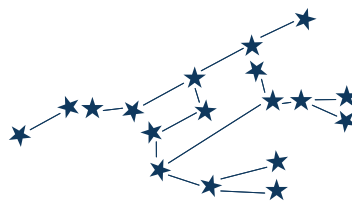


# **Annual Report and Financial Statements 2018**



**Northern Bear**

## Main Board

### Executive Directors



Graham Jennings  
Managing Director



Steve Roberts  
Executive Chairman



Tom Hayes  
Finance Director



Keith Soulsby  
Director

### Non Executive Directors



Howard Gold  
Non Executive Director



Ian McLean  
Non Executive Director



### Managing Directors of Subsidiary Companies



Keith Muldoon  
Managing Director  
Springs Roofing Ltd



John Gilstin  
Managing Director  
Isoler Ltd



Martin Briggs  
Managing Director  
Jennings Roofing Ltd



Neil Jukes  
Managing Director  
Northern Bear Building  
Services Ltd and MGM Ltd



Jason Harrison  
Managing Director  
Northern Bear  
Safety Ltd



Alan Chapman  
Heritage Director  
Matthew Charlton Slaters  
A subsidiary of Wensley  
Roofing Ltd



Keith Soulsby  
Joint  
Managing Director  
Wensley Roofing Ltd



Steven Luke  
Joint  
Managing Director  
Wensley Roofing Ltd



Dominic Brogan  
Joint  
Managing Director  
H Peel & Sons Ltd



Andrew Pollock  
Joint  
Managing Director  
H Peel & Sons Ltd



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*The Talbot, Euxton, Chorley – H Peel & Sons Ltd*

## Advisors

### ***Auditor***

Mazars LLP  
Mazars House  
Gelderd Road  
Gildersome  
Leeds  
LS27 7JN

### ***Bankers***

Yorkshire Bank  
20 Merrion Way  
Leeds  
LS2 8NZ

### ***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





*Leeds Girls High School – Jennings Roofing Ltd*



*High Point Residential Housing, Whitley Bay – Northern Bear Building Services Ltd*

# Chairman's statement



## Introduction

I am pleased to report the results for the year to 31 March 2018 for Northern Bear and its subsidiaries (together, the "Group").

The Group's continuing operations delivered another excellent year's trading, with turnover and operating profit from continuing

operations ahead of the already strong results for the prior year.

We also completed our first acquisition in almost ten years in July 2017 when we acquired H Peel & Sons (Holdings) Limited and its subsidiary (together, "H Peel"). H Peel has traded in line with our expectations since acquisition and has made a positive contribution to our results over the period.

The acquisition of H Peel, along with the disposal of Chirmarn Holdings Limited and its subsidiaries in the prior year, has allowed us to consolidate the Group's core operations, while adding a well-established and high quality business to our portfolio of companies.

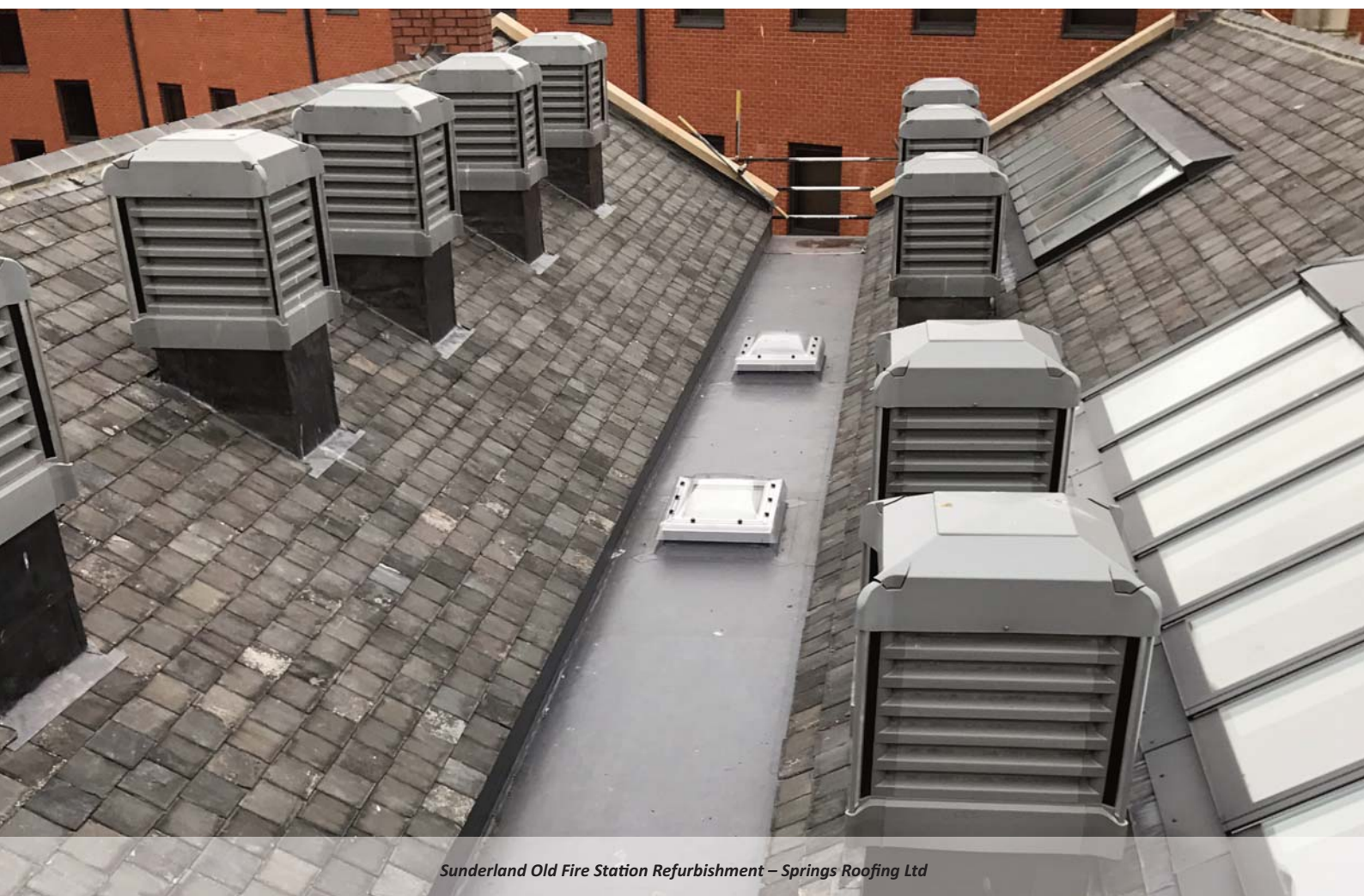
## Trading

The Group's continuing operations traded strongly and ahead of management expectations over the course of the financial year,

despite the severe winter weather (particularly during the first three months of 2018). This is testament to the continued hard work of our Group managing director, Graham Jennings, our operations director, Keith Soulsby, and all of the operational management team.

This is the first winter for several years where we have experienced severe weather over a sustained period of time. I am therefore pleased to report that the Group was able to continue its strong performance despite such weather conditions, in part due to the diversity of its businesses.

From time to time we receive shareholder enquiries with regard to the impact of industry events and severe weather on the Group's results. I would like to assure our shareholders that, if the Group's results are likely to be materially affected by any such events, we will make an appropriate



Sunderland Old Fire Station Refurbishment – Springs Roofing Ltd





*St Wilfreds College, South Shields – Northern Bear Building Services Ltd*

announcement immediately as is required by the AIM Rules for Companies. Our policy continues to be to avoid issuing unnecessary market updates, or creating an expectation of providing ongoing commentary, on wider market events when the Board does not expect the Group's performance to be materially affected.

Turnover from continuing operations increased to £53.6 million (2017: £45.6 million), which was due to a combination of increased turnover from existing operations and the impact of the H Peel acquisition.

Gross profit from continuing operations increased to £10.5 million (2017: £9.3 million) while gross margin reduced to 19.6% (2017: 20.4%). The reduction in gross margin is the result of a change in sales mix. The Group's Specialist Building Services division

typically operates at lower margins than the Roofing and Materials Handling divisions, and accounted for a higher proportion of the Group's turnover during the year.

Administrative expenses, before amortisation and transaction costs, increased to £7.5 million (2017: £6.8 million), largely to support increased activity levels in the period.

We have made the decision to present operating profit both before and after the impact of the amortisation of intangible assets and transaction costs totalling £0.3 million (2017: nil), in order to provide a better understanding of the Group's underlying trading performance. Operating profit from continuing operations, prior to these costs, was £3.1 million (2017: £2.5 million). After the impact of these costs, operating profit from continuing operations

was £2.8 million (2017: £2.5 million).

We have also presented adjusted earnings per share for the year, the calculation for which is included later in this document. Adjusted basic earnings per share from continuing operations was 12.5p (2017: 11.3p). Reported basic earnings per share from continuing operations was 10.9p (2017: 11.3p).



*A1 Industrial Trucks Ltd*



# Chairman's statement

(continued)

## Cash flow and bank facilities

We stated in prior year results that the Group's operating cash generation was significantly in excess of trading profits, due to some favourable payment terms on contract work. We stated at the time that this may reverse in due course. The Group's working capital has since reverted to a more normal position, due to a change in contract mix, and, hence, cash generated from operations in the year was £1.4 million (2017: £4.5 million).

The Group's working capital requirements will continue to vary depending on the ongoing customer and contract mix. I believe that the Group's results, when considered over a period of more than one year, have

demonstrated a strong ratio of profit to operating cash generation.

During the prior year we signed a new £3.5m revolving credit facility agreement with Yorkshire Bank to replace the previous term loan facility. This new facility was intended to provide the Group with a much more flexible funding structure and to support a wider range of options for capital allocation. It has since supported our acquisition of H Peel as well as the ordinary and special dividends paid during 2017. The facility is committed to 31 May 2020 and the Group also retains a £1.0m overdraft facility.

## Dividend policy

In view of the continued strong trading performance of the Group, I am pleased to announce that the Board proposes the payment of an increased final dividend of 3.0p per share (2017: 2.5p per share) for the year ended 31 March 2018. This is subject to shareholder

approval at the Annual General Meeting to be held on 20 August 2018. If approved, it will be payable on 31 August 2018 to shareholders on the register at 10 August 2018.

Due to the exceptional financial performance in the year, we have also decided to distribute funds which are surplus to our strategic requirements. Accordingly, we are announcing a proposed special dividend of 1.0p per share (2017: 1.5p per share), which is also subject to shareholder approval and payable as above.

The Board will continue to assess the dividend levels, and our intention remains to adjust future dividends in line with the Group's relative performance, after taking into account the Group's available cash, working capital requirements, corporate opportunities, debt obligations and the macro-economic environment at the relevant time.



Esh Construction, Richmond – Wensley Roofing Ltd



## Outlook

The Group continues to hold a high level of committed orders and trading in the new financial year has started well, which provides optimism for another good set of results in the year ending 31 March 2019.

## Strategy

I am delighted that the Group was able to complete the acquisition of H Peel in July 2017. H Peel is an interiors and fit out business based in Dewsbury, West Yorkshire. It has a blue chip client base, spread across the UK, and operates primarily in the hotel and leisure sectors.

H Peel met all of our acquisition criteria, which include that a business is well established in its sector, is consistently profitable and cash generative, and has a strong management team who are committed to remaining with the business.

The acquisition also provided us with further sectoral and

geographical diversification. The management team at H Peel have settled in well and we look forward to sharing in their continued success.

We continue to be presented with acquisition opportunities on a regular basis. However, we will only proceed with an acquisition where we are confident that it will meet the above criteria, predictably enhance earnings and provide an attractive return on investment for our shareholders.

## People

During the year Graham Jennings, our Group managing director, stepped down from his role as managing director of Jennings Roofing in order to focus on his Group role and to support the further expansion and development of the Group.

Martin Briggs, who has worked closely with Graham for the past 26 years, was appointed as managing director at Jennings Roofing with effect from 1 April

2018. I would like to congratulate Martin on his promotion and I wish him well in his new role.

The Group's loyal, dedicated and skilled workforce, along with continued investment in training new operatives and apprenticeship schemes, is a key part of our success. With HR overseen by Keith Soulsby, the Group continues to invest in its workforce, regardless of short term economic conditions. This is particularly important, given the continued shortage of skilled operatives and cost pressures in our sector.

## Conclusion

I am delighted to be able to report such a positive set of results, and I would, once again, like to thank all our employees for their hard work and contribution to another period of strong performance for the Group.

**Steve Roberts**

Executive Chairman 23 July 2018



Donna Patterson (Accounts Assistant), Graham Jennings (Group Managing Director), Lianne Davison (Senior Accounts Manager), Keith Soulsby (Operations Director), Wendy Edgell (Company Secretary)



# Strategic report

The directors present their Strategic Report for Northern Bear Plc (the Company and its subsidiaries, together “the Group”) for the year ended 31 March 2018.

## REVIEW AND ANALYSIS OF THE BUSINESS DURING THE CURRENT YEAR

### Principal Activities

There have not been any significant changes in the Group’s principal activities set out in the Directors’ Report in the year under review. The directors are not aware, at the date of this report, of any likely major changes in the Group’s principal activities in the year. The subsidiary undertakings of the Group are listed in note 15 of the notes to the financial statements.

### Objective and strategy

Having established the Group via an acquisition strategy and subsequently restructured operations during the 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.

During the year the Group acquired H. Peel & Sons (Holdings) Limited, and its wholly owned trading subsidiary H Peel & Sons Limited, an interiors and fit out business based in Dewsbury, West Yorkshire. This business met the Group’s acquisition criteria of being a well established, consistently profitable and cash generative building services company with a management team committed to remaining with the business. Further information is provided in note 26 to the financial statements.

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.

### Key performance indicators

The Group uses a number of financial key performance indicators to measure performance and these are communicated to the Board of Directors through monthly reports.

The primary financial measurements, as identified and discussed in the Chairman’s Statement, are:

- Revenue £53.6 million (2017: £45.6 million)
- Gross margin 19.6% (2017: 20.4%)
- Operating profit £2.8 million (2017: £2.5 million)
- Cash flow from operations £1.4 million (2017: £4.5 million)

The primary non-financial key performance indicators relate to three Health & Safety areas in our businesses which are site activities, documentation, and environmental. Site inspections are held on a regular basis by our Health & Safety business (Northern Bear Safety) which assess the effectiveness of each company in these areas. Following these inspections a report is prepared and should any issues be identified they would immediately be brought to the Board’s attention for appropriate action as and when required.

The Board considers that the key performance indicators used are an effective system tailored specifically to the demands of the sector.

## Financial performance and position

Commentary on financial performance during the year and financial position at the reporting date is included in the Chairman’s Statement on page 3 to 6.

## 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 eleven businesses which 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. The exposure of the Group to the new house build sector is a relatively small part of Group turnover; our exposure to public sector markets is 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 may be able to accept lower financial returns than that required by the Group. Competition with these companies could adversely affect the Group’s profitability and financial position.





*Blenkinsop Hall, Northumberland – MGM Ltd*





*Aspatria Rugby Club, Cumbria – Springs Roofing Ltd*



*Training Room – Northern Bear Safety Ltd*

# Strategic report (continued)

## Statement on risks relating to the Group's business (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.

### Health & Safety performance

Our employees are key to our business and their safety is critical to the Group and its stakeholders. Health & Safety is managed by our in house safety business, Northern Bear Safety Limited, who ensure compliance with relevant standards and monitor performance on an ongoing basis. Any failures in this area would have an adverse impact on the Group's business.

### Insurance cover

The Group maintains a prudent level of insurance cover and regularly reviews all policies in conjunction with our brokers. Any failure to maintain adequate insurance cover could expose the Group to uninsured losses. The Group has an acceptable claims history for major insurances but in the event that this changes it could impact on annual insurance premiums.

### Underperformance of acquired businesses

The Board has a detailed process for the evaluation of potential acquisitions, which includes financial, tax, and legal due diligence processes as required. Acquisitions are also typically structured to make an element of consideration dependent on post-acquisition performance. Notwithstanding this, should any acquired businesses significantly underperform against expectations then it could have an adverse impact on shareholder returns.

### 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.

### Macro-economic environment and British exit from the European Union

The referendum on British membership of the European Union in 2016 and the resulting decision to leave has created significant uncertainty in the macro-economic environment. The Directors have performed a risk assessment in advance of the expected lapse of British membership in 2019 and consider that the principal risk relates to supply chain. Although the Group's principal suppliers are UK based, a number of products are ultimately sourced from overseas and hence any further weakening of the pound could cause pressures on the Group's supply chain.

### Outlook

The future outlook for the business is included in the Chairman's Statement on page 6.

This report was approved by the board on 23 July 2018 and signed on its behalf by:

**Steve Roberts**

Executive Chairman 23 July 2018



# Directors' report

The directors present their annual report and financial statements for the year ended 31 March 2018.

## 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.

## Future outlook

The future outlook for the business is included in the Chairman's Statement on page 6.

## Going concern

For the purposes of their assessment of the appropriateness of the preparation of the Group's accounts on a going concern basis, the directors have considered the current cash position and forecasts of future trading including working capital and investment requirements.

During the year the Group met its day to day working capital requirements through existing bank overdraft and revolving credit facilities. The overdraft facility was most recently renewed on 31 May 2018 for the period to 31 May 2019 and the directors have a reasonable expectation of successful renewal. The Group's revolving credit facility is committed to 31 May 2020.

The Group's forecasts and projections, taking account of reasonable possible changes in trading performance, show that the Group and Parent Company should have sufficient cash resources to meet its requirements for at least the next 12 months. Accordingly, the adoption of the going concern basis in preparing the financial statements remains appropriate.

## Strategic report

As permitted by paragraph 1A of Schedule 7 to the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 certain matters which are required to be disclosed in the Directors' Report have been omitted as they are included in the Strategic Report on pages 7 to 10. These matters relate to financial risk management objectives and policies and exposure to price risk, credit risk, liquidity risk and cash flow risk.

## Proposed dividend

The directors have proposed a final ordinary dividend in respect of the current financial year of 3.0p per share, and a final special dividend in respect of the current financial year of 1.0p per share, both subject to shareholder approval at the forthcoming Annual General Meeting. Neither has been included in creditors as they were not approved before the year end.

## Directors

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

SM Roberts  
GR Jennings  
K Soulsby  
TE Hayes  
IT McLean  
HB Gold



## Directors' report *(continued)*

The directors who held office at the end of the financial year had the following interests, including family interests, in the ordinary shares of the Company and share options according to the register of directors' interests:

	31 March 2018 Shares	31 March 2018 Options	31 March 2017 Shares	31 March 2017 Options
GR Jennings	<b>1,336,260</b>	-	1,276,260	60,000
K Soulsby	<b>771,011</b>	<b>62,500</b>	771,011	62,500
SM Roberts	<b>813,300</b>	-	753,300	60,000
IT McLean	<b>150,000</b>	-	100,000	-
TE Hayes	<b>80,000</b>	-	70,000	10,000
HB Gold	<b>70,000</b>	-	70,000	-

In total the directors' interests in the ordinary shares of the Company totalled 3,220,571 shares (2017: 3,040,571), representing 17.1% (2017: 16.5%) 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.

### Significant shareholdings

At 30 June 2018, 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
Radmat Building Products	2,124,111	11.5%
Graham Jennings	1,336,260	7.2%
Jon Pither	1,144,956	6.2%
Steve Roberts	813,300	4.4%
Keith Soulsby	771,011	4.2%

### Political and charitable contributions

Neither the Company nor any of its subsidiaries made any political contributions during the year (2017: £nil). Charitable donations amounted to £16,387 (2017: £10,707).

### 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 auditor relating to the annual financial statements and the accounting and internal control systems in use throughout the Group. The Audit Committee has unrestricted access to the Company's auditor.



# Directors' report (continued)

## Corporate governance (continued)

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.

The Directors are aware of the recent update to AIM Rule 26 regarding corporate governance and the requirement to follow a recognised corporate governance code from 28 September 2018, and are in the process of determining the most appropriate code for the Company to apply by this date.

## 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.

## Statement of Directors' Responsibilities

The directors are responsible for preparing the Strategic Report, Directors' 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 IFRS as adopted by the European Union have been followed subject to any material departures disclosed and explained in the financial statements;
- provide additional disclosures when compliance with specific requirements in IFRS is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; 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.



# Directors' report (continued)

## Annual general meeting

The business of the AGM is set out in the accompanying circular to shareholders. The AGM is to be held at 9am on Monday 20 August 2018 at the Company's registered office, A1 Grainger, Prestwick Park, Prestwick, Newcastle upon Tyne, NE20 9SJ.

## 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.

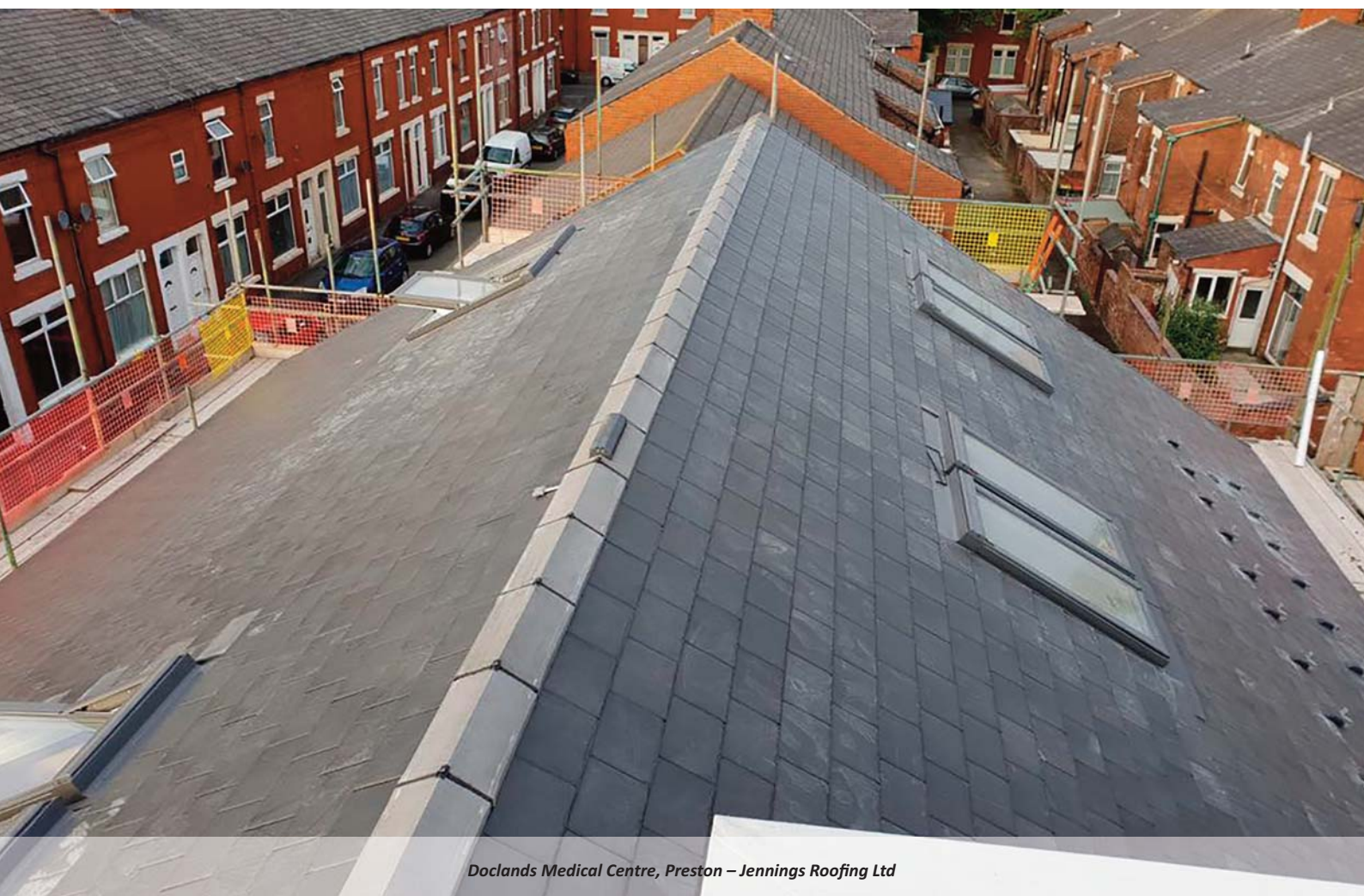
By order of the board

## T E Hayes

Finance Director

A1 Grainger  
Prestwick Park  
Prestwick  
Newcastle upon Tyne  
NE20 9SJ

23 July 2018

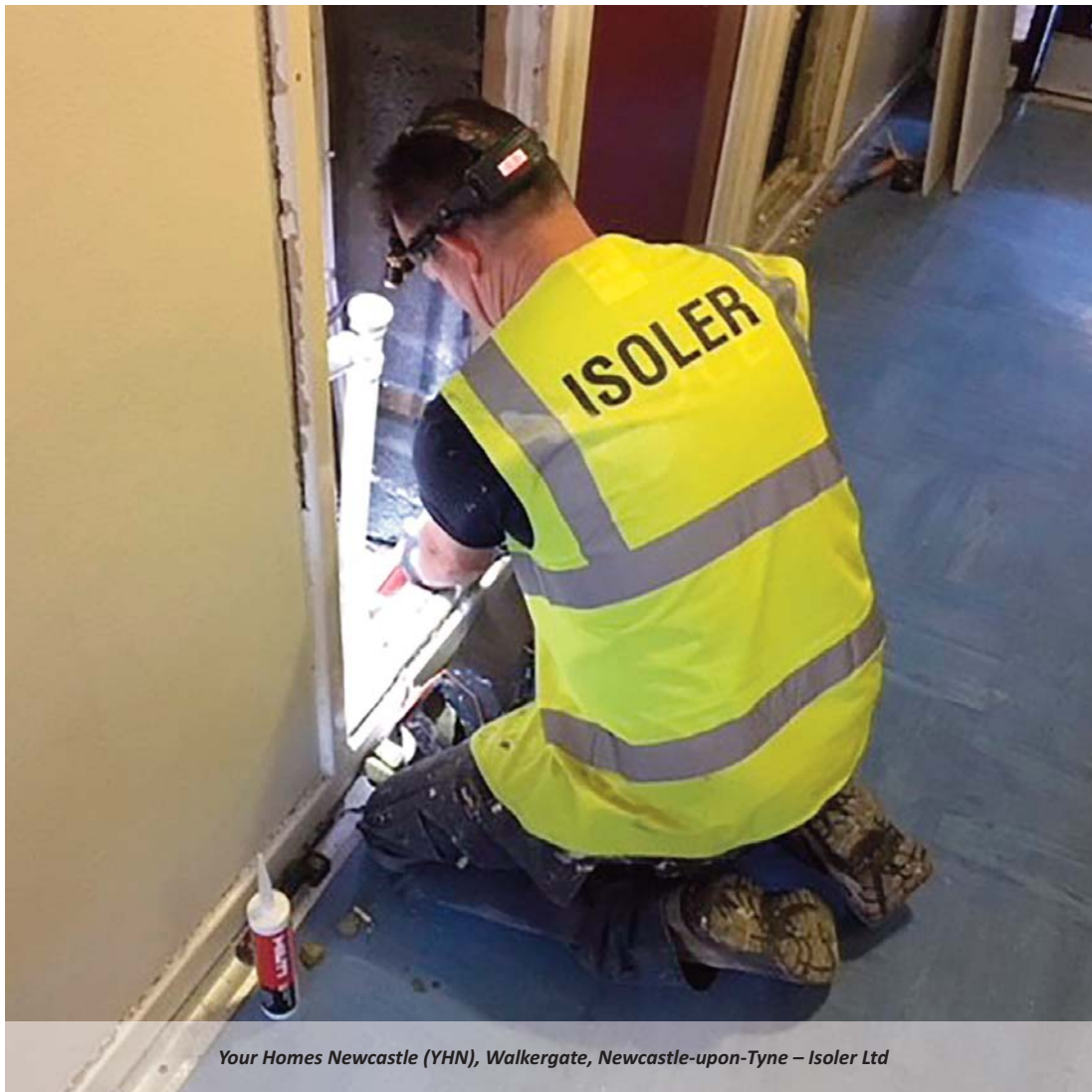




*Tinklers Lane, Chorley – Jennings Roofing Ltd*



*Duchy Homes, Hexham, Northumberland  
– Wensley Roofing Ltd*

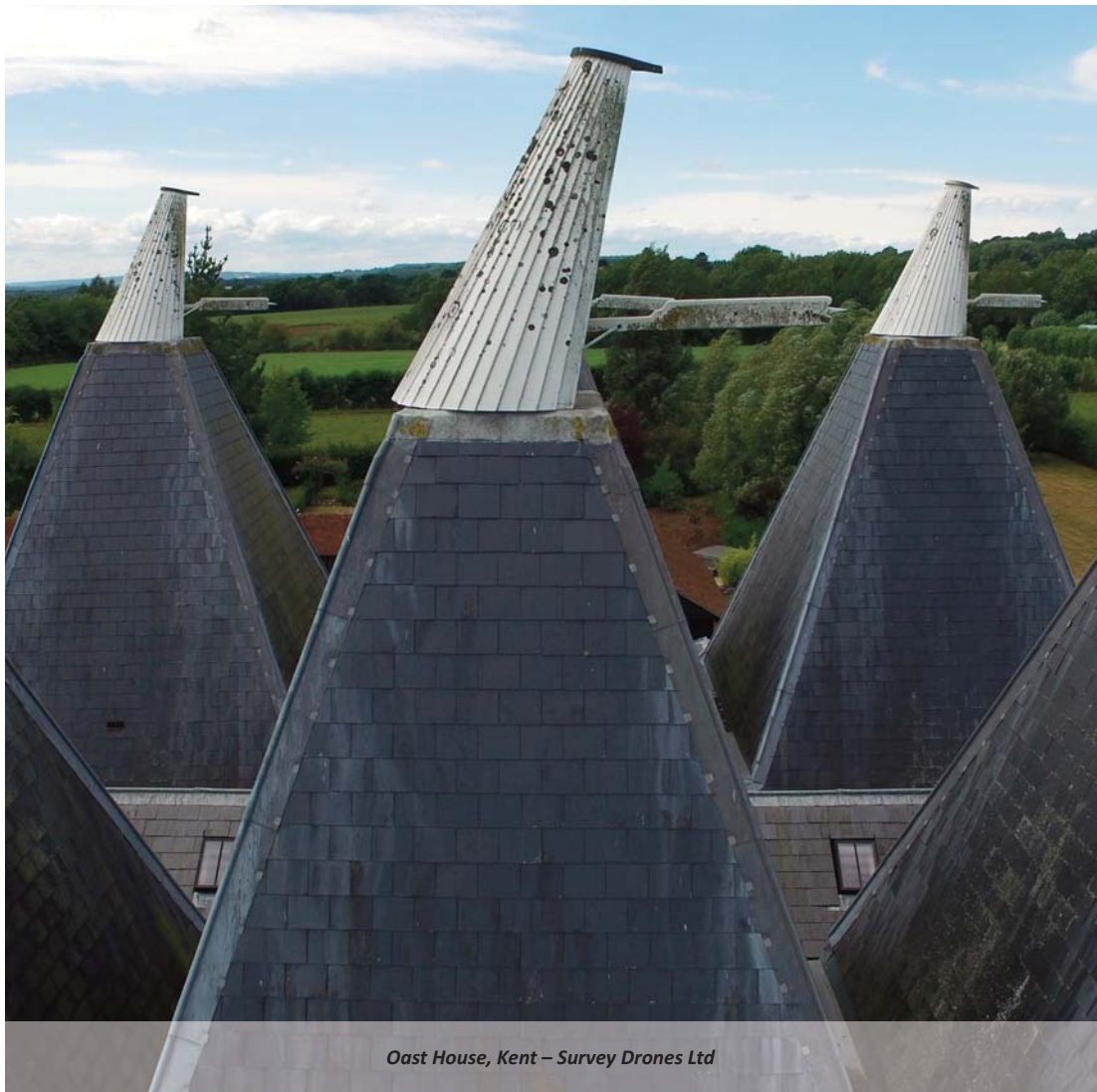


*Your Homes Newcastle (YHN), Walkergate, Newcastle-upon-Tyne – Isoler Ltd*





*Ilkley Bowling Club – H Peel & Sons Ltd*



*Oast House, Kent – Survey Drones Ltd*

Mazars LLP  
Mazars House  
Gelderd Road  
Gildersome  
Leeds  
LS27 7JN

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

### Opinion

We have audited the financial statements of Northern Bear PLC (the 'parent company') and its subsidiaries (the 'Group') for the year ended 31 March 2018 which comprise the Consolidated Statement of Comprehensive Income, Consolidated and Company Statement of Changes in Equity, Consolidated and Company Balance Sheet, Consolidated and Company Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards to the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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 2018 and of the Group's profit for the year then ended;
- the 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.

### Basis for opinion

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

### Conclusions relating to going concern

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

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

### Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.



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

Area of focus	How addressed
<p><b>Revenue recognition – Cut Off</b></p> <p>As discussed in the Note 3 to the financial statements, the Group has several material revenue streams, the most significant of which we consider to be long term construction contracts.</p> <p>As revenue is a key performance indicator for the Group, revenue could be at a higher risk of fraudulent reporting.</p> <p>There is a risk that revenue recognition policies may not be appropriate, or appropriately applied.</p>	<p>We reviewed the consistency of application and appropriateness of disclosure of revenue recognition policies year on year.</p> <p>We undertook testing of the transactions on a sample basis around the year end to validate the cut-off of revenue recognition between periods. This principally focused on the risk of overstatement of revenue and agreeing source documentation that verified cut off back to the nominal. We assessed and challenged on a sample basis the amount of revenue recognised in appropriate periods in relation to services specifically relating to long term contracts straddling the year end.</p> <p>We performed a review of a sample of journal adjustments made during the period and at year end in each subsidiary, by agreeing to supporting documentation for the journal adjustments selected.</p> <p>We tested a sample of sales credit notes from the nominal ledger to source documentation; the sample included items recorded during the year and subsequent to the year end.</p> <p>Based on the results of our procedures we consider that revenue recognition is reasonable and has been appropriately applied, in line with the accounting policy described in Note 3 to the financial statements.</p>
<p><b>Business combinations</b></p> <p>The Group acquired a subsidiary (H.Peel &amp; Sons Limited) for £2.4m in the year. As described on Note 3 to the financial statements, IFRS 3 'Business Combinations' standard was applied for this transaction.</p> <p>Under IFRS 3, significant management estimation uncertainty exists, including but not limited to the following areas: assessing the fair value of consideration (particularly for the H.Peel &amp; Sons acquisition where consideration included non-cash share consideration); identification of intangible assets acquired; and estimation and allocation of fair values of identified assets and liabilities acquired. Therefore, there is a risk that principles of IFRS 3 are not appropriately applied.</p>	<p>We obtained and reviewed share purchase agreements and considered the consistency, accuracy and completeness of matters taken into account by management with these purchase agreements.</p> <p>We reviewed the work of management's expert and also performed a review of the opening balance position as at the date of acquisitions of H.Peel &amp; Sons.</p> <p>We reviewed management's calculation of the fair value of consideration of £2.4m, specifically with the respect to the fair value of the shares in Northern Bear Plc issued as part of the consideration.</p> <p>We reviewed management's estimation of the fair values of assets and liabilities acquired. We considered the reasonableness of the basis of estimating fair value as well as the specific assumptions used.</p>

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

Business combinations <i>(continued)</i>	How addressed
	<p>We considered and challenged the basis of management's identification of intangible assets. We also reviewed management's estimates and assumptions in relation to the calculated value of the intangible assets, as disclosed in note 26 to the financial statements.</p> <p>We also considered the reasonableness of the residual goodwill balance arising of £2.5m, and appropriateness of the disclosures in relation to this acquisition as presented in note 26 to the financial statements.</p> <p>Based on the audit procedures performed, management has appropriately applied the principles of IFRS 3. Management's use of key assumptions, the identification of intangible assets and goodwill arising are considered to be acceptable.</p>
<p><b>Goodwill impairment reviews</b></p> <p>There is a risk that the goodwill arising on current year and prior period business combinations may be subject to impairment.</p> <p>Goodwill within the consolidated financial statements is required to be assessed for impairment annually as it is not amortised as described in Note 3 to the financial statements.</p>	<p>As required under IAS 36, 'Impairment of Assets', we assessed management's impairment review methodology. We evaluated management's cash flow forecasts, and the process by which they were drawn up, comparing them to the Board approved Group budget for 2019 for consistency. We challenged as to whether the cash flow forecasts were prepared at the level of the lowest group of cash generating units relevant. We also tested the underlying spreadsheet model for mathematical integrity.</p> <p>We reviewed and challenged the appropriateness of cash flows included within the value-in-use projections. We also reviewed and assessed the assumptions used in the assessment such as growth rates and discount rates.</p> <p>We also performed sensitivity analysis to establish whether reasonably possible deviations on the assumptions used would result in a change in conclusions drawn.</p> <p>We considered the adequacy and appropriateness of the disclosures within financial statements.</p> <p>Based on our procedures we concur with management's conclusion that there are no indicators of impairment.</p>



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

## Our application of materiality

We consider that profit before tax of the business remains the key focus of users of the financial statements and, as such, we based our Group materiality level around this benchmark. We set a materiality threshold at 10% of total profit before tax for the Group.

For the parent company, as a holding company, we considered net assets to be the most appropriate benchmark; we used 5% of net assets restricted to a threshold lower than Group materiality. Financial statement

materiality applied for the Group and parent company for the year ended 31 March 2018 was £248,000 and £149,000 respectively. Performance materiality was set at 80% of the respective financial statement materiality levels.

The range of financial statement materiality across components, all audited to local statutory audit materiality, was between £5,000 and £196,000, being all below Group financial statement materiality.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £7,000 (Group audit) and £3,000 (parent company audit) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Whilst planning, we make judgements about the size of misstatements which we consider to be material and which provides a basis for determining the nature, timing and extent of risk assessment procedures, identifying and assessing the risk of material misstatement and determining the nature, timing and extent of further audit procedures.

We revise materiality for the financial statements as our audit progresses should we become aware of information that would have caused us to determine a different amount had we been aware of that information at the planning stage.



Stretford Court, Gateshead – Isolier Ltd

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

## An overview of the scope of our audit

We tailored the scope of our audit to ensure that we performed sufficient work to be able to give an opinion on the financial statements as a whole, taking into account the Group's accounting processes and controls, and the industry in which it operates. We used the outputs of a risk assessment, our understanding of the Group, and we also considered qualitative factors in order to ensure that we obtained sufficient coverage across all financial statement line items.

Our audit involved obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. The risks of material misstatement that had the greatest effect on our audit, including the allocation of our resources and effort, are discussed under "Key audit matters" within this report.

We audited the entire Group, inclusive of full audit scope procedures on all components (subsidiaries) where the extent of our audit work was based on our assessment of the risk of material misstatement and of the materiality of that component.

The components within the scope of our audit work therefore covered: 100% of Group revenue, 100% of Group profit before tax and 100% of Group net assets.

## Other information

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

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

We have nothing to report in this regard.

## Opinions on other matters prescribed by the Companies Act 2006

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

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

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

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

We have nothing to report in respect of the following matters in relation to which 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.



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

## Responsibilities of Directors

As explained more fully in the directors' responsibilities statement set out on page 13, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

## Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

## Use of the audit report

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

**Gareth Hitchmough  
(Senior Statutory Auditor)  
for and on behalf of Mazars LLP  
Chartered Accountants and  
Statutory Auditor**

Mazars House  
Gelderd Road  
Leeds  
LS27 7JN

23 July 2018



*Virgin Active, Wandsworth, London – H Peel & Sons Ltd*



*UNIPOL, Leeds – H Peel & Sons Ltd*





*Montague Court, Newcastle-upon-Tyne – MGM Ltd*

# Consolidated statement of comprehensive income

for the year ended 31 March 2018

	Note	2018 £000	2017 £000
<b>Revenue</b>	4	<b>53,573</b>	45,563
Cost of sales		(43,067)	(36,256)
<b>Gross profit</b>		<b>10,506</b>	9,307
Other operating income	6	23	25
Administrative expenses		(7,459)	(6,786)
<b>Operating profit (before amortisation and transaction costs)</b>		<b>3,070</b>	2,546
Transaction costs	26	(158)	-
Amortisation of intangible assets arising on acquisitions	14	(102)	-
<b>Operating profit</b>		<b>2,810</b>	2,546
Finance costs	10	(213)	(166)
<b>Profit before income tax</b>		<b>2,597</b>	2,380
Income tax expense	11	(613)	(386)
<b>Profit from continuing operations</b>		<b>1,984</b>	1,994
<b>Discontinued operations</b>			
(Loss)/profit from discontinued operations (net of income tax)	5	-	(4,266)
<b>Profit/(loss) for the year</b>		<b>1,984</b>	(2,272)
<b>Total comprehensive income/(loss) attributable to equity holders of the parent</b>		<b>1,984</b>	(2,272)
<b>Basic earnings / (loss) per share</b>			
Continuing operations	12	<b>10.9p</b>	11.3p
Discontinued operations	12	-	(24.1p)
Total operations	12	<b>10.9p</b>	(12.8p)
<b>Diluted earnings / (loss) per share</b>			
Continuing operations	12	<b>10.8p</b>	11.1p
Discontinued operations	12	-	(24.1p)
Total operations	12	<b>10.8p</b>	(13.0p)



# Consolidated statement of changes in equity

for the year ended 31 March 2018

	Share capital	Capital redemption reserve	Share premium	Merger reserve	Retained earnings	Total equity
	£000	£000	£000	£000	£000	£000
<b>At 1 April 2016</b>	184	6	5,169	10,371	6,532	22,262
<b>Total comprehensive income for the year</b>						
Loss for the year	-	-	-	-	(2,272)	(2,272)
<b>Transactions with owners, recorded directly in equity</b>						
Equity settled share-based payment transactions	-	-	-	-	14	14
Exercise of share options	-	-	-	-	41	41
Equity dividends paid	-	-	-	-	(353)	(353)
Transfer in respect of Discontinued operations	-	-	-	(1,140)	1,140	-
<b>At 31 March 2017</b>	184	6	5,169	9,231	5,102	19,692
<b>At 1 April 2017</b>	184	6	5,169	9,231	5,102	19,692
<b>Total comprehensive income for the year</b>						
Profit for the year	-	-	-	-	1,984	1,984
<b>Transactions with owners, recorded directly in equity</b>						
Issue of shares	5	-	-	-	-	5
Exercise of share options	-	-	-	-	65	65
Equity dividends paid	-	-	-	-	(742)	(742)
Merger reserve arising on acquisition	-	-	-	374	-	374
<b>At 31 March 2018</b>	189	6	5,169	9,605	6,409	21,378

# Company statement of changes in equity

for the year ended 31 March 2018

	Share capital	Capital redemption reserve	Share premium	Merger reserve	Retained earnings	Total equity
	£000	£000	£000	£000	£000	£000
<b>At 1 April 2016</b>	184	6	5,169	10,371	987	16,717
<b>Total comprehensive income for the year</b>						
Profit for the year	-	-	-	-	3,651	3,651
<b>Transactions with owners, recorded directly in equity</b>						
Equity settled share-based payment transactions	-	-	-	-	14	14
Exercise of share options	-	-	-	-	41	41
Equity dividends paid	-	-	-	-	(353)	(353)
Transfers in respect of Discontinued operations	-	-	-	(1,140)	1,140	-
<b>At 31 March 2017</b>	184	6	5,169	9,231	5,480	20,070
<b>At 1 April 2017</b>	184	6	5,169	9,231	5,480	20,070
<b>Total comprehensive income for the year</b>						
Loss for the year	-	-	-	-	(1,033)	(1,033)
<b>Transactions with owners, recorded directly in equity</b>						
Issue of shares	5	-	-	-	-	5
Exercise of share options	-	-	-	-	65	65
Equity dividends paid	-	-	-	-	(742)	(742)
Merger reserve arising on acquisition	-	-	-	374	-	374
<b>At 31 March 2018</b>	189	6	5,169	9,605	3,770	18,739



# Consolidated balance sheet

at 31 March 2018

	Note	2018 £000	2017 £000
<b>Assets</b>			
Property, plant and equipment	13	3,050	2,852
Intangible assets	14	20,628	17,458
<b>Total non-current assets</b>		<b>23,678</b>	20,310
Inventories	17	952	944
Trade and other receivables	18	9,833	8,755
Prepayments		265	246
Cash and cash equivalents	19	1,731	2,583
<b>Total current assets</b>		<b>12,781</b>	12,528
<b>Total assets</b>		<b>36,459</b>	32,838
<b>Equity</b>			
Share capital	23	189	184
Capital redemption reserve		6	6
Share premium		5,169	5,169
Merger reserve		9,605	9,231
Retained earnings		6,409	5,102
<b>Total equity attributable to equity holders of the Company</b>		<b>21,378</b>	19,692
<b>Liabilities</b>			
Loans and borrowings	20	2,672	2,122
Deferred consideration	26	510	-
Deferred tax liabilities	16	316	182
<b>Total non-current liabilities</b>		<b>3,498</b>	2,304
Loans and borrowings	20	227	168
Deferred consideration	26	425	-
Trade and other payables	21	10,333	10,255
Current tax payable		598	419
<b>Total current liabilities</b>		<b>11,583</b>	10,842
<b>Total liabilities</b>		<b>15,081</b>	13,146
<b>Total equity and liabilities</b>		<b>36,459</b>	32,838

These financial statements were approved by the Board of Directors on 23 July 2018 and were signed on its behalf by:

**T E Hayes**  
Finance Director

Company registered number: 05780581

# Company balance sheet

at 31 March 2018

	Note	2018 £000	2017 £000
<b>Assets</b>			
Property, plant and equipment	13	16	26
Investments in subsidiaries	15	34,315	31,880
Deferred tax assets	16	1	8
<b>Total non-current assets</b>		<b>34,332</b>	<b>31,914</b>
Trade and other receivables	18	4,835	5,227
Prepayments		82	87
Cash and cash equivalents	19	-	-
<b>Total current assets</b>		<b>4,917</b>	<b>5,314</b>
<b>Total assets</b>		<b>39,249</b>	<b>37,228</b>
<b>Equity</b>			
Share capital	23	189	184
Capital redemption reserve		6	6
Share premium		5,169	5,169
Merger reserve		9,605	9,231
Retained earnings		3,770	5,480
<b>Total equity attributable to equity holders of the Company</b>		<b>18,739</b>	<b>20,070</b>
<b>Liabilities</b>			
Loans and borrowings	20	2,500	2,000
Deferred consideration	26	510	-
<b>Total non-current liabilities</b>		<b>3,010</b>	<b>2,000</b>
Bank overdraft	19	2,480	1,677
Loans and borrowings	20	-	-
Deferred consideration	26	425	-
Trade and other payables	21	14,595	13,481
<b>Total current liabilities</b>		<b>17,500</b>	<b>15,158</b>
<b>Total liabilities</b>		<b>20,510</b>	<b>17,158</b>
<b>Total equity and liabilities</b>		<b>39,249</b>	<b>37,228</b>

The Company made a loss for the year of £1,033,000 (2017: £3,651,000 profit).

These financial statements were approved by the Board of Directors on 23 July 2018 and were signed on its behalf by:

**T E Hayes**

Finance Director

Company registered number: 05780581



# Consolidated statement of cash flows

for the year ended 31 March 2018

	Note	2018 £000	2017 £000
<b>Cash flows from operating activities</b>			
Operating profit for the year – continuing operations		2,810	2,546
Operating profit for the year – discontinued operations		-	(206)
Operating profit for the year		2,810	2,340
<i>Adjustments for:</i>			
Depreciation	13	559	549
Amortisation	14	103	2
(Profit)/loss on sale of property, plant and equipment	13	(7)	9
Equity settled share-based payment transactions		-	14
		3,465	2,914
Change in inventories	17	11	24
Change in trade and other receivables	18	(1,004)	(1,802)
Change in prepayments		33	29
Change in trade and other payables	21	(1,103)	3,358
<b>Cash generated from operations</b>		1,402	4,523
Interest received		-	-
Interest paid		(139)	(166)
Tax paid		(483)	(341)
<b>Net cash flow from operating activities</b>		780	4,016
<b>Cash flows from investing activities</b>			
Proceeds from sale of property, plant and equipment	13	186	294
Proceeds from subsidiary disposal		-	25
Acquisition of property, plant and equipment	13	(569)	(689)
Acquisition of subsidiary (net of cash acquired)		(866)	-
<b>Net cash from investing activities</b>		(1,249)	(370)
<b>Cash flows from financing activities</b>			
Issue/(repayment) of borrowings		511	(2,441)
Repayment of finance lease liabilities		(216)	(208)
Proceeds from the exercise of share options		64	41
Equity dividends paid		(742)	(353)
<b>Net cash from financing activities</b>	25	(383)	(2,961)
<b>Net increase in cash and cash equivalents</b>		(852)	685
Cash and cash equivalents at start of year	19	2,583	1,898
<b>Cash and cash equivalents at end of year</b>	19	1,731	2,583

# Company statement of cash flows

for the year ended 31 March 2018

	Note	2018 £000	2017 £000
<b>Cash flows from operating activities</b>			
Operating loss for the year		(777)	(742)
<i>Adjustments for:</i>			
Depreciation	13	5	8
Equity settled share-based payment transactions		-	14
		<u>(772)</u>	<u>(720)</u>
Change in trade and other receivables	18	366	128
Change in prepayments		5	(44)
Change in trade and other payables	21	1,114	1,699
		<u>713</u>	<u>1,063</u>
Interest received		-	-
Interest paid		(145)	(149)
		<u>(145)</u>	<u>(149)</u>
<b>Net cash from operating activities</b>		<u>568</u>	<u>914</u>
<b>Cash flows from investing activities</b>			
Proceeds from sale of property, plant and equipment	13	4	1
Acquisition of property, plant and equipment	13	-	(2)
Proceeds from subsidiary disposal		-	31
Acquisition of subsidiary		(1,197)	-
		<u>(1,193)</u>	<u>30</u>
<b>Net cash from investing activities</b>		<u>(1,193)</u>	<u>30</u>
<b>Cash flows from financing activities</b>			
Issue/(repayment) of borrowings		500	(2,440)
Repayment of finance lease liabilities		-	-
Proceeds from the exercise of share options		64	41
Equity dividends paid		(742)	(353)
		<u>(178)</u>	<u>(2,752)</u>
<b>Net cash from financing activities</b>		<u>(178)</u>	<u>(2,752)</u>
<b>Net increase in cash and cash equivalents</b>		<u>(803)</u>	<u>(1,808)</u>
Cash and cash equivalents at start of year	19	(1,677)	131
<b>Cash and cash equivalents at end of year</b>	19	<u>(2,480)</u>	<u>(1,677)</u>



# Notes to the financial statements

year ended 31 March 2018

## 1 Reporting entity

Northern Bear Plc (the “Company” or the “Parent Company”) is a company incorporated in England and Wales, with its registered office at A1 Grainger, Prestwick Park, Prestwick, Newcastle upon Tyne, NE20 9SJ.

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 standards, amendments and interpretations, which became effective for the first time, were adopted by the Group:

- Amendment to IAS12 ‘Income Taxes’ – amendments to the recognition of deferred tax assets for unrealised losses;
- Amendments to IAS 7 ‘Statement of Cash Flow’ – amendment in respect of the disclosure initiative;
- Amendments to IAS 40 ‘Investment Property’ for transfers of Investment Property; and
- Annual Improvements to IFRS (2014 – 2016) – clarification of the scope of IFRS 12 ‘Disclosure of Interests in Other Entities’.

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

### *Standards, amendments and interpretations in issue but not yet effective*

The adoption of the following mentioned standards, amendments and interpretations in future years are not expected to have a material impact on the Group’s financial statements:

- IAS 19 Employee Benefits: Amendment in relation to plan amendment, curtailment or settlement – effective date on or after 1 January 2019;
- IAS 28 Investments in Associates and Joint Ventures: Amendment in relation to Long-term interests in Associates and Joint Ventures – effective date on or after 1 January 2019;
- IAS 40 Investment Property: Amendment in relation to transfers of investment property – effective date on or after 1 January 2018;
- IFRS 2 Share-based Payment: Amendment in relation to classification and measurement of share-based payment transactions – effective date on or after 1 January 2018;
- IFRS 4 Insurance Contracts: Amendment in relation to applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts – effective date on or after 1 January 2018;
- IFRS 9 Financial Instruments: Amendment in relation to Prepayment features with negative compensation – effective date on or after 1 January 2019;
- IFRS 17 Insurance Contracts – effective date on or after 1 January 2021;
- Annual Improvements to IFRSs (2014 - 2016) – effective date on or after 1 January 2018;
- Annual Improvements to IFRSs (2015 - 2017) – effective date on or after 1 January 2019;
- Conceptual Framework (Revised) and amendments to related references in IFRS Standards – effective date on or after 1 January 2020;

# Notes to the financial statements

year ended 31 March 2018 (continued)

## 2 Basis of preparation (continued)

- IFRIC 22 Foreign Currency Transactions and Advance Consideration – effective date on or after 1 January 2018;
- IFRIC 23 Uncertainty over Income Tax Treatments – effective date on or after 1 January 2019; and

The Directors are still assessing the impacts of:

- IFRS 15 Revenue from Contracts with Customers, which is effective for the year ending 31 March 2019, and note the new clarifications issued, particularly on identification of performance obligations. It is not currently anticipated that the adoption of this standard will have a material impact on the Group's approach to revenue recognition, although it may impact the presentation of contract retentions.
- IFRS 9 Financial Instruments, which is effective for the year ending 31 March 2019.
- IFRS 16 Leases, which is effective for the year ending 31 March 2020, and note that it is anticipated that substantially the whole of the Group's leases that are currently accounted for as operating leases off the Group's balance sheet would come on to the balance sheet with the associated lease debt.

The Directors do not anticipate that the adoption of the other standards, amendments and interpretations in future financial periods will have a material impact on the financial statements for the Group and Company.

### *Basis of measurement*

The financial statements are prepared on the historical cost basis, as modified to include the revaluation of certain financial instruments at fair value.

### *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 29.

### *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 Strategic Report on pages 7 to 10. The financial position of the Group, its cash flows and liquidity position are described in the Chairman's Statement on pages 3 to 6. 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.

The Group meets its day to day working capital requirements through bank overdraft and revolving credit facilities. The overdraft element of the facilities was last renewed on 31 May 2018 and is committed to 31 May 2019. The Group's revolving credit facility is committed to 31 May 2020. 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 for at least the next 12 months. The Parent Company's net current liabilities are additionally driven by amounts owed to subsidiary undertakings that are repayable on demand; on a periodic basis subsidiary undertakings will declare dividends to the Parent Company to settle these liabilities.



# Notes to the financial statements

year ended 31 March 2018 (continued)

## 2 Basis of preparation (continued)

Taking into account all of the above, the directors have a reasonable expectation that the Group and Parent Company have 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 2018 (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. On disposal of a subsidiary the attributable amount of goodwill is included in the determination of the gain or loss on disposal.

Other intangible assets are measured initially at cost and are amortised on a straight-line basis over their estimated useful lives. The carrying amount is reduced by any provision for impairment where necessary.

On a business combination, as well as recording separate intangible assets already recognised in the balance sheet of the acquired entity at their fair value, identifiable intangible assets that are separable or arise from contractual or other legal rights are also included in the acquisition balance sheet at fair value. Amortisation is charged within administrative expenses in the consolidated statement of comprehensive income so as to write off the cost or valuation of assets over their useful economic lives, on the following basis:

Intangible assets arising on acquisitions	20% of fair value at acquisition
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External costs incurred in relation to acquisitions are recognised as an expense in the period in which the costs are incurred.

### *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.

Depreciation is charged to the income statement on either a straight line or diminishing balance basis as appropriate 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	10-15% diminishing balance
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 financial statements.

### *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.



# Notes to the financial statements

year ended 31 March 2018 (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 this policy is applied as follows:

- Building services – revenue is recognised based on valuations by a quantity surveyor where projects span several months or otherwise on completion of services;
- Roofing – revenue is recognised based on valuations by a quantity surveyor where projects span several months or otherwise on completion of services; and
- Materials handling
  - for product sales, revenue is recognised on delivery to the customer (when significant risks and rewards of ownership are transferred); and
  - 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 2018 (continued)

## 3 Significant accounting policies (continued)

### Other operating income

Other operating income relates to the rental of premises and advertising space. As these income streams are not part of the Group's principal trading activities they have been classified separately. Other operating income is recognised in the income statement as it is accrued.

### Expenses

#### (i) Operating leases

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 leases

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 2018 (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 disposal group qualifies as discontinued operations if it is a component of an entity that either has been disposed of, or is classified as held for sale, and:

- Represents a separate major line of business or geographical area of operations;
- Is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or
- Is a subsidiary acquired exclusively with a view to resale.

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the consolidated statement of comprehensive income.

Additional disclosures are provided in note 5. All other notes to the financial statements include amounts for continuing operations, unless otherwise mentioned.

### Dividends

Dividends are recognised as a liability in the period in which they are declared.

### Derecognition of financial instruments

Financial assets are derecognised if the group's contractual rights to the cash flows from the financial assets expire, or if the group transfers the financial assets to another party without retaining control or substantially all risks and rewards of the asset.

Financial liabilities are derecognised if the group's obligations specified in the contract expire or are discharged or cancelled.

### Leases

Leases that transfer substantially all the risks and rewards incidental to the ownership of an asset to the lessee are classified as a finance lease. All other leases are classified as operating leases.

#### *The Group as a lessee*

Assets held under finance leases are recorded in the balance sheet as the lower of fair value and the present value of the minimum lease payments at the inception of the leases. Lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to periods during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Rentals payable under operating leases are charged to the income statement in equal amounts over the period of the leases.

# Notes to the financial statements

year ended 31 March 2018 (continued)

## 3 Significant accounting policies (continued)

### *The Group as a lessor*

Amounts due from finance leases are measured at the amount of the Group's net investment in the leases, within receivables.

Rentals receivable under operating leases is recognised in the income statement over the term of the lease on a straight line basis.

### *Financial assets*

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost the reversal is recognised in profit or loss.

### *Cash and cash equivalents*

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. In the statement of financial position, bank overdrafts are shown within borrowings or current liabilities.

For the purpose of the cash flow statement, bank overdrafts which are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents.

### *Share capital*

#### *Ordinary Shares*

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

# Notes to the financial statements

year ended 31 March 2018 (continued)

## 4 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 building maintenance, refurbishment, fire protection and sound insulation; and
- Corporate and other activities - the provision of head office activity and consolidation items.

2018	Roofing activities £000	Materials handling activities £000	Building services activities £000	Corporate and other activities £000	Total £000
<b>Revenue</b>					
Total segment revenue	28,122	2,925	23,243	-	54,290
Inter-segment revenue	(260)	(6)	(451)	-	(717)
External revenue	27,862	2,919	22,792	-	53,573
<b>Operating profit/(loss)</b>	2,067	370	1,271	(898)	2,810
Net finance expense	15	(4)	(5)	(219)	(213)
Income tax expense	(246)	(92)	(242)	(33)	(613)
<b>Profit for the financial year – continuing operations</b>	1,836	274	1,024	(1,150)	1,984
<b>Segment assets</b>	20,578	4,438	11,443	-	36,459
<b>Segment liabilities</b>	6,054	547	4,612	3,868	15,081
Depreciation charge	210	282	62	5	559
Capital expenditure	103	416	50	-	569



# Notes to the financial statements

year ended 31 March 2018 (continued)

## 4 Segmental analysis (continued)

2017	Roofing activities £000	Materials handling activities £000	Building services activities £000	Corporate and other activities £000	Total £000
<b>Revenue</b>					
Total segment revenue	28,088	2,670	15,661	-	46,419
Inter-segment revenue	(423)	(7)	(426)	-	(856)
External revenue	27,665	2,663	15,235	-	45,563
<b>Operating profit/(loss)</b>	2,325	365	598	(742)	2,546
Net finance expense	(11)	(2)	(4)	(149)	(166)
Income tax expense	(344)	10	(86)	34	(386)
<b>Profit for the financial year – continuing operations</b>	1,970	373	508	(857)	1,994
<b>Segment assets</b>	20,807	5,282	6,749	-	32,838
<b>Segment liabilities</b>	6,996	560	3,383	2,207	13,146
Depreciation charge	206	266	41	8	521
Capital expenditure	344	143	26	2	515

All revenue is derived from the UK, with no single customer contributing 10% or more of the Group's revenue. Aside from materials handling product sales of £1,603,000 (2017: £1,369,000), substantially the whole of revenue comprises rendering of services.

# Notes to the financial statements

year ended 31 March 2018 (continued)

## 5 Discontinued operations

During the prior year, the Company disposed of its subsidiary Chirmarn Holdings Limited, along with its wholly owned subsidiaries Chirmarn Limited and Chirmarn (Surveying) Limited (together "Chirmarn").

Chirmarn's principal activities were asbestos removal and surveying services. The disposal was completed on 31 March 2017.

The results of the discontinued operation have been included in the consolidated financial statements until the date the disposal was completed. These are as follows:

	2018 £'000	2017 £'000
Revenue	-	1,370
Expenses	-	(1,582)
Pre-tax trading (loss)/profit	-	(212)
Loss on disposal of discontinued operations	-	(191)
Write off of related goodwill	-	(3,891)
(Loss) / profit before income tax	-	(4,294)
Income tax credit/(expense)	-	28
(Loss) / profit for the period from discontinued operations	-	(4,266)

The net cash flows attributable to the operating, investing and financing activities of discontinued operations were as follows:

	2018 £'000	2017 £'000
Operating activities	-	(181)
Investing activities	-	-
Financing activities	-	(25)

## 6 Other operating income

	2018 £000	2017 £000
Rental income	23	25
	23	25

Other operating income relates to the rental of premises and advertising space. As these income streams are not part of the Group's principal trading activities they have been classified separately.

# Notes to the financial statements

year ended 31 March 2018 (continued)

## 7 Expenses

### Auditor's remuneration:

	2018 £000	2017 £000
Audit of these financial statements	20	23
Amounts receivable by auditor and their associates in respect of:		
Audit of financial statements of subsidiaries pursuant to legislation	61	68
Non-audit services provided to the Group:		
Corporation tax compliance services	11	16
Other services	3	15

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.

### Depreciation charge:

The depreciation charge recognised as an expense in the year was £559,000 (2017: £549,000).

## 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	
	2018	2017
Directors	6	6
Administration	76	82
Production	282	280
	364	368
The aggregate payroll costs of these persons were as follows:		
	2018 £000	2017 £000
Wages and salaries	10,430	10,083
Share-based payments	-	14
Social security costs	1,055	915
Contributions to defined contribution plans	165	113
	11,650	11,125



# Notes to the financial statements

year ended 31 March 2018 (continued)

## 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 £000	Annual bonus £000	Estimated value of benefits £000	Total 2018 £000	Total 2017 £000
SM Roberts	72	30	-	102	100
GR Jennings	144	80	16	240	244
K Soulsby	101	42	18	161	156
TE Hayes	59	30	-	89	80
IT McLean	25	-	-	25	25
HB Gold	-	-	-	-	-
	<u>401</u>	<u>182</u>	<u>34</u>	<u>617</u>	<u>605</u>
<b>Pension contributions</b>				<b>2018 £000</b>	<b>2017 £000</b>
K Soulsby				<u>12</u>	<u>12</u>
				<b>Number of directors 2018</b>	<b>2017</b>
Retirement benefits are accruing to the following number of directors under:					
Money purchase schemes				<u>1</u>	<u>1</u>

## 10 Finance income and costs

<b>Finance income</b>	<b>2018 £000</b>	<b>2017 £000</b>
Bank interest	<u>-</u>	<u>-</u>
<b>Finance costs</b>	<b>2018 £000</b>	<b>2017 £000</b>
On bank loans and overdrafts	128	149
Finance charges payable in respect of finance leases and hire purchase contracts	11	17
Unwinding of discount on deferred consideration liabilities	<u>74</u>	<u>-</u>
Total finance costs	<u>213</u>	<u>166</u>

# Notes to the financial statements

year ended 31 March 2018 (continued)

## 11 Taxation

### Recognised in the income statement

	Continuing operations £000	Discontinued operations £000	2018 Total £000	Continuing operations £000	Discontinued operations £000	2017 Total £000
<i>Current tax expense:</i>						
Current year	576	-	<b>576</b>	414	(27)	387
Adjustment in respect of prior periods	41	-	<b>41</b>	2	-	2
Current tax expense	617	-	<b>617</b>	416	(27)	389
<i>Deferred tax expense:</i>						
Origination and reversal of temporary differences	(3)	-	<b>(3)</b>	(26)	(1)	(27)
Adjustment in respect of prior periods	(1)	-	<b>(1)</b>	(4)	-	(4)
Deferred tax expense	(4)	-	<b>(4)</b>	(30)	(1)	(31)
Total tax expense	613	-	<b>613</b>	386	(28)	358

### Reconciliation of effective tax rate

	Continuing operations £000	Discontinued operations £000	2018 Total £000	Continuing operations £000	Discontinued operations £000	2017 Total £000
Profit before tax	2,597	-	<b>2,597</b>	2,380	(4,294)	(1,914)
Tax using the UK corporation tax rate of 19% (2017: 20%)	493	-	<b>493</b>	476	(859)	(383)
Expenses not deductible for tax purposes	61	-	<b>61</b>	16	40	56
Loss on disposal and goodwill write off	-	-	-	-	778	778
Adjustment in respect of prior periods	40	-	<b>40</b>	(1)	-	(1)
Other differences	19	-	<b>19</b>	(105)	13	(92)
Total tax expense	613	-	<b>613</b>	386	(28)	358

# Notes to the financial statements

year ended 31 March 2018 (continued)

## 11 Taxation (continued)

### Factors that may affect future tax expenses

Reductions to the main rate of corporation tax by 1% to 19% from 1 April 2017 and to 18% from 1 April 2020 have been substantively enacted by 31 March 2016. The Finance Act 2016 which was published on 15 September 2016 announced a further reduction to 17% with effect from 1 April 2020. These reductions have been substantively enacted at the balance sheet date and therefore are included in the figures above insofar as pertaining to deferred tax balances at 31 March 2017 and 31 March 2018.

## 12 Earnings per share

Basic earnings per share is the profit or loss for the year divided by the weighted average number of ordinary shares outstanding, excluding those in treasury, calculated as follows:

	2018	2017
Profit for the year (£000) - continuing operations	1,984	1,994
(Loss) / profit for the year (£000) – discontinued operations	-	(4,266)
Profit / (loss) for the year (£000) – total operations	1,984	(2,272)
Weighted average number of ordinary shares excluding shares held in treasury for the proportion of the year held in treasury (note 23) ('000)	18,270	17,680
Basic earnings per share – continuing operations	10.9p	11.3p
Basic (loss) / earnings per share – discontinued operations	-	(24.1p)
Basic earnings / (loss) per share – total operations	10.9p	(12.8p)

The calculation of diluted earnings per share is the profit or loss for the year divided by the weighted average number of ordinary shares outstanding, after adjustment for the effects of all potential dilutive ordinary shares, excluding those in treasury, calculated as follows:

	2018	2017
Profit for the year (£000) - continuing operations	1,984	1,994
(Loss) / profit for the year (£000) – discontinued operations	-	(4,266)
Profit / (loss) for the year (£000) – total operations	1,984	(2,272)
Weighted average number of ordinary shares excluding shares held in treasury for the proportion of the year held in treasury (note 23) ('000)	18,270	17,680
Effect of potential dilutive ordinary shares ('000)	113	214
Diluted weighted average number of ordinary shares excluding shares held in treasury for the proportion of the year held in treasury ('000)	18,383	17,894
Diluted earnings per share – continuing operations	10.8p	11.1p
Diluted (loss) / earnings per share – discontinued operations	-	(24.1p)
Diluted earnings / (loss) per share – total operations	10.8p	(13.0p)

All potential shares were anti-dilutive for 2017 discontinued operations due to the loss reported.



# Notes to the financial statements

year ended 31 March 2018 (continued)

## 12 Earnings per share (continued)

The following additional earnings per share figures are presented as the directors believe they provide a better understanding of the trading performance of the Group.

Adjusted basic and diluted earnings per share from continuing operations is the profit for the year from continuing operations, adjusted for acquisition related costs, divided by the weighted average number of ordinary shares outstanding as presented above.

Adjusted earnings is calculated as follows:

	2018	2017
Profit for the year (£000) - continuing operations	<b>1,984</b>	1,994
Transaction costs	<b>158</b>	-
Amortisation of intangible assets arising on acquisitions	<b>102</b>	-
Unwinding of discount on deferred consideration liabilities	<b>74</b>	-
Corporation tax effect of above items	<b>(30)</b>	-
Adjusted profit for the year (£000) – continuing operations	<b>2,288</b>	1,994
Weighted average number of ordinary shares excluding shares held in treasury for the proportion of the year held in treasury (note 23) ('000)	<b>18,270</b>	17,680
Adjusted basic earnings per share from continuing operations	<b>12.5p</b>	11.3p
Adjusted diluted earnings per share from continuing operations	<b>12.4p</b>	11.1p

# Notes to the financial statements

year ended 31 March 2018 (continued)

## 13 Property, plant and equipment

Group	Land and buildings £000	Plant and equipment £000	Fixtures and fittings £000	Motor vehicles £000	Total £000
<b>Cost</b>					
Balance at 1 April 2016	171	3,357	555	1,750	5,833
Transfers from stock	-	395	-	-	395
Other acquisitions	-	45	17	453	515
Disposals through sale of subsidiary	-	(138)	(105)	(206)	(449)
Materials handling disposals	-	(343)	-	-	(343)
Other disposals	-	(25)	(39)	(484)	(548)
Balance at 31 March 2017	171	3,291	428	1,513	5,403
Balance at 1 April 2017	171	3,291	428	1,513	5,403
Transfers from stock	-	431	-	-	431
Other acquisitions	-	43	22	325	390
Acquired with subsidiary	-	41	19	157	217
Materials handling disposals	-	(239)	-	-	(239)
Other disposals	-	(23)	(24)	(297)	(344)
Balance at 31 March 2018	171	3,544	445	1,698	5,858
<b>Depreciation and impairment</b>					
Balance at 1 April 2016	137	1,533	396	886	2,952
Depreciation charge for the year	4	254	41	250	549
Disposals through sale of subsidiary	-	(132)	(71)	(159)	(362)
Materials handling disposals	-	(181)	-	-	(181)
Other disposals	-	(20)	(35)	(352)	(407)
Balance at 31 March 2017	141	1,454	331	625	2,551
Balance at 1 April 2017	141	1,454	331	625	2,551
Depreciation charge for the year	4	265	32	258	559
Acquired with subsidiary	-	12	11	79	102
Materials handling disposals	-	(136)	-	-	(136)
Other disposals	-	(20)	(21)	(227)	(268)
Balance at 31 March 2018	145	1,575	353	735	2,808
<b>Net book value</b>					
At 1 April 2016	34	1,824	159	864	2,881
At 31 March 2017	30	1,837	97	888	2,852
<b>At 31 March 2018</b>	<b>26</b>	<b>1,969</b>	<b>92</b>	<b>963</b>	<b>3,050</b>

### Leased property, plant and equipment

At 31 March 2018 the net carrying amount of plant and equipment held on finance leases was £56,000 (2017: £6,000) and the net carrying amount of motor vehicles held on finance leases was £563,000 (2017: £508,000).

### Security

Leased equipment secures lease obligations.

### Materials handling equipment

Materials handling equipment is leased out under operating leases that are broadly evenly split between short-term hires of less than one year and longer-term hires. The net book value of materials handling equipment at 31 March 2018 included within plant and equipment was £1,760,000 (2017: £1,683,000). Sale of materials handling equipment is included within revenue, with the net book value at the date of sale included within cost of sales.

# Notes to the financial statements

year ended 31 March 2018 (continued)

## 13 Property, plant and equipment (continued)

Company	Fixtures and fittings £000	Motor vehicles £000	Total £000
<b>Cost</b>			
Balance at 1 April 2016	103	19	122
Additions	2	-	2
Disposals	(6)	-	(6)
Balance at 31 March 2017	99	19	118
Balance at 1 April 2017	99	19	118
Additions	-	-	-
Disposals	-	(19)	(19)
Balance at 31 March 2018	99	-	99
<b>Depreciation and impairment</b>			
Balance at 1 April 2016	78	11	89
Depreciation charge for the year	6	2	8
Disposals	(5)	-	(5)
Balance at 31 March 2017	79	13	92
Balance at 1 April 2017	79	13	92
Depreciation charge for the year	4	1	5
Disposals	-	(14)	(14)
Balance at 31 March 2018	83	-	83
<b>Net book value</b>			
At 1 April 2016	25	8	33
At 31 March 2017	20	6	26
<b>At 31 March 2018</b>	<b>16</b>	<b>-</b>	<b>16</b>



# Notes to the financial statements

year ended 31 March 2018 (continued)

## 14 Intangible assets

Group	Goodwill £000	Brands £000	Customer relationships £000	Total £000
<b>Cost</b>				
Balance at 1 April 2016	21,348	11	-	21,359
Disposal of subsidiary	(3,891)	-	-	(3,891)
Balance at 31 March 2017	17,457	11	-	17,468
Balance at 1 April 2017	17,457	11	-	17,468
Arising on acquisitions	2,511	-	762	3,273
Balance at 31 March 2018	19,968	11	762	20,741
<b>Amortisation and impairment</b>				
Balance at 1 April 2016	-	8	-	8
Amortisation	-	2	-	2
Balance at 31 March 2017	-	10	-	10
Balance at 1 April 2017	-	10	-	10
Amortisation	-	1	102	103
Balance at 31 March 2018	-	11	102	113
<b>Net book value</b>				
At 1 April 2016	21,348	3	-	21,351
At 31 March 2017	17,457	1	-	17,458
<b>At 31 March 2018</b>	<b>19,968</b>	<b>-</b>	<b>660</b>	<b>20,628</b>

Intangible assets arising on acquisitions relate to customer relationships and are being amortised over an estimated useful economic life of five years from the acquisition date.

Brands comprise the Matthew Charlton Slaters brand acquired in the year to 31 March 2013, which was amortised on a straight line basis over a period of five years.

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:

	2018 £000	2017 £000
Isoler Limited	1,526	1,526
Wensley Roofing Limited	3,126	3,126
Springs Roofing Limited	4,507	4,507
MGM Limited	1,599	1,599
Jennings Properties Limited	4,087	4,087
A1 Industrial Trucks Limited	2,612	2,612
H Peel & Sons (Holdings) Limited	2,511	-
	<b>19,968</b>	<b>17,457</b>

H Peel & Sons (Holdings) Limited was acquired on 25 July 2017.

Chirmarn Holdings Limited was disposed of on 31 March 2017 and the associated goodwill was written off in results from discontinued operations.

# Notes to the financial statements

year ended 31 March 2018 (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 five year period based on detailed approved budget forecasts for the next year, directors' projections of profits for years two to five and a terminal value thereafter. The rationale for this is that all of the Group's companies experience ups and downs and hence it is important to take a long term view of profitability levels when considering potential impairments to goodwill. This approach has been validated by the recovery in profit levels at several Group companies as the building services industry emerged from recession in the early years of the current decade.
- 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 as part of the terminal value calculation.
- Discount rate – management have applied a discount rate of 11.1% (2017: 10.0%) 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 current 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:

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

## 15 Investments in subsidiaries

Company	Shares in group Undertakings £000
<b>Cost</b>	
Balance at 1 April 2016	35,801
Disposal of subsidiary	(3,921)
Balance at 31 March 2017	31,880
Balance at 1 April 2017	31,880
Acquisition of subsidiary	2,435
Balance at 31 March 2018	34,315
<b>Impairment</b>	
Balance at 1 April 2016 – 31 March 2018	-
<b>Net book value</b>	
At 1 April 2016	35,801
At 31 March 2017	31,880
<b>At 31 March 2018</b>	<b>34,315</b>

# Notes to the financial statements

year ended 31 March 2018 (continued)

## 15 Investments in subsidiaries (continued)

The Company has the following investments in subsidiaries:

Company	Country of Incorporation	Class of shares held	Ownership	
			2018	2017
Isoler Limited	England and Wales	Ordinary	100%	100%
		A 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%
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%
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%
Northern Bear Building Services Limited	England and Wales	Ordinary	100%	100%
H Peel & Sons (Holdings) Limited	England and Wales	Ordinary	100%	-
H Peel & Sons Limited	England and Wales	Ordinary	100%*	-

\*held indirectly.

Chirmarn Holdings Limited, and its wholly owned subsidiaries Chirmarn Limited and Chirmarn (Surveying) Limited, were disposed of on 31 March 2017.

H Peel & Sons (Holdings) Limited, and its wholly owned subsidiary H Peel & Sons Limited, were acquired on 25 July 2017.



# Notes to the financial statements

year ended 31 March 2018 (continued)

## 15 Investments in subsidiaries (continued)

The Company's subsidiaries during the year had the following registered offices:

Company	Registered office
Isoler Limited	333 Dukesway Court, Team Valley Trading Estate, Gateshead, Tyne and Wear, NE11 0BH
Springs Roofing Limited	Kimblesworth Industrial Estate, Kimblesworth, Chester Le Street, County Durham, DH2 3QT
Wensley Roofing Limited	Station House, Station Road, Chester-Le-Street, County Durham, DH3 3DU
MGM Limited	Unit 333 Dukesway Court, Team Valley Trading Estate, Gateshead, Tyne and Wear, NE11 0BH
Jennings Properties Limited	Unit 4 Emmanuel Trading Estate, Springwell Road, Leeds LS12 1AT
Jennings Roofing Limited	Unit 4 Emmanuel Trading Estate, Springwell Road, Leeds LS12 1AT
A1 Industrial Trucks Limited	Riverside Works, Shelly Road, Newburn Industrial Estate, Newcastle Upon Tyne, NE16 9RT
Northern Bear Safety Limited	Unit 333 Dukesway Court, Team Valley Trading Estate, Gateshead, Tyne and Wear, NE11 0BH
Northern Bear Building Services Limited	A1 Grainger, Prestwick Park, Prestwick, Newcastle upon Tyne, NE20 9SJ
H Peel & Sons (Holdings) Limited	Dewlon House, Cannon Way, Mill Street West, Dewsbury, West Yorkshire, WF13 1XL
H Peel & Sons Limited	Dewlon House, Cannon Way, Mill Street West, Dewsbury, West Yorkshire, WF13 1XL

# Notes to the financial statements

year ended 31 March 2018 (continued)

## 16 Deferred tax assets and liabilities

### Group

*Recognised deferred tax assets and liabilities*

Deferred tax assets and liabilities are attributable to the following:

			2018 £000	2017 £000
Property, plant and equipment			(186)	(182)
Intangible assets			(130)	-
Net tax liability			(316)	(182)
<i>Movement in deferred tax during the year</i>				
	1 April 2017 £000	Arising on acquisition £000	Recognised in income £000	31 March 2018 £000
Property, plant and equipment	(182)	-	(4)	(186)
Intangible assets	-	(130)	-	(130)
	(182)	(130)	(4)	(316)
<i>Movement in deferred tax during the prior year</i>				
		1 April 2016 £000	Recognised in income £000	31 March 2017 £000
Property, plant and equipment		(213)	31	(182)
		(213)	31	(182)

### Company

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

## 17 Inventories

	Group		Company	
	2018 £000	2017 £000	2018 £000	2017 £000
Raw materials and consumables	952	944	-	-

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

The amount of inventories recognised as an expense in the year was £810,000 (2017: £593,000).

# Notes to the financial statements

year ended 31 March 2018 (continued)

## 18 Receivables

### Trade and other receivables

	Group		Company	
	2018	2017	2018	2017
	£000	£000	£000	£000
Trade receivables	9,833	8,755	-	1
Other trade receivables	-	-	31	250
Amounts owed by group undertakings	-	-	4,804	4,976
	<u>9,833</u>	<u>8,755</u>	<u>4,835</u>	<u>5,227</u>

At 31 March 2018 Group trade receivables include retentions of £1,961,000 (2017: £1,739,000) relating to contract work substantially falling due within one year (none within the Company for either period).

## 19 Cash and cash equivalents

	Group		Company	
	2018	2017	2018	2017
	£000	£000	£000	£000
Cash and cash equivalents per balance sheet	1,731	2,583	-	-
Bank overdraft	-	-	(2,480)	(1,677)
Cash and cash equivalents per cash flow statements	<u>1,731</u>	<u>2,583</u>	<u>(2,480)</u>	<u>(1,677)</u>

Under the Group's overdraft facility agreement with Yorkshire Bank it has the right of set off for positive and overdrawn bank balances in order to comply with the net overdraft limit of £1 million. At the balance sheet date total positive balances were £4.5 million and total overdrawn balances were £2.8 million, giving a net cash balance of £1.7 million.

## 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	
	2018	2017	2018	2017
	£000	£000	£000	£000
<b>Non-current liabilities</b>				
Secured bank loans	2,500	2,000	2,500	2,000
Finance lease liabilities	172	122	-	-
	<u>2,672</u>	<u>2,122</u>	<u>2,500</u>	<u>2,000</u>
<b>Current liabilities</b>				
Current portion of finance lease liabilities	211	163	-	-
Other loans	16	5	-	-
	<u>227</u>	<u>168</u>	<u>-</u>	<u>-</u>

# Notes to the financial statements

year ended 31 March 2018 (continued)

## 20 Loans and borrowings (continued)

### Terms and debt repayment schedule

	Currency	Nominal interest rate	Year of maturity	Fair value 2018 £000	Carrying amount 2018 £000	Fair value 2017 £000	Carrying amount 2017 £000
Yorkshire Bank revolving credit facility	GBP	Libor + 3.00%	2020	2,500	2,500	2,000	2,000
Finance lease and hire purchase Liabilities	GBP	n/a	Within 5 years	383	383	285	285
Other loans	GBP	n/a	n/a	16	16	5	5

During the year to 31 March 2017 the Group renewed and replaced term loan facilities with a £3.5 million revolving credit facility in order to provide greater flexibility in the use of funds. At 31 March 2018 a total of £2.5 million (2017: £2.0 million) was drawn down on this facility, which is committed until 31 May 2020, providing a net bank debt figure at 31 March 2018 of £0.8 million (2017: net cash of £0.6 million) after offsetting cash and cash equivalents of £1.7 million (2017: £2.6 million).

The Group also retains a £1 million overdraft facility for working capital purposes. This facility was renewed on 31 May 2018 and is next due for routine review and renewal on 31 May 2019.

### Finance lease liabilities

The principal outstanding approximates to the present value of payments. Finance lease liabilities are payable as follows:

## 2018

	Principal £000	Interest £000	Minimum lease Payments £000
Group			
Less than one year	211	21	232
Between one and five years	172	18	190
	<u>383</u>	<u>39</u>	<u>422</u>



# Notes to the financial statements

year ended 31 March 2018 (continued)

## 20 Loans and borrowings (continued)

2017

Group	Principal £000	Interest £000	Minimum lease Payments £000
Less than one year	163	17	180
Between one and five years	122	14	136
	<u>285</u>	<u>31</u>	<u>316</u>

Finance lease liabilities relate to asset finance used to part fund the purchase of property, plant and equipment, primarily motor vehicles.

## 21 Trade and other payables

	Group		Company	
	2018 £000	2017 £000	2018 £000	2017 £000
Trade payables	7,712	7,418	78	83
Non-trade payables and accrued expenses	2,621	2,837	254	398
Amounts owed to group undertakings	-	-	14,263	13,000
	<u>10,333</u>	<u>10,255</u>	<u>14,595</u>	<u>13,481</u>

Amounts owed to group undertakings have been included in current trade and other payables as these balances are repayable on demand.

## 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 £165,000 (2017: £113,000).

### Share-based payments

The Group operates Inland Revenue Approved Share Option Schemes, an Inland Revenue Unapproved Share Option Scheme, and a Company Share Option Plan.

The terms and conditions of the grants are as follows:

Grant date	Method of settlement accounting	Number of instruments	Service conditions	Contractual life of options	Exercise price
7 March 2014	Equity	530,000	3 years of service	Mar 2017 – Mar 2024	28.5p
10 March 2015	Equity	65,000	3 years of service	Mar 2018 – Mar 2025	45.8p

During the year ended 31 March 2017 all remaining share options issued in December 2006 and March 2007 expired following the end of their contractual life. During the year ended 31 March 2018 all remaining share options issued in December 2007 expired following the end of their contractual life.

# Notes to the financial statements

year ended 31 March 2018 (continued)

## 22 Employee benefits (continued)

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

	Weighted average exercise price 2018	Number of options 2018	Weighted average exercise price 2017	Number of options 2017
Outstanding at the beginning of the year	64.3p	617,500	81.4p	1,447,500
Granted during the year	-	-	-	-
Exercised during the year	29.3p	(220,000)	28.5p	(145,000)
Lapsed during the year	110.1p	(260,000)	87.6p	(685,000)
Outstanding at the end of the year	33.8p	137,500	64.3p	617,500
Exercisable at the end of the year	33.8p	137,500	66.5p	552,500

On 7 March 2017 a total of 145,000 options awarded on 7 March 2014 were exercised by employees of the Group at an exercise price of 28.5 pence per ordinary share.

On 3 May 2017 a total of 130,000 options awarded on 7 March 2014 were exercised by employees of the Group at an exercise price of 28.5 pence per ordinary share.

On 3 December 2017 a total of 70,000 options awarded on 7 March 2014 were exercised by employees of the Group at an exercise price of 28.5 pence per ordinary share.

On 29 March 2018 a total of 20,000 options awarded on 10 March 2015 were exercised by employees of the Group at an exercise price of 45.75 pence per ordinary share.

The options outstanding at the year end have an exercise price in the range of 28.5p to 45.75p and a weighted average contractual life of 6.3 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.

Share options are granted under a service 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:

	2018 £000	2017 £000
Equity settled share based payment expense	-	14

# Notes to the financial statements

year ended 31 March 2018 (continued)

## 23 Share capital and reserves

### Share capital

	2018 £000	2017 £000
<i>Authorised</i>		
Ordinary shares of 1p each (2016: 50,000,000)	500	500
50,000 0.1% cumulative redeemable preference shares of £1 each	50	50
	<u>550</u>	<u>550</u>
<i>Allotted, called up and fully paid</i>		
18,881,262 ordinary shares of 1p each (2017: 18,419,724)	189	184
Shares classified in shareholders' funds	<u>189</u>	<u>184</u>

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 were held in treasury. The cost of the share purchase was recorded in retained earnings.

615,548 1p ordinary shares with an aggregate nominal value of £6,155 were purchased as part of the disposal of The Roof Truss Company (Northern) Limited on 26 May 2011. These shares were also held in treasury. The cost of the share purchase was recorded in retained earnings.

On 7 March 2017, options over 145,000 ordinary shares of the Company were exercised by employees of the Company. During the year ended 31 March 2018, options over a further 220,000 ordinary shares of the Company were exercised by employees of the Company. To satisfy these option exercises the Company transferred 220,000 (2017: 145,000) ordinary shares out of treasury.

As part of the acquisition of H Peel & Sons (Holdings) Limited on 25 July 2017 the Company issued 461,538 new ordinary shares as consideration payable to the vendors.

### Reserves

The capital redemption reserve relates to the buy back of shares in the Company as part of the disposal of D J McGough Limited on 15 September 2010.

The share premium account arose through premiums on share issues, less applicable expenses, in prior years.

The merger reserve arose where more than 90% of the shares in subsidiary undertakings were acquired and the consideration included the issue of new shares by the Company, thereby attracting merger relief under the Companies Act 1985, and, from 1 October 2009, the Companies Act 2006.

Retained earnings is the cumulative total of earnings reported by the Group.

### Dividend

The Company paid an ordinary dividend of 2.5p per ordinary share during the year (2017: 2.0p), along with a special dividend of 1.5p per ordinary share (2017: nil) with a total cost of £742,000 (2017: £353,000), which was recorded as a distribution to owners through retained earnings.

# Notes to the financial statements

year ended 31 March 2018 (continued)

## 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 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.

#### *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.



# Notes to the financial statements

year ended 31 March 2018 (continued)

## 24 Financial instruments (continued)

### *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.

### *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 classified as loans and receivables and cash at bank.

All of the Group's financial liabilities have been classified as other financial liabilities measured at amortised cost.

### *Fair values*

The fair value of the Group's financial assets and liabilities is not materially different from their carrying values.

### *Profit and loss account*

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

# Notes to the financial statements

year ended 31 March 2018 (continued)

## 24 Financial instruments (continued)

### Carrying amounts of financial assets

	Group		Company	
	2018 £000	2017 £000	2018 £000	2017 £000
Trade receivables	9,833	8,755	2	1
Other receivables	-	-	29	250
Amounts owed by group undertakings	-	-	4,804	4,976
Cash at bank	1,731	2,583	-	-
	<b>11,564</b>	<b>11,338</b>	<b>4,835</b>	<b>5,227</b>

### 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 £11,564,000 (2017: £11,338,000) and for the Company was £4,835,000 (2017: £5,227,000) 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	
	2018 £000	2017 £000	2018 £000	2017 £000
Sales ledger	9,984	8,860	2	1
Bad debt provision	(151)	(105)	-	-
Net trade receivables	<b>9,833</b>	<b>8,755</b>	<b>2</b>	<b>1</b>

Movements in the bad debt provision are summarised below:

	2018 £000	2017 £000
At beginning of year	105	448
Provided in year	88	56
Provision in subsidiary disposed of	-	(239)
Write offs and recoveries	(42)	(160)
At end of year	<b>151</b>	<b>105</b>

# Notes to the financial statements

year ended 31 March 2018 (continued)

## 24 Financial instruments (continued)

	2018 £000	2017 £000
Trade debtors outstanding as at 31 March from invoice date:		
Between 60 – 90 days from invoice date	432	125
Between 90 – 120 days from invoice date	72	106
Over 120 days from invoice date	268	466
Amounts provided for	(151)	(105)
Total	621	592

The provision against 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.

	2018 Interest rate	2017 Interest rate
Cash and cash equivalents	Nil	Nil
Bank overdraft	Libor+3.00	Libor+3.00
Revolving credit facility	Libor+3.00	Libor+3.00
Other loans	n/a	n/a

A change of 100 basis points in interest would increase or decrease profit by £27,000 (2017: £21,000).

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

### Foreign exchange risk

The Group is not exposed to significant foreign exchange risk.

### 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 2018 (continued)

## 24 Financial instruments (continued)

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

### 31 March 2018

#### Non-derivative financial instruments

Group	Carrying amount £000	Contractual cash flow £000	6 months or less £000	6-12 months £000	1-2 years £000	2-5 years £000	More than 5 years £000
Trade and other payables	10,333	(10,333)	(10,333)	-	-	-	-
Finance lease liabilities	383	(422)	(126)	(106)	(141)	(49)	-
Bank loan	2,500	(2,663)	(38)	(37)	(75)	(2,513)	-
Other loans	16	(16)	(16)	-	-	-	-
	13,232	(13,434)	(10,513)	(143)	(216)	(2,562)	-
Company	Carrying amount £000	Contractual cash flow £000	6 months or less £000	6-12 months £000	1-2 years £000	2-5 years £000	More than 5 years £000
Trade and other payables	332	(332)	(332)	-	-	-	-
Amounts owed to group undertakings	14,263	(14,263)	(14,263)	-	-	-	-
Bank loan	2,500	(2,663)	(38)	(37)	(75)	(2,513)	-
	17,095	(17,258)	(14,633)	(37)	(75)	(2,513)	-

### 31 March 2017

#### Non-derivative financial instruments

Group	Carrying amount £000	Contractual cash flow £000	6 months or less £000	6-12 months £000	1-2 years £000	2-5 years £000	More than 5 years £000
Trade and other payables	10,255	(10,255)	(10,255)	-	-	-	-
Finance lease liabilities	285	(309)	(94)	(76)	(99)	(40)	-
Bank loan	2,000	(2,190)	(30)	(30)	(60)	(2,070)	-
Other loans	5	(5)	(5)	-	-	-	-
	12,545	(12,759)	(10,384)	(106)	(159)	(2,110)	-
Company	Carrying amount £000	Contractual cash flow £000	6 months or less £000	6-12 months £000	1-2 years £000	2-5 years £000	More than 5 years £000
Trade and other payables	481	(481)	(481)	-	-	-	-
Amounts owed to group undertakings	13,000	(13,000)	(13,000)	-	-	-	-
Bank loan	2,000	(2,190)	(30)	(30)	(60)	(2,070)	-
	15,481	(15,671)	(13,511)	(30)	(60)	(2,070)	-



# Notes to the financial statements

year ended 31 March 2018 (continued)

## 25 Notes to the cash flow statement

### Changes in liabilities arising from financing activities

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated cash flow statement as cash flows from financing activities.

#### Year to 31 March 2018

	1 April 2017 £000	Financing cash flows £000	New finance leases* £000	31 March 2018 £000
Secured bank loans	2,000	500	-	2,500
Finance lease liabilities	285	(216)	314	383
Other loans	5	11	-	16
	<hr/>	<hr/>	<hr/>	<hr/>
Total liabilities from financing activities	2,290	295	314	2,899
	<hr/>	<hr/>	<hr/>	<hr/>

#### Year to 31 March 2017

	1 April 2016 £000	Financing cash flows £000	New finance leases* £000	31 March 2017 £000
Secured bank loans	4,440	(2,440)	-	2,000
Finance lease liabilities	280	(208)	213	285
Other loans	6	(1)	-	5
	<hr/>	<hr/>	<hr/>	<hr/>
Total liabilities from financing activities	4,726	(2,649)	213	2,290
	<hr/>	<hr/>	<hr/>	<hr/>

The Group also reported proceeds from the issue of share options of £64,000 (2017: £41,000) and equity dividends paid of £742,000 (2017: £353,000) in cash flows from financing activities. No financial liabilities in relation to these cash flows were recorded on the Group's balance sheet at 31 March 2018 or at 31 March 2017.

The changes in liabilities arising from financing activities in the Company include the movement on secured bank loans as presented above. The Company also reported proceeds from the issue of share options of £64,000 (2017: £41,000) and equity dividends paid of £742,000 (2017: £353,000) in cash flows from financing activities. No financial liabilities in relation to these cash flows were recorded on the Company's balance sheet at 31 March 2018 or at 31 March 2017.

\* cash inflows from new finance leases are offset against cash outflows for the acquisition of property, plant and equipment included in cash flows from investing activities in the Group's consolidated cash flow statement.

# Notes to the financial statements

year ended 31 March 2018 (continued)

## 26 Acquisition

### H Peel & Sons (Holdings) Limited

On 25 July 2017 the Group acquired the entire issued share capital of H Peel & Sons (Holdings) Limited and its subsidiary H Peel & Sons Limited, an interiors and fit out business based in Dewsbury, West Yorkshire.

The amounts recognised in respect of the identifiable assets acquired and liabilities assumed are set out below:

	Book value £000	Fair value adjustments £000	Fair value £000
<b>Net assets acquired:</b>			
Intangible assets	-	762	762
Property, plant and equipment	115	-	115
Inventory	19	-	19
Trade and other receivables	126	-	126
Cash and cash equivalents	329	-	329
Trade and other payables	(1,297)	-	(1,297)
Deferred taxation	-	(130)	(130)
Total identifiable assets	(708)	632	(76)
Goodwill			2,511
<b>Total consideration</b>			<b>2,435</b>
<b>Satisfied by:</b>			
Cash			746
Equity instruments (ordinary shares)			378
Deferred and contingent consideration			1,311
<b>Total consideration</b>			<b>2,435</b>
<b>Cash outflows arising on acquisition:</b>			
Cash consideration			746
Less: cash and cash equivalents acquired			(329)
			<b>417</b>

Fair value adjustments of £632,000 relating to the separate recognition of intangible assets and a related deferred tax liability have been recorded. Details of intangible assets recorded can be found in note 14.

Under the terms of the acquisition, deferred cash consideration of £0.4 million is payable in four equal six monthly instalments commencing six months from the acquisition date. Additional contingent consideration of up to £1.4 million was payable, subject to various earn out agreements, over a three year period from the acquisition date. The deferred consideration balance of £0.9 million at 31 March 2018 represents the discounted present value of estimated future payments to be made.

The fair value of the 461,538 ordinary shares in Northern Bear plc issued as part of the consideration paid (£378,000) was determined on the basis of the closing mid-market price of the Group's ordinary shares on 24 July 2017, being 82p.

Acquisition related costs included in administrative expenses amount to £158,000.

H Peel contributed a total of £3.3 million revenue and £0.5 million to the Group's operating profit for the period between the date of acquisition and the balance sheet date.

If the acquisition of H Peel had been completed on the first day of the financial year, Group revenues for the year would have been £54.3 million and Group operating profit would have been £2.9 million.

# Notes to the financial statements

year ended 31 March 2018 (continued)

## 27 Operating leases

### Operating leases in which Group is a lessee

The total of future minimum lease payments under non-cancellable operating leases are as follows:

	Group		Company	
	2018 £000	2017 £000	2018 £000	2017 £000
Less than one year	139	201	69	68
Between one and five years	292	369	245	252
More than five years	68	118	68	118
	<u>499</u>	<u>688</u>	<u>382</u>	<u>438</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 £175,000 (2017: £227,000).

## 28 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 17.4% (2017: 17.1%) of the voting shares of the Company at the balance sheet date.

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

	Group	
	2018 £000	2017 £000
Key management emoluments excluding social security costs	<u>617</u>	<u>605</u>

During the year the Company paid an ordinary dividend of 2.5p per ordinary share (2017: 2.0p) and a special dividend of 1.5p per ordinary share (2017: £nil). The amount paid to key management personnel based on their holdings of the Company's ordinary shares was £128,823 (2017: £59,156).

# Notes to the financial statements

year ended 31 March 2018 (continued)

## 28 Related parties (continued)

### Group

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

	Sentio Insight LLP £000	Wensley Roofing Limited DPS £000
<b>2018</b>		
Balance as at beginning of period	-	-
Purchases	(30)	(23)
Settled	30	23
	<hr/>	<hr/>
Balance as at end of period	-	-
	<hr/>	<hr/>
<b>2017</b>		
	Sentio Insight LLP £000	Wensley Roofing Limited DPS £000
Balance as at beginning of period	-	-
Purchases	-	(21)
Settled	-	21
	<hr/>	<hr/>
Balance as at end of period	-	-
	<hr/>	<hr/>

K Soulsby is a member of Wensley Roofing Limited DPS, a pension scheme for certain current and former directors of Wensley Roofing Limited. Wensley Roofing Limited DPS owns land and buildings at Station House, Station Road, Chester-Le-Street, DH3 3DU leased to Wensley Roofing Limited.

TE Hayes is a partner of Sentio Insight LLP, a firm which provides corporate finance and transaction support services, and which provided advice to the Group on its acquisition of H Peel & Sons (Holdings) Limited.

Other related party transactions in the year totalled £57,000 (2017: £42,000).

### Trading transactions with subsidiaries – Parent Company

The Group manages its finances and bank facilities on a Group-wide basis and periodically receives dividend income from subsidiaries (£nil in the year ended 31 March 2018, £9,300,000 in the year ended 31 March 2017). Amounts owed by and to subsidiary undertakings of the Parent Company are disclosed in notes 18 and 21 respectively.

Share options in the Parent Company are granted to employees of subsidiary companies. Details of the share options are included in note 22 to the financial statements.



# Notes to the financial statements

year ended 31 March 2018 (continued)

## 29 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 as well as subsequent annual assessments of impairments thereof. Details of the estimation techniques used are set out in note 14 to the financial statements; these estimation techniques require assumptions in the preparation of budgets and forecasts, estimates of future growth rates and discount rates.

### *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.

### *Measurement of the fair value of assets and liabilities acquired with subsidiaries*

An acquisition of a subsidiary requires an assessment of the fair value of identifiable assets and liabilities acquired. This includes identifiable intangible assets regardless of whether they are already recognised in the balance sheet of the acquired entity. The valuation of customer relationships requires estimates of future revenues, profitability, and discount rates.

### *Measurement of the discounted present value of deferred consideration*

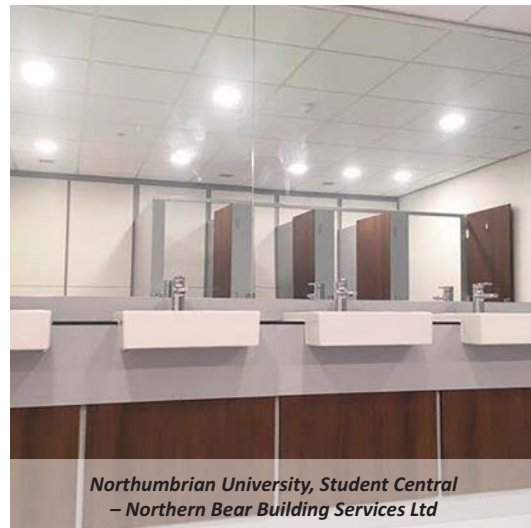
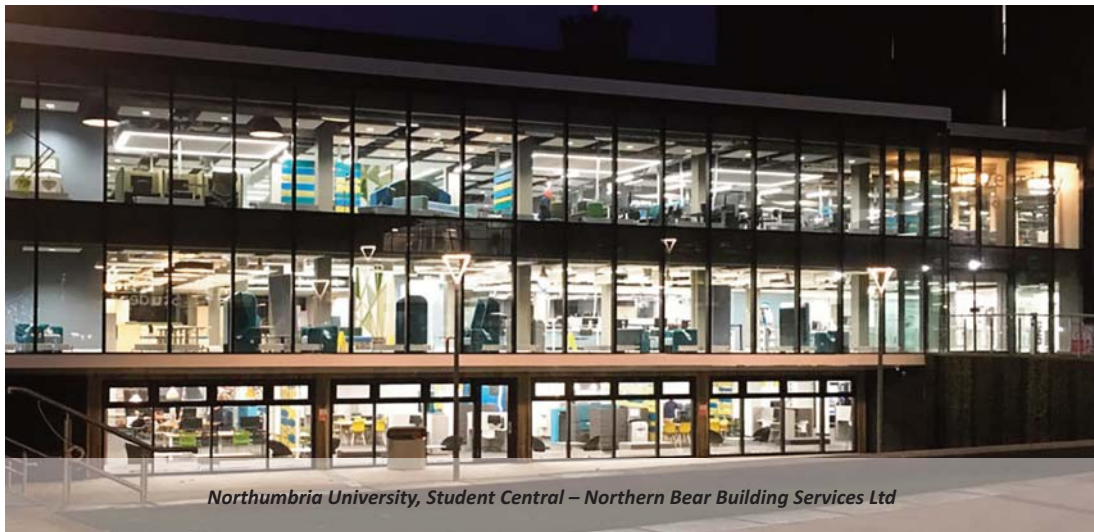
This requires an assessment of the future amounts payable for acquired subsidiaries under earn out agreements, which includes estimates of future profitability and discount rates.

## 30 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.









*St Wilfreds College, South Shields  
– Northern Bear Building Services Ltd*

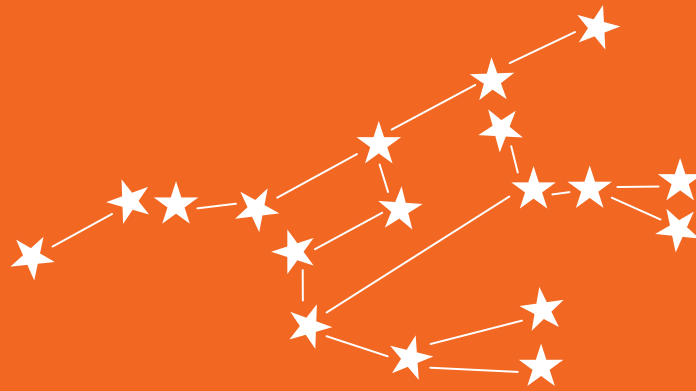


*Old Shire Hall, Durham – Wensley Roofing Ltd*



*Cleadon Nursery School, Sunderland – MGM Ltd*





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