013 (continued)

### 20 Loans and borrowings (continued)

#### Finance lease liabilities

Finance lease liabilities are payable as follows:

| Group                      | Minimum lease payments | Interest     | Principal    |              |
|----------------------------|------------------------|--------------|--------------|--------------|
|                            | 2013<br>£000           | 2013<br>£000 | 2013<br>£000 | 2012<br>£000 |
| Less than one year         | 163                    | 20           | 183          | 184          |
| Between one and five years | 123                    | 14           | 137          | 134          |
|                            | <u>286</u>             | <u>34</u>    | <u>320</u>   | <u>318</u>   |

### 21 Trade and other payables

|   | Group        |              | Company      |              |
|---|--------------|--------------|--------------|--------------|
|   | 2013<br>£000 | 2012<br>£000 | 2013<br>£000 | 2012<br>£000 |
| Trade payables                          | 5,299        | 4,924        | 307          | 421          |
| Non-trade payables and accrued expenses | 1,810        | 1,789        | 276          | 412          |
|   | <u>7,109</u> | <u>6,713</u> | <u>583</u>   | <u>833</u>   |

### 22 Employee benefits

#### Defined contribution plans

The Group operates a number of defined contribution pension plans.

The total expense relating to these plans in the current year was £67,000 (2012: £124,000).

#### Share-based payments

The Group operates an Inland Revenue Approved Share Option Scheme and an Inland Revenue Unapproved Share Option Scheme.

The terms and conditions of the grants are as follows:

| Grant date       | Method of settlement accounting | Number of instruments | Vesting conditions | Contractual life of options |
|------------------|---------------------------------|-----------------------|--------------------|-----------------------------|
| 18 December 2006 | Equity                          | 700,000               | 3 years of service | Dec 07 – Dec 16             |
| 1 March 2007     | Equity                          | 300,000               | 3 years of service | Mar 10 – Mar 17             |
| 17 December 2007 | Equity                          | 230,000               | 3 years of service | Dec 10 – Dec 17             |
| 30 June 2008     | Equity                          | 25,000                | 3 years of service | June 11 – June 18           |

## Notes to the financial statements

year ended 31 March 2013 (continued)

### 22 Employee benefits (continued)

The number and weighted average exercise prices of share options are as follows:

|  | Weighted<br>average<br>exercise<br>price<br>2013 | Number<br>of options<br>2013 | Weighted<br>average<br>exercise<br>price<br>2012 | Number<br>of options<br>2012 |
|--|--|------------------------------|--|------------------------------|
| Outstanding at the beginning of the year | 97.5p  | 1,090,000                    | 97.0p  | 1,180,000                    |
| Forfeited during the year                | 96.6p  | (175,000)                    | 90.8p  | (90,000)                     |
| Outstanding at the end of the year       | 97.7p  | 915,000                      | 97.5p  | 1,090,000                    |
| Exercisable at the end of the year       |  | 915,000                      |  | 1,090,000                    |

The options outstanding at the year end have an exercise price in the range of 88p to 120p and a weighted average contractual life of 4.2 years.

The fair value of services received in return for share options granted are measured by reference to the fair value of share options granted. The fair value of employee share options is measured using a Black-Scholes model. Measurement inputs and assumptions are as follows:

|  | 18 December<br>2006 | 1 March<br>2007 | 17 December<br>2007 | 30 June<br>2008 |
|--|---------------------|-----------------|---------------------|-----------------|
| Fair value at measurement date                               | 17p                 | 18p             | 22p                 | 17p             |
| Exercise price   | 88p                 | 98p             | 120p                | 98p             |
| Expected volatility  | 19.0%               | 17.8%           | 18.1%               | 17.0%           |
| Option life (from inception)                                 | 5.5 years           | 5.5 years       | 5.5 years           | 5.5 years       |
| Expected dividends   | 3.0%                | 3.0%            | 3.0%                | 3.0%            |
| Risk-free interest rate (based on national government bonds) | 5.0%                | 5.0%            | 5.0%                | 5.0%            |

The expected volatility is based on the volatility of the FTSE AIM All-Share Index from 1 September 2001 to the date of the award.

Share options are granted under a service condition and, for grants after 19 December 2006, a non-market performance condition. Such conditions are not taken into account in the grant date fair value measurement of the services received.

The total expense recognised for the year arising from share-based payments are as follows:

|  | 2013<br>£000 | 2012<br>£000 |
|--|--------------|--------------|
| Equity settled share based payment expense | -            | -            |

## Notes to the financial statements

year ended 31 March 2013 (continued)

### 23 Share capital

In millions of shares

|  | Ordinary shares |             |
|--|-----------------|-------------|
|  | 2013            | 2012        |
| In issue at start and end of period – fully paid         | 18              | 18          |
|  | <u>2013</u>     | <u>2012</u> |
|  | <u>£000</u>     | <u>£000</u> |
| Allotted, called up and fully paid                       |                 |             |
| 18,419,724 (2012: 18,419,724) ordinary shares of 1p each | 184             | 184         |
| Shares classified in shareholders' funds                 | 184             | 184         |

The holders of ordinary shares are entitled to receive dividends from time to time and are entitled to one vote per share at meetings of the Company.

On 13 December 2012 the Company purchased 133,992 ordinary shares of one penny each in the Company ("Ordinary Shares") at a price of 11.5p per Ordinary Share from Graham Forrest, the Company's former Chief Executive. The shares are held in treasury.

615,548 1p ordinary shares with an aggregate nominal value of £6,155 were purchased during the prior period as part of the disposal of The Roof Truss Company (Northern) Limited on 26 May 2011, and are held in treasury.

### 24 Financial instruments

#### Overview

The Group and Company have exposure to the following risks from its use of financial instruments:

- Credit risk;
- Liquidity risk; and
- Market risk.

This applies to:

#### *Trade and other receivables*

The fair value of trade and other receivables, excluding construction contract debtors, is estimated as the present value of future cash flows, discounted at the market rate of interest at the balance sheet date if the effect is material.

#### *Trade and other payables*

The fair value of trade and other payables is estimated as the present value of future cash flows, discounted at the market rate of interest at the balance sheet date if the effect is material.

#### *Cash and cash equivalents*

The fair value of cash and cash equivalents is estimated as its carrying amount where the cash is repayable on demand. Where it is not repayable on demand then the fair value is estimated at the present value of future cash flows, discounted at the market rate of interest at the balance sheet date.

## Notes to the financial statements

year ended 31 March 2013 (continued)

### 24 Financial instruments (continued)

#### *Interest-bearing borrowings*

Fair value, which after initial recognition is determined for disclosure purposes only, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the balance sheet date.

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the company's management of capital. Further quantitative disclosures are included throughout these financial statements.

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

#### **Credit risk**

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers.

#### *Trade and other receivables*

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The demographics of the Group's customer base, including the default risk of the industry and country in which customers operate, has less of an influence on credit risk. Due to the nature of sales (high volume, low value) revenue is attributable to a large number of customers. Geographically there is a concentration of credit risk in the United Kingdom.

The Group has established a credit policy under which each new customer is analysed individually for creditworthiness before the Group's standard payment and delivery terms and conditions are offered. The Group's review includes external ratings where available. Purchase limits are established for each customer; these limits are reviewed regularly.

#### **Liquidity risk**

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

#### **Market risk**

Market risk is the risk that changes in market prices, such as interest rates, will affect the Group's income. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

## Notes to the financial statements

year ended 31 March 2013 (continued)

### Capital management

The Group's policy is to maintain a strong capital base with a view to ensuring that entities within the Group will be able to continue as going concerns. To achieve this objective, the Group aims to maintain a prudent mix of debt and equity financing and considers the current capital structure to be appropriate.

Equity funding comprises issued share capital, reserves and retained earnings as disclosed in note 23 to the financial statements. Debt funding comprises bank facilities as described below.

The Group's treasury policy has as its principal objective the achievement of the maximum interest rate on any cash balances whilst maintaining an acceptable level of risk.

### Financial assets and liabilities

The Group's main financial assets comprise trade receivables arising from the Group's activities and cash at bank.

Other than the bank overdraft, loans and borrowings and trade and other payables, the Group had no financial liabilities within the scope of IAS 39 as at 31 March 2013.

### Fair values

The fair value of the Group's financial assets and liabilities is not materially different from their carrying values. As the Group has no financial instruments carried at fair value the Group is not required to disclose a fair value hierarchy.

### Profit and loss account

Details of finance income and finance expenses are included in note 10.

### Carrying amounts of financial assets

|                   | Group        |              | Company      |              |
|-------------------|--------------|--------------|--------------|--------------|
|                   | 2013<br>£000 | 2012<br>£000 | 2013<br>£000 | 2012<br>£000 |
| Trade receivables | 7,418        | 7,591        | 376          | 459          |
| Cash at bank      | 202          | 243          | -            | 9            |
|                   | <hr/>        | <hr/>        | <hr/>        | <hr/>        |
|                   | 7,620        | 7,834        | 376          | 468          |
|                   | <hr/>        | <hr/>        | <hr/>        | <hr/>        |

### Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. Therefore, the maximum exposure to credit risk at the balance sheet date for the Group was £7,620,000 (2012: £7,834,000) and for the Company was £376,000 (2012: £468,000) being the total of the carrying amount of financial assets.

### Credit quality of financial assets and impairment losses

Trade receivables consist of the following:

|                       | Group        |              | Company      |              |
|-----------------------|--------------|--------------|--------------|--------------|
|                       | 2013<br>£000 | 2012<br>£000 | 2013<br>£000 | 2012<br>£000 |
| Sales ledger          | 7,834        | 7,789        | 376          | 459          |
| Bad debt provision    | (416)        | (198)        | -            | -            |
|                       | <hr/>        | <hr/>        | <hr/>        | <hr/>        |
| Net trade receivables | 7,418        | 7,591        | 376          | 459          |
|                       | <hr/>        | <hr/>        | <hr/>        | <hr/>        |

## Notes to the financial statements

year ended 31 March 2013 (continued)

### 24 Financial instruments (continued)

Movements in the bad debt provision are summarised below:

|                           | 2013<br>£000 | 2012<br>£000 |
|---------------------------|--------------|--------------|
| At beginning of year      | 198          | 84           |
| Provided in year          | 352          | 202          |
| Write offs and recoveries | (134)        | (88)         |
|                           | <hr/>        | <hr/>        |
| At end of year            | 416          | 198          |
|                           | <hr/>        | <hr/>        |

The allowance account for trade receivables is used to record impairment losses unless the Group is satisfied that no recovery of the amount owing is possible; at that point the amounts considered irrecoverable are written off against the trade receivables directly.

Management has no indication that any unimpaired amounts will be irrecoverable; unimpaired amounts relate entirely to sales in the United Kingdom.

The Group's credit risk policy is to manage its trade receivables by taking credit references and requesting payment in advance should this be considered necessary.

#### **Interest rate risk**

In respect of income-earning financial assets and interest-bearing financial liabilities, the following table indicates their effective interest rates at the balance sheet date and the periods in which they mature.

|  | 2013<br>Interest<br>rate | 2012<br>Interest<br>rate |
|--|--------------------------|--------------------------|
| Cash and cash equivalents                    | Base-1                   | Base-1                   |
| Revolving credit facility and bank overdraft | Libor+4.25               | Libor+4.25               |
| Finance lease liabilities                    | n/a                      | n/a                      |
| Bank loan                                    | Libor+4.25               | Libor+4.25               |
| Shareholder loan                             | n/a                      | n/a                      |
| Mortgage                                     | n/a                      | n/a                      |
| Other loans                                  | n/a                      | n/a                      |

A change of 100 basis points in interest would increase or decrease profit by £57,000 (2012: £60,000).

Both cash and cash equivalents and bank overdraft pay interest on a floating rate basis. The fair value of the financial assets liabilities is substantially the same as their carrying value.

#### **Liquidity risks**

The Group's policy on liquidity risk has been to maintain sufficient cash balances and undrawn facilities to provide flexibility in the management of the Group's liquidity.



## Notes to the financial statements

year ended 31 March 2013 (continued)

### 24 Financial instruments (continued)

The following are contractual maturities of financial liabilities, and exclude the impact of netting agreements:

Non-derivative financial instruments

| Group  | Carrying amount<br>£000 | Contractual cash flow<br>£000 | 6 months or less<br>£000 | 6-12 months<br>£000   | 1-2 years<br>£000   | 2-5 years<br>£000     | More than 5 years<br>£000 |
|--|-------------------------|-------------------------------|--------------------------|-----------------------|---------------------|-----------------------|---------------------------|
| Trade and other payables                     | 7,109                   | (7,109)                       | (7,109)                  | -                     | -                   | -                     | -                         |
| Revolving credit facility and bank overdraft | 4,242                   | (4,242)                       | (2,121)                  | (2,121)               | -                   | -                     | -                         |
| Finance lease liabilities                    | 286                     | (320)                         | (100)                    | (83)                  | (101)               | (36)                  | -                         |
| Bank loan                                    | 2,627                   | (2,879)                       | (440)                    | (431)                 | (832)               | (1,176)               | -                         |
| Other loans                                  | 7                       | (7)                           | -                        | -                     | -                   | -                     | (7)                       |
|  | <u>14,271</u>           | <u>(14,557)</u>               | <u>(9,770)</u>           | <u>(2,635)</u>        | <u>(933)</u>        | <u>(1,212)</u>        | <u>(7)</u>                |
|  | <u><u>14,271</u></u>    | <u><u>(14,557)</u></u>        | <u><u>(9,770)</u></u>    | <u><u>(2,635)</u></u> | <u><u>(933)</u></u> | <u><u>(1,212)</u></u> | <u><u>(7)</u></u>         |
| Company                                      | Carrying amount<br>£000 | Contractual cash flow<br>£000 | 6 months or less<br>£000 | 6-12 months<br>£000   | 1-2 years<br>£000   | 2-5 years<br>£000     | More than 5 years<br>£000 |
| Trade and other payables                     | 583                     | (583)                         | (583)                    | -                     | -                   | -                     | -                         |
| Revolving credit facility and bank overdraft | 3,525                   | (3,535)                       | (1,768)                  | (1,767)               | -                   | -                     | -                         |
| Finance lease liabilities                    | 15                      | (15)                          | (3)                      | (3)                   | (9)                 | -                     | -                         |
| Bank loan                                    | 2,627                   | (2,879)                       | (440)                    | (431)                 | (832)               | (1,176)               | -                         |
|  | <u>6,760</u>            | <u>(7,012)</u>                | <u>(2,794)</u>           | <u>(2,201)</u>        | <u>(841)</u>        | <u>(1,176)</u>        | <u>-</u>                  |
|  | <u><u>6,760</u></u>     | <u><u>(7,012)</u></u>         | <u><u>(2,794)</u></u>    | <u><u>(2,201)</u></u> | <u><u>(841)</u></u> | <u><u>(1,176)</u></u> | <u><u>-</u></u>           |

### 25 Operating leases

#### Operating leases in which Group is a lessee

Non-cancellable operating lease rentals are payable as follows:

|                            | Company           |                   | Group             |                   |
|----------------------------|-------------------|-------------------|-------------------|-------------------|
|                            | 2013<br>£000      | 2012<br>£000      | 2013<br>£000      | 2012<br>£000      |
| Less than one year         | 40                | 39                | 156               | 180               |
| Between one and five years | 124               | 161               | 382               | 498               |
| More than five years       | -                 | -                 | -                 | 45                |
|                            | <u>164</u>        | <u>200</u>        | <u>538</u>        | <u>723</u>        |
|                            | <u><u>164</u></u> | <u><u>200</u></u> | <u><u>538</u></u> | <u><u>723</u></u> |

Operating leases in which the Group operates as lessee comprise properties on both short and long term rental agreements. Operating lease rental expenses incurred during the year in relation to properties amounted to £199,000 (2012: £189,000).

## Notes to the financial statements

year ended 31 March 2013 (continued)

### 26 Related parties

#### Group

*Identity of related parties with which the Group has transacted.*

The Group is controlled by its shareholders.

The Company had a related party relationship with its subsidiaries and with its directors and executive officers.

*Transactions with key management personnel*

Directors of the Company and their immediate relatives controlled 15% of the voting shares of the Company at the balance sheet date.

The compensation of key management personnel (including the directors) is as follows:

|   | <b>2013</b> | <b>Group</b> | 2012 |
|---|-------------|--------------|------|
|   | <b>£000</b> |              | £000 |
| Key management emoluments excluding social security costs | <b>438</b>  |              | 535  |

#### Group

Directors' loans existed as follows:

|   | <b>2013</b> |
|---|-------------|
|   | <b>£000</b> |
| <b>Loan from SM Roberts</b>                 |             |
| Balance at start of year                    | 49          |
| Balance at end of year                      | -           |
| Maximum balance outstanding during the year | 49          |

The loan is unsecured, non-interest bearing and repayable on demand, subject to prior repayment of the loans and revolving credit facility term.

The following transactions were undertaken with entities in which the directors have a vested interest.

|                                   | <b>Mincoffs</b>   |
|-----------------------------------|-------------------|
|                                   | <b>Solicitors</b> |
|                                   | <b>LLP</b>        |
|                                   | <b>£000</b>       |
| Balance as at beginning of period | (28)              |
| Purchases                         | (94)              |
| Settled                           | 117               |
| Balance as at end of period       | (5)               |

HB Gold, Chairman, is a partner of Mincoffs Solicitors LLP. Mincoffs Solicitors LLP are the Group's legal advisors and provided legal advice to the Group throughout the period.

The above balances are included within trade creditors.

## **Notes to the financial statements**

*year ended 31 March 2013 (continued)*

### **26 Related parties** *(continued)*

#### ***Trading transactions with subsidiaries – Parent Company***

The Group operates a cash pooling arrangement and receives dividend income from subsidiaries. Dividend income in the year was £2,000,000 (2012: £nil) and the amount outstanding at the year end was £nil (2012: £nil).

### **27 Accounting estimates and judgments**

The key areas requiring the use of estimates and judgements which may significantly affect the financial statements are considered to be:

#### ***Measurements of the recoverable amounts of cash generating units containing goodwill***

This requires the identification of appropriate cash generating units and the allocation of goodwill to these units. Details of the estimation techniques used are set out in note 14 to the financial statements.

#### ***Measurement of the net book value of property, plant and equipment***

This requires the identification of recoverable value, being the higher of value in use and fair value less costs to sell. The directors have assessed whether there has been any indication that property, plant and equipment may be impaired and have determined that there have been no indicators of impairment.

#### ***Revenue and profit recognition on contracting activities***

The principal estimation technique used by the Group in attributing profit on contracts to a particular period is the preparation of forecasts on a contract by contract basis. These focus on revenue and costs to complete and enable an assessment to be made on the final outturn on each contract. Variations during the course of contracts are taken into account but invariably are only finalised at completion. This can lead to previous estimates being amended which may have an impact on the final profit or loss to be recognised on the contract.

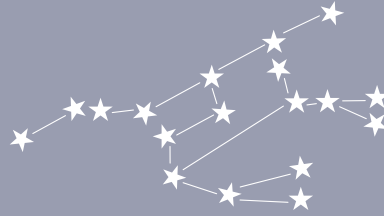
### **28 Off balance sheet arrangements**

There are no parties with whom the Group or Company has contractual or other arrangements that are considered material to the Group or Company's financial position other than those arrangements disclosed in the financial statements.



Northern Star





# Northern Bear

**AL industrial trucks Ltd**  
Established Since 1983



Northern Bear  
(Renewables) Ltd

**chirmarn LIMITED**

**MGM**  
Specialist Construction Services

**chirmarn (SURVEYING) LIMITED**  
ASBESTOS SURVEYORS



Northern Bear  
Building Services Ltd

**ISOLER** Fire Protection  
and Building  
Integrity Services

**Springs ROOFING LTD**

**JENNINGS ROOFING LTD**

**WENSLEY ROOFING LIMITED**



Northern Bear  
Safety Ltd



Northern Bear Plc,  
A1 Grainger, Prestwick Park, Prestwick,  
Newcastle upon Tyne NE20 9SJ  
Tel: 0845 6802369  
Fax: 0845 6802379  
Email: [info@northernbearplc.com](mailto:info@northernbearplc.com)  
Website: [www.northernbearplc.com](http://www.northernbearplc.com)

Northern Bear Plc.  
Registered in England & Wales No: 05780581