Northern Bear

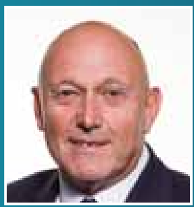
Annual Report and Financial Statements 2020

Main Board

Executive Directors

Steve Roberts
Executive Chairman

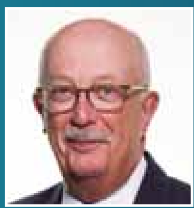
Tom Hayes
Finance Director



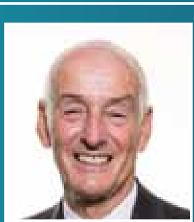
Keith Soulsby
Operations Director

Non Executive Directors

Jeff Baryshnik
Non Executive Director



Ian McLean
Non Executive Director



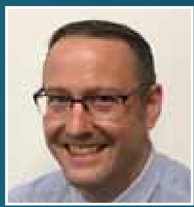
Howard Gold
Life President

Managing Directors of Subsidiary Companies

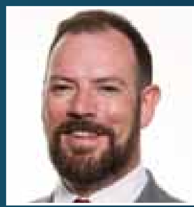
Keith Muldoon
Managing Director
Springs Roofing Ltd

John Gilstin
Managing Director
Isoler Ltd

Martin Briggs
Managing Director
Jennings Roofing Ltd



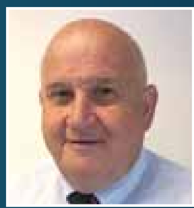
Neil Jukes
Managing Director
Northern Bear Building Services Ltd and MGM Ltd



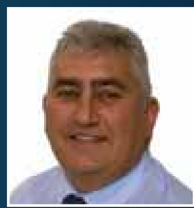
Jason Harrison
Managing Director
Northern Bear Safety Ltd

Dominic Brogan
Managing Director
H Peel & Sons Ltd

Steven Luke
Managing Director
Wensley Roofing Ltd

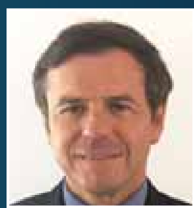


Alan Chapman
Heritage Director
Matthew Charlton Slaters
A subsidiary of Wensley Roofing Ltd



Stuart Dawson
Managing Director
A1 Industrial Trucks Limited

Nigel Shorney
Managing Director
J Lister Electrical Ltd



Ged Kimmins
Business Development Manager

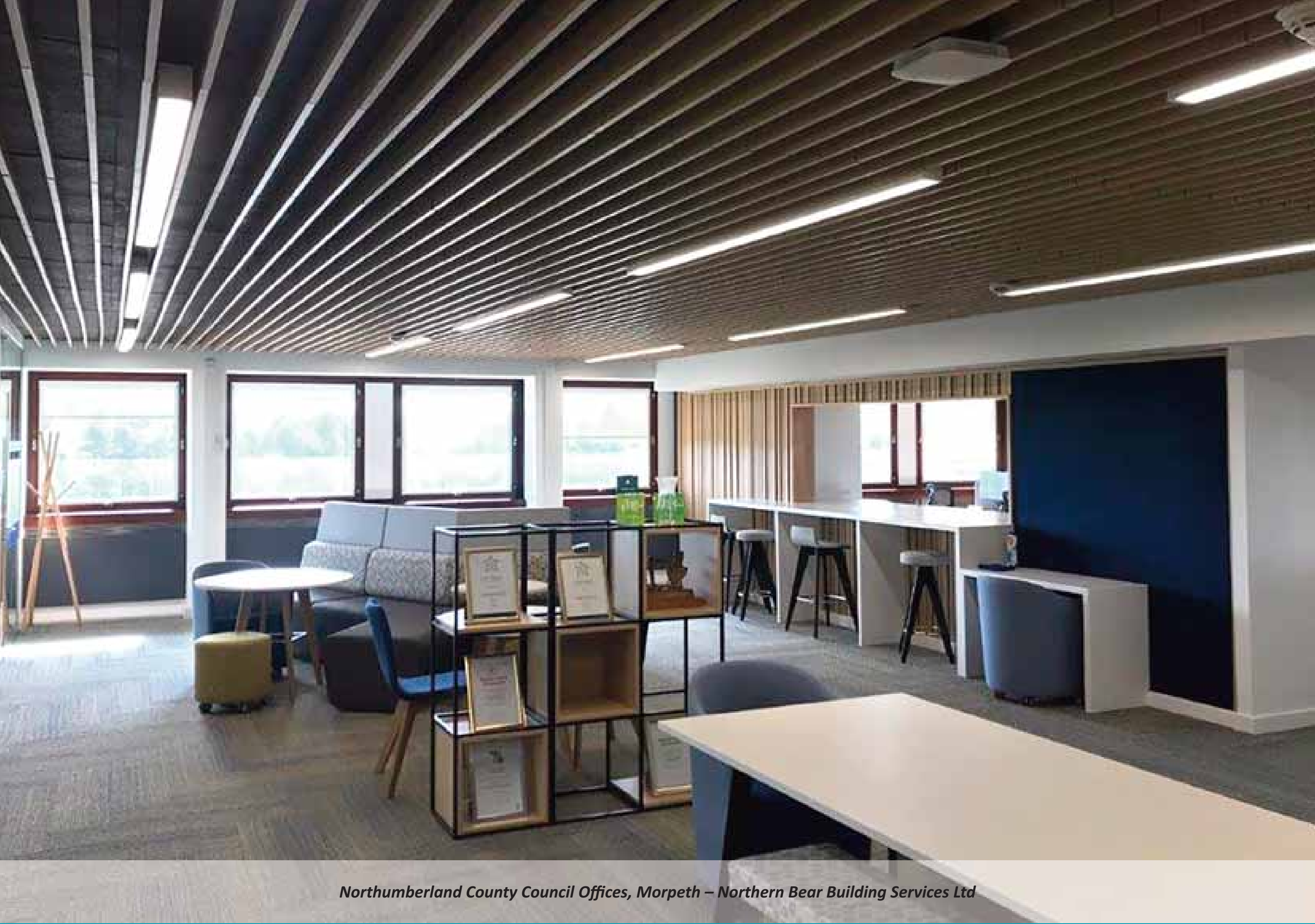
Nightingale Hospital, Washington, Tyne & Wear – Isoler Ltd

Front cover – Northumberland County Council, Alnwick Playhouse – Northern Bear Building Services Ltd

Contents

Advisers	1
Chairman's Statement	3
Strategic Report	11
Directors' Report	16
Corporate Governance Report	19
Independent Auditor's Report to the Members of Northern Bear plc	26
Consolidated Statement of Comprehensive Income	35
Consolidated Balance Sheet	36
Company Balance Sheet	37
Consolidated Statement of Changes in Equity	38
Company Statement of Changes in Equity	39
Consolidated Statement of Cash Flows	40
Company Statement of Cash Flows	41
Notes to the financial statements	42

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



Northumberland County Council Offices, Morpeth – Northern Bear Building Services Ltd

Advisers

Auditor
Mazars LLP
5th Floor
3 Wellington Place
Leeds
LS1 4AP

Bankers
Yorkshire Bank
20 Merrion Way
Leeds
LS2 8NZ

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

Nominated adviser and Broker
Strand Hanson Limited
26 Mount Row
London
W1K 3SQ

Registered office
A1 Grainger
Prestwick Park
Prestwick
Newcastle upon Tyne
NE20 9SJ

A1 Industrial Trucks Ltd

Northumberland County Council, Amble – Wensley Roofing Ltd

Chairman's Statement

Introduction

I am pleased to report the results for the year to 31 March 2020 ("FY20") for Northern Bear and its subsidiaries (together, the "Group").

The word 'unprecedented' has been overused in recent times but is, nonetheless, very appropriate to describe a financial period which included:

- the lengthy and continuing uncertainty of Brexit;
- the political upheaval of a General Election;
- a spring of record breaking storms; and
- a global pandemic.

It was also a frustrating year. We started the year with an exceptionally strong order book. That order book then remained with the Group throughout the year and has continued into FY21, as the circumstances referred to above prevented us from maximising our operating performance.

In light of all the above, we are very pleased with the performance of the Group in FY20.

The continued strength of our order book also stands us in good stead to produce strong and sustained levels of profitability now that a more normal level of operating activity appears to be in the process of returning.

Trading

When we reported our interim results in November 2019, we stated that we had experienced contract delays in the three months ended 30 June 2019 ("Q1"), but trading had since improved and the strong momentum in the three months ended 30 September 2019 ("Q2") had continued into the second half of the financial year.

In December 2019 and January 2020, despite very wet and windy weather conditions, the Group continued to trade well and broadly in line with our prior year comparatives, which themselves represented exceptional results for the Group. Unfortunately, the severe weather in February, where we experienced three major storms in the UK and the wettest month on record, had a significant impact on our ability to work on construction and roofing projects.

Northumberland County Council, Amble – Wensley Roofing Ltd

Star Pubs and Bars, The Parks Inn, Buxton – H Peel & Sons Ltd

Trading in March 2020 began well but, during the course of the last two weeks of the month, the majority of the Group was impacted by site closures related to the COVID-19 pandemic. We comment further on the effects of the pandemic below.

The last two months of the financial year are usually an important period for the Company and ordinarily account for a significant proportion of the Group's full year profits. The above events were all extremely frustrating as we had, and continue to have, an excellent order book across the Group and our only issue has been our inability to deliver the work on site due to factors beyond our control.

In light of the contract delays in Q1, the effects of the political uncertainty surrounding both Brexit and the General Election in December, the wet winter which culminated in the storms of February, and the impact of COVID-19, we are pleased with the performance for the full year.

Overall turnover was £54.4 million (2019: £56.6 million) and gross profit was £10.9 million (2019: £11.9 million). Gross margin reduced slightly to 20.0% (2019: 21.1%) as a result of a change in sales mix. Gross margin remains a key focus for us and we continue to review our approach to contract tendering and authorisation.

Administrative expenses were £8.7 million (2019: £8.7 million), in line with the prior year. Expenses were impacted by the acquisition of Lister Holdings (York) Limited and its trading subsidiary J Lister Electrical Limited (together, "J Lister") in January 2020.

As in the prior year, we have presented amortisation and certain other adjustments separately within the Consolidated Statement of Comprehensive Income, in addition to an adjusted earnings per share calculation in the notes to the accounts, in order to provide an indication of underlying trading performance.

Northumberland County Council, Amble – Wensley Roofing Ltd

Chairman's Statement
(continued)

Trading *(continued)*

Operating profit before amortisation and other adjustments is in line with the estimated range given in our trading update of 31 March 2020 at £2.2 million (2019: £3.2 million). After taking adjustments into account, operating profit was £2.1 million (2019: £3.3 million). The adjustments in the current year include the write-back of deferred consideration, transaction costs related to the acquisition of J Lister and the tender offer in September 2019, payments to departing employees and all associated professional costs.

We have also presented adjusted earnings per share for the year, the calculation for which is included later in this document. Adjusted basic earnings per share was 8.7p (2019: 13.5p). Reported basic earnings per share was 8.0p (2019: 14.0p).

The element of operating profit before amortisation and other adjustments contributed by our trading subsidiaries was £3.1 million (2019: £4.3 million), offset by corporate and central costs of £0.9 million (2019: £1.1 million). While we were able to make some savings on the latter in the year, this cost is more fixed than variable. Should future subsidiary profits increase via organic growth or acquisition then central costs would not be expected to increase proportionately and this would provide some operating leverage.

Cash flow and bank facilities

The Group had a net cash position (defined as cash balances less revolving credit facility) of £0.2 million at 31 March 2020 (£2.0 million at 31 March 2019). Cash generated from operations during the year was £1.4 million (2019: £5.1 million).

We stated in the commentary on the 2019 results that the net cash position at 31 March 2019 reflected some favourable working capital swings which, to an extent, would be expected to reverse post year-end. This proved to be the case and the current customer and contract mix has led to an increased working capital requirement within the Group. The net cash position was also impacted by the initial consideration of £0.8 million payable for the J Lister acquisition in January 2020.

As we have emphasised in previous years' results, our net cash/bank debt position represents a snapshot at a

Northumberland County Council, Alnwick Playhouse – Northern Bear Building Services Ltd particular point in time and can move by up to £1.5 million in a matter of days, given the nature, size and variety of contracts that we work on and the related working capital balances.

The lowest position during the year was £4.2 million net bank debt, the highest was £2.0 million net cash, and the average was £1.7 million net bank debt. Following some adverse working capital movements during the second half of the financial year, the Group finance function implemented a number of initiatives in an attempt to improve working capital management procedures and this has proved invaluable for cash management prior to and during the COVID-19 pandemic.

The Group's working capital requirements will continue to vary depending on the ongoing customer and contract mix. I believe that the Group's cash results, when considered on a rolling basis, have demonstrated a strong ratio of profit to operating cash generation.

New bank facilities

Our existing £3.5m revolving credit facility with Yorkshire Bank, which was due for renewal in May 2020, was renewed in March 2020, ahead of schedule and with better terms than those previously in place. This reflects the strength of our banking relationship and provides us with committed working capital facilities to May 2023. In addition, we retain a £1m overdraft facility, which is renewable annually.

I would like to thank both our finance team and Yorkshire Bank for their hard work in ensuring that facilities were renewed ahead of schedule and prior to the national lockdown which commenced towards the end of March. We appreciate the continued support of Yorkshire Bank.

COVID-19 impact and Outlook

The Company was admitted to trading on AIM in 2006, but the majority of businesses in our Group were established long before then. On average, our businesses, excluding those established by us following our listing, were founded some 40 years ago. As such, most have significant experience and expertise of operating in challenging periods in the construction industry, including in the early 1990s and the late 2000s.

We feel confident that we have a robust group of specialist construction businesses, run by an outstanding team of people and with a workforce that is second to none.

Development at Medburn, Northumberland – Springs Roofing Ltd

Chairman's Statement *(continued)*

COVID-19 impact and Outlook *(continued)*

The impact of the COVID-19 pandemic is unprecedented, in our experience, and has proved a major challenge. The majority of our businesses saw construction sites close in late March and, with the exception of Isoler Limited (our fire protection business), where many of its ongoing projects were deemed essential works, our Group companies had limited on-site work opportunities at that time.

At the outset of the COVID-19 pandemic, we asked each of our subsidiary Managing Directors to produce a plan to be implemented following the enforced reduction in work levels, which included using the Coronavirus Job Retention Scheme to temporarily furlough employees and keeping a tight control over the remaining cost base and cash. This focus on costs included temporary pay reductions for the Company's Executive Directors and the Group's senior management team.

Our priority since then has been to retain and protect our employees and to seek to resume activities, while following all Government guidance on operational safety. Special praise must go to our health and safety advisory business, Northern Bear Safety Limited. It has played a critical part in managing operations, working very closely with our employees and customers to implement and document revised safety guidance in order to ensure that our employees can resume work in a controlled and safe manner.

I am pleased to say that, while activity levels were low during April, we have seen a gradual and sustained improvement during the latter part of May and June, with a number of private sector and local authority contracts resuming. At the time of writing I am pleased to state that we are back to circa 75% of normal activity levels and the short term outlook is positive. Whilst there remains the possibility of a second wave of COVID-19 infections and renewed restrictions, the Government has encouraged the construction industry to remain active and we hope that the revised safety guidance now in place will reduce future disruption to our site activities.

In the meantime, we have an even stronger order book, which has pleasingly continued to increase during the lock down period and should support a return to a much improved level of operating performance across the Group in the coming months.

Dividend

In the light of the fact that most of our businesses have been unable to operate on site with the consequent furloughing of direct and indirect staff, we have received significant sums from the Government's Coronavirus Job Retention Scheme. When this is considered, together with our asking non-furloughed staff to take temporary pay reductions across the Group, and a number of senior staff volunteering to reduce their wages even further, we do not consider it appropriate to return capital to shareholders via a final dividend for the year ended 31 March 2020.

I would note that, despite the impact of COVID-19 on recent trading, we have the cash resources available to pay a final dividend commensurable with last year's level, should it have been deemed appropriate.

Should trading continue to improve in line with our expectations, and subject to the ongoing cash requirements of the Group as a result of the continuing pandemic, then our intention is to resume dividend payments in respect of the year ending 31 March 2021.

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

Strategy and Acquisition

We continue to seek acquisitions of established specialist building services businesses, either in the same or complementary sectors to our current operations. Our main criteria are that a business is well-established in its sector, has a consistent track record of profitability and cash generation and has a strong management team who are committed to remaining with the business. Any potential acquisition would, in addition, need to be earnings accretive and provide an acceptable return on investment.

In January 2020 we announced the acquisition of Lister Holdings (York) Limited and its trading subsidiary J Lister Electrical Limited. We had looked at a large number of opportunities since the acquisition of H Peel & Sons (Holdings) Limited ("H Peel") in July 2017. The J Lister acquisition represented a real opportunity to acquire a well-established, consistently profitable and cash generative business with a strong management team, committed to remaining with the business. In addition, J Lister has a number of opportunities for expansion which the Group is well placed to help it take advantage of, as well as providing an opportunity to cross-sell with our existing Group companies. I would like to welcome all of the J Lister employees to our Group and we look forward to working with them.

Dovedale Avenue, Preston – Jennings Roofing Ltd

St Mary's Church, Whittingham, Alnwick – MGM Ltd

Shildon Locomotion – Wensley Roofing Ltd

Chairman's Statement *(continued)*

People

Graham Jennings

Graham Jennings left the Board of the Company on 31 March 2020. Following a board reorganisation in October 2011, Graham became Group Managing Director, performing that role alongside his position as Managing Director of Jennings Roofing Limited. Graham was instrumental in steering the Group to renewed success. In addition to fulfilling his other duties, Graham also played a key role in the acquisitions of H Peel and J Lister.

Having put a strong and capable management structure in place at Jennings Roofing Limited, from April 2018 Graham focused all of his time on his Group role. One of his primary responsibilities was the creation of a succession plan for each of the other operating subsidiaries.

Graham departed in March 2020 having agreed with the rest of the Board that his primary responsibility had been fulfilled. The succession plan is now in place at each Group company. He remains a supporter of Northern Bear and I would like to thank him for his hard work which has helped in making Northern Bear what it is today.

There is no immediate plan to replace Graham as the Group's businesses are well placed to operate independently, without day-to-day involvement. Graham's Group responsibilities have been shared amongst the remaining members of the executive management team.

Jeff Baryshnik

Jeff was appointed as a non-executive Director of the Company on 6 March 2020. Jeff acquired a major interest in the Company's issued share capital following a tender offer announced on 26 September 2019 and both myself and my colleagues were delighted to welcome him to the Board. Jeff has substantial experience in the asset management, real estate and financial services industries and we look forward to working with him in the coming months and years.

Howard Gold

Howard Gold, non-executive Director, has retired from the Company's Board as of today's date. Howard has been involved with the Group since inception, initially as Deputy Chairman, and was appointed non-executive Chairman in October 2008. In February 2014 he stepped down from that role in order to focus more on other business commitments, remaining as a non-executive Director of the Company.

In his role as Chairman, Howard guided the Group through difficult circumstances, including a severe recession and a major restructuring process, and his continued involvement and advice have proved invaluable to us all. Accordingly, the Board have asked Howard to remain involved as Life President of the Group, alongside his other business interests, and he will retain his ambassadorial role in the North East professional community and beyond. I look forward to continuing to work with Howard in the coming years.

Our workforce

As always, our loyal, dedicated, and skilled workforce is a key part of our success and we make every effort to support them through continued training and health and safety compliance.

Conclusion

I am pleased with the Group's results, given the continued level of uncertainty which existed for much of the year and the unprecedented events which subsequently unfolded. I would like to thank all of our employees for their hard work and their fortitude in the face of the challenges in recent months.

Our order book is stronger than ever, and, with our solid financial position, we believe we are very well positioned to deliver a sustained period of strong operating performance as we progress towards a more normal level of operating activity. This is, of course, subject to the wider economic climate in which we operate and, in particular, no further major impact on our operations from any resurgence of COVID-19 cases.

Steve Roberts

Executive Chairman 20 July 2020

St Lukes Chapel, Royal Victoria Infirmary, Newcastle upon Tyne – MGM 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 2020.

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 14 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. Examples of the latter include the acquisitions of H Peel & Sons (Holdings) Limited in July 2017 and Lister Holdings (York) Limited in January 2020.

Further details of how the Directors intend to promote long-term value for shareholders are provided in the Corporate Governance Report.

Key performance indicators

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

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

- Revenue £54.4 million (2019: £56.6 million)
- Gross margin 20.0% (2019: 21.1%)
- Operating profit £2.1 million (2019: £3.3 million)
- Cash generated from operations £1.4 million (2019: £5.1 million)

The primary non-financial key performance indicators relate to three Health & Safety areas in our businesses which are site activities, documentation, and environmental. Site inspections are held on a regular basis by our Health & Safety business (Northern Bear Safety Limited) 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.

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 twelve businesses which operate in three main segments of the support services sector of the economy. The Group is therefore exposed to varying activity levels within these diverse industries. The exposure of the Group to the new house build sector is a relatively small part of Group turnover; our exposure to public sector markets is greater. Consequently, any sustained material reduction in Government expenditure programmes will have an adverse effect on the financial position of the Group. This risk is largely outside the control of the Group; however the Directors monitor public sector markets closely and this informs decision making within the Group.

Competition

Some of the businesses within the Group have competitors who may be able to accept lower financial returns than that required by the Group. Competition with these companies could adversely affect the Group's profitability and financial position. In order to mitigate this risk, significant senior management effort is invested in the review of contract tendering and ongoing contract profitability.

Strategic Report
(continued)

Statement on risks relating to the Group's business *(continued)*

Key clients

There can be no guarantee that the Group's key clients will not change suppliers. While each of the Group's businesses has many longstanding relationships with a number of key customers, the failure to satisfy the needs of these customers could harm the Group's business. Furthermore, these customers may be facing challenges within their own businesses. Providing a quality service to the Group's customers is at the heart of what we do, and we seek regular customer feedback to ensure that our standards meet their needs.

Dependence on personnel

The Group continues to be dependent on the continued services of its senior management, and we aim to retain our key people via fair remuneration with incentives to be entrepreneurial and grow their companies over time. Retaining qualified personnel, consultants and advisors is important to the continued successful operation of the Group's business. There can be no assurance that the Group will be able to recruit or retain its personnel in the future, which could have an adverse effect upon the Group's business and financial position. The loss of any of the Group's senior personnel could impede the achievement of its objectives.

Health & Safety performance

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

Insurance cover

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

Underperformance of acquired businesses

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

Financial instruments

The Group has exposure to risks from its use of financial instruments which include credit risk, liquidity risk and market risk. A full discussion of these risks and how they are managed is included in note 23 to the financial statements.

Macro-economic environment and the exit of the United Kingdom from the European Union

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

COVID-19 and impact on building services industry

The COVID-19 pandemic had a major impact on the Group's trading performance in April and May 2020 when the majority of construction sites were temporarily closed down. As discussed in the Chairman's Statement, we have seen a sustained improvement in activity levels since late May 2020 with sites re-opening in line with Government guidance once required safety procedures were in place. Although it is possible that there will be further closures should cases of the virus increase either nationally or locally, the Directors are hopeful that there would be less impact on the construction industry due to the revised safety procedures now in place.

Church of The Latter Day Saints, Vesper Road, Leeds – Jennings Roofing Ltd

St Wilfred's Church, Newbiggin Hall, Newcastle upon Tyne – MGM Ltd

Strategic Report
(continued)

Section 172 (1) Statement

The Directors of the Company consider that they have acted in the way they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole, having regard to Section 172 (a)-(f) of the Companies Act 2006. Further information on how the Company interacts with its stakeholders and the wider community is included in the Corporate Governance Report.

The following disclosures form the Directors' statement required under section 414CZA(1) of the Companies Act 2006.

Stakeholder engagement

Our success relies upon good relations with a range of different stakeholder groups, both internal (employees) and external (including customers, suppliers, and shareholders), all of whom have an interest in our business and may be impacted by the decisions we take. The manner of our engagement with them is described below, and we comment further on stakeholder responsibilities in the Corporate Governance report.

Employees

The Board has always highlighted that the Group's loyal, dedicated and skilled workforce is a key part of our success. Continuing to invest in our workforce, ensuring their safety, and regular engagement with them is a key part of our management approach.

The Group has a relatively flat management structure with the MD of each business reporting directly to the Executive Directors of the Company. Keith Soulsby, our Operations Director, also splits his time between our Group companies and has regular contact with the wider employee base. We have an open-door style of management across the Group and our employees have an opportunity to share their views as needed. In addition, regular information sharing and safety updates are provided to the workforce.

Customers

Providing a quality service to the Group's customers is at the heart of what we do, and we seek regular customer feedback to ensure that our standards meet their needs. Our companies engage continually with their customers to build strong working relationships for the long term.

Suppliers

Our relationships with our supply chain, in particular our building materials suppliers, are an important part of our ability to deliver outstanding service to the Group's customer base. We engage with our suppliers as part of day-to-day operations to ensure they maintain the quality and availability of supplies.

Shareholders

The Board engages with our shareholders through a number of channels including the Annual Report, Interim Report, the Annual General Meeting, and regular informal communication including one-on-one meetings, telephone conversations, and emails. The Company lists contact details on both its website and all RNS announcements should shareholders wish to contact the Board and we will always endeavour to respond promptly to such queries.

Communities and environment

The Directors are aware of the Group's responsibilities to the communities in which it operates and take this very seriously. As a significant employer in our communities we support local employment and apprenticeship schemes, and seek to operate safely and ethically while monitoring our environmental impact.

The principal charity that the Group supports is St Oswald's Hospice, and regular events, including an annual golf day, have been held to raise funds. Our subsidiaries also have discretion to support charities and community organisations in their local areas and regularly do so.

Principal decisions taken during the year

Dividend

The Company paid a final dividend of 3.25 pence per share, along with a special dividend of 0.75 pence per share, for the year ended 31 March 2019. Both payments were subject to shareholder approval at the AGM in August 2019 and were unanimously approved.

In making this decision the Board took into account the Group's relative performance, available cash resources and distributable reserves, along with working capital requirements, corporate opportunities, debt obligations, and the macro-economic environment at the relevant time. Discussions concerning dividend levels are a regular part of our engagement with shareholders, and the Board also takes their views into considerations.

Strategic Report
(continued)

Principal decisions taken during the year *(continued)*

Acquisition

Making acquisitions of established specialist building services companies, either in the same or complementary sectors to our current operations, is a continued part of the Group's strategy. In January 2020 the Company acquired the entire issued share capital of Lister Holdings (York) Limited and its trading subsidiary J Lister Electrical Limited, an electrical contractor based in York.

In making this decision the Board considered the acquisition met the Group's stated acquisition criteria, being that a business is well-established in its sector, has a consistent track record of profitability and cash generation, and has a strong management team who are committed to remaining with the business. Any acquisition would also need to be earnings accretive and provide an acceptable return on investment.

Outlook

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

This report was approved by the Board on 20 July 2020 and signed on its behalf by:

Steve Roberts

Executive Chairman 20 July 2020

Northumberland County Council, Haltwhistle School, Northumberland – Northern Bear Building Services Ltd

Directors' Report

The Directors present their Annual Report and Financial Statements for the year ended 31 March 2020.

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.

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. This includes consideration of the impact of COVID-19 on the Group's results and the building services industry via a detailed forecasting and scenario planning exercise.

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 19 March 2020 for the period to 28 February 2021. The Group's revolving credit facility was renewed on 19 March 2020 and is committed to 31 May 2023. The Directors have a reasonable expectation of successful renewal for both the overdraft and revolving credit facilities.

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 from the date of signing this Report. 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. These matters relate to financial risk management objectives and policies and exposure to price risk, credit risk, liquidity risk and cash flow risk.

Dividend

The Directors have not proposed a final ordinary or final special dividend in respect of the financial year ended 31 March 2020. A final dividend in respect of the financial year ended 31 March 2019 of £741,000 (2019: £740,000) was paid during the year.

Directors

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

SM Roberts

GR Jennings
(resigned 31 March 2020)

K Soulsby

TE Hayes

IT McLean

HB Gold (resigned 13 July 2020)

JM Baryshnik
(appointed 6 March 2020)

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 2020 Shares	**31 March 2020 Options**	31 March 2019 Shares	31 March 2019 Options
JM Baryshnik	**4,736,717**	**-**	-	-
GR Jennings	**-**	**-**	1,336,260	-
K Soulsby	**497,820**	**62,500**	771,011	62,500
SM Roberts	**813,300**	**-**	813,300	-
IT McLean	**150,000**	**-**	150,000	-
TE Hayes	**80,000**	**-**	80,000	-
HB Gold	**70,000**	**-**	70,000	-

In total the Directors' interests in the ordinary shares of the Company totalled 6,347,837 shares (2019: 3,220,571), representing 33.4% (2019: 17.1%) 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 2020, 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**
Jeff Baryshnik	4,736,717	25.4%
Nicholas Beaumont-Dark	1,627,499	8.7%
Graham Jennings	1,336,260	7.2%
Steve Roberts	813,300	4.4%

Political and charitable contributions

Neither the Company nor any of its subsidiaries made any political contributions during the year (2019: £nil). Charitable donations amounted to £16,213 (2019: £9,507).

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.

Further information on engagement with the Group's employees is provided in the Corporate Governance Report.

Directors' Report
(continued)

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Strategic Report, Directors' Report, Corporate Governance 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.

Annual general meeting

The business of the AGM is set out in the accompanying circular to shareholders. The AGM is to be held on 18 August 2020 at the Company's registered office, A1 Grainger, Prestwick Park, Prestwick, Newcastle upon Tyne, NE20 9SJ.

Disclosure of information to auditor

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

Auditor

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

By order of the board

T E Hayes
Finance Director

A1 Grainger
Prestwick Park
Prestwick
Newcastle upon Tyne
NE20 9SJ

20 July 2020

Corporate Governance Report

The Directors of Northern Bear plc (the "Company" or "Northern Bear") recognise the importance of good corporate governance and have adopted the Corporate Governance Code produced by the Quoted Companies Alliance (the "Code"). Insofar as it is practicable given Northern Bear's size and the constitution of its Board, the Directors of Northern Bear (the "Directors" and together the "Board") seek to comply with all provisions of the Code.

The Code contains ten broad principles for corporate governance and asks companies to provide disclosures in their Annual Report and Financial Statements, and on their website, as to how they are meeting the principles and any areas where they have chosen to depart from them. Full details of the Company's application of the ten principles can be viewed on the Company's website at http://northernbearplc.com/investor-relations/corporate-governance/. An extract of relevant disclosures for the Annual Report and Financial Statements, as identified in the Code, is provided below.

Chair's corporate governance statement

This statement sets out how the Company and its subsidiaries (together the "Group") comply with the ten principles of the Code.

My primary responsibility as Chair is to lead the Board effectively and to oversee the adoption, delivery and communication of the Company's corporate governance model.

As Executive Chairman, my role is focused on strategic matters and hence this provides adequate separation from the day to day business to be able to make independent decisions.

In my view, the Board promotes a corporate culture that is based on sound ethical values and behaviours and this supports us in delivering the Company's objectives and strategy, in particular in delivering the continued success of the Group's existing operations. This is supported by the application of the Quoted Companies Alliance ("QCA") Corporate Governance Code.

The Group has a relatively flat management structure with the Managing Director ("MD") of each business reporting directly to the Company's Executive Directors, Keith Soulsby, Tom Hayes and Steve Roberts. The Executive Directors have regular contact with MDs via monthly operational updates, as well as regular contact with the employee base and external stakeholders. This allows them to monitor corporate culture across the Group to ensure that it meets our shared values.

There are no major areas where our governance structure and practices differ from the expectations set by the Code, other than that given the size and nature of the Group we do not consider it necessary to have a formal Board performance evaluation process in place as suggested by principle seven, or to include formal Audit Committee and Remuneration Committee reports in the Annual Report and Accounts as suggested by principle ten.

There are no key governance related matters that have occurred during the year and there were no significant changes in governance arrangements.

Establish a strategy and business model which promote long-term value for shareholders

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.

There are three main operating segments within the Group, being Roofing activities, Materials Handling activities, and Building Services activities.

The Company intends to deliver shareholder value in the medium to long term through:

- The continued success of its existing operations, all of which are well established businesses with strong reputations in their markets;
- Providing new services where possible to the existing, long established customer base. Examples of businesses developed within the Group include Northern Bear Building Services, Northern Bear Safety, and Survey Drones. Any new ventures are unlikely to be capital intensive and hence would have limited downside in the event that they do not meet expectations; and
- Further bolt-on acquisitions where appropriate, taking into account the Company's acquisition criteria of being a well-established, consistently profitable and cash generative building services business with a strong management team committed to remaining in place. Acquisitions would also need to predictably enhance earnings and provide an attractive return on investment.

Garage Roof, Scarcroft, Leeds – Jennings Roofing Ltd

Corporate Governance Report
(continued)

Establish a strategy and business model which promote long-term value for shareholders *(continued)*

The Board meets on a regular basis to discuss the strategic direction of the Company and any significant change in strategy will be highlighted promptly.

Embed effective risk management, considering both opportunities and threats, throughout the organisation

The Board recognises the need to maintain a suitable risk management framework to identify, assess and manage all relevant risks to the Group's business.

The Strategic Report provides a detailed statement of risks relating to the Group's business and, where possible, any actions taken to mitigate them. The key risks discussed are:

- Sector demand;
- Competition;
- Key clients;
- Dependence on personnel;
- Health and safety performance;
- Insurance cover;
- Underperformance of acquired businesses;
- Financial instruments, including credit risk, liquidity risk, and market risk;
- Macro-economic environment and the exit of the United Kingdom from the European Union; and
- COVID-19 and impact on Building Services industry.

With the exception of the last two items, the Board considers the remainder of the list to be inherent to the Group's businesses.

The Group's strategy is regularly reviewed along with the key risks impacting it as part of the Board's annual business planning and budgeting process, where detailed operational budgets are prepared for each subsidiary and approved by the Board. The Group's performance against its strategy and the associated risks is also monitored through preparation and review of monthly management accounts and associated Key Performance Indicator reports. Accepting that no systems of control can provide absolute assurance against material misstatement or loss, the Directors believe that the established systems for internal control within the Group are appropriate to the business.

Maintain the Board as a well-functioning, balanced team led by the Chair

Board structure and independence

The Board comprises five Directors, being the Chair (Steve Roberts), the Finance Director (Tom Hayes), the Operations Director (Keith Soulsby), and two Non-Executive Directors (Ian McLean and Jeff Baryshnik).

The Code notes that independence is a Board judgement. We note that the circumstances which may be relevant to this decision can include the length of service on the Board. Ian has been a non-executive Director for more than ten years and hence this has been given due consideration.

On balance, the Board's view is that Ian has a wealth of commercial and professional experience from a career in the City and has consistently demonstrated that he is prepared to challenge Board decisions and to ask searching questions as required. Consequently, Ian is considered to be independent for corporate governance purposes.

Further, his knowledge of the Group is a big advantage in fulfilling his role, and the Board sees a significant benefit in retaining his experience to support the Executive Directors in delivering the Group's strategy.

Time commitment required

- Group Operations Director – full time role
- Executive Chairman and Finance Director – variable with time commitment dependent on both the Group's strategic and operational activities
- Non-Executive Directors – attendance at Board meetings, Annual General Meeting, Audit and Remuneration Committee meetings, and ad-hoc support as required

Board and other meetings

Board meetings are held every 1-2 months, and in the past 12 months a total of eleven meetings were held. The attendance record of each Director over the past 12 months was:

	Total meetings	Attended
Steve Roberts	11	11
Graham Jennings	7	6
Tom Hayes	11	11
Keith Soulsby	11	10
Ian McLean	11	11
Howard Gold	11	5
Jeff Baryshnik	4	4

The Group is managed operationally via regular informal Executive Directors' meetings, as well as monthly Managing Directors meetings for all subsidiary Managing Directors chaired by Keith Soulsby.

Corporate Governance Report
(continued)

Maintain the Board as a well-functioning, balanced team led by the Chair *(continued)*

The Board considers that this structure of meetings provides an appropriate balance between operational and strategic management and that it allows Board meetings to focus on the latter.

Committees

The Board is supported by an Audit Committee and a Remuneration Committee.

Audit committee

The Group's Audit Committee typically meets three times per year, being at the audit planning stage, prior to finalisation of the Group's Annual Report and Financial Statements, and prior to release of the interim report and financial statements. In the last 12 months there were three Audit Committee meetings as above which were attended by Ian McLean.

Remuneration committee

The Remuneration Committee meets at least annually and usually following the financial year end and prior to the agreement of annual bonus payments. Other meetings are held as required, for example to approve any issue of share options. In the last 12 months there was one Remuneration Committee meeting which was attended by both members of the Committee, Ian McLean and Howard Gold.

Following Howard's resignation as a Director of the Company on 13th July the Board is reviewing the composition of the Audit committee and Remuneration committee.

Ensure that between them the Directors have the necessary up-to-date experience, skills and capabilities

Details of the current Directors, their roles and backgrounds are set out on the Company's website in the Investor Relations section.

The Board considers that the Directors have, collectively, an appropriate mixture of strategic, operational, financial, public markets, and legal experience for a business of this size and nature in order to deliver the Group's strategy for the benefit of shareholders.

The Directors keep their skill sets up to date through a mixture of commercial and operational experience and technical updates as required. Steve Roberts and Tom Hayes are chartered accountants and are also required to comply with the ICAEW's continuing professional development policy.

The Company Secretary, Wendy Edgell, assists the Chair and the Board in preparing for and running effective Board meetings, including the timely dissemination of appropriate information. Wendy also keeps up to date with relevant legal, statutory and regulatory requirements and advises the Board accordingly.

Evaluate Board performance based on clear and relevant objectives, seeking continuous improvement

The Board undertakes regular internal monitoring of collective and individual performance using agreed key performance indicators and detailed financial reports.

The key performance indicators used include financial measures such as revenues, gross margins, operating profit, and cash flow from operations. The primary non-financial key performance indicators relate to three Health & Safety areas which are site activities, documentation, and environmental.

Given the size and nature of the Group, we do not consider it necessary to have a formal Board performance evaluation process in place as suggested by principle seven of the Code.

Succession planning is an important part of our business and we regularly engage with all Group and subsidiary Directors as to their plans for the medium to long term in order to plan effectively for any departures. The Board regularly considers the need for the periodic refreshing of its membership. Recent examples of management transitions in the Company's subsidiaries include Jennings Roofing Limited, Wensley Roofing Limited, and A1 Industrial Trucks Limited.

Promote a corporate culture that is based on ethical values and behaviours

The Board aims to promote a corporate culture across all aspects of our business that is based on sound ethical values and behaviours, and believes that this is critical to our continued success.

Our businesses are all well established in their respective markets and sustaining this is dependent on how they interact with all stakeholders, including customers, suppliers, employees and regulators. Any unethical behaviour would have an adverse impact on the future success of our companies.

As previously mentioned, the Group has a relatively flat management structure and the Company's Executive Directors are closely involved with our subsidiary companies and stakeholders. This allows them to monitor corporate culture across the Group to ensure that it meets our shared values.

Corporate Governance Report
(continued)

Communicate how the company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders

Committees

The Audit Committee and Remuneration Committee operate as set out in commentary above.

Annual general meeting ("AGM")

The Company's AGM is held in August of each year. Votes were conducted via a show of hands from those present. Proxy votes were available if required and a large majority of proxy votes were in favour of all resolutions. There has not been a single resolution over the past five AGMs where a significant proportion of votes (20% or more of independent votes) has been cast against.

Historical annual reports and governance-related material

Copies of historical annual reports, notices of AGM, and proxy forms are available on the Company's website covering at least the past five years.

Omitted disclosures

Given the size and nature of the Group, we do not consider it necessary to have a formal Board performance evaluation process in place as suggested by principle seven of the Code. Accordingly, we have not published any disclosure information in respect of this.

We have not included formal Audit Committee and Remuneration Committee reports in the Annual Report and Financial Statements, as suggested by principle ten of the Code, as the Board considers that information available in these and previous financial statements together with the corporate website provide sufficient information with regard to the reporting of the Audit Committee and Remuneration Committee activity. The Board will continue to review the disclosure of the Audit and Remuneration Committee.

Steve Roberts
Executive Chairman 20 July 2020

Miller Homes, School Aycliffe, County Durham – Wensley Roofing Ltd

St Lawrence Church, Warkworth, Northumberland – MGM Ltd


Face Fit Testing – Northern Bear Safety Ltd


Bridlington Town Hall – Jennings Roofing Ltd

Independent Auditor's Report to the Members of Northern Bear plc

Opinion

We have audited the financial statements of Northern Bear plc (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 March 2020 which comprise the Consolidated Statement of Comprehensive Income, Consolidated and Company Balance Sheets, Consolidated and Company Statements of Changes in Equity, Consolidated and Company Statements of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 March 2020 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusions relating to going concern

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

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

Independent Auditor's Report to the Members of Northern Bear plc *(continued)*

Key Audit Matters

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

Area of focus	How our audit addressed the area of focus
Revenue recognition (Group) The group's accounting policy for revenue recognition is set out note 3 to the financial statements. As discussed in note 3 to the financial statements, the group has several material revenue streams, the most significant of which we consider to be roofing and building services activities. As revenue is a key performance indicator for the group, we have identified the risk of recognising revenue in an incorrect period ('cut off') as a key audit matter to reflect the significance of reported revenues to the users of the financial statements.	We reviewed the consistency of application and appropriateness of disclosure of revenue recognition policies and application of IFRS 15 in the year. We performed walkthrough testing across the group to ensure that there were adequate controls in place to mitigate the risk of revenue being recognised in the incorrect period. Our audit procedures included, but were not limited to: • testing revenue transactions around the year end as well as sales credit notes posted during the year and subsequent to the year end to validate the accuracy of revenue cut-off; and • non-sampling substantive procedures including substantive analytical review of revenue reported, including assessment of the amount of revenue recognised in relation to contracts straddling the year end. **Key observations:** Based on the results of our procedures, we consider the application of IFRS 15 is reasonable and 'cut off' has been appropriately applied, in accordance with the accounting policy described in note 3 to the financial statements.

Independent Auditor's Report to the Members of Northern Bear plc *(continued)*

Area of focus	How our audit addressed the area of focus
Goodwill impairment reviews The group's accounting policy in respect of goodwill and impairment of assets are set out in note 3 to the financial statements. As described in note 3 to the financial statements, goodwill is not amortised, and requires an annual impairment review. There is a risk that the goodwill arising on historic business combinations may no longer be supported and therefore require an impairment, additionally, reflecting the uncertainty associated with certain assumptions supporting the financial projections, discount rates etc. that underpin the impairment review, we have identified the impairment of goodwill as a Key Audit Matter.	Our audit procedures included, but were not limited to the following: • We assessed directors' impairment review methodology against the requirement of IAS 36 'Impairment of assets'. We evaluated directors' cashflow forecasts, updated for the impact of COVID-19, the reasonableness of those forecasts and the key assumptions and judgements applied. We reviewed as to whether the cash flow forecasts were prepared at the level of the lowest group of cash generating units. We also tested the underlying spreadsheet model for mathematical integrity and the appropriateness of data inputs and assumptions included within it; • We ensured that the cashflow forecasts used by Directors in their impairment model are consistent with other areas of the audit, for example the latest available forecasts used to assess going concern; • We reviewed the appropriateness of cash flows included within the value-in-use projections. We also reviewed and assessed the assumptions used in the assessment and how these had been revised to reflect the impact of COVID-19; • We also performed sensitivity analysis to establish whether reasonable possible deviations on the assumptions would result in a change of the conclusions drawn; and • We considered the adequacy and appropriateness of the disclosures within the financial statements. **Key observations:** Based on our procedures we concur with directors' conclusion that there are no indicators of impairment.

Independent Auditor's Report to the Members of Northern Bear plc *(continued)*

Area of focus	How our audit addressed the area of focus
Going Concern and the impact of the COVID-19 outbreak on the financial statements During the latter part of the financial year, there has been a global pandemic from the outbreak of COVID-19. The potential impact of COVID-19 became significant in March 2020 and is causing widespread disruption to normal patterns of business activity across the world, including the UK. The directors' consideration of the impact on the financial statements is disclosed in the strategic report on page 12 and going concern assessment on page 16. Whilst the situation continues to evolve and the full extent of this impact remains uncertain, based on the information available at this point in time, the directors have assessed the impact of COVID-19 on the business and have concluded that adopting the going concern basis of preparation is appropriate.	We assessed the directors' conclusion that adopting the going concern basis for preparation of the financial statements is appropriate. We considered how the financial statements and business operations of the group might be impacted by the disruption. In forming our conclusions over going concern, we evaluated how the directors' going concern assessment considered the impacts arising from COVID-19 as follows: • We reviewed the directors' going concern assessment including COVID-19 implications based on a 'most likely' (base case) scenario and a 'reverse stress tested scenario' as approved by the Board of Directors. We made enquiries of Directors to understand the period of assessment considered by Directors, the completeness of the adjustments taken into account and implication of those when assessing the 'most likely' scenario and the 'reverse stress tested scenario' on the group's future financial performance; • We evaluated the key assumptions in the 'base case' forecast and the 'reverse stress tested scenario' forecast and considered whether these appeared reasonable; • We examined the minimum committed facility headroom under the 'base case' monthly cash flow forecasts as disclosed in the financial statements and evaluated whether the directors' conclusion that liquidity headroom remained in all events was reasonable; and • We evaluated the adequacy and appropriateness of the directors' disclosure in respect of COVID-19 implications, in particular disclosures within principal risks & uncertainties, critical accounting estimates and judgements and going concern. **Key observations:** Based on the work performed, we are satisfied that the matter has been appropriately reflected in the financial statements.

Independent Auditor's Report to the Members of Northern Bear plc *(continued)*

Our application of materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and on the financial statements as a whole. Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Overall materiality	£176,000 (group) £50,000 (parent company)
How we determined it	9.5% of profit before tax (group) 4% of net assets, capped to an appropriate level for group purposes (parent company)
Rationale for benchmark applied	Profit before tax of the business remains the key focus of the users of the financial statements at group level. Net assets was deemed an appropriate benchmark for the parent company, being a holding company.
Performance materiality	Performance materiality is set to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements in the financial statements exceeds materiality for the financial statements as a whole. The level of performance materiality applied is as follows: £132,000 (group) £37,000 (parent company)
Reporting threshold	The reporting threshold is the materiality level below which audit differences would not be communicated those charged with governance. We agreed with the Board that we would report to them misstatements identified during our audit above the clearly trivial threshold as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons. The clearly trivial levels are as follows: £5,000 (group) £1,000 (parent company)

The range of financial statement materiality across components, audited to the lower of local statutory audit materiality and materiality capped for group audit purposes, was between £5,000 and £93,000, being all below group financial statement materiality.

An overview of the scope of our audit

As part of designing our audit, we determined materiality and assessed the risk of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgements such as making assumptions on significant accounting estimates.

We gained an understanding of the legal and regulatory framework applicable to the group and the parent company, the structure of the group and the parent company and the industry in which it operates. We considered the risk of acts by the company which were contrary to the applicable laws and regulations including fraud. We designed our audit procedures to respond to those identified risks, including non-compliance with laws and regulations (irregularities) that are material to the financial statements.

Independent Auditor's Report to the Members of Northern Bear plc
(continued)

An overview of the scope of our audit *(continued)*

We focused on laws and regulations that could give rise to a material misstatement in the financial statements, including, but not limited to, the Companies Act 2006. We tailored the scope of our group audit to ensure that we performed sufficient work to be able to give an opinion on the financial statements as a whole. We used the outputs of a risk assessment, our understanding of the parent company and group's accounting processes and controls and its environment and considered qualitative factors in order to ensure that we obtained sufficient coverage across all financial statement line items.

Our tests included, but were not limited to, obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by irregularities including fraud or error, review of minutes of directors' meetings in the year and enquiries of management.

The risks of material misstatement that had the greatest effect on our audit, including the allocation of our resources and effort, are discussed under "Key audit matters" within this report.

Our group audit scope included an audit of the group and parent financial statements of Northern Bear plc. Based on our risk assessment, all entities within the group were subject to full scope audit and was performed by the group audit team. The extent of our audit work on the components was based on our assessment of the risk of material misstatement and of the materiality of that component. The components within the scope of our audit work therefore covered 100% of group revenue, group profit before tax and group net assets.

At the parent level we also tested the consolidation process and carried out analytical procedures to confirm our conclusion that there were no significant risks of material misstatement of the aggregated financial information.

Other information

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

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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

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

Independent Auditor's Report to the Members of Northern Bear plc
(continued)

Responsibilities of Directors

As explained more fully in the directors' responsibilities statement set out on page 18, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

Use of the audit report

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

Alistair Wesson
(Senior Statutory Auditor)
for and on behalf of Mazars LLP
Chartered Accountants and
Statutory Auditor

5th Floor
3 Wellington Place
Leeds
LS1 4AP

20 July 2020

Northumberland County Council, Alnwick Playhouse – Northern Bear Building Services Ltd

Bellway Homes, Ponteland – Wensley Roofing Ltd

Bridlington Town Hall – Jennings Roofing Ltd

Consolidated Statement of Comprehensive Income

for the year ended 31 March 2020

	Note	**2020 £000**	2019 £000
Revenue	*4*	**54,421**	56,575
Cost of sales		**(43,545)**	(44,659)
Gross profit		**10,876**	11,916
Other operating income	*5*	**25**	24
Administrative expenses		**(8,682)**	(8,725)
Operating profit (before amortisation and other adjustments)		**2,219**	3,215
Transaction and other one-off costs		**(264)**	-
Deferred consideration adjustments	*25*	**277**	265
Amortisation of intangible assets arising on acquisitions	*13*	**(155)**	(152)
Operating profit		**2,077**	3,328
Finance costs	*9*	**(229)**	(197)
Profit before income tax		**1,848**	3,131
Income tax expense	*10*	**(360)**	(540)
Profit for the year		**1,488**	2,591
Total comprehensive income attributable to equity holders of the parent		**1,488**	2,591
Earnings per share from continuing operations			
Basic earnings per share	*11*	**8.0p**	14.0p
Diluted earnings per share	*11*	**8.0p**	13.9p

Consolidated Balance Sheet

at 31 March 2020

	Note	2020 £000	2019 £000
Assets			
Property, plant and equipment	*12*	**3,213**	3,033
Right of use asset	*26*	**1,132**	-
Intangible assets	*13*	**20,923**	20,476
Trade and other receivables	*17*	**1,063**	1,057
Total non-current assets		**26,331**	24,566
Inventories	*16*	**1,007**	652
Trade and other receivables	*17*	**8,218**	8,709
Cash and cash equivalents	*18*	**3,658**	3,038
Total current assets		**12,883**	12,399
Total assets		**39,214**	36,965
Equity			
Share capital	*22*	**190**	189
Capital redemption reserve		**6**	6
Share premium		**5,169**	5,169
Merger reserve		**9,703**	9,605
Retained earnings		**9,011**	8,277
Total equity attributable to equity holders of the Company		**24,079**	23,246
Liabilities			
Loans and borrowings	*19*	**3,500**	1,236
Deferred consideration	*25*	**50**	217
Trade and other payables	*20*	**88**	-
Lease liabilities	*26*	**1,072**	-
Deferred tax liabilities	*15*	**354**	295
Total non-current liabilities		**5,064**	1,748
Loans and borrowings	*19*	**31**	232
Deferred consideration	*25*	**50**	97
Trade and other payables	*20*	**9,103**	11,152
Lease liabilities	*26*	**549**	-
Current tax payable		**338**	490
Total current liabilities		**10,071**	11,971
Total liabilities		**15,135**	13,719
Total equity and liabilities		**39,214**	36,965

These financial statements were approved by the Board of Directors on 20 July 2020 and were signed on its behalf by:

T E Hayes
Finance Director

Company registered number: 05780581

Company Balance Sheet

at 31 March 2020

	Note	**2020 £000**	2019 £000
Assets			
Property, plant and equipment	*12*	**47**	34
Right of use asset	*26*	**236**	-
Investments in subsidiaries	*14*	**35,272**	34,315
Deferred tax assets	*15*	**11**	9
Total non-current assets		**35,566**	34,358
Trade and other receivables	*17*	**5,224**	4,789
Total current assets		**5,224**	4,789
Total assets		**40,790**	39,147
Equity			
Share capital	*22*	**190**	189
Capital redemption reserve		**6**	6
Share premium		**5,169**	5,169
Merger reserve		**9,703**	9,605
Retained earnings		**5,305**	2,099
Total equity attributable to equity holders of the Company		**20,373**	**17,068**
Liabilities			
Loans and borrowings	*19*	**3,500**	1,000
Deferred consideration	*25*	**50**	217
Lease liabilities	*26*	**164**	-
Total non-current liabilities		**3,714**	1,217
Bank overdraft	*18*	**2,016**	2,481
Deferred consideration	*25*	**50**	97
Trade and other payables	*20*	**14,565**	18,284
Lease liabilities	*26*	**72**	-
Total current liabilities		**16,703**	20,862
Total liabilities		**20,417**	22,079
Total equity and liabilities		**40,790**	39,147

The Company made a profit for the year of £3,942,000 (2019: £948,000 loss).
These financial statements were approved by the Board of Directors on 20 July 2020 and were signed on its behalf by:

T E Hayes
Finance Director

Company registered number: 05780581

Consolidated Statement of Changes in Equity

for the year ended 31 March 2020

	Share capital £000	Capital redemption reserve £000	Share premium £000	Merger reserve £000	Retained earnings £000	Total equity £000
At 1 April 2018	189	6	5,169	9,605	6,409	21,378
Total comprehensive income for the year						
Profit for the year	-	-	-	-	2,591	2,591
Transactions with owners, recorded directly in equity						
Exercise of share options	-	-	-	-	17	17
Equity dividends paid	-	-	-	-	(740)	(740)
At 31 March 2019	189	6	5,169	9,605	8,277	23,246
At 1 April 2019	189	6	5,169	9,605	8,277	23,246
Effect of adoption of IFRS 16	-	-	-	-	(18)	(18)
At 1 April 2019 (adjusted)	189	6	5,169	9,605	8,259	23,228
Total comprehensive income for the year						
Profit for the year	-	-	-	-	1,488	1,488
Transactions with owners, recorded directly in equity						
Issue of shares	1	-	-	-	-	1
Exercise of share options	-	-	-	-	5	5
Equity dividends paid	-	-	-	-	(741)	(741)
Merger reserve arising on acquisition	-	-	-	98	-	98
At 31 March 2020	190	6	5,169	9,703	9,011	24,079

Company Statement of Changes in Equity

for the year ended 31 March 2020

	Share capital £000	Capital redemption reserve £000	Share premium £000	Merger reserve £000	Retained earnings £000	Total equity £000
At 1 April 2018	189	6	5,169	9,605	3,770	18,739
Total comprehensive income for the year						
Loss for the year	-	-	-	-	(948)	(948)
Transactions with owners, recorded directly in equity						
Exercise of share options	-	-	-	-	17	17
Equity dividends paid	-	-	-	-	(740)	(740)
At 31 March 2019	189	6	5,169	9,605	2,099	17,068
At 1 April 2019	189	6	5,169	9,605	2,099	17,068
Total comprehensive income for the year						
Profit for the year	-	-	-	-	3,942	3,942
Transactions with owners, recorded directly in equity						
Issue of shares	1	-	-	-	-	1
Exercise of share options	-	-	-	-	5	5
Equity dividends paid	-	-	-	-	(741)	(741)
Merger reserve arising on acquisition	-	-	-	98	-	98
At 31 March 2020	190	6	5,169	9,703	5,305	20,373

Consolidated Statement of Cash Flows

for the year ended 31 March 2020

	Note	2020 £000	2019 £000
Cash flows from operating activities			
Operating profit for the year		**2,077**	3,328
Adjustments for:			
Depreciation of property, plant and equipment	*12*	**570**	538
Depreciation of lease asset	*26*	**367**	-
Amortisation	*13*	**155**	152
Loss on sale of property, plant and equipment		**1**	17
Deferred consideration adjustments	*25*	**(277)**	(265)
		2,893	3,770
Change in inventories	*16*	**(275)**	163
Change in trade and other receivables	*17*	**1,039**	332
Change in trade and other payables	*20*	**(2,215)**	819
Cash generated from operations		**1,442**	5,084
Interest paid		**(202)**	(127)
Tax paid		**(485)**	(669)
Net cash flow from operating activities		**755**	4,288
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment	*12*	**671**	518
Acquisition of property, plant and equipment	*12*	**(1,156)**	(581)
Acquisition of subsidiary (net of cash acquired)		**(876)**	(426)
Net cash from investing activities		**(1,361)**	(489)
Cash flows from financing activities			
Issue/(repayment) of borrowings		**2,513**	(1,498)
Repayment of finance lease liabilities		**-**	(271)
Repayment of lease liabilities		**(551)**	-
Proceeds from the exercise of share options		**5**	17
Equity dividends paid		**(741)**	(740)
Net cash from financing activities	*24*	**1,226**	(2,492)
Net increase in cash and cash equivalents		**620**	1,307
Cash and cash equivalents at start of year	*18*	**3,038**	1,731
Cash and cash equivalents at end of year	*18*	**3,658**	3,038

Company Statement of Cash Flows

for the year ended 31 March 2020

	Note	2020 £000	2019 £000
Cash flows from operating activities			
Operating loss for the year		**(1,183)**	(1,045)
Adjustments for:			
Depreciation of property, plant and equipment	*12*	**8**	4
Depreciation of lease asset	*26*	**64**	-
		(1,111)	(1,041)
Change in trade and other receivables	*17*	**(435)**	128
Change in trade and other payables	*20*	**1,281**	3,689
Cash generated from operations		**(265)**	2,776
Interest paid		**(128)**	(106)
Tax paid		**(1)**	-
Net cash flow from operating activities		**(394)**	2,670
Cash flows from investing activities			
Acquisition of property, plant and equipment	*12*	**(21)**	(22)
Acquisition of subsidiary		**(820)**	(426)
Net cash from investing activities		**(841)**	(448)
Cash flows from financing activities			
Issue/(repayment) of borrowings	*24*	**2,500**	(1,500)
Repayment of lease liabilities		**(64)**	-
Proceeds from the exercise of share options		**5**	17
Equity dividends paid		**(741)**	(740)
Net cash from financing activities		**1,700**	(2,223)
Net increase/(decrease) in cash and cash equivalents		**465**	(1)
Cash and cash equivalents at start of year	*18*	**(2,481)**	(2,480)
Cash and cash equivalents at end of year	*18*	**(2,016)**	(2,481)

1 Reporting entity

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

The Parent Company's shares are quoted and publicly traded on the London Stock Exchange AIM market. Details of significant shareholders are provided in the Directors' Report. There is no other ultimate controlling party.

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

2 Basis of preparation

Statement of compliance

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

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

Standards and interpretations applied for the first time

In these financial statements the following standards, amendments and interpretations, which became effective for the first time, were adopted by the Group:

IFRS 16 'Leases'

The Group has adopted IFRS 16 'Leases' from 1 April 2019. IFRS 16 requires lessees to record all leases on the balance sheet by recognising right of use assets relating to leased assets, and lease liabilities representing future lease payment obligations. The Group's leases previously recognised as operating leases under IAS 17 'Leases' included land and buildings and motor vehicles. Right of use assets and lease liabilities in relation to these leases have both been presented separately on the face of the Consolidated Balance Sheet in these financial statements.

The Group has adopted IFRS 16 using the modified retrospective approach under which the cumulative effect of initial application is recognised as an opening reserves adjustment of £18,000 at 1 April 2019. The Group's comparative information for prior years has not been restated under this approach.

Under IFRS 16 the Group now recognises a right of use asset and a lease liability at the lease commencement date.

The lease liability is measured initially at the present value of future lease payments from the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate under its current bank facilities, with appropriate adjustments if required for residual value guarantees, the exercise price of purchase options, and termination penalties. The Group has predominantly used the incremental borrowing rate as the discount rate for this purpose. On adoption of IFRS 16 the weighted average incremental borrowing rate applied to lease liabilities recognised under IFRS 16 was 3.9%.

The right of use asset is measured based on the initial lease liability with adjustments as required for initial direct costs, the costs of removal and restoring, payments made at or prior to commencement, and lease incentives received.

Following initial adoption of IFRS 16 the Group recognised £902,000 of right of use assets and £920,000 of lease liabilities, both in relation to leases formerly classed as operating leases under IAS 17, on the Consolidated Balance Sheet at 1 April 2019. The Group recognised £367,000 depreciation of right of use assets and £59,000 of interest payments in finance costs in the Consolidated Statement of Comprehensive Income during the year.

2 Basis of preparation *(continued)*

The following is a reconciliation of total operating lease commitments at 31 March 2019 (as disclosed in the financial statements to 31 March 2019) to the lease liabilities recognised at 1 April 2019:

	£'000
Total operating lease commitments disclosed at 31 March 2019	910
Other adjustments relating to commitment disclosures*	122
Discounted using incremental borrowing rate	(112)
Liabilities previously included as finance lease liabilities in loans and borrowings	450
Total lease liabilities recognised under IFRS 16 at 1 April 2019	1,370

* relates to additional commitments identified at 31 March 2019 as part of IFRS 16 adoption exercise.

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

- IFRS 9 Financial Instruments (Amendment): Prepayment Features with Negative Compensation – effective date on or after 1 January 2019;
- IFRIC 23 Uncertainty over Income Tax Treatments – effective date on or after 1 January 2019;
- IAS 19 Employee Benefits (Amendment): Plan Amendment, Curtailment or Settlement – effective date on or after 1 January 2019; and
- Annual Improvements to IFRSs (2015 – 2017 Cycle) – effective date on or after 1 January 2019.

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

Standards, amendments and interpretations in issue but not yet effective

The following mentioned standards, amendments and interpretations have been issued but have not been applied by the Group in these financial statements. Their adoption in future financial periods is not expected to have a material effect on the financial statements for the Group and the Company unless otherwise indicated:

- Conceptual Framework (Revised) and amendments to related references in IFRS Standards – effective date on or after 1 January 2020;
- IFRS 9 Financial Instruments, IAS 39 Financial Instruments: Recognition and Measurement and IFRS 7 Financial Instruments: Disclosures (Amendments): Interest Rate Benchmark Reform (effective date for periods starting on or after 1 January 2020);
- IFRS 3 Business Combinations (Amendment): Definition of a Business (effective date for periods starting on or after 1 January 2020); and
- IFRS 17 Insurance Contracts – effective date on or after 1 January 2021.

Basis of measurement

The financial statements are prepared on the historical cost basis.

Functional and presentation currency

These financial statements are presented in sterling, which is the Group'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 year in which the estimate is revised and in any future years affected.

2 Basis of preparation *(continued)*

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 28.

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. The financial position of the Group, its cash flows and liquidity position are described in the Chairman's Statement. In addition, note 23 to the financial statements includes the Group's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and its exposures to credit risk and liquidity risk.

The Group meets its day to day working capital requirements through bank overdraft and revolving credit facilities. The overdraft element of the facilities was last renewed on 19 March 2020 and is committed to 28 February 2021. The Group's revolving credit facility was renewed on 19 March 2020 and is committed to 31 May 2023. The Directors have a reasonable expectation of successful renewal for both the overdraft and revolving credit facilities. The Group's forecasts and projections, taking account of reasonably possible changes in trading performance (including consideration of the impact of COVID-19 on the Group's results), show that the Group should be able to operate within the level of its current facilities for at least the next 12 months from the date of signing the financial statements. 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 years 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.

3 Significant accounting policies *(continued)*

Non-derivative financial instruments

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

Trade and other receivables

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

Trade and other payables

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

Interest-bearing borrowings

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

Intangible assets and goodwill

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

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units and is not amortised but is tested annually for impairment. On disposal of a subsidiary the attributable amount of goodwill is included in the determination of the gain or loss on disposal.

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

On a business combination, as well as recording separate intangible assets already recognised in the balance sheet of the acquired entity at their fair value, identifiable intangible assets that are separable or arise from contractual or other legal rights are also included in the acquisition balance sheet at fair value.

Amortisation is charged within administrative expenses in the consolidated statement of comprehensive income so as to write off the cost or valuation of assets over their useful economic lives, on the following basis:

Customer relationships	20% of fair value at acquisition
Acquired brands	20% of fair value of acquisition

External costs incurred in relation to acquisitions are recognised as an expense in the year in which the costs are incurred.

Property, plant and equipment

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

3 Significant accounting policies *(continued)*

Leased assets within PPE 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 Consolidated Statement of Comprehensive Income 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:

Leasehold, buildings and improvements	life of lease straight line
Plant and equipment	10-15% diminishing balance
Materials handling equipment	8% straight line
Motor vehicles	25% diminishing balance
Fixtures and fittings (including computer equipment)	15-33% diminishing balance

The residual value, and useful economic life, is reassessed annually.

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.

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 Consolidated Statement of Comprehensive Income. 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 Consolidated Statement of Comprehensive Income as service is provided.

3 Significant accounting policies *(continued)*

Share-based payment transactions

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

Revenue

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

In relation to key revenue streams this policy is applied as follows:

- Roofing activities – revenue is recognised over time based on allocation of the customer contract price to distinct performance obligations and recognising revenue when those performance obligations (based on valuations by surveyors) are satisfied;
- Building services activities - revenue is recognised over time based on allocation of the customer contract price to distinct performance obligations and recognising revenue when those performance obligations (based on valuations by surveyors) are satisfied;
- Materials handling activities
  - o Product sales – revenue is recognised at the point in time of delivery to the customer, as this is when the performance obligations are satisfied;
  - o Assets leased to customers – revenue is recognised on a straight line basis over the lease term in line with the performance obligations.

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 Consolidated Statement of Comprehensive Income as it is accrued.

Expenses

(i) 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.

(ii) Finance income

Finance income comprises interest receivable on funds invested. Interest income is recognised in the Consolidated Statement of Comprehensive Income as it accrues using the effective interest method.

(iii) Finance expenses

Finance expenses comprise interest payable on borrowings. All borrowing costs are recognised in the Consolidated Statement of Comprehensive Income using the effective interest method.

(iv) 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 year 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 year to acquire segment assets that are not expected to be used for more than one segment.

Dividends

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

Derecognition of financial instruments

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

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

Leases

The Group as a lessee

Assets held under 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.

3 Significant accounting policies *(continued)*

The Group recognises a right of use asset and a lease liability at the commencement date of the contract for all leases conveying the right to control the use of an identified asset for a period time, with the exception of short term leases and leases for which the underlying asset is of low value. The right of use asset is initially measured at cost, and subsequently at cost less any accumulated depreciation and any accumulated impairment losses and adjusted for any re-measurement of the lease liability.

If the lease transfers ownership of the underlying asset to the Group by the end of the lease term or if the cost of the right of use asset reflects that the Group will exercise a purchase option, the Group depreciates the right of use asset from the commencement date to the end of the useful life of the underlying asset on a straight line basis. Otherwise, the Group depreciates the right of use asset from the commencement date to the earlier of the end of the useful life of the right of use asset or the end of the lease term on a straight line basis.

The lease liability is initially measured at the present value of the lease payments not paid at that date. Lease payments are discounted using the Group's incremental borrowing rate or the rate implicit in the lease contract. The lease liability is subsequently remeasured to reflect lease payments made.

Short term and low value leases are recognised in the Consolidated Statement of Comprehensive Income on a straight line basis over the term of the lease.

The Group as a lessor

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

Rentals receivable under leases are recognised in the Consolidated Statement of Comprehensive Income 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 the Consolidated Statement of Comprehensive Income.

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.

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 forklift 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, electrical contracting, fire protection and sound insulation; and
- Corporate and other activities - the provision of head office activity and consolidation items.

2020	Roofing activities £000	Materials handling activities £000	Building services activities £000	Corporate and other activities £000	Total £000
Revenue					
Total segment revenue	28,533	2,751	23,834	-	55,118
Inter-segment revenue	(100)	(7)	(590)	-	(697)
External revenue	28,433	2,744	23,244	-	54,421
Operating profit/(loss)	1,810	287	997	(1,017)	2,077
Net finance expense	(13)	(6)	(8)	(202)	(229)
Income tax expense	(148)	(73)	(207)	68	(360)
Profit for the financial year	1,649	208	782	(1,151)	1,488
Segment assets	22,330	5,419	11,465	-	39,214
Segment liabilities	5,359	747	3,793	5,236	15,135
Depreciation charge on PPE	202	298	62	8	570
Depreciation charge on right of use assets	99	43	161	64	367
Amortisation charge	-	-	-	155	155
Capital expenditure	206	1,055	78	22	1,361

4 Segmental analysis *(continued)*

2019	Roofing activities £000	Materials handling activities £000	Building services activities £000	Corporate and other activities £000	Total £000
Revenue					
Total segment revenue	31,698	2,475	23,680	-	57,853
Inter-segment revenue	(608)	(6)	(664)	-	(1,278)
External revenue	31,090	2,469	23,016	-	56,575
Operating profit/(loss)	2,510	303	1,445	(930)	3,328
Net finance expense	(13)	(3)	(4)	(177)	(197)
Income tax expense	(383)	(51)	(157)	51	(540)
Profit for the financial year	2,114	249	1,284	(1,056)	2,591
Segment assets	21,104	4,145	11,716	-	36,965
Segment liabilities	6,287	594	5,012	1,826	13,719
Depreciation charge on PPE	206	263	64	5	538
Amortisation charge	-	-	-	152	152
Capital expenditure	89	601	6	22	718

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 £1,390,000 (2019: £1,514,000), substantially the whole of revenue comprises rendering of services.

5 Other operating income

	2020 £000	2019 £000
Rental income	**25**	24

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. Additional disclosures on accounting policies have not been provided in note 3 due to materiality.

6 Expenses

Auditor's remuneration:

	2020 £000	2019 £000
Audit of these financial statements	**20**	20
Amounts receivable by auditor and their associates in respect of:		
Audit of financial statements of subsidiaries pursuant to legislation	**66**	59
Non-audit services provided to the Group**:**		
Corporation tax compliance services	**14**	11
Other services	**4**	17

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 for property, plant and equipment recognised as an expense in the year was £570,000 (2019: £538,000), with a further £367,000 (2019: £nil) for leased assets capitalised on the balance sheet under IFRS 16. The amortisation charge recognised as an expense in the year was £155,000 (2019: £152,000).

Transaction and other one-off costs

Transaction and other one-off costs include costs related to both the acquisition of Lister Holdings (York) Limited and the tender offer in September 2019, payments to departing employees, and all associated professional costs.

7 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	
	2020	2019
Directors	**6**	6
Administration	**86**	83
Production	**288**	281
	380	370

The aggregate payroll costs of these persons were as follows:

	2020 £000	2019 £000
Wages and salaries	**12,402**	12,303
Social security costs	**1,270**	1,166
Contributions to defined contribution plans	**329**	243
	14,001	13,712

8 Directors' remuneration

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

Directors' emoluments	Salary/fees £000	Annual bonus £000	Estimated value of benefits £000	Total 2020 £000	Total 2019 £000
SM Roberts	98	-	-	98	105
GR Jennings	180	-	3	183	232
K Soulsby	105	-	19	124	176
TE Hayes	84	-	-	84	91
IT McLean	25	-	-	25	25
HB Gold	-	-	-	-	-
JM Baryshnik	-	-	-	-	-
	492	-	22	514	629

Pension contributions	2020 £000	2019 £000
K Soulsby	8	12

	Number of Directors 2020	2019
Retirement benefits are accruing to the following number of Directors under:		
Money purchase schemes	1	1

Additionally, a provision of £189,000 was made in respect of payments to departing directors including related employer's national insurance contributions.

9 Finance costs

	2020 £000	2019 £000
On bank loans and overdrafts	114	106
Finance charges on lease liabilities	87	21
Unwinding of discount on deferred consideration liabilities	28	70
Total finance costs	229	197

10 Income tax expense

Recognised in the Consolidated Statement of Comprehensive Income

	2020 £000	2019 £000
Current tax expense:		
Current year	**348**	573
Adjustment in respect of years	**(1)**	(12)
Current tax expense	**347**	561
Deferred tax expense:		
Origination and reversal of temporary differences	**(12)**	(21)
Rate change adjustment	**25**	-
Deferred tax expense	**13**	(21)
Total tax expense	**360**	540

Reconciliation of effective tax rate

	2020 £000	2019 £000
Profit before tax	**1,848**	3,131
Tax using the UK corporation tax rate of 19% (2019: 19%)	**351**	595
Expenses not deductible for tax purposes	**14**	30
Adjustment in respect of prior years	**(1)**	(12)
Other differences	**(4)**	(73)
Total tax expense	**360**	540

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 had been substantively enacted at 31 March 2019 and therefore are included in the figures above insofar as pertaining to deferred tax balances at 31 March 2019. At Budget 2020, the Government announced that the Corporation Tax main rate (for all profits except ring fence profits) for the years starting 1 April 2020 and 2021 would remain at 19%. Accordingly, the deferred tax balance at 31 March 2020 is based upon a 19% corporation tax rate.

11 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:

	2020	2019
Profit for the year (£000)	**1,488**	2,591
Weighted average number of ordinary shares excluding shares held in treasury for the proportion of the year held in treasury (note 22) ('000)	**18,548**	18,515
Basic earnings per share	**8.0p**	14.0p

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:

	2020	2019
Profit for the year (£000)	**1,488**	2,591
Weighted average number of ordinary shares excluding shares held in treasury for the proportion of the year held in treasury (note 22) ('000)	**18,548**	18,515
Effect of potential dilutive ordinary shares ('000)	**57**	63
Diluted weighted average number of ordinary shares excluding shares held in treasury for the proportion of the year held in treasury ('000)	**18,605**	18,578
Diluted earnings per share	**8.0p**	13.9p

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

Adjusted basic and diluted earnings per share is the profit for the year, adjusted for acquisition related items and transaction and other one-off costs, divided by the weighted average number of ordinary shares outstanding as presented above.

Adjusted earnings per share is calculated as follows:

	2020	2019
Profit for the year (£000)	**1,488**	2,591
Transaction and other one-off costs	**264**	-
Deferred consideration adjustments	**(277)**	(265)
Amortisation of intangible assets arising on acquisitions	**155**	152
Unwinding of discount on deferred consideration liabilities	**28**	70
Corporation tax effect of above items	**(50)**	(43)
Adjusted profit for the year (£000)	**1,608**	2,505
Weighted average number of ordinary shares excluding shares held in treasury for the proportion of the year held in treasury (note 22) ('000)	**18,548**	18,515
Adjusted basic earnings per share	**8.7p**	13.5p
Adjusted diluted earnings per share	**8.6p**	13.5p

12 Property, plant and equipment

Group	Leasehold buildings and improvements £000	Plant and equipment £000	Fixtures and fittings £000	Motor vehicles £000	Total £000
Cost					
Balance at 1 April 2018	171	3,544	445	1,698	5,858
Transfers from stock	-	543	-	-	543
Other acquisitions	-	21	34	459	514
Materials handling disposals	-	(579)	-	-	(579)
Other disposals	-	(35)	(34)	(431)	(500)
Balance at 31 March 2019	171	3,494	445	1,726	5,836
Balance at 1 April 2019	171	3,494	445	1,726	5,836
Transfers from stock	-	1,039	-	-	1,039
Other acquisitions	-	8	28	286	322
Acquired with subsidiary	-	18	37	144	199
Materials handling disposals	-	(714)	-	-	(714)
Other disposals	-	(11)	(11)	(221)	(243)
Balance at 31 March 2020	171	3,834	499	1,935	6,439
Depreciation and impairment					
Balance at 1 April 2018	145	1,575	353	735	2,808
Depreciation charge for the year	4	247	28	259	538
Materials handling disposals	-	(197)	-	-	(197)
Other disposals	-	(28)	(32)	(286)	(346)
Balance at 31 March 2019	149	1,597	349	708	2,803
Balance at 1 April 2019	149	1,597	349	708	2,803
Depreciation charge for the year	4	256	29	281	570
Acquired with subsidiary	-	14	27	97	138
Materials handling disposals	-	(121)	-	-	(121)
Other disposals	-	(9)	(10)	(145)	(164)
Balance at 31 March 2020	153	1,737	395	941	3,226
Net book value					
At 1 April 2018	26	1,969	92	963	3,050
At 31 March 2019	22	1,897	96	1,018	3,033
At 31 March 2020	**18**	**2,097**	**104**	**994**	**3,213**

Leased property, plant and equipment
At 31 March 2020 the net carrying amount of plant and equipment held on lease was £40,000 (2019: £46,000) and the net carrying amount of motor vehicles held on lease was £611,000 (2019: £682,000).

Security
Leased equipment secures lease obligations.

Materials handling equipment
Materials handling equipment is leased out under contracts 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 2020 included within plant and equipment was £1,926,000 (2019: 1,707,000). Sale of materials handling equipment is included within revenue, with the net book value at the date of sale included within cost of sales.

12 Property, plant and equipment *(continued)*

Company	Fixtures and fittings £000	Motor vehicles £000	Total £000
Cost			
Balance at 1 April 2018	99	-	99
Additions	1	21	22
Balance at 31 March 2019	100	21	121
Balance at 1 April 2019	100	21	121
Additions	21	-	21
Balance at 31 March 2020	121	21	142
Depreciation and impairment			
Balance at 1 April 2018	83	-	83
Depreciation charge for the year	3	1	4
Balance at 31 March 2019	86	1	87
Balance at 1 April 2019	86	1	87
Depreciation charge for the year	3	5	8
Balance at 31 March 2020	89	6	95
Net book value			
At 1 April 2018	16	-	16
At 31 March 2019	14	20	34
At 31 March 2020	32	15	47

13 Intangible assets

Group Cost	Goodwill £000	Brands £000	Customer relationships £000	Total £000
Balance at 1 April 2018 and 31 March 2019	19,968	11	762	20,741
Balance at 1 April 2019	19,968	11	762	20,741
Arising on acquisitions	539	-	63	602
Balance at 31 March 2020	20,507	11	825	21,343
Amortisation and impairment				
Balance at 1 April 2018	-	11	102	113
Amortisation	-	-	152	152
Balance at 31 March 2019	-	11	254	265
Balance at 1 April 2019	-	11	254	265
Amortisation	-	-	155	155
Balance at 31 March 2020	-	11	409	420
Net book value				
At 1 April 2018	19,968	-	660	20,628
At 31 March 2019	19,968	-	508	20,476
At 31 March 2020	**20,507**	**-**	**416**	**20,923**

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

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

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

	2020 **£000**	2019 £000
Isoler Limited	**1,526**	1,526
Wensley Roofing Limited	**3,126**	3,126
Springs Roofing Limited	**4,507**	4,507
MGM Limited	**1,599**	1,599
Jennings Properties Limited	**4,087**	4,087
A1 Industrial Trucks Limited	**2,612**	2,612
H Peel & Sons (Holdings) Limited	**2,511**	2,511
Lister Holdings (York) Limited	**539**	-
	20,507	19,968

13 Intangible assets *(continued)*

Impairment testing

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

- Cash flow projections – cash flow projections cover a five year period based on detailed approved budget forecasts for the next year, Directors' projections of profits for years two to five and a terminal value thereafter. The rationale for this is that all of the Group's companies experience ups and downs and hence it is important to take a long term view of profitability levels when considering potential impairments to goodwill. This approach has been validated by the recovery in profit levels at several Group companies as the building services industry emerged from recession in the early years of the prior decade.
- Growth rate – taking into account the current economic climate, management have made an assumption that the long term growth rate in each of the CGUs from year five onwards will be 2% per annum when extrapolating future cash flows as part of the terminal value calculation.
- Discount rate – management have applied a discount rate of 11.1% (2019: 11.1%) to the cash flow forecasts, which represents their best estimate of the Group's weighted average cost of capital. The calculation is based on the split of equity and debt funding at the balance sheet date and estimated current long term costs for debt and equity. Management believe the market risk associated with each CGU is similar and has applied the average rate across the business. The discount rate reflects the continued difficult trading conditions and economic environment, and is comparable to rates used by other groups operating in similar segments.

These impairment tests include consideration of the impact of COVID-19 on trading and the cash flow projections as above, with an impact assumed on both the approved budgets for the year ending 31 March 2021 and the profit projections for the year ending 31 March 2022.

For H Peel & Sons (Holdings) Limited there is currently relatively limited headroom when comparing value in use to the carrying value of goodwill at the balance sheet date before any sensitivity analysis. The Directors note that their profit projections for H Peel & Sons (Holdings) Limited require a substantial improvement from trading performance in the year ended 31 March 2020, albeit to profit levels well below those achieved in the past, based on a turnaround strategy currently being implemented. Should trading performance not improve in line with the Directors' strategy for this business then it is likely that a goodwill impairment would need to be booked in future years.

Sensitivity analysis

The key sensitivities in assessing the value in use of goodwill are forecast cash flows and the discount rate applied:
- 1% reduction in growth rate in forecast cash flows would have no impact on carrying values; and
- 1% increase in the discount rate applied would have no impact on carrying values.

14 Investments in subsidiaries

Company	**Shares in group undertakings £000**
Cost	
Balance at 1 April 2018 and 31 March 2019	34,315
Balance at 1 April 2019	34,315
Acquisition of subsidiary	957
Balance at 31 March 2020	35,272
Impairment	
Balance at 1 April 2018 – 31 March 2020	-
Net book value	
At 1 April 2018	34,315
At 31 March 2019	34,315
At 31 March 2020	**35,272**

14 Investments in subsidiaries *(continued)*

The Company has the following investments in subsidiaries:

Company	Country of Incorporation	Class of shares held	Ownership 2020	Ownership 2019
Isoler Limited	England and Wales	Ordinary	100%	100%
		A Ordinary	100%	100%
Springs Roofing Limited	England and Wales	Ordinary	100%	100%
		A Ordinary	100%	100%
		B Ordinary	100%	100%
		C Ordinary	100%	100%
		D Ordinary	100%	100%
Wensley Roofing Limited	England and Wales	Ordinary	100%	100%
		A Ordinary	100%	100%
MGM Limited	England and Wales	Ordinary	100%	100%
		A Ordinary	100%	100%
Jennings Properties Limited	England and Wales	Ordinary	100%	100%
		A Ordinary	100%	100%
		B Ordinary	100%	100%
Jennings Roofing Limited	England and Wales	Ordinary	100%*	100%*
A1 Industrial Trucks Limited	England and Wales	Ordinary	100%	100%
Northern Bear Safety Limited	England and Wales	Ordinary	100%	100%
Northern Bear Building Services Limited	England and Wales	Ordinary	100%	100%
H Peel & Sons (Holdings) Limited	England and Wales	Ordinary	100%	100%
H Peel & Sons Limited	England and Wales	Ordinary	100%*	100%*
Lister Holdings (York) Limited	England and Wales	Ordinary	100%	-
J Lister Electrical Limited	England and Wales	Ordinary	100%*	-

*held indirectly.

Lister Holdings (York) Limited, and its wholly owned subsidiary J Lister Electrical Limited, were acquired on 16 January 2020.

14 Investments in subsidiaries *(continued)*

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

Company	Registered office
Isoler Limited	333 Dukesway Court, Team Valley Trading Estate, Gateshead, Tyne and Wear, NE11 0BH
Springs Roofing Limited	Kimblesworth Industrial Estate, Kimblesworth, Chester Le Street, County Durham, DH2 3QT
Wensley Roofing Limited	Station House, Station Road, Chester-Le-Street, County Durham, DH3 3DU
MGM Limited	Unit 333 Dukesway Court, Team Valley Trading Estate, Gateshead, Tyne and Wear, NE11 0BH
Jennings Properties Limited	Unit 4 Emmanuel Trading Estate, Springwell Road, Leeds LS12 1AT
Jennings Roofing Limited	Unit 4 Emmanuel Trading Estate, Springwell Road, Leeds LS12 1AT
A1 Industrial Trucks Limited	Riverside Works, Shelly Road, Newburn Industrial Estate, Newcastle Upon Tyne, NE16 9RT
Northern Bear Safety Limited	Unit 333 Dukesway Court, Team Valley Trading Estate, Gateshead, Tyne and Wear, NE11 0BH
Northern Bear Building Services Limited	A1 Grainger, Prestwick Park, Prestwick, Newcastle upon Tyne, NE20 9SJ
H Peel & Sons (Holdings) Limited	Dewlon House, Cannon Way, Mill Street West, Dewsbury, West Yorkshire, WF13 1XL
H Peel & Sons Limited	Dewlon House, Cannon Way, Mill Street West, Dewsbury, West Yorkshire, WF13 1XL
Lister Holdings (York) Limited	97 Poppleton Road, York, YO26 4UN
J Lister Electrical Limited	97 Poppleton Road, York, YO26 4UN

15 Deferred tax assets and liabilities

Group

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	2020 £000	2019 £000
Property, plant and equipment	**(276)**	(208)
Intangible assets	**(78)**	(87)
Net tax liability	**(354)**	(295)

Movement in deferred tax during the year

	1 April 2019 £000	**Arising on acquisition £000**	**Recognised in income £000**	**31 March 2020 £000**
Property, plant and equipment	(208)	(11)	(57)	**(276)**
Intangible assets	(87)	(18)	27	**(78)**
	(295)	(29)	(30)	**(354)**

Movement in deferred tax during the prior year

	1 April 2018 £000	**Recognised in income £000**	**31 March 2019 £000**
Property, plant and equipment	(186)	(22)	(208)
Intangible assets	(130)	43	(87)
	(316)	21	(295)

Company

Deferred tax assets in the Company of £11,000 (2019: £9,000) represent temporary differences on property, plant and equipment and provisions. The movement in the year of £2,000 (2019: £8,000) represents amounts recognised in income.

16 Inventories

	Group		**Company**	
	2020 £000	2019 £000	**2020 £000**	2019 £000
Raw materials and consumables	**1,007**	652	-	-

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 £424,000 (2019: £347,000).

17 Trade and other receivables

	Group		Company	
	2020	2019	**2020**	2019
	£000	£000	**£000**	£000
Non-current assets				
Contract retentions	**1,063**	1,057	**-**	-
Current assets				
Trade receivables	**6,041**	7,094	**-**	-
Contract asset work in progress	**788**	277	**-**	-
Contract retentions	**956**	1,079	**-**	-
Other trade receivables	**7**	-	**162**	31
Amounts owed by group undertakings	**-**	-	**4,920**	4,704
Prepayments	**426**	259	**142**	54
	8,218	8,709	**5,224**	4,789

The reason for the increase in contact asset work in progress is both the timing of invoicing on certain contracts and amounts in J Lister following its acquisition during the financial year.

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

18 Cash and cash equivalents

	Group		Company	
	2020	2019	**2020**	2019
	£000	£000	**£000**	£000
Cash and cash equivalents per balance sheet	**3,658**	3,038	**-**	-
Bank overdraft	**-**	-	**(2,016)**	(2,481)
Cash and cash equivalents per cash flow statements	**3,658**	3,038	**(2,016)**	(2,481)

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 £5.7 million and total overdrawn balances were £2.0 million, giving a net cash balance of £3.7 million.

19 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 23.

	Group		Company	
	2020 £000	2019 £000	**2020 £000**	2019 £000
Non-current liabilities				
Secured bank loans	**3,500**	1,000	**3,500**	1,000
Finance lease liabilities	**-**	236	**-**	-
	3,500	1,236	**3,500**	1,000
Current liabilities				
Current portion of finance lease liabilities	**-**	214	**-**	-
Other loans	**31**	18	**-**	-
	31	232	**-**	-

Terms and debt repayment schedule

	Currency	Nominal interest rate	Year of maturity	Fair value 2020 £000	Carrying amount 2020 £000	Fair value 2019 £000	Carrying amount 2019 £000
Yorkshire Bank revolving credit facility	GBP	Libor + 3.00%	2023	**3,500**	**3,500**	1,000	1,000
Finance lease and hire purchase liabilities	GBP	n/a	Within 5 years	**-**	**-**	450	450
Other loans	GBP	n/a	n/a	**31**	**31**	18	18

The Group retains a £3.5 million revolving credit facility and a £1.0 million overdraft facility, both with Yorkshire Bank, for working capital purposes.

As at 31 March 2020 a total of £3.5 million (2019: £1.0 million) was drawn down on this facility, which is committed until 31 May 2023, providing a net cash figure at 31 March 2020 of £0.2 million (2019: £2.0 million net cash) after offsetting cash and cash equivalents of £3.7 million (2019: £3.0 million).

The revolving credit facility was renewed on 19 March 2020 and is committed until 31 May 2023. The overdraft facility was renewed on 19 March 2020 and is next due for routine review and renewal on 28 February 2021.

19 Loans and borrowings *(continued)*

Finance lease liabilities

Following the adoption of IFRS 16 'Leases', any liabilities related to leases previously classified as finance leases have been included with lease liabilities as disclosed in Note 26. The balance sheet at 31 March 2019 included finance lease liabilities, for which the principal outstanding approximates to the present value of payments. Finance lease liabilities at 31 March 2019 are payable as follows:

Group	Principal £000	Interest £000	**Minimum lease payments £000**
Less than one year	214	22	**236**
Between one and five years	236	26	**262**
	450	48	**498**

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

20 Trade and other payables

	Group		**Company**	
	2020 £000	2019 £000	**2020 £000**	2019 £000
Non-current liabilities				
Contract retentions	**88**	-	**-**	-
Current liabilities				
Trade payables	**6,155**	7,795	**174**	58
Non-trade payables and accrued expenses	**2,948**	3,357	**446**	407
Amounts owed to group undertakings	**-**	-	**13,945**	17,819
	9,103	11,152	**14,565**	18,284

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

Included in non-trade payables and accrued expenses are contract liabilities in relation to deferred income of £90,000 (2019: £333,000). The amount recognised within revenue in relation to contract liabilities at the start of the year was £333,000 (2019: £458,000).

The Group expects to recognise the deferred income balance in revenue within two months (2019: two months) of the year end. The reason for the decrease in in contract liabilities in relation to deferred income is the timing of invoicing on certain contracts.

The Group has changed the presentation of its Consolidated Balance Sheet such that contract retentions due to suppliers in more than one year are shown in non-current liabilities. The amounts due in more than one year is presented on an undiscounted basis as the impact of discounting is not considered to be material. The Group has not restated the Consolidated Balance Sheet at 31 March 2019 in this Report on an equivalent basis as there is no material impact on net assets.

21 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 £297,000 (2019: £243,000).

Share-based payments

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

The terms and conditions of the grants are as follows:

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

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

	Weighted average exercise price 2020	**Number of options 2020**	Weighted average exercise price 2019	Number of options 2019
Outstanding at the beginning of the year	33.0p	115,000	33.8p	137,500
Granted during the year	-	-	-	-
Exercised during the year	45.6p	(10,000)	38.1p	(22,500)
Lapsed during the year	-	-	-	-
Outstanding at the end of the year	29.6p	105,000	33.0p	115,000
Exercisable at the end of the year	29.6p	105,000	33.0p	115,000

On 12 April 2018 a total of 10,000 options awarded on 7 March 2014 were exercised by employees of the Group at an exercise price of 28.5 pence per ordinary share. On the same date a further total of 5,000 options awarded on 10 March 2015 were exercised by employees of the Group at an exercise price of 45.75 pence per ordinary share.

On 15 January 2019 a total of 7,500 options awarded on 10 March 2015 were exercised by employees of the Group at an exercise price of 45.75 pence per share.

On 24 February 2020 a total of 10,000 options awarded on 10 March 2015 were exercised by employees of the Group at an exercise price of 45.75 pence per share.

The options outstanding at the year end have an exercise price in the range of 28.5p to 45.75p and a weighted average contractual life of 4.1 years.

21 Employee benefits *(continued)*

The fair value of services received in return for share options granted are measured by reference to the fair value of share options granted. The fair value of employee share options is measured using a Black-Scholes model.

Share options are granted under a service condition. Such conditions are not taken into account in the grant date fair value measurement of the services received.

No expense was recognised during the year or the prior year arising from share-based payments.

22 Share capital and reserves

Share capital

	2020 £000	2019 £000
Authorised		
50,000,000 ordinary shares of 1p each (2019: 50,000,000)	**500**	500
50,000 0.1% cumulative redeemable preference shares of £1 each (2019: 50,000)	**50**	50
	550	550
Allotted, called up and fully paid		
19,017,316 ordinary shares of 1p each (2019: 18,881,262)	**190**	189
Shares classified in shareholders' funds	**190**	189

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.

During the year ended 31 March 2020, options over 10,000 (2019: 22,500) ordinary shares of the Company were exercised by employees of the Company. To satisfy these option exercises the Company transferred 10,000 (2019: 22,500) ordinary shares out of treasury.

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

As part of the acquisition of Lister Holdings (York) Limited on 16 January 2020 the Company issued 136,054 new ordinary shares as consideration payable to the vendors.

Reserves

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

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

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

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

Dividend

The Company paid an ordinary dividend of 3.25p per ordinary share during the year (2019: 3.0p), along with a special dividend of 0.75p per ordinary share (2019: 1.0p) with a total cost of £741,000 (2019: £740,000), which was recorded as a distribution to owners through retained earnings.

23 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.

Interest-bearing borrowings (continued)

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.

23 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 22 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 financial assets measured at amortised cost 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.

Consolidated Statement of Comprehensive Income

Details of finance costs are included in note 9.

Carrying amounts of financial assets

	Group		Company	
	2020	2019	**2020**	2019
	£000	£000	**£000**	£000
Trade and other receivables (non-current)	**1,063**	1,057	**-**	-
Trade and other receivables (current assets)	**8,218**	8,709	**5,224**	4,789
Cash at bank	**3,658**	3,038	**-**	-
	12,939	12,804	**5,224**	4,789

23 Financial instruments *(continued)*

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 £12,939,000 (2019: £12,804,000) and for the Company was £5,224,000 (2019: £4,789,000) being the total of the carrying amount of financial assets.

Credit quality of financial assets and impairment losses

Trade and other receivables consist of the following:

	Group		Company	
	2020	2019	**2020**	2019
	£000	£000	**£000**	£000
Gross trade and other receivables	**9,315**	9,887	**5,224**	4,789
Bad debt provision relating to trade receivables	**(34)**	(121)	**-**	-
Net trade and other receivables	**9,281**	9,766	**5,224**	4,789

The credit risk on financial assets is not judged to have increased significantly since initial recognition. The loss allowance for financial assets other than trade receivables and contract assets has therefore been measured at an amount equal to 12 month expected credit losses. However, as these financial assets are due within 12 months, the 12 month expected loss allowance is equal to the lifetime expected loss allowance. The movement in the allowance during the year is as follows:

	2020	2019
	£000	£000
At beginning of year	**121**	151
Provided in year	**32**	62
Write offs and recoveries	**(119)**	(92)
At end of year	**34**	121

	2020	2019
	£000	£000
Trade receivables outstanding as at 31 March from invoice date:		
Between 61 – 90 days from invoice date	**335**	352
Between 91 – 120 days from invoice date	**89**	48
Over 120 days from invoice date	**207**	228
Amounts provided for	**(34)**	(121)
Total	**597**	507

The provision against trade receivables is determined by reference to past default experience. The historical default rates are adjusted to reflect current and forwarding looking macroeconomic factors affecting the customer's ability to settle the amount outstanding, although given the short period exposed to credit risk, the impact of these macroeconomic factors has not been considered significant within the reporting period. The provision 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.

23 Financial instruments *(continued)*

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.

Customers generally pay on 30 day credit terms in respect of when the invoice is raised which is generally consistent with when the performance obligations are satisfied. There will be instances where customers do not pay within these terms which management give special consideration to when assessing the recoverability of financial assets.

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.

	2020 Interest rate	2019 Interest rate
Cash and cash equivalents	**Nil**	Nil
Bank overdraft	**Libor+3.00**	Libor+3.00
Revolving credit facility	**Libor+3.00**	Libor+3.00
Other loans	**n/a**	n/a

A change of 100 basis points in interest would increase or decrease profit by £37,000 (2019: £12,000).

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

Foreign exchange risk

The Group is not exposed to significant foreign exchange risk.

Liquidity risks

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

23 Financial instruments *(continued)*

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

31 March 2020

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	9,191	(9,191)	(9,103)	-	(88)	-	-
Lease liabilities	1,621	(1,817)	(302)	(291)	(337)	(612)	(275)
Bank loan	3,500	(3,871)	(59)	(58)	(117)	(3,637)	-
Other loans	31	(31)	(31)	-	-	-	-
	14,343	(14,910)	(9,495)	(349)	(542)	(4,249)	(275)

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	620	(620)	(620)	-	-	-	-
Amounts owed to group undertakings	13,945	(13,945)	(13,945)	-	-	-	-
Bank loan	3,500	(3,871)	(59)	(58)	(117)	(3,637)	-
	18,065	(18,436)	(14,624)	(58)	(117)	(3,637)	-

31 March 2019

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	11,152	(11,152)	(11,152)	-	-	-	-
Finance lease liabilities	450	(498)	(131)	(105)	(156)	(106)	-
Bank loan	1,000	(1,045)	(19)	(19)	(1,007)	-	-
Other loans	18	(18)	(18)	-	-	-	-
	12,620	(12,713)	(11,320)	(124)	(1,163)	(106)	-

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	465	(465)	(465)	-	-	-	-
Amounts owed to group undertakings	17,819	(17,819)	(17,819)	-	-	-	-
Bank loan	1,000	(1,045)	(19)	(19)	(1,007)	-	-
	19,284	(19,329)	(18,303)	(19)	(1,007)	-	-

24 Notes to the cash flow statement

Changes in liabilities arising from financing activities

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

Year to 31 March 2020	**1 April 2019 £000**	**Financing cash flows £000**	**New leases* £000**	**31 March 2020 £000**
Secured bank loans	1,000	2,500	-	**3,500**
Lease liabilities recognised under IFRS 16	1,352	(551)	820	**1,621**
Other loans	18	13	-	**31**
Total liabilities from financing activities	2,370	1,962	820	**5,152**

Year to 31 March 2019	**1 April 2018 £000**	**Financing cash flows £000**	**New finance leases* £000**	**31 March 2019 £000**
Secured bank loans	2,500	(1,500)	-	**1,000**
Finance lease liabilities	383	(271)	338	**450**
Other loans	16	2	-	**18**
Total liabilities from financing activities	2,899	(1,769)	338	**1,468**

The Group also reported proceeds from the issue of share options of £5,000 (2019: £17,000) and equity dividends paid of £741,000 (2019: £740,000) in cash flows from financing activities. No financial liabilities in relation to these cash flows were recorded on the Group's balance sheet at 31 March 2020 or at 31 March 2019.

* cash inflows from new finance leases are offset against cash outflows for the acquisition of property, plant and equipment included in cash flows from investing activities in the Group's consolidated cash flow statement. Lease liabilites in the year to 31 March 2020 includes both lease liabilities recognised on initial application of IFRS 16 (see note 26) at 1 April 2019 and further lease liabilities on new leases recognised during the year.

The changes in liabilities arising from financing activities in the Company include the movement on secured bank loans as presented above. The Company also reported proceeds from the issue of share options of £5,000 (2019: £17,000) and equity dividends paid of £741,000 (2019: £740,000) in cash flows from financing activities. No financial liabilities in relation to these cash flows were recorded on the Company's balance sheet at 31 March 2020 or at 31 March 2019.

25 Acquisitions

Lister Holdings (York) Limited

On 16 January 2020 the Group acquired the entire issued share capital of Lister Holdings (York) Limited and its wholly owned trading subsidiary J Lister Electrical Limited, an electrical contractor based in York, in line with the Group's stated acquisition criteria as set out in the Strategic Report. The amounts recognised in respect of the identifiable assets acquired and liabilities assumed are set out below:

	Book value £000	Fair value adjustments £000	Fair value £000
Net assets acquired:			
Intangible assets	-	63	63
Property, plant and equipment	61	-	61
Inventory	80	-	80
Trade and other receivables	607	-	607
Cash and cash equivalents	(56)	-	(56)
Trade and other payables	(309)	-	(309)
Deferred taxation	(11)	(18)	(29)
Total identifiable assets	372	45	417
Goodwill			539
Total consideration			**956**
Satisfied by:			
Cash			756
Equity instruments (ordinary shares)			100
Deferred and contingent consideration			100
Total consideration			**956**
Cash outflows arising on acquisition:			
Cash consideration			756
Cash and cash equivalents acquired			56
			812

Goodwill of £539,000 arising on acquisition relates to both expected synergies from combining operations of the acquiree and the acquirer and intangible assets that do not qualify for separate recognition.

Fair value adjustments of £45,000 relating to the separate recognition of intangible assets and a related deferred tax liability have been recorded. Details of intangible assets recorded can be found in note 13. Under the terms of the acquisition, deferred cash consideration of £0.1 million is payable in two equal annual instalments commencing twelve months from the acquisition date. Additional contingent consideration of up to £0.3 million is payable, subject to earn out agreements related to future profits, over a three year period from the acquisition date.

The deferred consideration balance of £0.1 million at 31 March 2020 represents the value of estimated future payments to be made.

The fair value of the 136,054 ordinary shares in Northern Bear plc issued as part of the consideration paid (£100,000) was determined on the basis of the average closing mid-market price of the Group's ordinary shares for the five working days ended on 15 January 2020, being 73.5p.

Costs related to the acquisition of £58,000 are included in 'Transaction and other one-off costs' presented separately on the face of the Consolidated Statement of Comprehensive Income.

25 Acquisitions *(continued)*

J Lister contributed a total of £1.3 million revenue and £0.1 million to the Group's operating profit for the period between the date of acquisition on 16 January 2020 and the balance sheet date at 31 March 2020.
If the acquisition of J Lister had been completed on the first day of the financial year ended 31 March 2020, Group revenues for the year would have been £55.6 million and Group operating profit would have been £2.2 million.

H Peel & Sons (Holdings) Limited

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

Under the terms of the acquisition, deferred cash consideration of £0.4 million was payable in four equal six monthly instalments commencing six months from the acquisition date. Additional contingent consideration of up to £1.4 million was payable, subject to various earn out agreements, over a three year period from the acquisition date.

During the year to 31 March 2020 a total of £0.1 million (2019: £0.4 million) deferred and contingent consideration was paid. During the year the process of assessing contingent deferred consideration resulted in a reduction of the amounts payable of £277,000 (2019: £265,000). No further deferred or contingent consideration is payable in respect of the acquisition.

26 Leasing

Leased assets where the Group is a lessee:

The balance sheet includes the following amounts relating to leased assets where the Group is a lessee:

	Group		Company	
	2020	2019	**2020**	2019
	£000	£000	**£000**	£000
Right of use assets				
Land and buildings	**929**	-	**230**	-
Fixtures and fittings	**1**	-	**-**	-
Motor vehicles	**202**	-	**6**	-
	1,132	-	**236**	-
Net book value of PPE held under leases				
Plant and equipment	40	-	-	-
Motor vehicles	611	-	-	-
	651	-	**-**	-
Lease liabilities				
Current	**549**	-	**72**	-
Non-current	**1,072**	-	**164**	
	1,621	-	**236**	-

Liabilities at 31 March 2019 in respect of assets held under leases formerly classed as finance leases are included in note 19.

Additions to right of use assets during the year amounted to £597,000 (2019: £nil).

26 Leasing *(continued)*

The Consolidated Statement of Comprehensive Income includes the following amounts relating to leases assets where the Group is a lessee:

	Group		Company	
	2020	2019	**2020**	2019
	£000	£000	**£000**	£000
Depreciation charge on right-of-use assets				
Land and buildings	**217**	-	**59**	-
Motor vehicles	**150**	-	**5**	-
	367	-	**64**	-
Depreciation charge on PPE held under leases				
Plant and equipment	**8**	-	**-**	-
Motor vehicles	**183**	-	**-**	-
	191	-	**-**	-

Amounts charged for interest implicit on leases for the Group are set out in note 9.

Leases are repayable as follows:

	Minimum lease payments		Present value of minimum lease payments	
	2020	2019	**2020**	2019
Group	**£000**	£000	**£000**	£000
Amounts payable under lease contracts:				
- within one year	**593**	-	**549**	-
- after one and within five years	**949**	-	**851**	-
- after five years	**275**	-	**221**	-
	1,817	-	**1,621**	-
Less: future finance charges	**(196)**	-		
Present value of lease obligations	**1,621**	-		

	Minimum lease payments		Present value of minimum lease payments	
	2020	2019	**2020**	2019
Company	**£000**	£000	**£000**	£000
Amounts payable under lease contracts:				
- within one year	**72**	-	**72**	-
- after one and within five years	**188**	-	**164**	-
- after five years	**-**	-	**-**	-
	260	-	**236**	-
Less: future finance charge	**(24)**	-		
Present value of lease obligations	**236**	-		

26 Leasing *(continued)*

Leased assets where the Group is a lessor:

Materials handling equipment is leased out under contracts 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 2020 included within plant and equipment is set out in note 12.

The Group considers that these leases do not transfer substantially all of the risks and rewards of ownership of the assets to the lessees and consequently these assets are included within plant and equipment in the Consolidated Balance Sheet.

The maturity analysis of lease receivables, including the undiscounted lease payments to be received, are as follows:

	Minimum lease payments	
	2020	**2019**
Group	**£000**	£000
Less than one year	**365**	-
After one and within two years	**320**	-
After two and within five years	**401**	-
After five years	**13**	-
	1,099	-

Revenue from the Group acting as a lessor of materials handling equipment included within the Consolidated Statement of Comprehensive Income in the year was £967,000 (2019: £945,000).

27 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 34.0% (2019: 17.4%) 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	
	2020	2019
	£000	£000
Key management emoluments excluding social security costs	**514**	629

During the year the Company paid an ordinary dividend of 3.25p per ordinary share (2019: 3.0p) and a special dividend of 0.75p per ordinary share (2019: 1.0p). The amount paid to key management personnel based on their holdings of the Company's ordinary shares was £129,000 (2019: £129,000).

Group

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

2020	**Sentio Insight LLP £000**	**Wensley Roofing Limited DPS £000**
Balance as at beginning of year	-	-
Purchases	(18)	(23)
Settled	18	23
Balance as at end of year	-	-

2019	**Sentio Insight LLP £000**	**Wensley Roofing Limited DPS £000**
Balance as at beginning of year	-	-
Purchases	-	(23)
Settled	-	23
Balance as at end of year	-	-

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.

27 Related parties *(continued)*

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

Other related party transactions in the year totalled £63,000 (2019: £86,000).

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 (£5 million in the year ended 31 March 2020, £nil in the year ended 31 March 2019). Amounts owed by and to subsidiary undertakings of the Parent Company are disclosed in notes 17 and 20 respectively.

Share options in the Parent Company are granted to employees of subsidiary companies. Details of the share options are included in note 21 to the financial statements.

28 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 13 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. Further details are provided in Note 12 to the financial statements.

Revenue and profit recognition on contracting activities

The Group recognises revenue and profit in accordance with IFRS 15, based on the allocation of the customer contract price to distinct performance obligations and recognising when the performance obligations are satisfied. 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. Details of trade and other receivables are set out in Note 17 to the financial statements.

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

An acquisition of a subsidiary requires an assessment of the fair value of identifiable assets and liabilities acquired. This includes identifiable intangible assets regardless of whether they are already recognised in the balance sheet of the acquired entity. The valuation of customer relationships requires estimates of future revenues, profitability, and discount rates. Details of acquisitions are set out in Note 25 to the financial statements.

Measurement of the discounted present value of deferred consideration

This requires an assessment of the future amounts payable for acquired subsidiaries under earn out agreements, which includes estimates of future profitability and discount rates. Details of deferred consideration payments are set out in Note 25 to the financial statements.

29 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.

30 Post balance sheet events

The Directors consider the COVID-19 pandemic and the associated household isolation measures introduced by the UK government to have begun on 23 March 2020. Although this was prior to the year end of the Group and the Parent Company, the resultant economic deterioration in the United Kingdom is considered to have materialised after year end. Insofar as they are able, the Directors have reflected the effects of these developments in the Consolidated and Company Balance Sheets as at 31 March 2020. It is noted that changes to the economy that have been triggered by the pandemic mitigation measures do continue to manifest beyond year end. The position of the Group and Parent Company at 31 March 2020 should be viewed in this context. For more detail regarding the Directors' view of this event please refer to the Chairman's Statement and the Strategic Report.

The Coach House at Gosforth, Newcastle upon Tyne – Matthew Charlton Slaters Ltd

Hurst Green, Clitheroe, Lancashire – Jennings Roofing Ltd

GMB Union, Lifton House, Newcastle upon Tyne – Northern Bear Building Services Ltd
Star Pubs and Bars, The Parks Inn, Buxton – H Peel & Sons Ltd
Hurst Green, Clitheroe, Lancashire – Jennings Roofing Ltd
The Coach House at Gosforth, Newcastle upon Tyne – Matthew Charlton Slaters Ltd

industrial trucks Ltd
Established Since 1983

SURVEY DRONES

Northern Bear Building Services Ltd

MGM
Specialist Construction Services

ISOLER
Fire Protection and Building Integrity Services

PEEL

JENNINGS ROOFING LTD

Springs Roofing Ltd

Northern Bear Safety Ltd

WENSLEY ROOFING

J LISTER ELECTRICAL
Est 1973

MATTHEW CHARLTON SLATERS

Northern Bear plc, A1 Grainger, Prestwick Park, Prestwick, Newcastle upon Tyne NE20 9SJ
Tel: 01661 820369 Fax: 01661 820575 Email: info@northernbearplc.com Website: www.northernbearplc.com

Northern Bear plc
Registered in England & Wales No: 05780581