Northern Bear

Annual Report
and
Financial Statements
2017

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

Northumbrian Water, Horsley, Newcastle upon Tyne – Wensley Roofing Ltd

Managing Directors of Subsidiary Companies

Graeme Tennick
Managing Director
A1 Trucks Ltd

John Gilstin
Managing Director
Isoler Ltd

Graham Jennings
Managing Director
Jennings Roofing Ltd

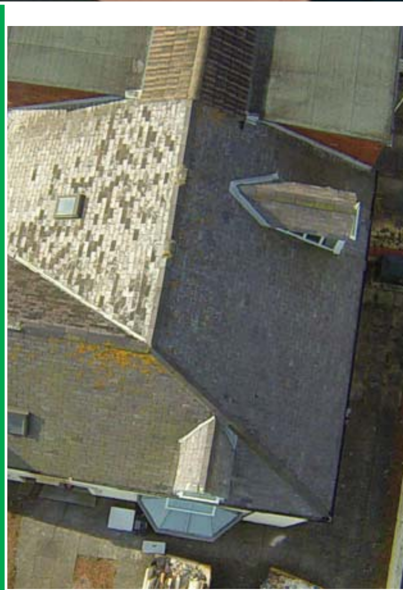
Neil Jukes
Managing Director
Northern Bear Building Services Ltd and MGM Ltd

Jason Harrison
Managing Director
Northern Bear Safety Ltd

Keith Muldoon
Managing Director
Springs Roofing Ltd

Keith Soulsby
Managing Director
Wensley Roofing Ltd

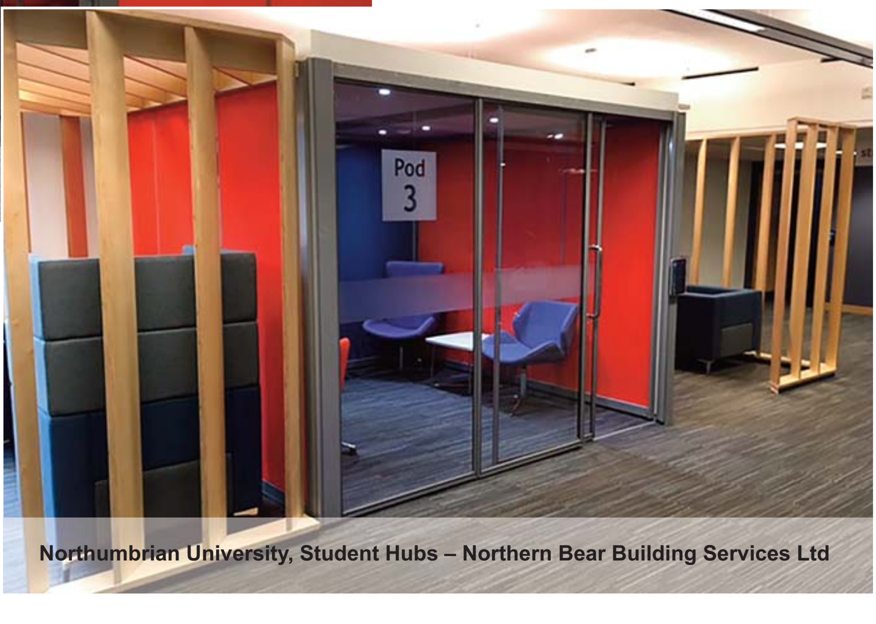
Alan Chapman
Heritage Director
Matthew Charlton Slaters
A subsidiary of Wensley Roofing Ltd



Contents

Karbon Homes (formerly Cestria Housing), Chester le Street – Wensley Roofing Ltd

Northumbrian University, Student Hubs
– Northern Bear Building Services Ltd



Northumbrian University, Student Hubs – Northern Bear Building Services Ltd

A1 Industrial Trucks 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


Roofing Surveys, Palace Green, Durham University – Survey Drones

Chairman's statement

Introduction

I am pleased to report the results for the year to 31 March 2017 for Northern Bear and its subsidiaries (together the "Group").

The Group's continuing operations delivered an outstanding year's trading, with profit before tax and earnings per share from continuing operations ahead of strong prior year results.

As a result of strong cash generation during the year we are delighted to report a positive net cash position at 31 March 2017 of £0.6m (31 March 2016: net bank debt of £2.5m). Given that the Group had a reported net bank debt position of £10.1m at 30 September 2009 during the most severe recession to hit the building services industry that any of our operational staff can recall, it is testament to our current management team that we have been able to deleverage the balance sheet to this extent.

I would like to thank Yorkshire Bank for their continued support over this period. We have recently agreed new and more flexible bank facilities with them which are discussed further below.

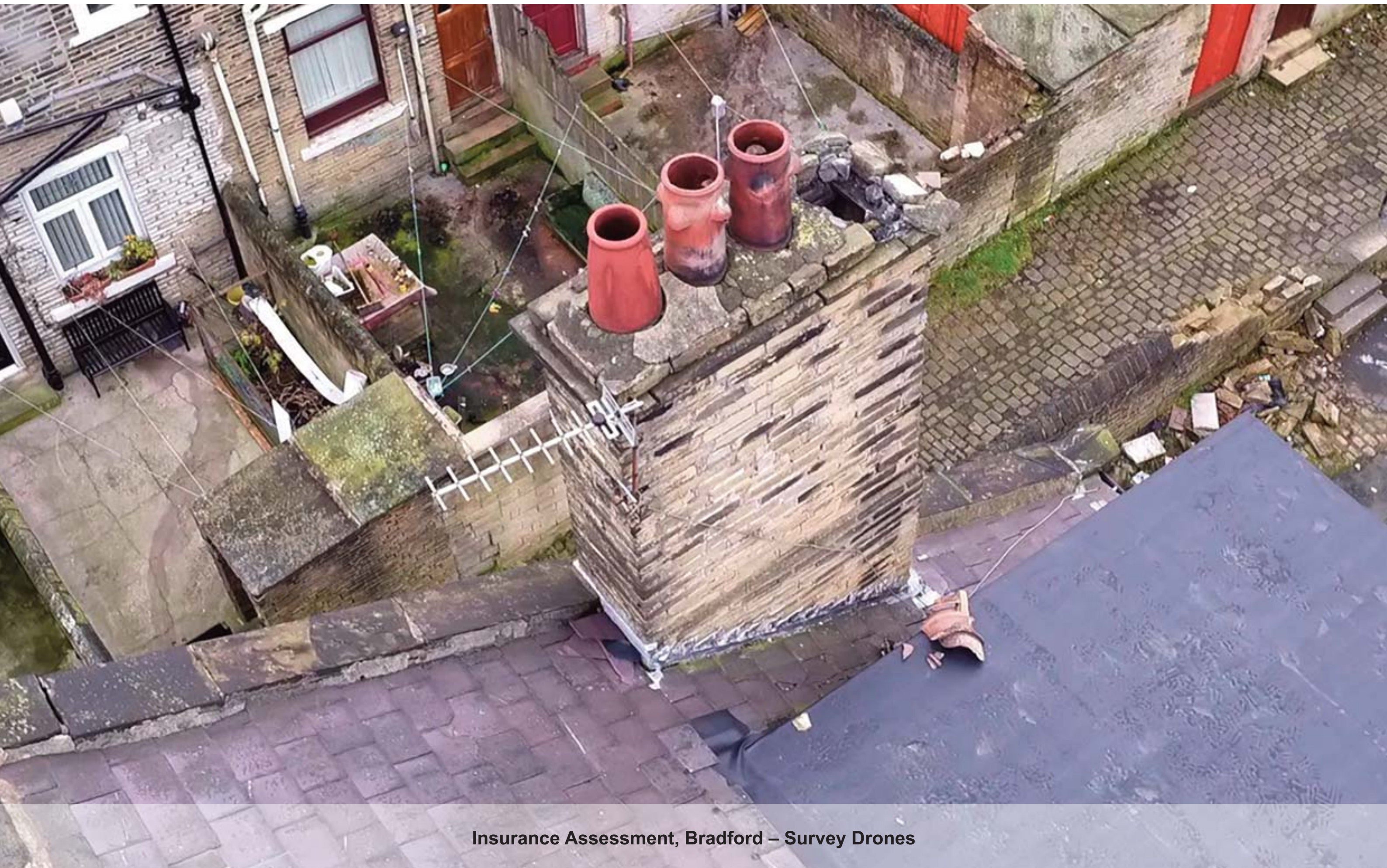
During the year, we made the decision to dispose of Chirmarn Holdings Limited and its subsidiaries (together "Chirmarn"). The sale completed on 31 March 2017. Results from these companies have, accordingly, been presented as discontinued operations in results for both the current and prior year. In the current year, discontinued operations also include a loss on book value on disposal of Chirmarn and a non-cash write down of associated goodwill.

Trading

Following a relatively mild winter and continued strong performance in the Group's Roofing division, along with continued careful contract selection and management, turnover from continuing operations increased to £45.6m (2016: £34.7m) and gross profit was £9.3m (2016: £8.2m).

The Group's administrative expenses increased to £6.8m (2016: £6.1m), largely due to operating costs associated with higher trading levels. As a result, operating profit from continuing operations for the year increased to £2.5m (2016: £2.0m).

The results also benefited from reduced finance costs due to lower bank debt levels. Overall profit before tax from continuing operations increased to £2.4m (2016: £1.8m) and basic earnings per share from continuing operations was 11.3p (2016: 7.9p).



Insurance Assessment, Bradford – Survey Drones

Stamford House, Altrincham, Cheshire for The National Trust – Jennings Roofing Ltd

Cash flow and new bank facilities

The Group's cash generated from all operations was £4.5m (2016: £3.7m), following the strong trading performance and some continued favourable payment terms on contract work. However, an element of this may reverse in due course depending on the ongoing mix of contracts.

Our investment in the Group's fixed asset base continued during the year, with capital expenditure of £0.7m (2016: £0.8m).

Roof Survey, Bainbridge House, Darlington – Survey Drones

During the year we signed a new £3.5m revolving credit facility agreement with Yorkshire Bank to replace the previous term loan facility (which was due for renewal on 31 March 2017). This new facility is committed to 31 May 2020 and was secured at a reduced interest rate level, reflecting the strength of the Group's recent and ongoing financial performance. The Group also retains a £1.0m committed overdraft facility.

The new facilities will provide the Group with a much more flexible funding structure and permit a wider range of options for capital allocation in the future.

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 2.5p per share (2016: 2.0p per share) for the year ended 31 March 2017. This is subject to shareholder approval at the Annual General Meeting to be held on 24 August 2017 and, if approved, will be payable on 1 September 2017 to shareholders on the register at 11 August 2017.

Chairman's statement
(continued)

Due to the exceptional financial performance in the year and the Group's net cash position at 31 March 2017, we have decided to distribute funds which are surplus to our strategic requirements. Accordingly, we are also announcing a special dividend of 1.5p per share (2016: nil), which is also subject to shareholder approval and payable as above.

The Board will continue to assess the dividend levels and our current 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, debt obligations and the macro-economic environment at the relevant time.

Outlook

We have moved into the new financial year with a particularly strong order book for the time of year which provides optimism for what we hope will be another good set of results for the year ending 31 March 2018.

Acquisitions

We continue to be presented with a number of acquisition opportunities and believe that making a small number of acquisitions of specialist building services businesses could further enhance the Group's service offering to customers. However, as previously stated, we will only execute an acquisition where we are confident that it will broaden the Group's service offering, predictably enhance earnings and provide an attractive return on investment for our shareholders.

Discontinued operations

On 31 March 2017 the Group disposed of its subsidiary, Chirmarn Holdings Limited. This followed a detailed review by the Board of the entire Chirmarn operation.

Chirmarn provides asbestos removal and surveying services. It had made a substantial contribution to the Group's performance since acquisition in 2007. It also traded exceptionally well during the severe recession which began in 2008. However, during the financial year ended 31 March 2017, Chirmarn was trading at a loss and required continued funding from the Group.

Marshall Construction Ltd, Moseley, Birmingham – Jennings Roofing Ltd

A1 Industrial Trucks Ltd

The Board provided all possible resource and support during that period in an attempt to improve matters, however, the situation persisted, with no certainty that there would be any improvement in the business activities of Chirmarn in the short to medium term. Furthermore, the sector in which Chirmarn operates differs from those in which other Group companies operate in that asbestos, for health and safety reasons, has not been widely used as a construction material for some time and, therefore, we believe there is limited potential for long term market growth.

As a result, the Board decided that the disposal of Chirmarn was in the best interest of shareholders and will allow the Board to focus on the Group's core businesses and markets.

Northumbrian Water, Horsley, Newcastle upon Tyne – Wensley Roofing Ltd

People

I remain proud that the Group directly employs a large majority of its workforce. Overseen by Keith Soulsby, the Group has continued to invest in training new operatives throughout difficult economic times. In more buoyant times, this has proved to be particularly important given the shortage of skilled operatives and cost pressures in our sector. As a result of our long term strategy, we have retained a loyal, dedicated and skilled workforce. That workforce, along with investment in apprenticeship schemes, is a key part of the Group's continued success.

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 24 July 2017

Marshall Construction Ltd, Moseley, Birmingham – Jennings Roofing Ltd

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 2017.

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.

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.

During the year the Group disposed of its subsidiary, Chirmarn Holdings Limited, to an independent third party, following a detailed review by the Board of the entire Chirmarn operations. Chirmarn provides asbestos removal and surveying services and had made a substantial contribution to the Group's performance since acquisition in 2007. However, in the financial year ended 31 March 2017, Chirmarn was trading at a loss and required continued funding from the Group. The Board provided all possible resource and support to attempt to improve matters, but the situation persisted with no certainty that there would be any improvement in the business activities of Chirmarn in the short to medium term. Further, the sector in which Chirmarn operates differs from those in which other Group companies operate in that asbestos, for health & safety reasons, has not been widely used as a construction material for some time and hence we believe there is limited potential for long term market growth.

As a result, the Board decided that the Disposal is in the best interest of shareholders and will allow the Board to focus on the Group's core businesses and markets.

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 are revenue, gross margin, operating profit and cash flow from operations, as identified and discussed in the Chairman's Statement, which are considered on both a Group and operating segment basis.

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 pages 3 to 6.

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

Strategic report
(continued)

Statement on risks relating to the Group's business

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

Sector demand

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

Competition

Some of the businesses within the Group have competitors who, as a result of their funding structure, may be able to accept lower financial returns than that required by the Group.

Netherby Hall, Longtown, Carlisle – MGM Ltd

Competition with these companies could adversely affect the Group's profitability and financial position.

Key clients

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

Dependence on personnel

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

Financial instruments

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

British exit from the European Union

Following the referendum on British membership of the European Union in 2016 and the decision to exit, any impact on the wider macro-economic environment could affect the building services industry in which the Group operates. The Directors have not noted any impact to date but will continue to monitor the situation as the process of negotiating Britain's exit unfolds.

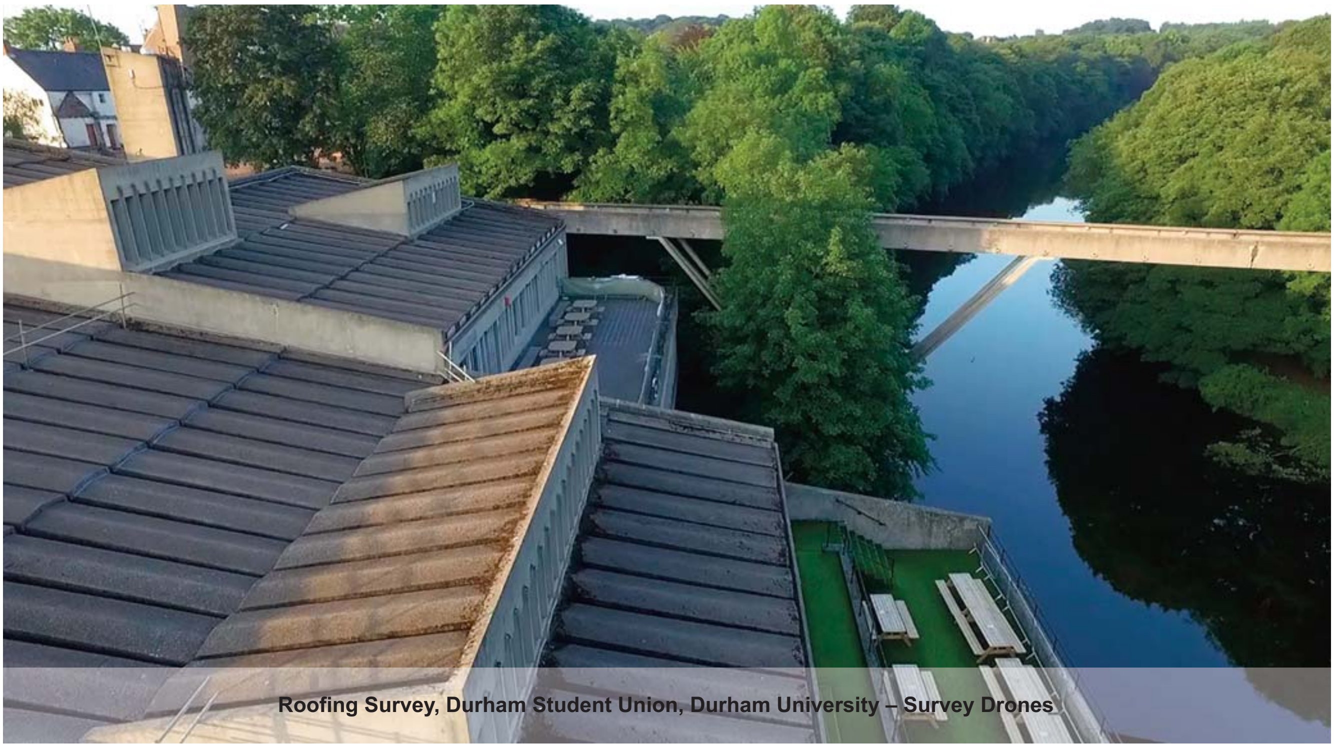
Outlook

The future outlook for the business is included in the Chairman's Statement on page 5.

This report was approved by the board on 24 July 2017 and signed on its behalf by:

Steve Roberts
Executive Chairman 24 July 2017

Hexham Bus Station, Hexham, Northumberland – Northern Bear Building Services Ltd


Roofing Survey, Durham Student Union, Durham University – Survey Drones

Directors' report

The directors present their annual report and financial statements for the year ended 31 March 2017.

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 5.

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 2017 for the period to 31 May 2018 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 9. 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 2.5p per share, and a final special dividend in respect of the current financial year of 1.5p 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 2017 Shares	**31 March 2017 Options**	31 March 2016 Shares	31 March 2016 Options
GR Jennings	**1,276,260**	**60,000**	1,254,038	60,000
K Soulsby	**771,011**	**62,500**	730,481	62,500
SM Roberts	**753,300**	**60,000**	753,300	60,000
IT McLean	**100,000**	**-**	100,000	-
HB Gold	**70,000**	**-**	70,000	-
TE Hayes	**70,000**	**10,000**	50,000	10,000

In total the directors' interests in the ordinary shares of the Company totalled 3,040,571 shares (2016: 2,957,819), representing 16.5% (2016: 16.1%) 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 2017, 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	2,119,953	11.8%
Jon Pither	1,789,478	10.0%
Graham Jennings	1,336,260	7.4%
Steve Roberts	813,300	4.5%
Keith Soulsby	771,011	4.3%
Derek Wymes & Spouse	591,251	3.3%
Graeme Tennick & Spouse	591,251	3.3%

Political and charitable contributions

Neither the Company nor any of its subsidiaries made any political contributions during the year (2016: £nil). Charitable donations amounted to £10,707 (2016: £3,140).

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.

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 A1 Grainger, Prestwick Park, Prestwick, Newcastle upon Tyne, NE20 9SJ at 11.30am on 24 August 2017.

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

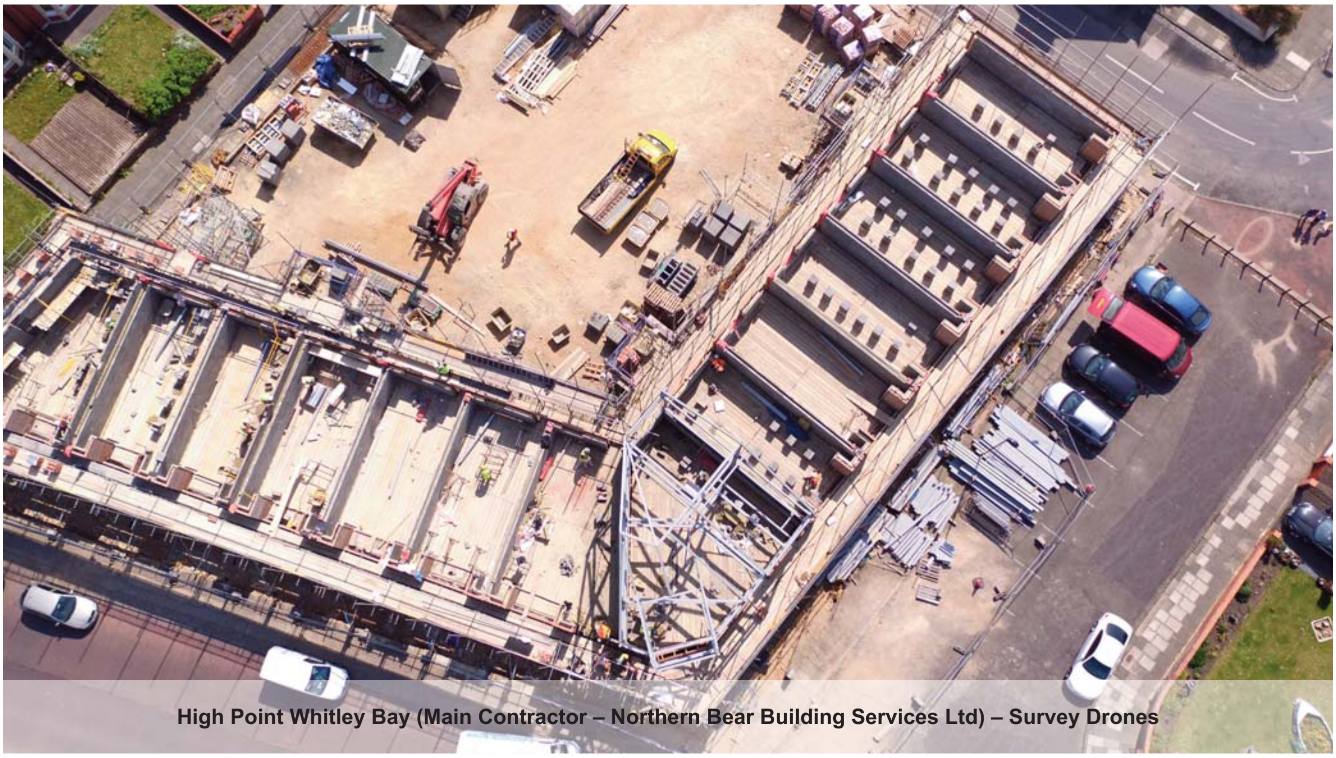
A1 Grainger
Prestwick Park
Prestwick
Newcastle upon Tyne
NE20 9SJ

24 July 2017

Hexham Bus Station, Hexham, Northumberland – Northern Bear Building Services Ltd

A1 Industrial Trucks Ltd

Story Homes, Morpeth, Northumberland – Springs Roofing Ltd


High Point Whitley Bay (Main Contractor – Northern Bear Building Services Ltd) – Survey Drones


Marshall Construction Ltd, Moseley, Birmingham – Jennings Roofing Ltd

Mazars LLP
Mazars House
Gelderd Road
Gildersome
Leeds
LS27 7JN

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

We have audited the financial statements of Northern Bear Plc for the year ended 31 March 2017 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated and Company Statements of Changes in Equity, the Consolidated and Company Balance Sheets, the Consolidated and Company Statements of Cash Flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the Parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 13, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors. This report is made solely to the company's members, as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body for our audit work, for this report, or for the opinions we have formed.

Scope of the audit of the financial statements

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

Opinion on the financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 March 2017 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the Parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

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

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

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 where the Companies Act 2006 requires us to report to you if, in our opinion:

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

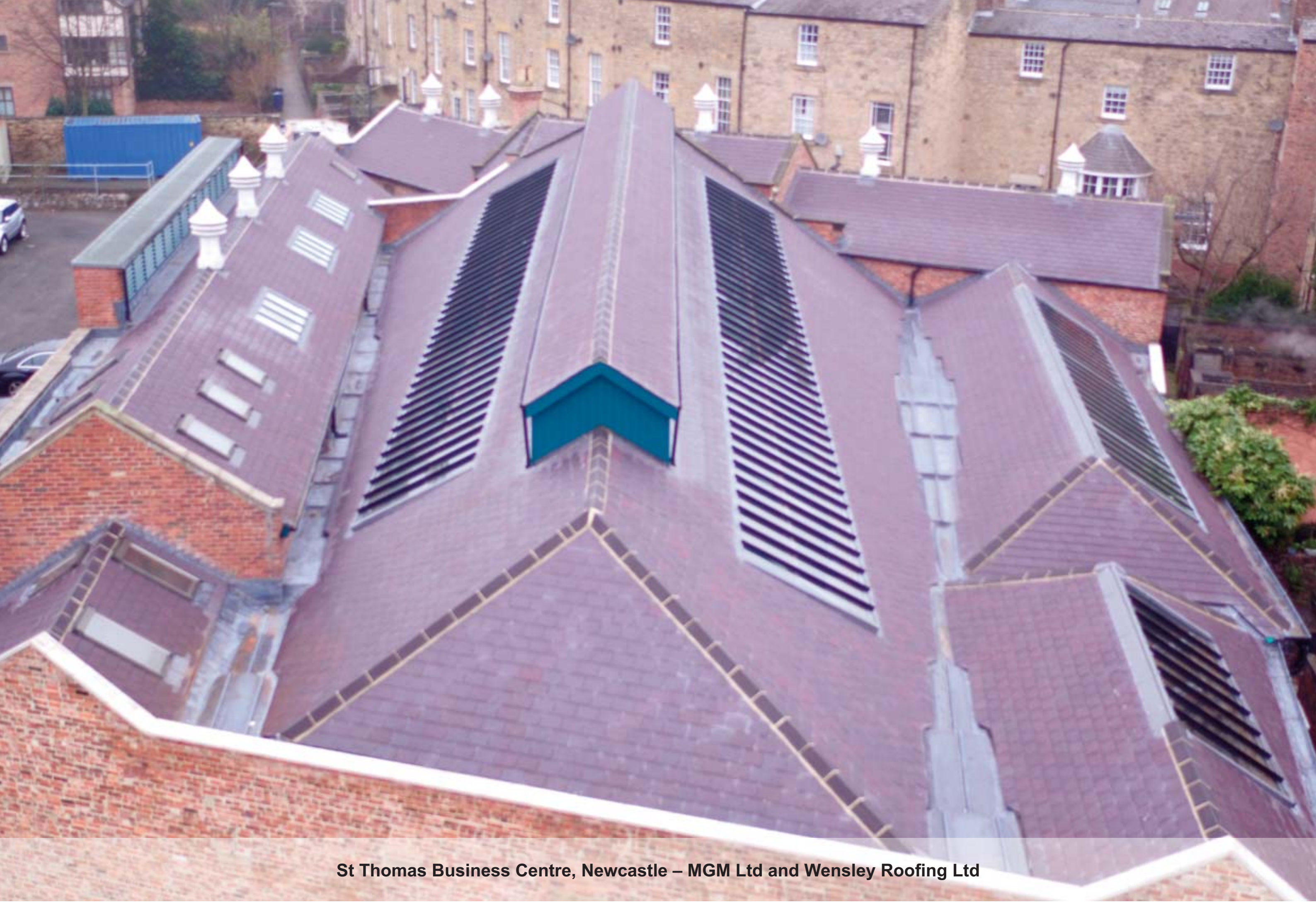
Shaun Mullins (Senior Statutory Auditor)
for and on behalf of Mazars LLP
Chartered Accountants and Statutory Auditor

Mazars House
Gelderd Road
Gildersome
Leeds LS27 7JN

24 July 2017

Stamford House, Altrincham, Cheshire for The National Trust – Jennings Roofing Ltd

Marshall Construction Ltd, Moseley, Birmingham – Jennings Roofing Ltd



St Thomas Business Centre, Newcastle – MGM Ltd and Wensley Roofing Ltd

Marshall Construction Ltd, Moseley, Birmingham – Jennings Roofing Ltd


ELEVATION 6
APARTMENT

Consolidated statement of comprehensive income

for the year ended 31 March 2017

	Note	2017 £000	2016 £000
Revenue	*4*	**45,563**	34,690
Cost of sales		**(36,256)**	(26,540)
Gross profit		**9,307**	8,150
Other operating income	*6*	**25**	25
Administrative expenses			
Share based payment	*22*	**(14)**	(15)
Other administrative expenses		**(6,772)**	(6,134)
		(6,786)	(6,149)
Operating profit		**2,546**	2,026
Finance income	*10*	**-**	2
Finance costs	*10*	**(166)**	(226)
Profit before income tax		**2,380**	1,802
Income tax expense	*11*	**(386)**	(403)
Profit from continuing operations		**1,994**	1,399
Discontinued operations			
(Loss) / profit from discontinued operations (net of income tax)	*5*	**(4,266)**	55
(Loss) / profit for the year		**(2,272)**	1,454
Total comprehensive (loss) / income attributable to equity holders of the parent		**(2,272)**	1,454
Basic (loss) / earnings per share			
Continuing operations	*12*	**11.3p**	7.9p
Discontinued operations	*12*	**(24.1p)**	0.3p
Total operations	*12*	**(12.8p)**	8.2p
Diluted (loss) / earnings per share			
Continuing operations	*12*	**11.1p**	7.8p
Discontinued operations	*12*	**(24.1p)**	0.3p
Total operations	*12*	**(13.0p)**	8.1p

Consolidated statement of changes in equity

for the year ended 31 March 2017

	Share capital £000	Capital redemption £000	Share premium £000	Merger reserve £000	Retained earnings £000	Total equity £000
At 1 April 2015	184	6	5,169	10,371	5,328	21,058
Total comprehensive income for the year						
Profit for the year	-	-	-	-	1,454	1,454
Transactions with owners, recorded directly in equity						
Equity settled share-based payment transactions	-	-	-	-	15	15
Equity dividends paid	-	-	-	-	(265)	(265)
At 31 March 2016	184	6	5,169	10,371	6,532	22,262
At 1 April 2016	184	6	5,169	10,371	6,532	22,262
Total comprehensive income for the year						
Loss for the year	-	-	-	-	(2,272)	(2,272)
Transactions with owners, recorded directly in equity						
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	-
At 31 March 2017	184	6	5,169	9,231	5,102	19,692

Company statement of changes in equity

for the year ended 31 March 2017

	Share capital £000	Capital redemption £000	Share premium £000	Merger reserve £000	Retained earnings £000	Total equity £000
At 1 April 2015	184	6	5,169	10,371	2,062	17,792
Total comprehensive income for the year						
Loss for the year	-	-	-	-	(825)	(825)
Transactions with owners, recorded directly in equity						
Equity settled share-based payment transactions	-	-	-	-	15	15
Equity dividends paid	-	-	-	-	(265)	(265)
At 31 March 2016	184	6	5,169	10,371	987	16,717
At 1 April 2016	184	6	5,169	10,371	987	16,717
Total comprehensive income for the year						
Profit for the year	-	-	-	-	3,651	3,651
Transactions with owners, recorded directly in equity						
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	-
At 31 March 2017	184	6	5,169	9,231	5,480	20,070

Consolidated balance sheet

at 31 March 2017

	Note	2017 £000	2016 £000
Assets			
Property, plant and equipment	*13*	**2,852**	2,881
Intangible assets	*14*	**17,458**	21,351
Total non-current assets		**20,310**	24,232
Inventories	*17*	**944**	976
Trade and other receivables	*18*	**8,755**	7,239
Prepayments		**246**	289
Cash and cash equivalents	*19*	**2,583**	1,898
Total current assets		**12,528**	10,402
Total assets		**32,838**	34,634
Equity			
Share capital	*23*	**184**	184
Capital redemption reserve		**6**	6
Share premium		**5,169**	5,169
Merger reserve		**9,231**	10,371
Retained earnings		**5,102**	6,532
Total equity attributable to equity holders of the Company		**19,692**	22,262
Liabilities			
Loans and borrowings	*20*	**2,122**	119
Deferred tax liabilities	*16*	**182**	213
Total non-current liabilities		**2,304**	332
Loans and borrowings	*20*	**168**	4,607
Trade and other payables	*21*	**10,255**	7,090
Current tax payable		**419**	343
Total current liabilities		**10,842**	12,040
Total liabilities		**13,146**	12,372
Total equity and liabilities		**32,838**	34,634

These financial statements were approved by the Board of Directors on 24 July 2017 and were signed on its behalf by:

T E Hayes
Finance Director

Company registered number: 05780581

Company balance sheet

at 31 March 2017

	Note	2017 £000	2016 £000
Assets			
Property, plant and equipment	*13*	**26**	33
Investments in subsidiaries	*15*	**31,880**	35,801
Deferred tax assets	*16*	**8**	1
Total non-current assets		**31,914**	35,835
Trade and other receivables	*18*	**5,227**	772
Prepayments		**87**	43
Cash and cash equivalents	*19*	**-**	131
Total current assets		**5,314**	946
Total assets		**37,228**	36,781
Equity			
Share capital	*23*	**184**	184
Capital redemption reserve		**6**	6
Share premium		**5,169**	5,169
Merger reserve		**9,231**	10,371
Retained earnings		**5,480**	987
Total equity attributable to equity holders of the Company		**20,070**	16,717
Liabilities			
Loans and borrowings	*20*	**2,000**	-
Total non-current liabilities		**2,000**	-
Bank overdraft	*19*	**1,677**	-
Loans and borrowings	*20*	**-**	4,440
Trade and other payables	*21*	**13,481**	15,624
Total current liabilities		**15,158**	20,064
Total liabilities		**17,158**	20,064
Total equity and liabilities		**37,228**	36,781

These financial statements were approved by the Board of Directors on 24 July 2017 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 2017

	Note	2017 £000	2016 £000
Cash flows from operating activities			
Operating profit for the year – continuing operations		**2,546**	2,026
Operating profit for the year – discontinued operations		**(206)**	78
Operating profit for the year		**2,340**	2,104
Adjustments for:			
Depreciation	*13*	**549**	529
Amortisation	*14*	**2**	2
Loss on sale of property, plant and equipment	*13*	**9**	16
Equity settled share-based payment transactions		**14**	15
		2,914	2,666
Change in inventories	*17*	**24**	(127)
Change in trade and other receivables	*18*	**(1,802)**	2,427
Change in prepayments		**29**	14
Change in trade and other payables	*21*	**3,358**	(1,278)
Cash generated from operations		**4,523**	3,702
Interest received		**-**	2
Interest paid		**(166)**	(229)
Tax paid		**(341)**	(311)
Net cash flow from operating activities		**4,016**	3,164
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment	*13*	**294**	212
Proceeds from subsidiary disposal		**25**	143
Acquisition of property, plant and equipment	*13*	**(689)**	(813)
Net cash from investing activities		**(370)**	(458)
Cash flows from financing activities			
Repayment of borrowings		**(2,441)**	(848)
Repayment of finance lease liabilities		**(208)**	(197)
Proceeds from the exercise of share options		**41**	-
Equity dividends paid		**(353)**	(265)
Net cash from financing activities		**(2,961)**	(1,310)
Net increase in cash and cash equivalents		**685**	1,396
Cash and cash equivalents at start of year	*19*	**1,898**	502
Cash and cash equivalents at end of year	*19*	**2,583**	1,898

Company statement of cash flows

for the year ended 31 March 2017

	Note	2017 £000	2016 £000
Cash flows from operating activities			
Operating loss for the year		**(742)**	(623)
Adjustments for:			
Depreciation	*13*	**8**	10
Equity settled share-based payment transactions		**14**	15
		(720)	(598)
Change in trade and other receivables	*18*	**128**	(554)
Change in prepayments		**(44)**	16
Change in trade and other payables	*21*	**1,699**	2,194
		1,063	1,058
Interest received		**-**	2
Interest paid		**(149)**	(204)
Net cash from operating activities		**914**	856
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment	*13*	**1**	-
Acquisition of property, plant and equipment	*13*	**(2)**	-
Proceeds from subsidiary disposal		**31**	143
Net cash from investing activities		**30**	143
Cash flows from financing activities			
Repayment of borrowings		**(2,440)**	(850)
Repayment of finance lease liabilities		**-**	(5)
Proceeds from the exercise of share options		**41**	-
Equity dividends paid		**(353)**	(265)
Net cash from financing activities		**(2,752)**	(1,120)
Net increase in cash and cash equivalents		**(1,808)**	(121)
Cash and cash equivalents at start of year	*19*	**131**	252
Cash and cash equivalents at end of year	*19*	**(1,677)**	131

Notes to the financial statements

year ended 31 March 2017

1 Reporting entity

Northern Bear Plc (the "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 Adopted IFRSs, which became effective for the first time, were adopted by the Group:

- Amendment to IAS 1 'Presentation of Financial Statements', clarifying disclosures;
- Amendments to IAS 16 'Property, Plant and Equipment' and IAS 38 'Intangible Assets', clarifying acceptable methods of depreciation and amortisation;
- Amendments to IAS 16 'Property, Plant and Equipment' and IAS 41 'Agriculture' in respect of bearer plants;
- Amendments to IAS 19 'Employee Benefits' for employee contributions to defined benefit pension schemes;
- Amendments to IAS 27 'Separate Financial Statements' to revise the equity method in separate financial statements;
- Amendments to IFRS 10 'Consolidated Financial Statements', IFRS 12 'Disclosure of Interests in Other Entities' and IAS 28 'Investments in Associates and Joint Ventures', around application of the consolidated exemptions;
- Amendments to IFRS 11 'Joint Arrangements' on accounting for acquisitions of interests in joint operations;
- Annual Improvements to IFRS's (2010 – 2012); and
- Annual Improvements to IFRS's (2012 – 2014).

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

At the authorisation of these financial statements, the Group has applied the following new and revised standards that have been issued but are not effective yet and in some cases have not been adopted by the EU:

- Amendments to IAS 12 'Income Taxes' – Amendments to the recognition of deferred tax assets for unrealised losses - Effective date on or after 1 January 2017
- Amendments to IAS 7 'Statement of Cash Flow' – Disclosure amendments - Effective date on or after 1 January 2017
- Amendments to IAS 40 'Investment Property' for transfers of Investment Property - Effective date on or after 1 January 2017

Notes to the financial statements

year ended 31 March 2017 (continued)

2 Basis of preparation *(continued)*

- IFRS 15 'Revenue from Contracts with Customers', and classifications thereon - Effective date on or after 1 January 2018
- IFRS 2 'Share-based Payment' for classification and measurement of share-based payment transactions - Effective date on or after 1 January 2018
- Amendments to IFRS 4 'Insurance Contracts around interaction with IFRS 9' - Effective date on or after 1 January 2018
- IFRS 9 'Financial Instruments' - Effective date on or after 1 January 2018
- IFRS 16 'Leases' - Effective date on or after 1 January 2019
- Annual improvements to IFRS's (2014 – 2016) - Effective date on or after 1 January 2017
- IFRIC 22 'Foreign Currency Transactions and Advance Consideration' - Effective date on or after 1 January 2018

The Directors are still assessing the impacts of:

- IFRS 15, which is effective for the year ending 31 March 2019, and note the new clarifications issued, particularly on identification of performance obligations; and
- IFRS 16, 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 27.

Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report on pages 7 and 9. 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.

2 Basis of preparation *(continued)*

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 2017 and is committed to 31 May 2018. 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.

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.

Notes to the financial statements

year ended 31 March 2017 (continued)

3 Significant accounting policies *(continued)*

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.

Intangible assets and goodwill

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

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

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

Property, plant and equipment

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

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

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	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.

(*) For materials handling equipment, the useful life of the asset is defined in terms of the asset's expected utility to the entity, based on consumption of the future economic benefits embodied in the asset. The directors consider consumption to be when the materials handling equipment is out on hire such that the 15% diminishing balance depreciation charge is applied only when the equipment is out on hire. Materials handling equipment is held within inventory unless or until the date it first goes on hire.

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.

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.

3 Significant accounting policies *(continued)*

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.

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.

3 Significant accounting policies *(continued)*

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.

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.

3 Significant accounting policies *(continued)*

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 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.

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 2017 (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.

2017	Roofing activities £000	Materials handling activities £000	Building services activities £000	Corporate and other activities £000	Total £000
Revenue					
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
Operating profit/(loss)	2,325	365	598	(742)	2,546
Net finance expense	(11)	(2)	(4)	(149)	(166)
Income tax expense	(344)	10	(86)	34	(386)
Profit for the financial year – continuing operations	1,970	373	508	(857)	1,994
Segment assets	20,807	5,282	6,749	-	32,838
Segment liabilities	6,996	560	3,383	2,207	13,146
Depreciation charge	206	266	41	8	521
Capital expenditure	344	143	26	2	515

Notes to the financial statements

year ended 31 March 2017 (continued)

4 Segmental analysis *(continued)*

2016	Roofing activities £000	Materials handling activities £000	Building services activities £000	Corporate and other activities £000	Total £000
Revenue					
Total segment revenue	22,748	2,688	9,967	-	35,403
Inter-segment revenue	(294)	(14)	(405)	-	(713)
External revenue	22,454	2,674	9,562	-	34,690
Operating profit/(loss)	1,761	472	399	(606)	2,026
Net finance expense	(14)	(3)	(5)	(202)	(224)
Income tax expense	(265)	(61)	(77)	-	(403)
Profit for the financial year – continuing operations	1,482	408	317	(808)	1,399
Segment assets	18,808	5,593	10,233	-	34,634
Segment liabilities	4,680	781	2,351	4,560	12,372
Depreciation charge	177	256	53	10	496
Capital expenditure	321	44	15	-	380

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 £1,369,000 (2016: £1,260,000), substantially the whole of revenue comprises rendering of services.

5 Discontinued operations

During the 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:

	2017 £'000	2016 £'000
Revenue	**1,370**	1,776
Expenses	**(1,582)**	(1,701)
Pre-tax trading (loss)/profit	**(212)**	75
Loss on disposal of discontinued operations	**(191)**	-
Write off of related goodwill	**(3,891)**	-
(Loss) / profit before income tax	**(4,294)**	75
Income tax credit/(expense)	**28**	(20)
(Loss) / profit for the period from discontinued operations	**(4,266)**	55

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

	2017 £'000	2016 £'000
Operating activities	**(181)**	78
Investing activities	-	(7)
Financing activities	**(25)**	(12)

6 Other operating income

	2017 £000	2016 £000
Rental income	**25**	25
	25	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 2017 (continued)

7 Expenses

Auditor's remuneration:

	2017 £000	2016 £000
Audit of these financial statements	**23**	23
Amounts receivable by auditor and their associates in respect of:		
Audit of financial statements of subsidiaries pursuant to legislation	**68**	68
Non-audit services provided to the Group:		
Corporation tax compliance services	**16**	16
Other services	**15**	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 £549,000 (2016: £529,000).

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 2017	2016
Directors	**6**	6
Administration	**82**	69
Production	**280**	264
	368	339

The aggregate payroll costs of these persons were as follows:	2017 £000	2016 £000
Wages and salaries	**10,083**	8,652
Share-based payments	**14**	15
Social security costs	**915**	786
Contributions to defined contribution plans	**113**	90
	11,125	9,543

Notes to the financial statements

year ended 31 March 2017 (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	Annual bonus	Estimated value of benefits	Total 2017	Total 2016
	£000	£000	£000	£000	£000
SM Roberts	70	30	-	**100**	70
GR Jennings	150	80	14	**244**	230
K Soulsby	99	40	17	**156**	140
TE Hayes	50	30	-	**80**	66
IT McLean	25	-	-	**25**	25
HB Gold	-	-	-	**-**	-
	394	180	31	**605**	531

Pension contributions	2017	2016
	£000	£000
K Soulsby	**12**	12

	Number of directors 2017	2016
Retirement benefits are accruing to the following number of directors under:		
Money purchase schemes	**1**	1

10 Finance income and costs

Finance income	2017 £000	2016 £000
Bank interest	**-**	2

Finance costs	2017 £000	2016 £000
On bank loans and overdrafts	**149**	204
Finance charges payable in respect of finance leases and hire purchase contracts	**17**	22
Total finance costs	**166**	226

Notes to the financial statements

year ended 31 March 2017 (continued)

11 Taxation

Recognised in the income statement

	Continuing operations £000	Discontinued operations £000	2017 Total £000	Continuing operations £000	Discontinued operations £000	2016 Total £000
Current tax expense:						
Current year	414	(27)	**387**	320	23	343
Adjustment in respect of prior periods	2	-	**2**	7	-	7
Current tax expense	416	(27)	**389**	327	23	350
Deferred tax expense:						
Origination and reversal of temporary differences	(26)	(1)	**(27)**	76	(3)	73
Adjustment in respect of prior periods	(4)	-	**(4)**	-	-	-
Deferred tax expense	(30)	(1)	**(31)**	76	(3)	73
Total tax expense	386	(28)	**358**	403	20	423

Reconciliation of effective tax rate

	Continuing operations £000	Discontinued operations £000	2017 Total £000	Continuing operations £000	Discontinued operations £000	2016 Total £000
Profit before tax	2,380	(4,294)	**(1,914)**	1,802	75	1,877
Tax using the UK corporation tax rate of 20% (2016: 20%)	476	(859)	**(383)**	360	15	375
Expenses not deductible for tax purposes	16	40	**56**	19	1	20
Loss on disposal and goodwill write off	-	778	**778**	-	-	-
Adjustment in respect of prior periods	(1)	-	**(1)**	7	-	7
Other differences	(105)	13	**(92)**	17	4	21
Total tax expense	386	(28)	**358**	403	20	423

Notes to the financial statements

year ended 31 March 2017 (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 2016 and 31 March 2017.

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:

	2017	2016
Profit for the year (£000) - continuing operations	**1,994**	1,399
(Loss) / profit for the year (£000) – discontinued operations	**(4,266)**	55
(Loss) / profit for the year (£000) – total operations	**(2,272)**	1,454
Weighted average number of ordinary shares excluding shares held in treasury for the proportion of the year held in treasury (note 23) (‘000)	**17,680**	17,670
Basic earnings per share – continuing operations	**11.3p**	7.9p
Basic (loss) / earnings per share – discontinued operations	**(24.1p)**	0.3p
Basic (loss) / earnings per share – total operations	**(12.8p)**	8.2p

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:

	2017	2016
Profit for the year (£000) - continuing operations	**1,994**	1,399
(Loss) / Profit for the year (£000) – discontinued operations	**(4,266)**	55
(Loss) / Profit for the year (£000) – total operations	**(2,272)**	1,454
Weighted average number of ordinary shares excluding shares held in treasury for the proportion of the year held in treasury (note 23) (‘000)	**17,680**	17,670
Effect of potential dilutive ordinary shares (‘000)	**214**	211
Diluted weighted average number of ordinary shares excluding shares held in treasury for the proportion of the year held in treasury (‘000)	**17,894**	17,881
Diluted earnings per share – continuing operations	**11.1p**	7.8p
Diluted (loss) / earnings per share – discontinued operations	**(24.1p)**	0.3p
Diluted (loss) / earnings per share – total operations	**(13.0p)**	8.1p

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

Notes to the financial statements

year ended 31 March 2017 (continued)

13 Property, plant and equipment

Group	Land and buildings £000	Plant and equipment £000	Fixtures and fittings £000	Motor vehicles £000	Total £000
Cost					
Balance at 1 April 2015	170	3,069	542	1,831	5,612
Transfers from stock	-	544	-	-	544
Other acquisitions	1	36	45	311	393
Materials handling disposals	-	(277)	-	-	(277)
Other disposals	-	(15)	(32)	(392)	(439)
Balance at 31 March 2016	171	3,357	555	1,750	5,833
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
Depreciation and impairment					
Balance at 1 April 2015	133	1,444	352	981	2,910
Depreciation charge for the year	4	246	50	229	529
Materials handling disposals	-	(142)	-	-	(142)
Other disposals	-	(15)	(6)	(324)	(345)
Balance at 31 March 2016	137	1,533	396	886	2,952
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
Net book value					
At 1 April 2015	37	1,625	190	850	2,702
At 31 March 2016	34	1,824	159	864	2,881
At 31 March 2017	**30**	**1,837**	**97**	**888**	**2,852**

Leased property, plant and equipment

At 31 March 2017 the net carrying amount of plant and equipment held on finance leases was £5,773 (2016: £24,360) and the net carrying amount of motor vehicles held on finance leases was £508,297 (2016: £498,345).

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 2017 included within plant and equipment was £1,683,014 (2016: £1,674,912). Sale of materials handling equipment is included within revenue, with the net book value at the date of sale included within cost of sales.

13 Property, plant and equipment *(continued)*

Company	Fixtures and fittings £000	Motor vehicles £000	Total £000
Cost			
Balance at 1 April 2015	103	19	122
Additions	-	-	-
Balance at 31 March 2016	103	19	122
Balance at 1 April 2016	103	19	122
Additions	2	-	2
Disposals	(6)	-	(6)
Balance at 31 March 2017	99	19	118
Depreciation and impairment			
Balance at 1 April 2015	71	8	79
Depreciation charge for the year	7	3	10
Balance at 31 March 2016	78	11	89
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
Net book value			
At 1 April 2015	32	11	43
At 31 March 2016	25	8	33
At 31 March 2017	**20**	**6**	**26**

Notes to the financial statements

year ended 31 March 2017 (continued)

14 Intangible assets

Group	Goodwill £000	Brands £000	Total £000
Cost			
Balance at 1 April 2015 and 31 March 2016	21,348	11	21,359
Disposal of subsidiary	(3,891)	-	(3,891)
Balance at 31 March 2017	17,457	11	17,468
Amortisation and impairment			
Balance at 1 April 2015	-	6	6
Amortisation	-	2	2
Balance at 31 March 2016	-	8	8
Balance at 1 April 2016	-	8	8
Amortisation		2	2
Balance at 31 March 2017	-	10	10
Net book value			
At 1 April 2015	21,348	5	21,353
At 31 March 2016	21,348	3	21,351
At 31 March 2017	**17,457**	**1**	**17,458**

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:

	2017 £000	2016 £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
Chirmarn Holdings Limited	**-**	3,891
Jennings Properties Limited	**4,087**	4,087
A1 Industrial Trucks Limited	**2,612**	2,612
	17,457	21,348

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

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

14 Intangible assets *(continued)*

Impairment testing

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

- Cash flow projections – cash flow projections cover a 20 year period based on detailed approved budget forecasts for the next year, directors' projections of profits for years two to five and a steady state annual growth assumption thereafter up to year 20 with no terminal value. The rationale for this is that all of our 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.
- Discount rate – management have applied a discount rate of 10% (2016: 10%) to the cash flow forecasts, which represents their best estimate of the Group's weighted average cost of capital. The calculation is based on the split of equity and debt funding at the balance sheet date and estimated long term costs for debt and equity. Management believe the market risk associated with each CGU is similar and has applied the average rate across the business. The discount rate reflects the continued difficult trading conditions and economic environment, and is comparable to rates used by other groups operating in similar segments.

Sensitivity analysis

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

- 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**
Cost	
Balance at 1 April 2015 and 31 March 2016	35,801
Disposal of subsidiary	(3,921)
Balance at 31 March 2017	31,880
Impairment	
Balance at 31 March 2015 - 31 March 2017	-
Net book value	
At 1 April 2015	35,801
At 31 March 2016	35,801
At 31 March 2017	**31,880**

Notes to the financial statements

year ended 31 March 2017 (continued)

15 Investments in subsidiaries *(continued)*

The Company has the following investments in subsidiaries:

Company	Country of Incorporation	Class of shares held	Ownership 2017	2016
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%
Chirmarn Holdings Limited	England and Wales	Ordinary	-	100%
Chirmarn Limited	England and Wales	Ordinary	-	100%*
Chirmarn (Surveying) Limited	England and Wales	Ordinary	-	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%

*held indirectly.

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

Notes to the financial statements

year ended 31 March 2017 (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
Chirmarn Holdings Limited	Newburn Bridge Road, Blaydon, Newcastle upon Tyne, NE21 4TE
Chirmarn Limited	Newburn Bridge Road, Blaydon, Newcastle upon Tyne, NE21 4NT
Chirmarn (Surveying) Limited	Newburn Bridge Road, Blaydon, Newcastle upon Tyne, NE21 4TE
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

Notes to the financial statements

year ended 31 March 2017 (continued)

16 Deferred tax assets and liabilities

Group

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	2017 £000	2016 £000
Property, plant and equipment	**(182)**	(213)
Net tax liability		
	(182)	(213)

Movement in deferred tax during the year

	1 April 2016 £000	Recognised in income £000	**31 March 2017 £000**
Property, plant and equipment	(213)	31	**(182)**
	(213)	31	**(182)**

Movement in deferred tax during the prior year

	1 April 2015 £000	Recognised in income £000	**31 March 2016 £000**
Property, plant and equipment	(140)	(73)	**(213)**
	(140)	(73)	**(213)**

Company

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

17 Inventories

	Group		**Company**	
	2017 £000	2016 £000	**2017 £000**	2016 £000
Raw materials and consumables	**944**	976	**-**	-

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 £593,000 (2016: £679,000).

18 Receivables

Trade and other receivables

	Group		Company	
	2017	2016	**2017**	2016
	£000	£000	**£000**	£000
Trade receivables (note 24)	**8,755**	7,239	**1**	3
Other trade receivables	**-**	-	**250**	222
Amounts owed by group undertakings	**-**	-	**4,976**	547
	8,755	7,239	**5,227**	772

At 31 March 2017 Group trade receivables include retentions of £1,739,000 (2016: £1,378,000) relating to contract work substantially falling due within one year (none within the Company for either period).

19 Cash and cash equivalents

	Group		Company	
	2017	2016	**2017**	2016
	£000	£000	**£000**	£000
Cash and cash equivalents per balance sheet	**2,583**	1,898	**-**	131
Bank overdraft	**-**	-	**(1,677)**	-
Cash and cash equivalents per cash flow statements	**2,583**	1,898	**(1,677)**	131

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 £4.3 million and total overdrawn balances were £1.7 million, giving a net cash balance of £2.6 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	
	2017	2016	**2017**	2016
	£000	£000	**£000**	£000
Non-current liabilities				
Secured bank loans	**2,000**	-	**2,000**	-
Finance lease liabilities	**122**	119	**-**	-
	2,122	119	**2,000**	-
Current liabilities				
Current portion of secured bank loans	**-**	4,440	**-**	4,440
Current portion of finance lease liabilities	**163**	161	**-**	-
Other loans	**5**	6	**-**	-
	168	4,607	**-**	4,440

Notes to the financial statements

year ended 31 March 2017 (continued)

20 Loans and borrowings *(continued)*

Terms and debt repayment schedule

	Currency	Nominal interest rate	Year of maturity	**Fair value 2017 £000**	**Carrying amount 2017 £000**	Fair value 2016 £000	Carrying amount 2016 £000
Yorkshire Bank revolving credit facility	GBP	Libor + 3.00%	2020	**2,000**	**2,000**	-	-
Yorkshire Bank term loan facility	GBP	Libor +3.25%	2017	**-**	**-**	4,440	4,440
Finance lease and hire purchase liabilities	GBP	n/a	Within 5 years	**285**	**285**	280	280
Other loans	GBP	n/a	n/a	**5**	**5**	6	6

The Group's term loan facility was due for routine review and renewal on 31 March 2017. The entire term loan balance was included in current liabilities at 31 March 2016 as the renewal date fell within 12 months of the balance sheet date.

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 2017 a total of £2.0 million was drawn down on this facility, which is committed until 31 May 2020.

The Group also retains a £1 million overdraft facility for working capital purposes.This facility was renewed on 31 May 2017 and is next due for routine review and renewal on 31 May 2018.

Finance lease liabilities

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

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**
	285	31	**316**

Notes to the financial statements

year ended 31 March 2017 (continued)

20 Loans and borrowings *(continued)*

2016

Group	Principal £000	Interest £000	**Minimum lease Payments £000**
Less than one year	161	18	**179**
Between one and five years	119	14	**133**
	280	32	**312**

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**	
	2017 £000	2016 £000	**2017 £000**	2016 £000
Trade payables	**7,418**	5,304	**83**	80
Non-trade payables and accrued expenses	**2,837**	1,786	**398**	279
Amounts owed to group undertakings	**-**	-	**13,000**	15,265
	10,255	7,090	**13,481**	15,624

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 £113,000 (2015: £90,000).

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**
17 December 2007	Equity	230,000	3 years of service	Dec 2010 – Dec 2017	120p
30 June 2008	Equity	25,000	3 years of service	June 2011 – June 2018	98p
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.

Notes to the financial statements

year ended 31 March 2017 (continued)

22 Employee benefits *(continued)*

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

	Weighted average exercise price 2017	**Number of options 2017**	Weighted average exercise price 2016	Number of options 2016
Outstanding at the beginning of the year	**81.4p**	**1,447,500**	81.2p	1,510,000
Granted during the year		**-**	-	-
Exercised during the year	**28.5p**	**(145,000)**	-	-
Lapsed during the year	**87.6p**	**(685,000)**	76.8p	(62,500)
Outstanding at the end of the year	**64.3p**	**617,500**	81.4p	1,447,500
Exercisable at the end of the year	**66.5p**	**552,500**	95.7p	852,500

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

The options outstanding at the year end have an exercise price in the range of 28.5p to 120p and a weighted average contractual life of 4.9 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 and, for grants between 17 December 2007 and 30 June 2008, a non-market performance condition. Such conditions are not taken into account in the grant date fair value measurement of the services received.

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

	2017 £000	2016 £000
Equity settled share based payment expense	**14**	15

23 Share capital and reserves

Share capital

	2017 £000	2016 £000
Authorised		
50,000,000 ordinary shares of 1p each (2016: 50,000,000)	**500**	500
50,000 0.1% cumulative redeemable preference shares of £1 each	**50**	50
	550	550
Allotted, called up and fully paid		
18,419,724 (2016: 18,419,724) ordinary shares of 1p each	**184**	184
Shares classified in shareholders' funds	**184**	184

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

On 13 December 2012 the Company purchased 133,992 ordinary shares of one penny each in the Company ("Ordinary Shares") at a price of 11.5p per Ordinary Share from Graham Forrest, the Company's former Chief Executive. The shares 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. To satisfy the option exercise the Company transferred 145,000 ordinary shares out of treasury.

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 a dividend of 2.0p per ordinary share during the year (2016: 1.5p), with a total cost of £353,000 (2016: £265,000), which was recorded as a distribution to owners through retained earnings.

Notes to the financial statements

year ended 31 March 2017 (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.

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.

24 Financial instruments *(continued)*

Carrying amounts of financial assets

	Group		Company	
	2017	2016	**2017**	2016
	£000	£000	**£000**	£000
Trade receivables	**8,755**	7,239	**1**	3
Other receivables	**-**	-	**250**	222
Amounts owed by group undertakings	**-**	-	**4,976**	547
Cash at bank	**2,583**	1,898	**-**	131
	11,338	9,137	**5,227**	903

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 £11,338,000 (2016: £9,137,000) and for the Company was £5,227,000 (2016: £903,000) 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	
	2017	2016	**2017**	2016
	£000	£000	**£000**	£000
Sales ledger	**8,860**	7,687	**1**	3
Bad debt provision	**(105)**	(448)	**-**	**-**
Net trade receivable	**8,755**	7,239	**1**	3

Movements in the bad debt provision are summarised below:

	2017	2016
	£000	£000
At beginning of year	**448**	438
Provided in year	**56**	149
Provision in subsidiary disposed of	**(239)**	-
Write offs and recoveries	**(160)**	(139)
At end of year	**105**	448

Notes to the financial statements

year ended 31 March 2017 (continued)

24 Financial instruments *(continued)*

	2017 £000	2016 £000
Trade debtors outstanding as at 31 March from invoice date:		
Between 60 – 90 days from invoice date	**125**	333
Between 90 – 120 days from invoice date	**106**	148
Over 120 days from invoice date	**466**	544
Amounts provided for	**(105)**	(375)
Total	**592**	650

Of the amount shown as over 120 days from invoice date as at 31 March 2017 a total of £377,000 has since been recovered.

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 and the periods in which they mature.

	2017 Interest rate	2016 Interest rate
Cash and cash equivalents	**Nil**	Nil
Bank overdraft	**Libor+3.00**	Libor+3.25
Term loans	**n/a**	Libor+3.25
Revolving credit facility	**Libor+3.00**	n/a
Other loans	**n/a**	n/a

A change of 100 basis points in interest would increase or decrease profit by £21,000 (2016: £24,000).

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

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.

24 Financial instruments *(continued)*

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

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)	-

31 March 2016

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	7,090	(7,090)	(7,090)	-	-	-	-
Finance lease liabilities	280	(312)	(111)	(71)	(90)	(40)	-
Bank loan	4,440	(4,922)	(541)	(4,381)	-	-	-
Other loans	6	(6)	(6)	-	-	-	-
	11,816	(12,330)	(7,748)	(4,452)	(90)	(40)	-

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	359	(359)	(359)	-	-	-	-
Amounts owed to group undertakings	15,265	(15,265)	(15,265)	-	-	-	-
Bank loan	4,440	(4,922)	(541)	(4,381)	-	-	-
	20,064	(20,546)	(16,165)	(4,381)	-	-	-

Notes to the financial statements

year ended 31 March 2017 (continued)

25 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	
	2017	2016	**2017**	2016
	£000	£000	**£000**	£000
Less than one year	**201**	219	**68**	90
Between one and five years	**369**	393	**252**	206
More than five years	**118**	168	**118**	168
	688	780	**438**	464

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 £227,000 (2016: £225,000).

26 Related parties

Group

Identity of related parties with which the Group has transacted.

The Group is controlled by its shareholders.

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

Transactions with key management personnel

Directors of the Company and their immediate relatives controlled 17.1% (2016: 16.7%) 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	
	2017	2016
	£000	£000
Key management emoluments excluding social security costs	**605**	531

During the year the Company paid a dividend of 2.0p per ordinary share (2016: 1.5p). The amount paid to key management personnel based on their holdings of the Company's ordinary shares was £59,156 (2016: £44,368).

26 Related parties *(continued)*

Group

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

2017

	Wensley Roofing Limited DPS £000	Mincoffs Solicitors LLP £000
Balance as at beginning of period	-	(5)
Purchases	(21)	(26)
Settled	21	16
Balance as at end of period	-	(15)

2016

	Wensley Roofing Limited DPS £000	Mincoffs Solicitors LLP £000
Balance as at beginning of period	-	(4)
Purchases	(21)	(10)
Settled	21	9
Balance as at end of period	-	(5)

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

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.

Other related party transactions in the year totalled £42,000 (2016: £51,000).

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 (£9,300,000 in the year ended 31 March 2017, none in the year ended 31 March 2016). 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.

27 Accounting estimates and judgments

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

Measurements of the recoverable amounts of cash generating units containing goodwill

This requires the identification of appropriate cash generating units and the allocation of goodwill to these units 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.

28 Off balance sheet arrangements

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

Stamford House, Altrincham, Cheshire for The National Trust – Jennings Roofing Ltd

Chase Park, Whickham, Newcastle upon Tyne – MGM Ltd

Northern Bear Plc, A1 Grainger, Prestwick Park, Prestwick, Newcastle upon Tyne NE20 9SJ

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