

Northern Bear

Annual Report and Accounts 2016



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COMPANIES HOUSE

Main Board

Executive Directors



Graham Jennings
Managing Director



Steve Roberts
Executive Chairman



Tom Hayes
Finance Director



Keith Soulsby
Director

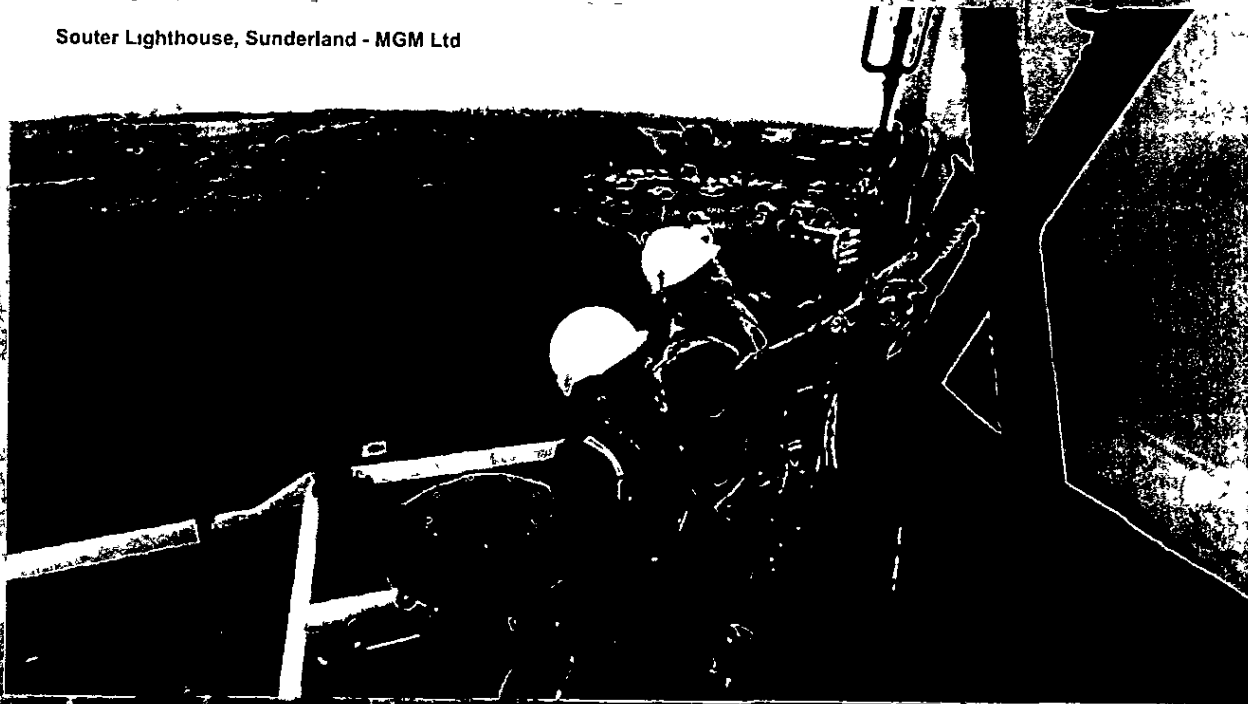


Howard Gold
Non Executive Director



Alan McLean
Non Executive Director

Souter Lighthouse, Sunderland - MGM Ltd



Managing Directors of Subsidiary Companies



Graeme Tennick
Joint Managing Director
A. Truett Ltd



Derek Wymes
Joint Managing Director
A. Truett Ltd



David Wales
Managing Director
Chimera Ltd &
Chimera Surveying Ltd



John Elston
Managing Director
Isoler Ltd



Graham Jennings
Managing Director
Jennings Roofing Ltd



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



Jason Harrison
Managing Director
Northern Bear
Safety Ltd



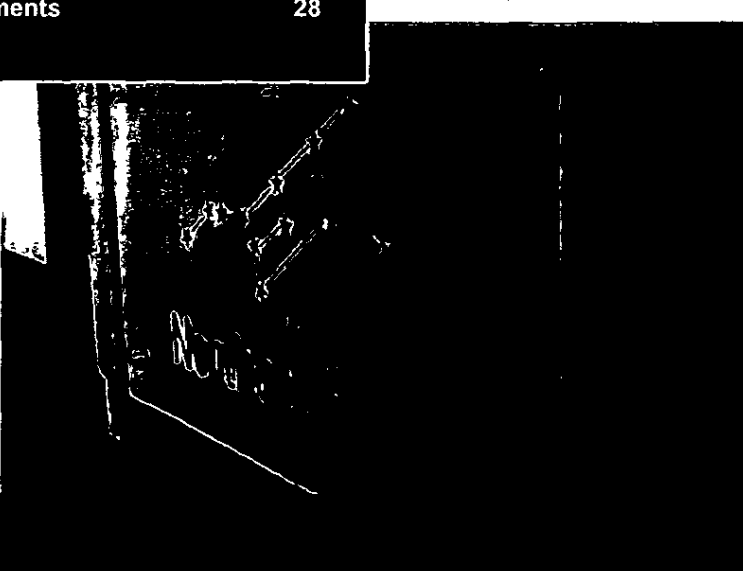
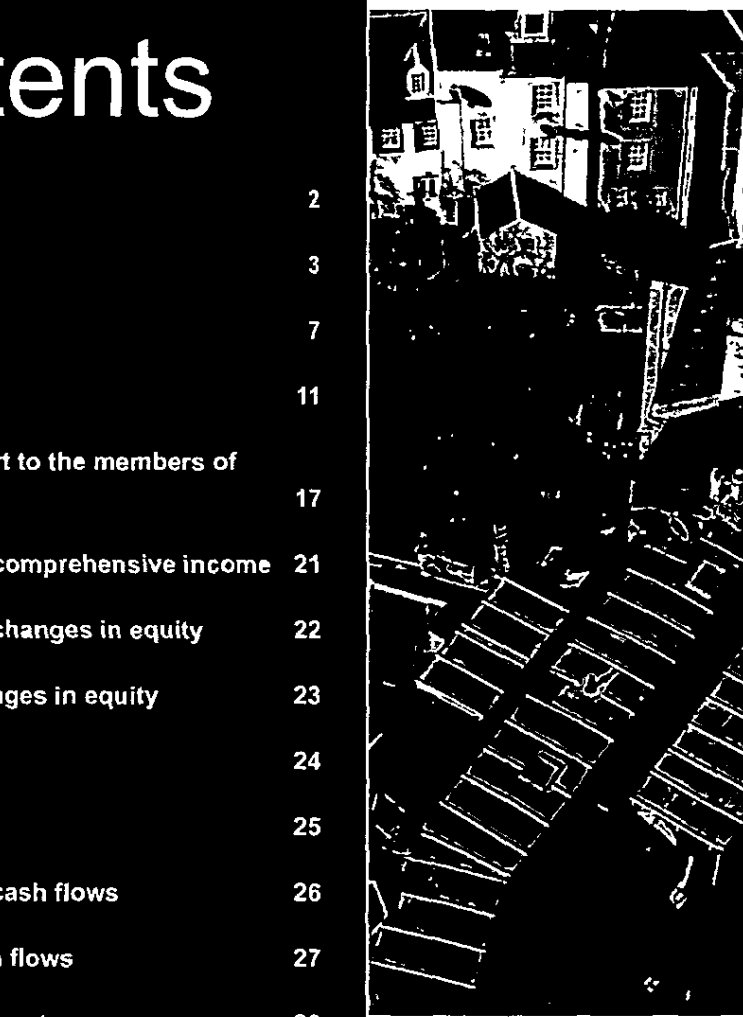
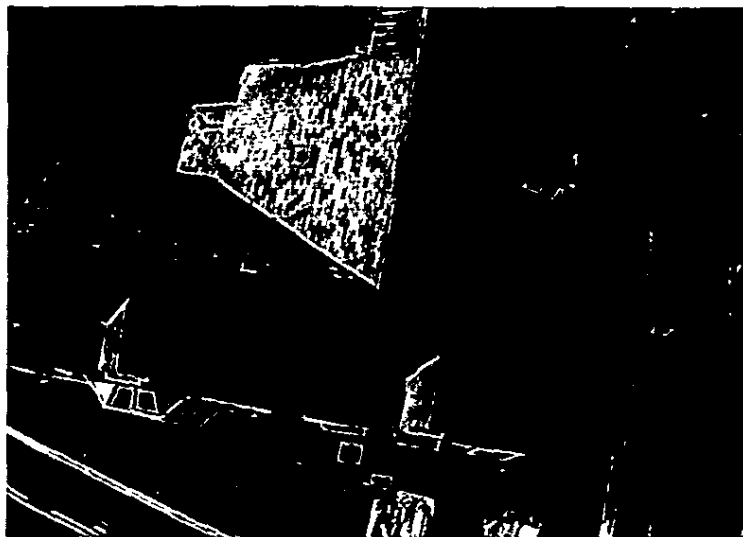
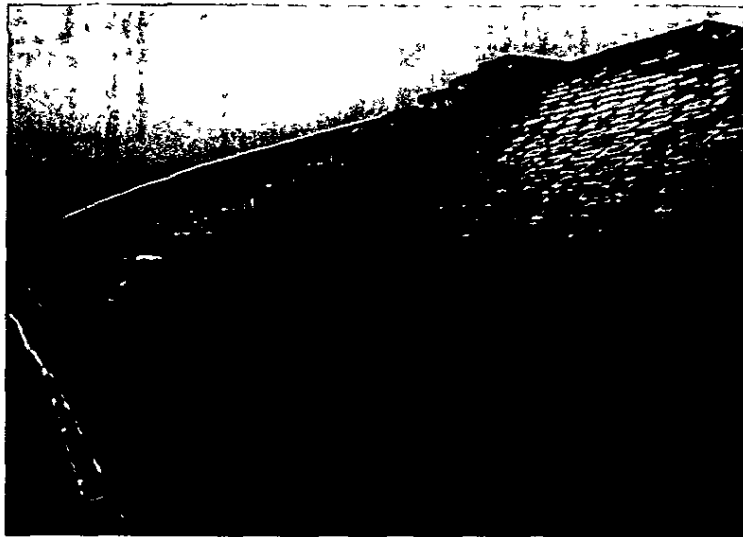
Keith Muldoon
Managing Director
Springs Roofing Ltd



Keith Soulsby
Managing Director
Wensley Roofing Ltd

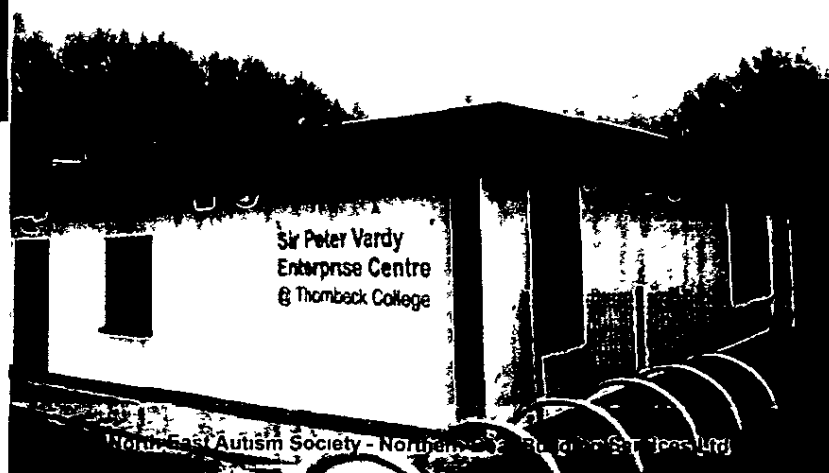
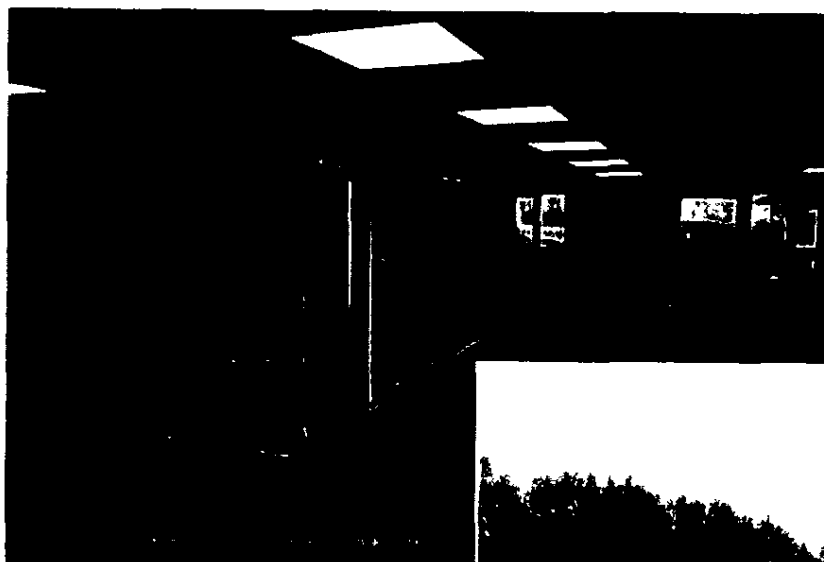
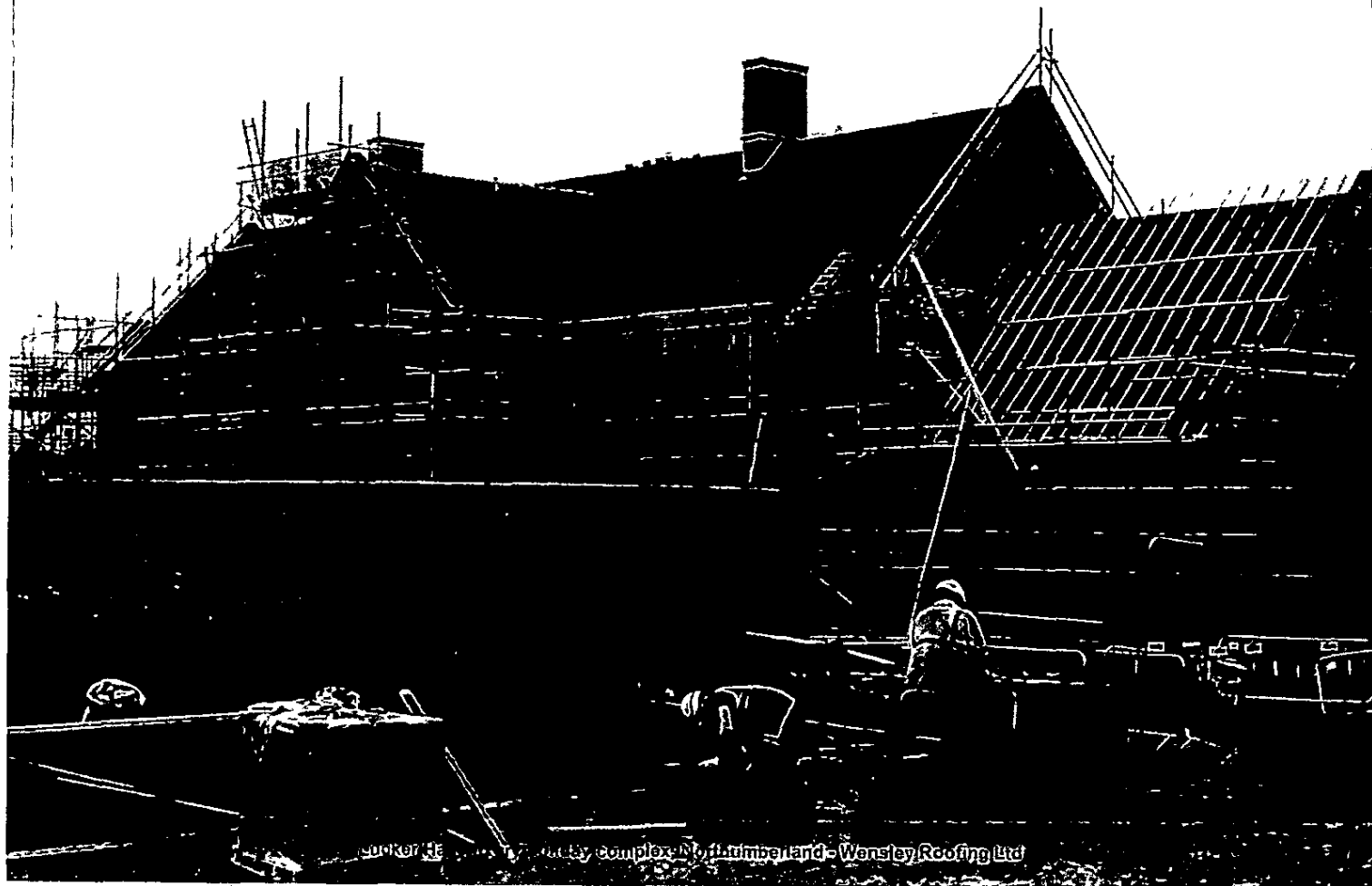


Alan Chapman
Managing Director
Matthew Charlton
Staffs
A subsidiary of
Wensley Roofing Ltd



Contents

Advisors	2
Chairman's statement	3
Strategic report	7
Directors' report	11
Independent auditor's report to the members of Northern Bear Plc	17
Consolidated statement of comprehensive income	21
Consolidated statement of changes in equity	22
Company statement of changes in equity	23
Consolidated balance sheet	24
Company balance sheet	25
Consolidated statement of cash flows	26
Company statement of cash flows	27
Notes to the financial statements	28





Advisors

Auditor

Mazars LLP
Mazars House
Gelderd Road
Gildersome
Leeds
LS27 7JN

Bankers

Yorkshire Bank
20 Merrion Way
Leeds
LS2 8NZ

Legal advisors

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

Nominated advisor and Broker

Strand Hanson Limited
26 Mount Row
London
W1K 3SQ

Registered office

A1 Grainger
Prestwick Park
Prestwick
Newcastle upon Tyne
NE20 9SJ



Wendy Edgell (right) Secretary, Lianne Davison (left) Accounts Manager
with Jason Harrison Managing Director of Northern Bear Safety

Chairman's statement

Introduction

I am pleased to report the results for the year to 31 March 2016 for Northern Bear and its subsidiaries (together "the Group")

The Group has delivered another strong performance, with profit before tax and earnings per share in line with prior year results despite the severe winter weather

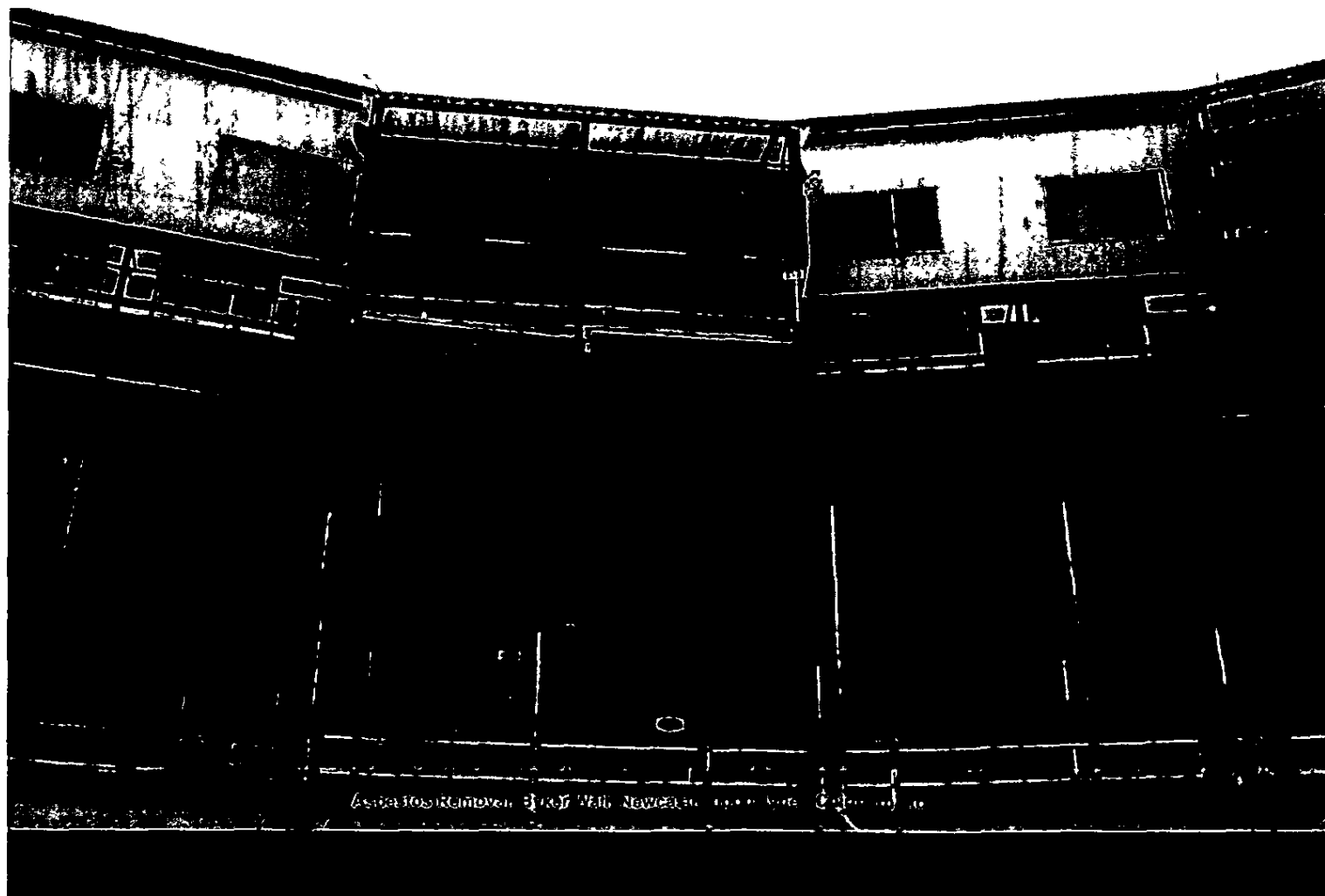
Northern Bear was admitted to trading on AIM on 19 December 2006 and we are consequently approaching our tenth anniversary as a public company. During this period, despite having experienced the worst recession to hit the building services industry that any of our operational staff can recall, we have reported a trading profit (before exceptional items) every year as a public company. Under current management, we have also driven substantial performance improvements, as well as having restructured operations and de-leveraged the Group's balance sheet. This leaves us in an excellent position from which to approach the next ten years and beyond.

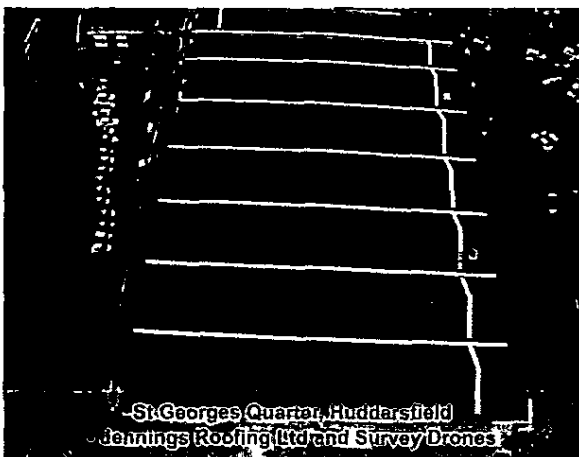
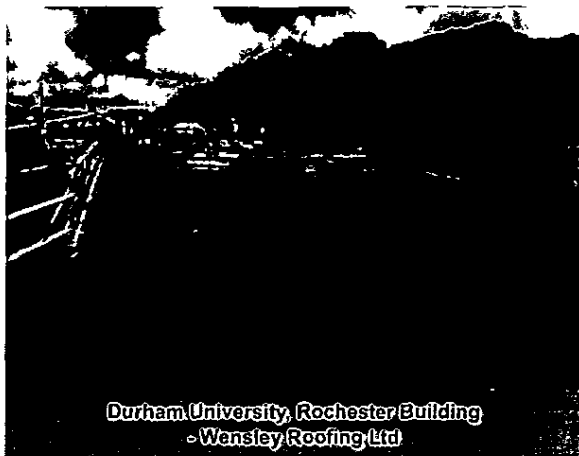
Trading

Turnover for the year was £36.5m (2015: £41.7m) and gross profit was £8.9m (2015: £9.8m). It has been well publicised that, during the winter of 2015/2016, the North of England was hit by unprecedented floods and high winds for a prolonged period. This seriously affected our ability to carry out site work, particularly for our Roofing division. As a result, turnover and gross profit decreased in the period, although gross margin increased to 24.5% (2015: 23.6%) through careful contract selection and our policy of avoiding chasing turnover on lower margin work.

The Group was able to make savings in administrative expenses which fell to £6.8m (2015: £7.4m) to partly offset the impact of lower volumes on operating profit, which decreased to £2.1m (2015: £2.5m) in the year (both including exceptional items).

The results also benefited from reduced finance costs following the renegotiation of bank facilities in March 2015 and the reduction in debt levels, with finance costs falling to £0.2m (2015: £0.6m). This was also due to a non-recurring write off of £0.2m of prepaid bank facility fees included in the 2015 results.





As a result, profit before tax remained at £1.9m (2015: £1.9m). Basic earnings per share was 8.2p (2015: 8.5p), with the difference relating to a slightly higher corporation tax charge for the period.

Cash flow

Net bank debt at 31 March 2016 was £2.5m (2015: £4.8m), following the strong trading performance and some favourable payment terms on newer contract work. This led to cash generated

from operations of £3.7m (2015: £2.4m), which represents an outstanding cash conversion rate, although an element of this may reverse later in the year depending on the ongoing customer mix.

We continued to invest in the Group's fixed asset base during the year, with capital expenditure of £0.8m (2015: £0.7m) well in excess of depreciation charges. The majority of this was in our Materials Handling division's fleet of fork lift trucks, where we continue to see opportunities to invest at an attractive rate of return.

The Group is grateful for the continued support of Yorkshire Bank.

Dividend

In view of the continued strong trading performance and substantially reduced net bank debt, I am pleased to announce that the Board proposes the payment of an increased final dividend of 2.0p per share (2015: 1.5p per share) for the year ended 31 March 2016. This is subject to shareholder approval at the Annual General Meeting to be held on 23 August 2016 and, if approved, will be payable on 26 August 2016 to shareholders on the register at 5 August 2016.



Chairman's statement (continued)

The Board is very pleased to be able to significantly increase the level of dividend payment for this financial year, having decreased the level of bank debt and associated outgoings over the last few years to what we deem to be a more appropriate and sustainable level. The Board will continue to assess the level of dividend and our current intention is to adjust future dividends in line with the Group's relative performance, taking into account the Group's available cash, working capital requirements, debt obligations and the macro-economic environment at the relevant time.

Operational and commercial matters

Despite the adverse weather conditions during the winter months, our Roofing division produced another excellent set of results. It is pleasing that customers continue to recognise the exceptional skill base within this division of the Group. This has allowed it to maintain profitability in what has become a margin-pressured marketplace.

Our mainstream Specialist Building Services companies continue to secure high quality work and to grow their reputations within the industry. This year, the Group has continued to secure high profile

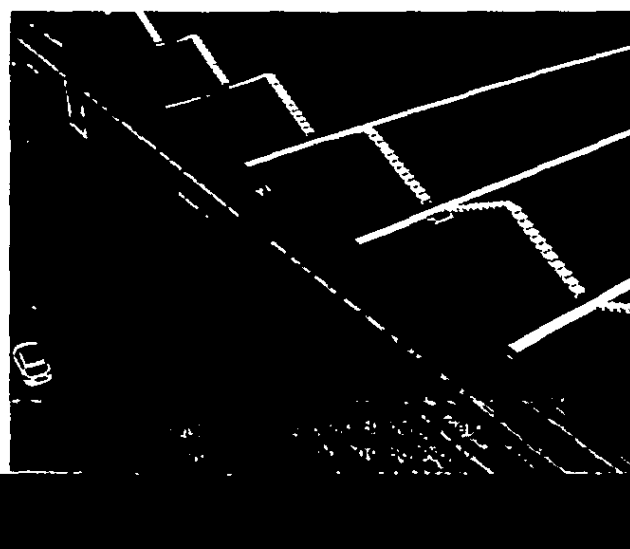
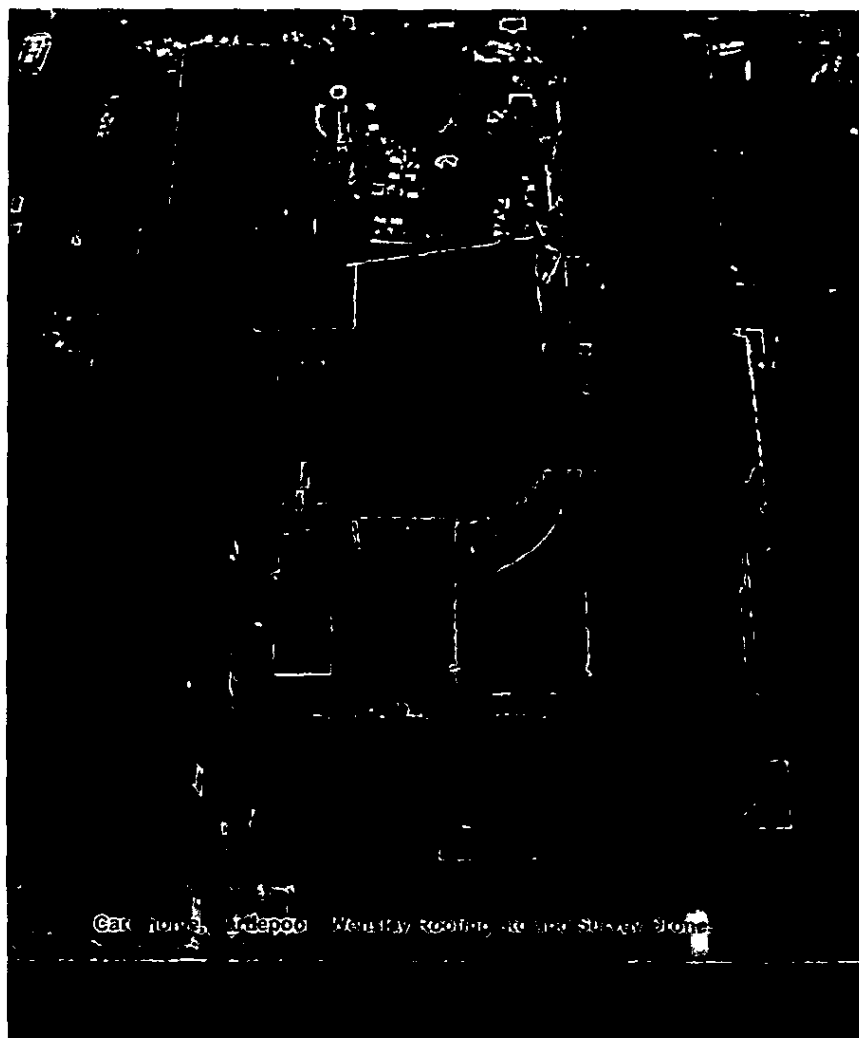
contracts, ranging from Heritage sites to lighthouses. These include Acklam Hall (Middlesbrough), Alnwick Castle (Northumberland), St George's Quarter (Huddersfield), Durham Castle (Durham), Haworth Parish Church (Haworth), The Literary and Philosophical Society (Newcastle) and Souter Lighthouse (Sunderland).

The Group's Materials Handling business, A1 Industrial Trucks, continues to perform strongly through both the sale and hire of Mitsubishi Fork Lift trucks and providing an outstanding service in maintaining sold and leased trucks for its customers.

I would also mention our excellent supply chain that has been built up over a number of years and which has once again supported all of our Group companies. Our suppliers have always ensured that we receive quality products, both sustainably sourced and competitively priced, and have always met our just in time approach for deliveries ensuring the efficiency of the Group's operations.

Outlook and strategy

Current order book levels remain strong across the Group and the new financial year has started well. It remains a source of frustration that the Group is often not in a position to influence when contracts commence, so flexibility is the key to maintaining profitability.



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

People

I am proud to say that the Group directly employs the large majority of its workforce and has continued to invest in training new operatives throughout difficult economic times. Having a loyal, dedicated and skilled workforce continues to pay dividends in a sector where labour shortages and cost pressures are impacting operators of all sizes.

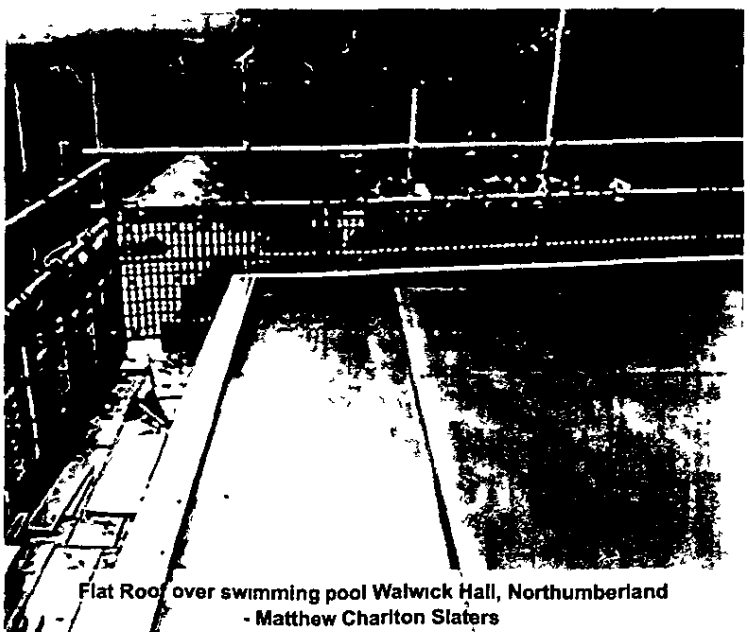
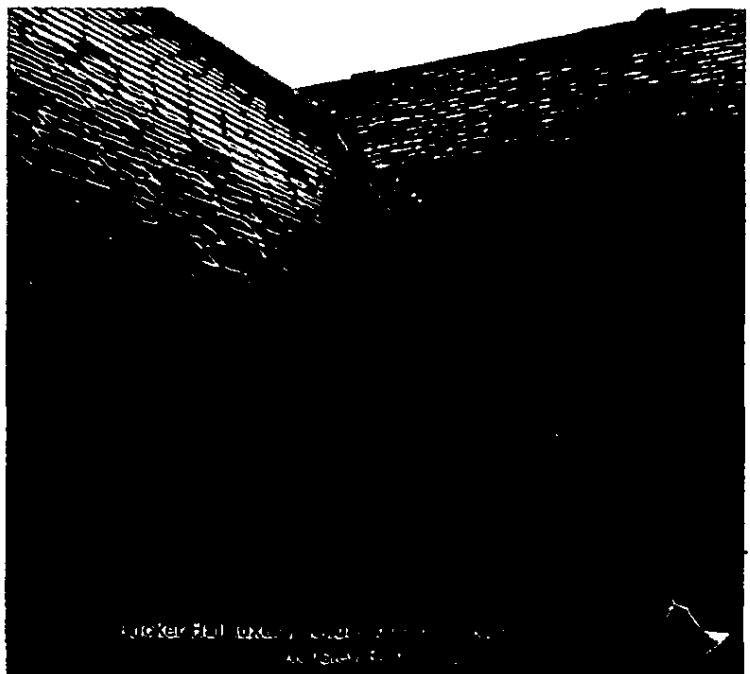
The Group is also proud of its apprenticeship schemes, which are available with all Group companies. We currently run a number of schemes which cover a wide range of skills such as roofing, joinery and brickwork. This continuous investment in apprenticeships will ensure that we have a steady stream of qualified tradespeople who are able to supplement our existing workforce, both now and in the future.

As previously mentioned, the new 'National Living Wage' legislation is not expected to impact the Group's results, as our full time operatives can already expect to earn in excess of the proposed amounts.

I would once again like to thank all of our employees for their hard work and contribution to the Group's continued success.


Steve Roberts
Executive Chairman

25 July 2016



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 2016

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 and associated 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.

Key performance indicators

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

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

The primary non-financial key performance indicators relate to three Health & Safety areas in our businesses which are site activities, documentation, and environmental. Site

inspections are held on a regular basis by our Health & Safety business (Northern Bear Safety) which assess the effectiveness of each company in these areas. Following these inspections a report is prepared and should any issues be identified they would immediately be brought to the Board's attention for appropriate action as and when required.

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

Financial performance and position

Commentary on financial performance during the year and financial position at the reporting date is included in the Chairman's Statement on pages 3 and 4.

Statement on risks relating to the Group's business

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

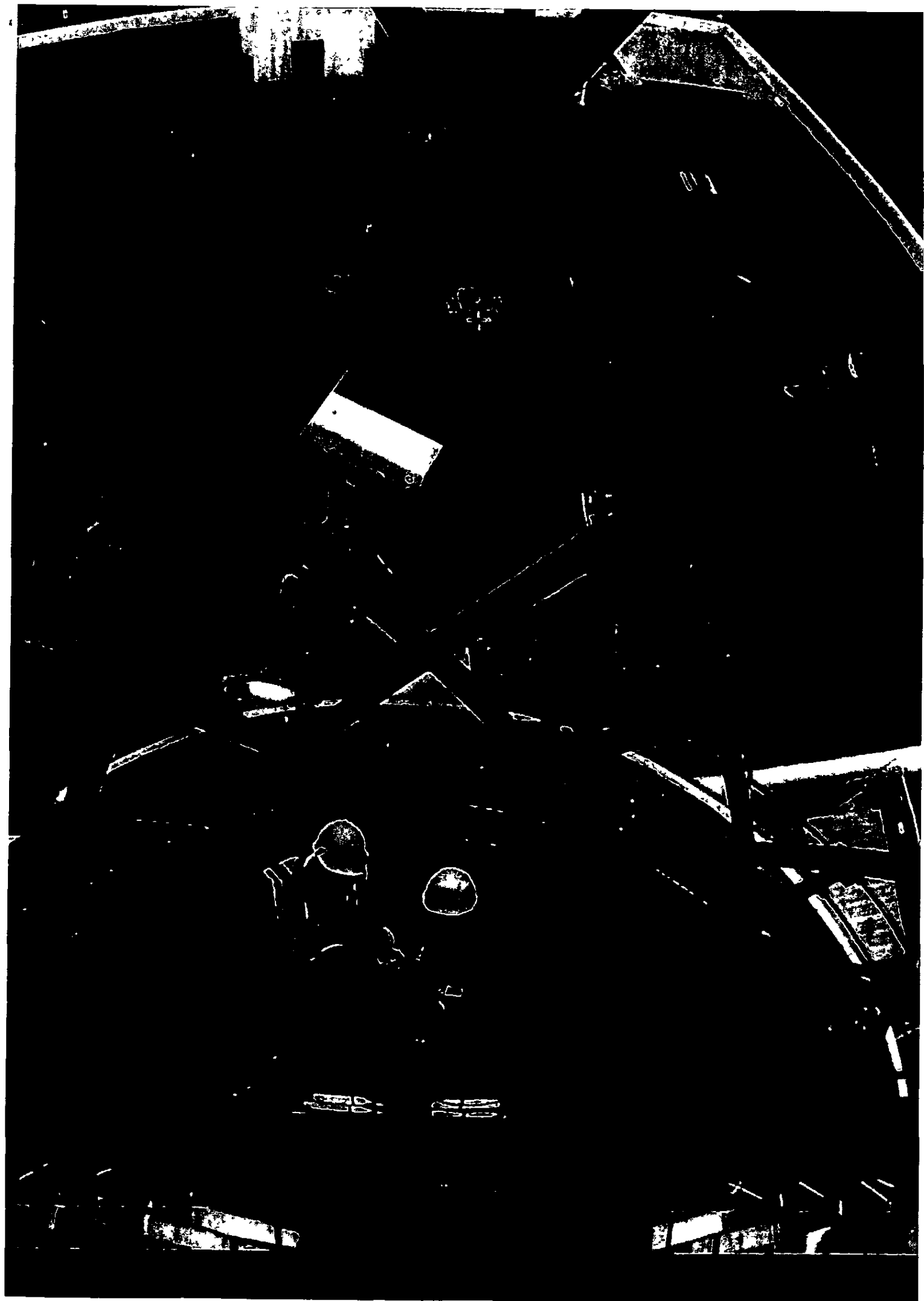
Sector demand

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

Competition

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





Strategic report

(continued)

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

Key clients

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

Dependence on personnel

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

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.

British exit from the European Union

Following the recent referendum on British membership of the European Union and the decision to exit, any impact on the wider macro-economic environment could affect the building services industry in which the Group operates. The Directors have not noted any impact to date but will continue to monitor the situation over the coming months.

Outlook

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

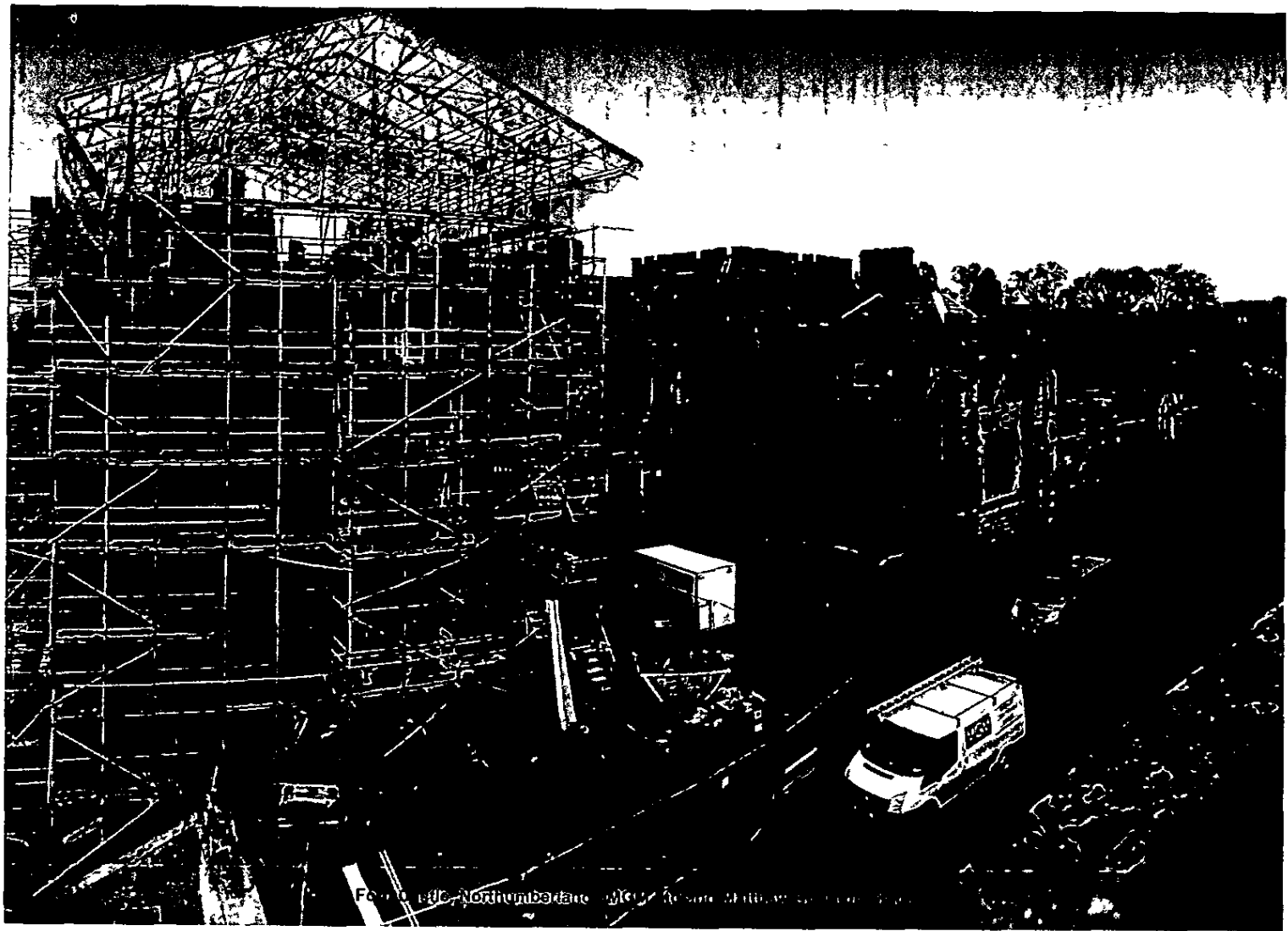
This report was approved by the board on 25 July 2016 and signed on its behalf by



Steve Roberts
Executive Chairman

25 July 2016





Ferry Hill, Northumbria - North East of England Reserve Forces and Cadets Association



North East of England Reserve Forces and Cadets Association; Middlesbrough - Northern Bear Building

Directors' report

The directors present their annual report and financial statements for the year ended 31 March 2016

Principal activities

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

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

Future outlook

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

Going concern

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

During the year the Group met its day to day working capital requirements through existing bank overdraft and term loan facilities. The overdraft facility was most recently renewed on 17 March 2016 for the period to 31 March 2017. The Group's bank facilities are due for routine review and renewal on 31 March 2017, the directors have a reasonable expectation of successful renewal

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

Strategic report

As permitted by paragraph 1A of Schedule 7 to the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 certain matters which are required to be disclosed in the Directors' Report have been omitted as they are included in the Strategic Report on pages 7 to 9. These matters relate to financial risk management objectives and policies and exposure to price risk, credit risk, liquidity risk and cash flow risk

Proposed dividend

The directors have proposed a final ordinary dividend in respect of the current financial year of 2.0p per share, subject to shareholder approval at the forthcoming Annual General Meeting. This has not been included in creditors as it was not approved before the year end

Directors

The directors who held office during the year were as follows

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



Directors' report *(continued)*

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

	31 March 2016 Shares	31 March 2016 Options	31 March 2015 Shares	31 March 2015 Options
GR Jennings	1,254,038	60,000	1,254,038	60,000
SM Roberts	753,300	60,000	753,300	60,000
K Soulsby	730,481	62,500	730,481	62,500
IT McLean	100,000	-	100,000	-
HB Gold	70,000	-	70,000	-
TE Hayes	50,000	10,000	50,000	10,000

In total the directors' interests in the ordinary shares of the Company totalled 2,957,819 shares (2015 2,957,819), representing 16.7% (2015 16.7%) 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 2016, 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
Jon Pither	2,538,936	14.4%
Radmat Building Products	2,119,953	12.0%
Graham Jennings	1,254,038	7.1%
Steve Roberts	753,300	4.3%
Keith Soulsby	730,481	4.1%
Graeme Tennick & Spouse	591,251	3.3%
Derek Wymes & Spouse	591,251	3.3%
Steve Gray	534,452	3.0%
David Jay	523,000	3.0%

Political and charitable contributions

Neither the Company nor any of its subsidiaries made any political contributions during the year (2015 £nil). Charitable donations amounted to £3,140 (2015 £1,230)

Corporate governance

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

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

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

Directors' report *(continued)*

Corporate governance *(continued)*

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

Employees

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

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

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

Statement of Directors' Responsibilities

The directors are responsible for preparing the Strategic Report, Directors' Report and the Group and Parent Company financial statements in accordance with applicable law and regulations.

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

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Parent Company and of their profit or loss for that period.

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

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- state whether IFRS as adopted by the European Union have been followed subject to any material departures disclosed and explained in the financial statements,
- provide additional disclosures when compliance with specific requirements in IFRS is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Parent Company will continue in business.

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

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

Directors' report *(continued)*

Annual general meeting

The business of the AGM is set out in the accompanying circular to shareholders. The AGM is to be held at A1 Grainger, Prestwick Park, Prestwick, Newcastle upon Tyne, NE20 9SJ at 9.30a.m. on 23 August 2016.

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

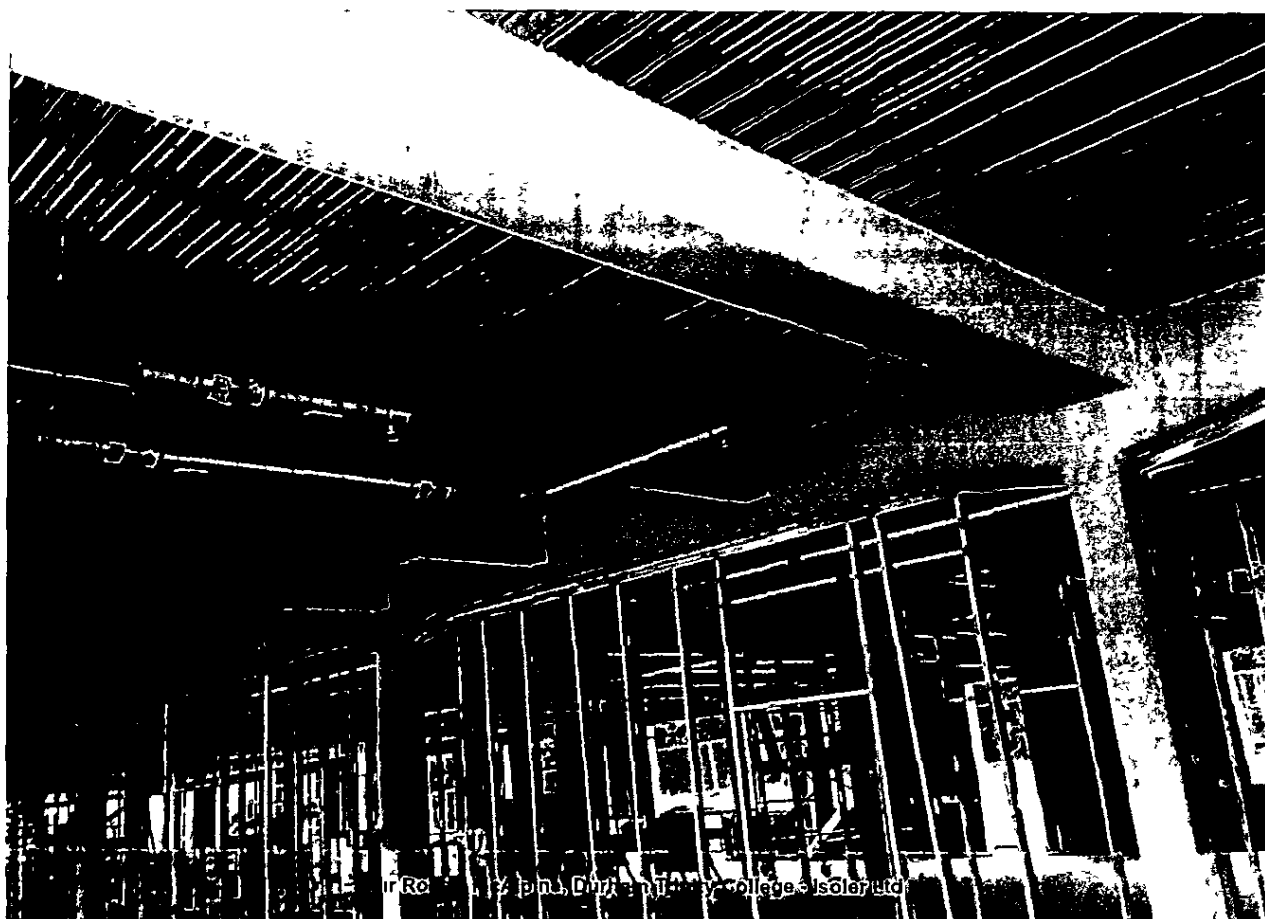


T E Hayes
Finance Director

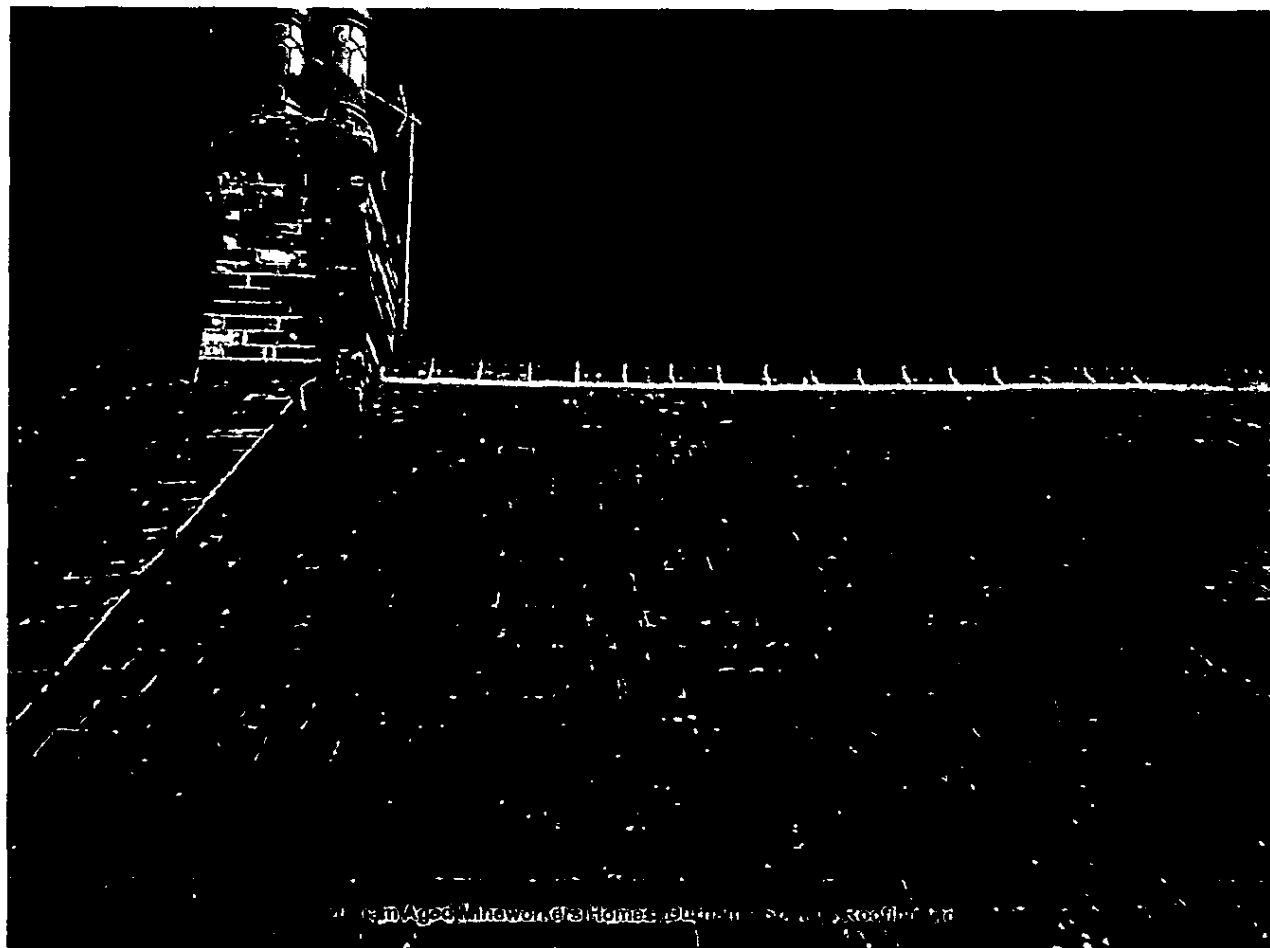
A1 Grainger
Prestwick Park
Prestwick
Newcastle upon Tyne
NE20 9SJ

25 July 2016

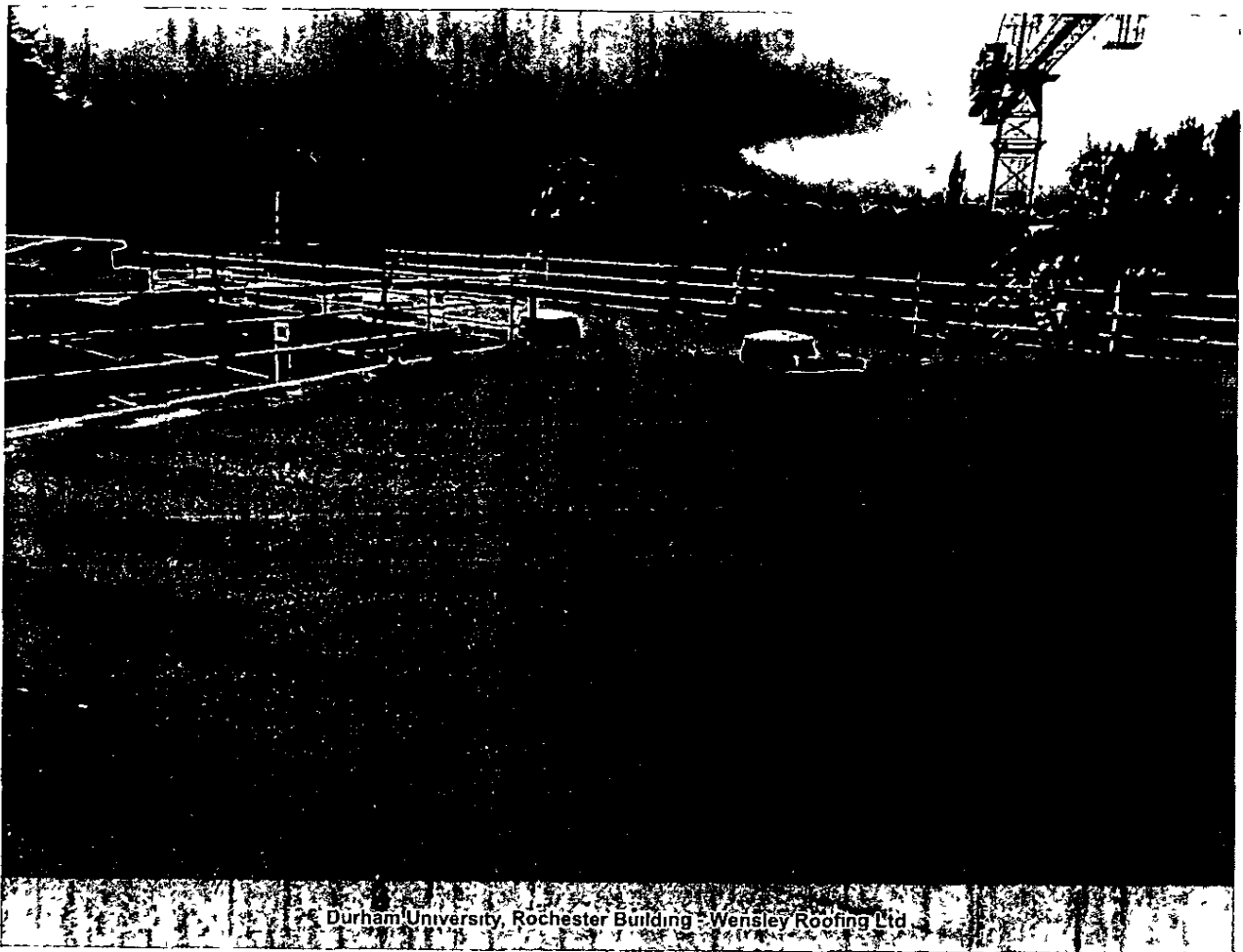




Reception area, Durban City College, Durban



Entrance area, Durban City College, Durban



Durham University, Rochester Building - Wensley Roofing Ltd



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

We have audited the financial statements of Northern Bear Plc for the year ended 31 March 2016 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated and Company Statements of Changes in Equity, the Consolidated and Company Balance Sheets, the Consolidated and Company Statements of Cash Flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the Parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

Respective responsibilities of directors and auditor

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

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors. This report is made solely to the company's members, as a body in accordance with Chapter 3 of Part 16 of the

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

Scope of the audit of the financial statements

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

Opinion on the financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 March 2016 and of the Group's profit for the year then ended,
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union,
- the Parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006, and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

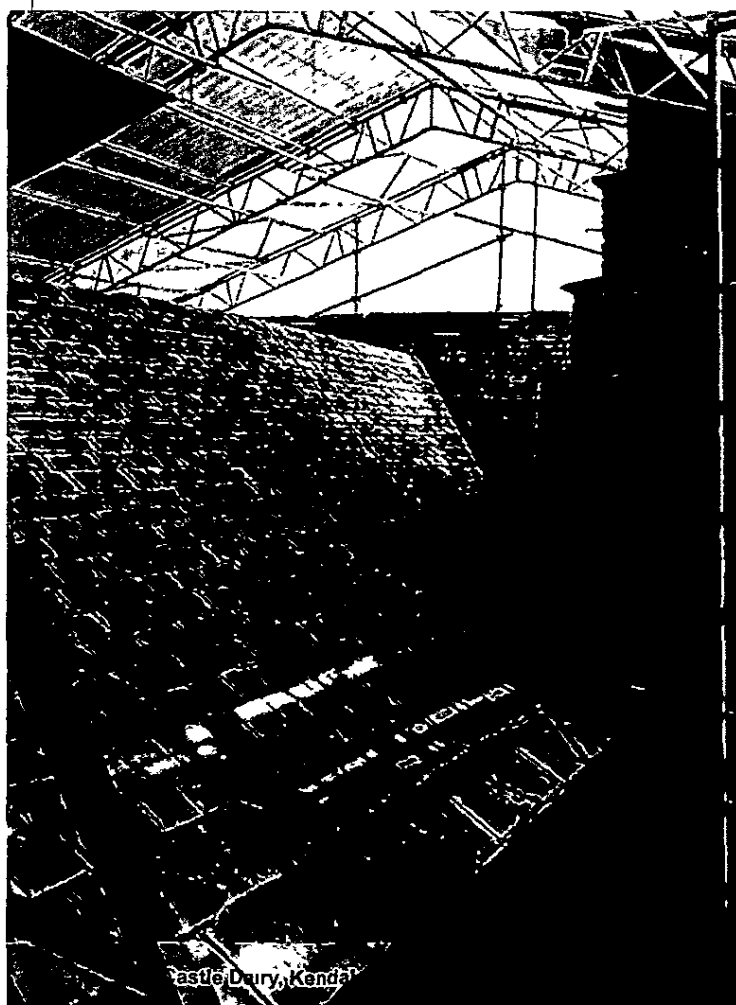
- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us, or
- the Parent Company financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors'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

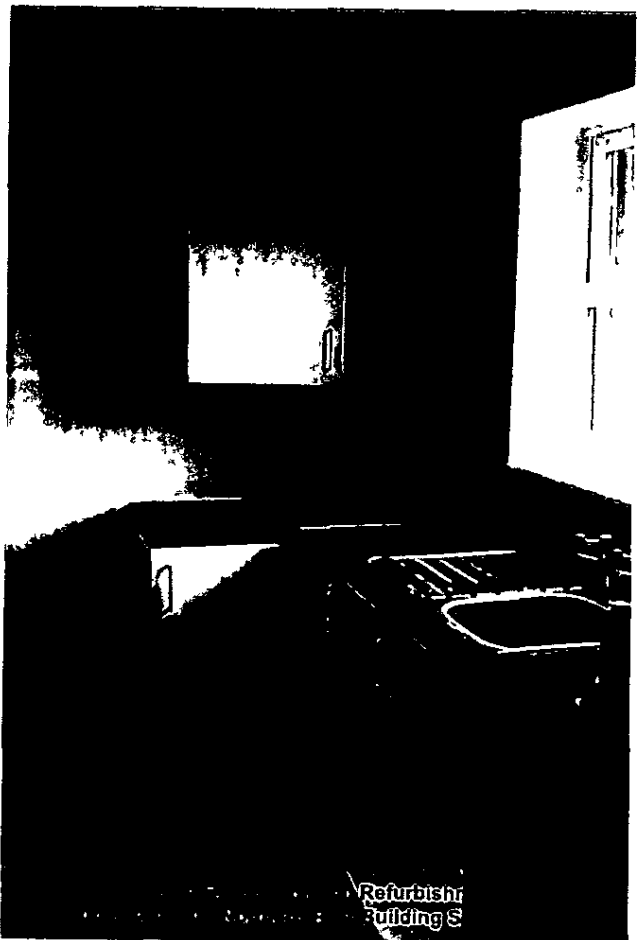
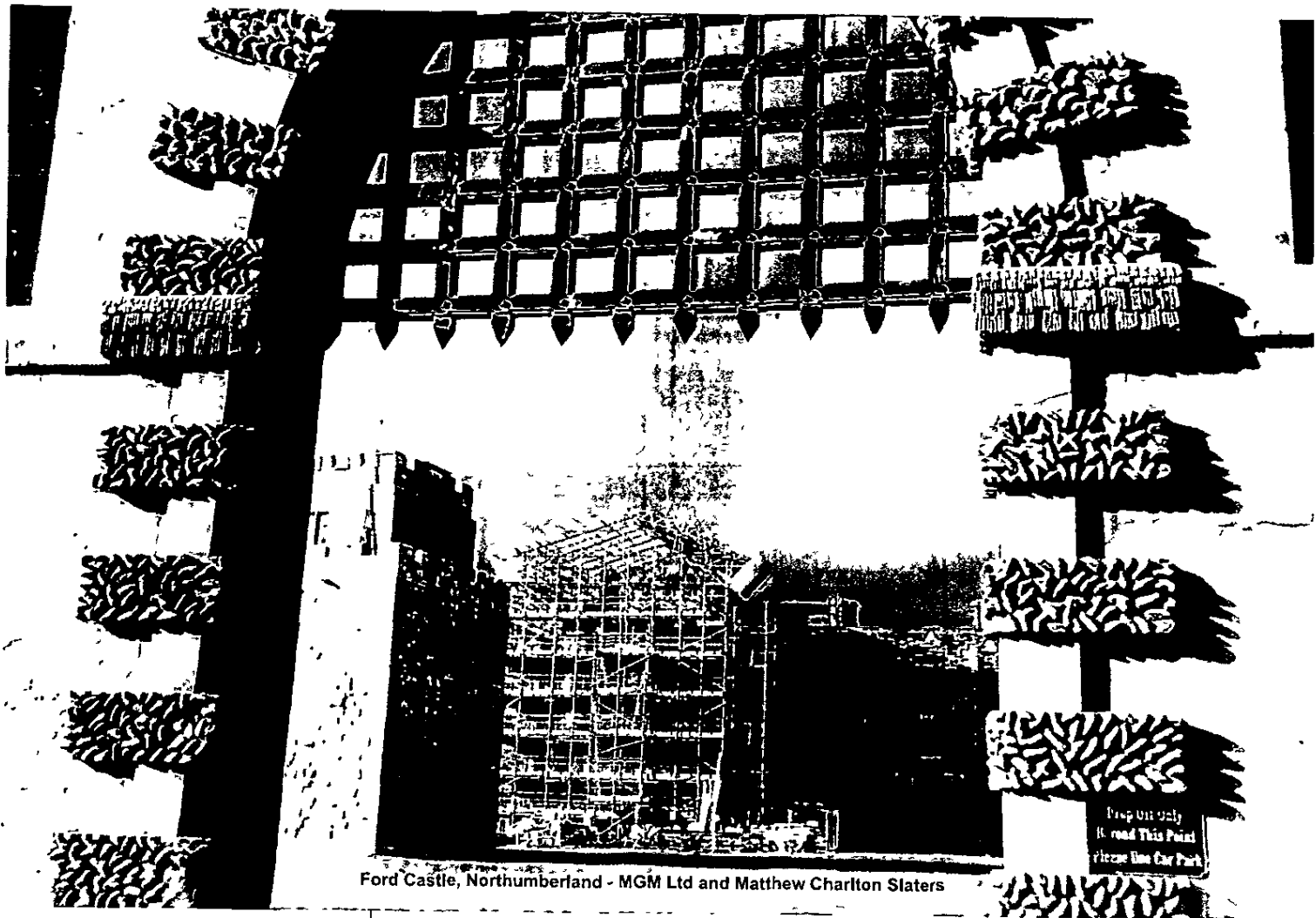


Shaun Mullins (Senior Statutory Auditor)
for and on behalf of Mazars LLP
Chartered Accountants and Statutory Auditor

Mazars House
Gelderd Road
Gildersome
Leeds LS27 7JN

25 July 2016







Souter Lighthouse, Sunderland - MCM Ltd

Consolidated statement of comprehensive income

for the year ended 31 March 2016

	Note	2016 Total £000	2015 Total £000
Revenue	4	36,466	41,723
Cost of sales		(27,542)	(31,897)
Gross profit		8,924	9,826
Other operating income	5	25	17
Administrative expenses			
Exceptional expense		-	(259)
Share based payment	21	(15)	(13)
Other administrative expenses		(6,830)	(7,116)
		(6,845)	(7,388)
Operating profit		2,104	2,455
Finance income	9	2	8
Finance costs			
Non-recurring finance costs	9	-	(239)
Other finance costs	9	(229)	(361)
		(229)	(600)
Profit before income tax		1,877	1,863
Income tax expense	10	(423)	(355)
Profit for the year		1,454	1,508
Total comprehensive income attributable to equity holders of the parent		1,454	1,508
Earnings per share from continuing operations			
Basic earnings per share	11	8 2p	8 5p
Diluted earnings per share	11	8 1p	8 4p

Consolidated statement of changes in equity

for the year ended 31 March 2016

	Share capital £000	Capital redemption £000	Share premium £000	Merger reserve £000	Retained earnings £000	Total equity £000
At 1 April 2014	184	6	5,169	10,371	3,940	19,670
Total comprehensive income for year						
Profit for the year	-	-	-	-	1,508	1,508
Transactions with owners, recorded directly in equity						
Equity settled share-based payment transactions	-	-	-	-	13	13
Equity dividends paid	-	-	-	-	(133)	(133)
At 31 March 2015	<u>184</u>	<u>6</u>	<u>5,169</u>	<u>10,371</u>	<u>5,328</u>	<u>21,058</u>
At 1 April 2015	184	6	5,169	10,371	5,328	21,058
Total comprehensive income for year						
Profit for the year	-	-	-	-	1,454	1,454
Transactions with owners, recorded directly in equity						
Equity settled share-based payment transactions	-	-	-	-	15	15
Equity dividends paid	-	-	-	-	(265)	(265)
At 31 March 2016	<u>184</u>	<u>6</u>	<u>5,169</u>	<u>10,371</u>	<u>6,532</u>	<u>22,262</u>

Company statement of changes in equity

for the year ended 31 March 2016

	Share capital £000	Capital redemption £000	Share premium £000	Merger reserve £000	Retained earnings £000	Total equity £000
At 1 April 2014	184	6	5,169	10,371	3,426	19,156
Total comprehensive income for the year						
Loss for the year	-	-	-	-	(1,244)	(1,244)
Transactions with owners, recorded directly in equity						
Equity settled share-based payment transactions	-	-	-	-	13	13
Equity dividends paid	-	-	-	-	(133)	(133)
At 31 March 2015	<u>184</u>	<u>6</u>	<u>5,169</u>	<u>10,371</u>	<u>2,062</u>	<u>17,792</u>
At 1 April 2015	184	6	5,169	10,371	2,062	17,792
Total comprehensive income for the year						
Loss for the year	-	-	-	-	(825)	(825)
Transactions with owners, recorded directly in equity						
Equity settled share-based payment transactions	-	-	-	-	15	15
Equity dividends paid	-	-	-	-	(265)	(265)
At 31 March 2016	<u>184</u>	<u>6</u>	<u>5,169</u>	<u>10,371</u>	<u>987</u>	<u>16,717</u>

Consolidated balance sheet

at 31 March 2016

	Note	2016 £000	2015 £000
Assets			
Property, plant and equipment	12	2,881	2,702
Intangible assets	13	21,351	21,353
Total non-current assets		24,232	24,055
Inventories	16	976	849
Trade and other receivables	17	7,239	9,746
Prepayments		289	223
Deferred consideration receivable	17	-	143
Cash and cash equivalents	18	1,898	502
Total current assets		10,402	11,463
Total assets		34,634	35,518
Equity			
Share capital	22	184	184
Capital redemption reserve		6	6
Share premium		5,169	5,169
Merger reserve		10,371	10,371
Retained earnings		6,532	5,328
Total equity attributable to equity holders of the Company		22,262	21,058
Liabilities			
Loans and borrowings	19	119	4,599
Deferred tax liabilities	15	213	140
Total non-current liabilities		332	4,739
Loans and borrowings	19	4,607	1,049
Trade and other payables	20	7,090	8,368
Current tax payable		343	304
Total current liabilities		12,040	9,721
Total liabilities		12,372	14,460
Total equity and liabilities		34,634	35,518

These financial statements were approved by the Board of Directors on 25 July 2016 and were signed on its behalf by



T E Hayes
Finance Director

Company registered number 05780581

Company balance sheet

at 31 March 2016

	Note	2016 £000	2015 £000
Assets			
Property, plant and equipment	12	33	43
Investments in subsidiaries	14	35,801	35,801
Deferred tax assets	15	1	1
Total non-current assets		35,835	35,845
Trade and other receivables	17	772	218
Prepayments		43	59
Deferred consideration receivable	17	-	143
Cash and cash equivalents	18	131	252
Total current assets		946	672
Total assets		36,781	36,517
Equity			
Share capital	22	184	184
Capital redemption reserve		6	6
Share premium		5,169	5,169
Merger reserve		10,371	10,371
Retained earnings		987	2,062
Total equity attributable to equity holders of the Company		16,717	17,792
Liabilities			
Loans and borrowings	19	-	4,440
Total non-current liabilities		-	4,440
Loans and borrowings	19	4,440	855
Trade and other payables	20	15,624	13,430
Total current liabilities		20,064	14,285
Total liabilities		20,064	18,725
Total equity and liabilities		36,781	36,517

These financial statements were approved by the Board of Directors on 25 July 2016 and were signed on its behalf by



T E Hayes
Finance Director

Company registered number 05780581

Consolidated statement of cash flows

for the year ended 31 March 2016

	Note	2016 £000	2015 £000
Cash flows from operating activities			
Operating profit for the year		2,104	2,455
<i>Adjustments for</i>			
Depreciation	12	529	521
Amortisation	13	2	2
Loss on sale of property, plant and equipment	12	16	2
Equity settled share-based payment transactions		15	13
		<u>2,666</u>	<u>2,993</u>
Change in inventories	16	(127)	(18)
Change in trade and other receivables	17	2,427	(595)
Change in prepayments		14	(54)
Change in trade and other payables	20	(1,278)	107
		<u>3,702</u>	<u>2,433</u>
Cash generated from operations			
Interest received		2	8
Interest paid		(229)	(361)
Tax paid		(311)	(421)
		<u>3,164</u>	<u>1,659</u>
Net cash flow from operating activities			
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment	12	212	219
Proceeds from subsidiary disposal	17	143	23
Acquisition of property, plant and equipment	12	(813)	(705)
		<u>(458)</u>	<u>(463)</u>
Net cash from investing activities			
Cash flows from financing activities			
Increase in bank loans on re-financing of overdraft		-	4,213
Repayment of borrowings		(848)	(989)
Repayment of finance lease liabilities		(197)	(232)
Equity dividends paid		(265)	(133)
		<u>(1,310)</u>	<u>2,859</u>
Net cash from financing activities			
Net increase in cash and cash equivalents		<u>1,396</u>	<u>4,055</u>
Cash and cash equivalents at start of year	18	502	(3,553)
Cash and cash equivalents at end of year	18	<u>1,898</u>	<u>502</u>

Company statement of cash flows

for the year ended 31 March 2016

	Note	2016 £000	2015 £000
Cash flows from operating activities			
Operating loss for the year		(623)	(673)
<i>Adjustments for</i>			
Depreciation	12	10	14
Equity settled share-based payment transactions		15	13
		(598)	(646)
Change in trade and other receivables	17	(554)	(215)
Change in prepayments		16	(21)
Change in trade and other payables	20	2,194	1,644
		1,058	762
Interest received		2	7
Interest paid		(204)	(337)
Tax paid		-	-
Net cash from operating activities		856	432
Cash flows from investing activities			
Acquisition of property, plant and equipment	12	-	(3)
Proceeds from subsidiary disposal	17	143	23
Net cash from investing activities		143	20
Cash flows from financing activities			
Increase in bank loans on re-financing of overdraft		-	4,213
Repayment of borrowings		(850)	(988)
Repayment of finance lease liabilities		(5)	(5)
Equity dividends paid		(265)	(133)
Net cash from financing activities		(1,120)	3,087
Net increase in cash and cash equivalents		(121)	3,539
Cash and cash equivalents at start of year	18	252	(3,287)
Cash and cash equivalents at end of year	18	131	252

Notes to the financial statements

year ended 31 March 2016

1 Reporting entity

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

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

2 Basis of preparation

Statement of compliance

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

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

Standards and interpretations applied for the first time

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

- IFRIC 21 Levies,
- Annual Improvements to IFRS (2011 - 2013),
- Annual Improvements to IFRS (2010 - 2012), and
- IAS 19 (amendment) Employment Benefits

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 and Interpretations in issue but not applied

At the date of the authorisation of these financial statements, the following applicable or potentially applicable standards, amendments and interpretations, which have not been adopted early in this financial year, were in issue but not yet effective

- IAS 1 (Amendment) 'Presentation of Financial Statements' - Disclosure initiative,
- IAS 16 (Amendment) 'Property, Plant and Equipment' and IAS 38 (Amendment) 'Intangible Assets' - Clarification of acceptable methods of depreciation and amortisation,
- IAS 19 (Amendment) 'Employee Benefits' - Defined benefit plans Employee contributions,
- IAS 27 (Amendment) 'Separate Financial Statements' - Equity method in separate financial statements,
- IFRS 10 (Amendment) 'Consolidated Financial Statements', IFRS 12 (Amendment) 'Disclosure of Interest in Other Entities' and IAS 28 (Amendment) 'Investments in Associates and Joint Ventures' - Investment entities Applying the consolidation exception,
- IFRS 11 (Amendment) 'Joint Arrangements' - Accounting for acquisitions of interests in joint operations,
- Annual Improvements to IFRS (2010 - 2012),
- Annual Improvements to IFRS (2012 - 2014),
- IAS 7 (Amendment) 'Statement of Cash Flows' - Disclosure initiative,
- IAS 12 (Amendment) 'Income Taxes' - Recognition of deferred tax assets for unrealised losses'
- IFRS 9 'Financial Instruments',
- IFRS 15 'Revenue from Contracts with Customers',
- Clarifications to IFRS 15 'Revenue from Contracts with Customers',
- IFRS 16 'Leases'

Notes to the financial statements

year ended 31 March 2016 (continued)

2 Basis of preparation (continued)

The Directors are still assessing the impacts of

- IFRS 15, which is effective for the year ending 31 March 2019, and note the new clarifications issued, particularly on identification of performance obligations,
- IFRS 16, which is effective for the year ending 31 March 2020, and note that it is anticipated that substantially the whole of the Group's leases that are currently accounted for as operating leases off the Group's balance sheet would come on to the balance sheet with the associated lease debt, and
- IAS 16 (Amendment) on "Clarification of acceptable methods of depreciation and amortisation, which is effective for the year ending 31 March 2017, specifically in relation to the depreciation method for materials handling equipment although this is not expected to give rise to any significant impact to carrying amounts

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

Basis of measurement

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

Functional and presentation currency

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

Use of estimates and judgements

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

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

Judgements and estimates made by management in the application of Adopted IFRSs that have a significant impact on the consolidated financial statements with a significant risk of material adjustment in the next year are described in note 26

Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report on pages 7 to 9. The financial position of the Group, its cash flows and liquidity position are described in the Chairman's Statement on pages 3 to 6. In addition, note 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 term loan facilities. The overdraft element of the facilities was last renewed on 17 March 2016 and is committed to 31 March 2017. The Group's bank facilities are due for routine review and renewal on 31 March 2017, the directors have already commenced discussions with Yorkshire Bank and have a reasonable expectation of successful renewal on terms that are substantially the same as those currently in place. The Group's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Group should be able to operate within the level of its current facilities for at least the next 12 months. The Parent Company's net current liabilities are additionally driven by amounts owed to subsidiary undertakings that are repayable on demand, on a periodic basis subsidiary undertakings will declare dividends to the Parent Company to settle these liabilities

Notes to the financial statements

year ended 31 March 2016 (continued)

2 Basis of preparation (continued)

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

3 Significant accounting policies

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

Basis of consolidation

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

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

Classification of financial instruments issued by the Group

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

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

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

Non-derivative financial instruments

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

Trade and other receivables

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

Trade and other payables

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

Interest-bearing borrowings

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

Notes to the financial statements

year ended 31 March 2016 (continued)

3 Significant accounting policies (continued)

Intangible assets and goodwill

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

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

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

Property, plant and equipment

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

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

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

Freehold buildings	2% straight line
Plant and equipment	15% diminishing balance (*)
Motor vehicles	25% diminishing balance
Fixtures and fittings (including computer equipment)	15-33% diminishing balance
Leasehold, buildings and improvements	life of lease straight line

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

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

Investments in subsidiaries

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

Inventories

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

Notes to the financial statements

year ended 31 March 2016 (continued)

3 Significant accounting policies (continued)

Impairment

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

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

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

Employee benefits

Defined contribution pension plans

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

Share-based payment transactions

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

Notes to the financial statements

year ended 31 March 2016 (continued)

3 Significant accounting policies (continued)

Revenue

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

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

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

- Building services – revenue is recognised based on valuations by a quantity surveyor where projects span several months or otherwise on completion of services,
- Roofing – revenue is recognised based on valuations by a quantity surveyor where projects span several months or otherwise on completion of services, and
- Materials handling
 - for product sales, revenue is recognised on delivery to the customer (when significant risks and rewards of ownership are transferred), and
 - for assets leased to customers, revenue is recognised on a straight line basis over the hire term

Other operating income

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

Expenses

(i) Operating leases

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

(ii) Finance leases

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

(iii) Finance income

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

(iv) Finance expenses

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

(v) Exceptional expenses

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

Notes to the financial statements

year ended 31 March 2016 (continued)

3 Significant accounting policies (continued)

Income tax

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

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

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

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

Segment reporting

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

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

Notes to the financial statements

year ended 31 March 2016 (continued)

4 Segmental analysis

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

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

2016	Roofing activities £000	Materials handling activities £000	Building services activities £000	Corporate and other activities £000	Total £000
Revenue					
Total segment revenue	22,748	2,688	11,814	-	37,250
Inter-segment revenue	(294)	(14)	(476)	-	(784)
External revenue	22,454	2,674	11,338	-	36,466
Operating profit/(loss)	1,761	472	477	(606)	2,104
Net finance expense	(14)	(3)	(8)	(202)	(227)
Income tax expense	(265)	(61)	(97)	-	(423)
Profit/(loss) for the financial year	1,482	408	372	(808)	1,454
Segment assets	18,808	5,593	10,233	-	34,634
Segment liabilities	4,680	781	2,351	4,560	12,372
Depreciation charge	177	256	86	10	529
Capital expenditure	321	44	28	-	393

Notes to the financial statements

year ended 31 March 2016 (continued)

4 Segmental analysis (continued)

2015	Roofing activities £000	Materials handling activities £000	Building services activities £000	Corporate and other activities £000	Total £000
Revenue					
Total segment revenue	27,501	2,721	12,582	-	42,804
Inter-segment revenue	(693)	(9)	(379)	-	(1,081)
External revenue	26,808	2,712	12,203	-	41,723
Operating profit/(loss) before exceptional items	2,303	520	566	(675)	2,714
Exceptional items	(12)	-	(247)	-	(259)
Operating profit/(loss)	2,291	520	319	(675)	2,455
Net finance expense	(14)	(3)	(6)	(569)	(592)
Income tax expense	(175)	(83)	(95)	(2)	(355)
Profit/(loss) for the financial year	2,102	434	218	(1,246)	1,508
Segment assets	19,912	5,339	10,013	254	35,518
Segment liabilities	6,163	479	2,384	5,434	14,460
Depreciation charge	168	248	92	13	521
Capital expenditure	285	9	167	1	462

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 £1,260,000 (2015 £1,232,000), substantially the whole of revenue comprises rendering of services.

5 Other operating income

	2016 £000	2015 £000
Rental income	25	17
	25	17

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

Notes to the financial statements

year ended 31 March 2016 (continued)

6 Expenses

Auditor's remuneration

	2016 £000	2015 £000
Audit of these financial statements	23	23
Amounts receivable by auditor and their associates in respect of Audit of financial statements of subsidiaries pursuant to legislation	<u>68</u>	<u>68</u>
Non-audit services provided to the Group		
Corporation tax compliance services	16	16
Other services	<u>15</u>	<u>11</u>

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

Depreciation charge

The depreciation charge recognised as an expense in the year was £529,000 (2015 £521,000)

Exceptional expenses

Administrative expenses in 2015 include a £259,000 bad debt. This was due from GB Building Solutions Limited which entered administration in March 2015 and hence full provision against outstanding balances was made in the 2015 financial statements. The cost has been presented separately within administrative expenses due to its size and one-off nature.

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	
	2016	2015
Directors	6	6
Administration	69	77
Production	<u>264</u>	<u>287</u>
	<u>339</u>	<u>370</u>
The aggregate payroll costs of these persons were as follows		
	2016 £000	2015 £000
Wages and salaries	8,652	9,487
Share-based payments	15	13
Social security costs	786	912
Contributions to defined contribution plans	<u>90</u>	<u>85</u>
	<u>9,543</u>	<u>10,497</u>

Notes to the financial statements

year ended 31 March 2016 (continued)

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 2016 £000	Total 2015 £000
SM Roberts	48	22	-	70	68
GR Jennings	149	68	13	230	220
K Soulsby	98	24	18	140	133
TE Hayes	48	18	-	66	58
IT McLean	25	-	-	25	25
HB Gold	-	-	-	-	-
	<u>368</u>	<u>132</u>	<u>31</u>	<u>531</u>	<u>504</u>

Pension contributions	2016 £000	2015 £000
K Soulsby	<u>12</u>	<u>12</u>

	Number of directors 2016	2015
Retirement benefits are accruing to the following number of directors under Money purchase schemes	<u>1</u>	<u>1</u>

9 Finance income and costs

Finance income	2016 £000	2015 £000
Bank interest	<u>2</u>	<u>8</u>
Finance costs	2016 £000	2015 £000
On bank loans and overdrafts	204	345
Finance charges payable in respect of finance leases and hire purchase contracts	25	16
Non-recurring write off of unamortised transaction costs included in borrowings	-	239
Total finance costs	<u>229</u>	<u>600</u>

Historically, directly attributable bank fees were amortised over the life of the term loans to which they related. In the prior year, having assessed the impact of the bank facility renewal on 7 April 2014 described in note 19, the directors considered that the terms of bank facilities had been substantially modified and accordingly had written off all relevant unamortised fees. This resulted in a non-recurring charge to finance costs in 2015 of £239,000.

Notes to the financial statements

year ended 31 March 2016 (continued)

10 Taxation

Recognised in the income statement

	2016 £000	2015 £000
<i>Current tax expense</i>		
Current year	343	281
Adjustment in respect of prior periods	7	-
Current tax expense	350	281
<i>Deferred tax expense</i>		
Origination and reversal of temporary differences	73	74
Deferred tax expense	73	74
Total tax expense	423	355

Reconciliation of effective tax rate

	2016 £000	2015 £000
Profit before tax	1,877	1,863
Tax using the UK corporation tax rate of 20% (2015 21%)	375	392
Expenses not deductible for tax purposes	19	(2)
Adjustment in respect of prior periods	7	-
Other differences	22	(35)
Total tax expense	423	355

Factors that may affect future tax expenses

Reductions to the main rate of corporation tax by 1% to 20% from 1 April 2015 were substantively enacted by 31 March 2015 and therefore are included in the figures above insofar as pertaining to deferred tax balances at 31 March 2015

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 and therefore are included in the figures above insofar as pertaining to deferred tax balances at 31 March 2016

Notes to the financial statements

year ended 31 March 2016 (continued)

11 Earnings per share

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

	2016	2015
Profit for the year (£000)	1,454	1,508
Weighted average number of ordinary shares excluding shares held in treasury for the proportion of the year held in treasury (note 22) ('000)	17,670	17,670
Basic earnings per share	8.2p	8 5p

The calculation of diluted earnings per share is the profit 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

	2016	2015
Profit for the year (£000)	1,454	1,508
Weighted average number of ordinary shares excluding shares held in treasury for the proportion of the year held in treasury (note 22) ('000)	17,670	17,670
Effect of potential dilutive ordinary shares ('000)	211	207
Diluted weighted average number of ordinary shares excluding shares held in treasury for the proportion of the year held in treasury ('000)	17,881	17,877
Diluted earnings per share	8.1p	8 4p

Notes to the financial statements

year ended 31 March 2016 (continued)

12 Property, plant and equipment

Group	Land and buildings £000	Plant and equipment £000	Fixtures and fittings £000	Motor vehicles £000	Total £000
Cost					
Balance at 1 April 2014	139	2,821	464	1,811	5,235
Transfers from stock	-	452	-	-	452
Other acquisitions	31	41	87	303	462
Materials handling disposals	-	(245)	-	-	(245)
Other disposals	-	-	(9)	(283)	(292)
Balance at 31 March 2015	170	3,069	542	1,831	5,612
Balance at 1 April 2015	170	3,069	542	1,831	5,612
Transfers from stock	-	544	-	-	544
Other acquisitions	1	36	45	311	393
Materials handling disposals	-	(277)	-	-	(277)
Other disposals	-	(15)	(32)	(392)	(439)
Balance at 31 March 2016	171	3,357	555	1,750	5,833
Depreciation and impairment					
Balance at 1 April 2014	131	1,308	327	939	2,705
Depreciation charge for the year	2	234	33	252	521
Materials handling disposals	-	(98)	-	-	(98)
Other disposals	-	-	(8)	(210)	(218)
Balance at 31 March 2015	133	1,444	352	981	2,910
Balance at 1 April 2015	133	1,444	352	981	2,910
Depreciation charge for the year	4	246	50	229	529
Materials handling disposals	-	(142)	-	-	(142)
Other disposals	-	(15)	(6)	(324)	(345)
Balance at 31 March 2016	137	1,533	396	886	2,952
Net book value					
At 1 April 2014	8	1,513	137	872	2,530
At 31 March 2015	37	1,625	190	850	2,702
At 31 March 2016	34	1,824	159	864	2,881

Leased property, plant and equipment

At 31 March 2016 the net carrying amount of plant and equipment held on finance leases was £24,360 (2015 £11,713) and the net carrying amount of motor vehicles held on finance leases was £498,345 (2015 £568,232)

Security

Leased equipment secures lease obligations

Materials handling equipment

Materials handling equipment is leased out under operating leases that are broadly evenly split between short-term hires of less than one year and longer-term hires. The net book value of materials handling equipment at 31 March 2016 included within plant and equipment was £1,674,912 (2015 £1,487,868). Sale of materials handling equipment is included within revenue, with the net book value at the date of sale included within cost of sales.

Notes to the financial statements

year ended 31 March 2016 (continued)

12 Property, plant and equipment (continued)

Company	Fixtures and fittings £000	Motor vehicles £000	Total £000
Cost			
Balance at 1 April 2014	100	19	119
Additions	3	-	3
Balance at 31 March 2015	103	19	122
Balance at 1 April 2015	103	19	122
Additions	-	-	-
Balance at 31 March 2016	103	19	122
Depreciation and impairment			
Balance at 1 April 2014	60	5	65
Depreciation charge for the year	11	3	14
Balance at 31 March 2015	71	8	79
Balance at 1 April 2015	71	8	79
Depreciation charge for the year	7	3	10
Balance at 31 March 2016	78	11	89
Net book value			
At 1 April 2014	40	14	54
At 31 March 2015	32	11	43
At 31 March 2016	25	8	33

At 31 March 2016 the net carrying amount of motor vehicles held on finance leases was £nil (2015 £10,248) and the depreciation charge thereon for the year ended 31 March 2016 was £nil (2015 £3,416)

Notes to the financial statements

year ended 31 March 2016 (continued)

13 Intangible assets

Group	Goodwill £000	Brands £000	Total £000
Cost			
Balance at 1 April 2014	21,348	11	21,359
Additions	-	-	-
Balance at 31 March 2015	21,348	11	21,359
Balance at 1 April 2015	21,348	11	21,359
Additions	-	-	-
Balance at 31 March 2016	21,348	11	21,359
Amortisation and impairment			
Balance at 1 April 2014	-	4	4
Amortisation	-	2	2
Balance at 31 March 2015	-	6	6
Balance at 1 April 2015	-	6	6
Amortisation	-	2	2
Balance at 31 March 2016	-	8	8
Net book value			
At 1 April 2014	21,348	7	21,355
At 31 March 2015	21,348	5	21,353
At 31 March 2016	21,348	3	21,351

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

	2016 £000	2015 £000
Isoler Limited	1,526	1,526
Wensley Roofing Limited	3,126	3,126
Springs Roofing Limited	4,507	4,507
MGM Limited	1,599	1,599
Chirmarn Holdings Limited	3,891	3,891
Jennings Properties Limited	4,087	4,087
A1 Industrial Trucks Limited	2,612	2,612
	21,348	21,348

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

Notes to the financial statements

year ended 31 March 2016 (continued)

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 20 year period based on detailed approved budgets for the next year, directors' projections of profits for years two to five and a steady state annual growth assumption thereafter up to year 20 with no terminal value
- 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, with the exception of Chirmarn Holdings Limited ("Chirmarn") where the long term growth rate has been assumed to be zero due to industry factors
- Discount rate – management have applied a discount rate of 10% (2015: 9%) to the cash flow forecasts, which represents their best estimate of the Group's weighted average cost of capital. The calculation is based on the split of equity and debt funding at the balance sheet date and estimated long term costs for debt and equity. Management believe the market risk associated with each CGU is similar and has applied the average rate across the business. The discount rate reflects the continued difficult trading conditions and economic environment, and is comparable to rates used by other groups operating in similar segments

Sensitivity analysis

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

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

Based on this sensitivity analysis the majority of CGUs still show substantial headroom when comparing value in use to the carrying value of goodwill.

For Chirmarn there is 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 Chirmarn in years two to five would require a substantial improvement in current trading performance, albeit to profit levels well below those achieved for several years following acquisition, 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. The impairment impact of a 1% increase in the discount rate would not itself be significant.

Notes to the financial statements

year ended 31 March 2016 (continued)

14 Investments in subsidiaries

Company	Shares in group Undertakings £000
Cost	
Balance at 1 April 2014	35,801
Disposals	-
Balance at 31 March 2015	35,801
Balance at 1 April 2015	35,801
Disposals	-
Balance at 31 March 2016	35,801
Impairment	-
Balance at 31 March 2014 - 31 March 2016	-
Net book value	
At 1 April 2014	35,801
At 31 March 2015	35,801
At 31 March 2016	35,801

The Company has the following investments in subsidiaries

Company	Country of Incorporation	Class of shares held	Ownership	
			2016	2015
Isoler Limited	England and Wales	Ordinary	100%	100%
		A Ordinary	100%	100%
Springs Roofing Limited	England and Wales	Ordinary	100%	100%
		A Ordinary	100%	100%
		B Ordinary	100%	100%
		C Ordinary	100%	100%
		D Ordinary	100%	100%
Wensley Roofing Limited	England and Wales	Ordinary	100%	100%
		A Ordinary	100%	100%
MGM Limited	England and Wales	Ordinary	100%	100%
		A Ordinary	100%	100%
Chirmarn Holdings Limited	England and Wales	Ordinary	100%	100%
Chirmarn Limited	England and Wales	Ordinary	100%	100%*
Chirmarn (Surveying) Limited	England and Wales	Ordinary	100%	100%*
Jennings Properties Limited	England and Wales	Ordinary	100%	100%
		A Ordinary	100%	100%
		B Ordinary	100%	100%
Jennings Roofing Limited	England and Wales	Ordinary	100%	100%*
A1 Industrial Trucks Limited	England and Wales	Ordinary	100%	100%
Northern Bear Safety Limited	England and Wales	Ordinary	100%	100%
Northern Bear Building Services Limited	England and Wales	Ordinary	100%	100%

*held indirectly

Notes to the financial statements

year ended 31 March 2016 (continued)

15 Deferred tax assets and liabilities

Group

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following

		2016 £000	2015 £000
Property, plant and equipment		(213)	(140)
Net tax liability		(213)	(140)
<i>Movement in deferred tax during the year</i>			
	1 April 2015 £000	Recognised in income £000	31 March 2016 £000
Property, plant and equipment	(140)	(73)	(213)
	(140)	(73)	(213)
<i>Movement in deferred tax during the prior year</i>			
	1 April 2014 £000	Recognised in income £000	31 March 2015 £000
Property, plant and equipment	(66)	(74)	(140)
	(66)	(74)	(140)

Company

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

16 Inventories

	Group		Company	
	2016 £000	2015 £000	2016 £000	2015 £000
Raw materials and consumables	976	849	-	-

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 £679,000 (2015: £725,000).

Notes to the financial statements

year ended 31 March 2016 (continued)

17 Receivables

Trade and other receivables

	Group		Company	
	2016	2015	2016	2015
	£000	£000	£000	£000
Trade receivables (note 23)	7,239	9,746	3	3
Other trade receivables	-	-	222	215
Amounts owed by group undertakings	-	-	547	-
	<u>7,239</u>	<u>9,746</u>	<u>772</u>	<u>218</u>

At 31 March 2016 Group trade receivables include retentions of £1,378,000 (2015 £1,388,000) relating to contract work substantially falling due within one year (none within the Company for either period)

Deferred consideration receivable (Group and Company)

Deferred consideration of £nil (2015 £143,000) was receivable from the sale of The Roof Truss Company (Northern) Limited in a prior period

During the year ended 31 March 2016, the Company agreed an accelerated settlement with the purchaser such that the outstanding balance of £143,000 was settled in full during the year

18 Cash and cash equivalents

	Group		Company	
	2016	2015	2016	2015
	£000	£000	£000	£000
Cash and cash equivalents per balance sheet	1,898	502	131	252
Cash and cash equivalents per cash flow statements	<u>1,898</u>	<u>502</u>	<u>131</u>	<u>252</u>

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	
	2016	2015	2016	2015
	£000	£000	£000	£000
Non-current liabilities				
Secured bank loans	-	4,440	-	4,440
Finance lease liabilities	119	159	-	-
	<u>119</u>	<u>4,599</u>	<u>-</u>	<u>4,440</u>
Current liabilities				
Current portion of secured bank loans	4,440	850	4,440	850
Current portion of finance lease liabilities	161	195	-	5
Other loans	6	4	-	-
	<u>4,607</u>	<u>1,049</u>	<u>4,440</u>	<u>855</u>

Notes to the financial statements

year ended 31 March 2016 (continued)

19 Loans and borrowings (continued)

Terms and debt repayment schedule

	Currency	Nominal interest rate	Year of maturity	Fair value 2016 £000	Carrying amount 2016 £000	Fair value 2015 £000	Carrying amount 2015 £000
Yorkshire Bank term loan facility	GBP	Libor +3.25%	2017	4,440	4,440	5,290	5,290
Finance lease and hire purchase liabilities	GBP	n/a	Within 5 years	280	280	354	354
Other loans	GBP	n/a	n/a	6	6	4	4

The Group restructured the whole of its bank facilities on 7 April 2014 and, as part of this process, the revolving credit facility of £3,500,000 was transferred to term debt, along with £750,000 of the Group's bank overdraft. The term loan facility is next due for routine review and renewal on 31 March 2017. The entire term loan balance has been included in current liabilities as the renewal date falls within 12 months of the balance sheet date.

The Group retains a £1 million overdraft facility for working capital purposes although this was not utilised at the balance sheet date. This facility was renewed on 17 March 2016 and is next due for routine review and renewal on 31 March 2017. As part of the prior year renewal process, the margin on all bank debt was reduced from LIBOR plus 4.25 per cent to a maximum of LIBOR plus 3.25 per cent effective from 1 April 2015.

The Directors have already commenced discussions with Yorkshire Bank with regard to the routine review and renewal of term loan and overdraft facilities on 31 March 2017 and fully expect these facilities to be renewed, on terms that are substantially the same as those currently in place, to ensure that the Group has sufficient and appropriate bank facilities for the foreseeable future. Further to these discussions, should the Group need to issue further bank debt to fund an acquisition then the Directors expect that additional facilities will be available.

Finance lease liabilities

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

2016

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

Notes to the financial statements

year ended 31 March 2016 (continued)

19 Loans and borrowings (continued)

2015

Group	Principal £000	Interest £000	Minimum lease Payments £000
Less than one year	195	22	217
Between one and five years	159	20	179
	<u>354</u>	<u>42</u>	<u>396</u>

Finance lease liabilities 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	
	2016 £000	2015 £000	2016 £000	2015 £000
Trade payables	5,304	6,470	80	82
Non-trade payables and accrued expenses	1,786	1,898	279	273
Amounts owed to group undertakings	-	-	15,265	13,075
	<u>7,090</u>	<u>8,368</u>	<u>15,624</u>	<u>13,430</u>

Amounts owed to group undertakings have been included in trade and other payables as these balances are repayable on demand. The prior year trade and other payables disclosure for amounts owed to group undertakings for the Company has been restated to reflect this presentation. The balance was previously included in non-current liabilities.

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 £90,000 (2015: £85,000).

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
18 December 2006	Equity	700,000	3 years of service	Dec 2007 – Dec 2016	88p
1 March 2007	Equity	300,000	3 years of service	Mar 2010 – Mar 2017	98p
17 December 2007	Equity	230,000	3 years of service	Dec 2010 – Dec 2017	120p
30 June 2008	Equity	25,000	3 years of service	June 2011 – June 2018	98p
7 March 2014	Equity	530,000	3 years of service	Mar 2017 – Mar 2024	28.5p
10 March 2015	Equity	65,000	3 years of service	Mar 2018 – Mar 2025	45.8p

Notes to the financial statements

year ended 31 March 2016 (continued)

21 Employee benefits (continued)

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

	Weighted average exercise price 2016	Number of options 2016	Weighted average exercise price 2015	Number of options 2015
Outstanding at the beginning of the year	81.2p	1,510,000	82.8p	1,445,000
Granted during the year		-	45.8p	65,000
Lapsed during the year	76.8p	(62,500)		-
Outstanding at the end of the year	81.4p	1,447,500	81.2p	1,510,000
Exercisable at the end of the year	95.7p	852,500	97.0p	915,000

The options outstanding at the year end have an exercise price in the range of 28.5p to 120p and a weighted average contractual life of 4.0 years

The fair value of services received in return for share options granted are measured by reference to the fair value of share options granted. The fair value of employee share options is measured using a Black-Scholes model. Measurement inputs and assumptions for options issued in the years ended 31 March 2015 and 31 March 2016 are as follows

10 March 2015

Fair value at measurement date	12p
Exercise price	45.8p
Expected volatility	44.0%
Option life (from inception)	3.5 years
Expected dividends	3.0%

Risk-free interest rate (based on national government bonds) 0.97%

For options issued on 10 March 2015, the expected volatility is based on the Company's share price movements over the three years from 1 April 2012

Share options are granted under a service condition and, for grants between 1 March 2007 and 30 June 2008, a non-market performance condition. Such conditions are not taken into account in the grant date fair value measurement of the services received

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

	2016 £000	2015 £000
Equity settled share based payment expense	15	13

Notes to the financial statements

year ended 31 March 2016 (continued)

22 Share capital and reserves

Share capital

	2016 £000	2015 £000
<i>Authorised</i>		
50,000,000 ordinary shares of 1p each (2015 50,000,000)	500	500
50,000 0 1% cumulative redeemable preference shares of £1 each	50	50
	<hr/> 550	<hr/> 550
<i>Allotted, called up and fully paid</i>		
18,419,724 (2015 18,419,724) ordinary shares of 1p each	184	184
Shares classified in shareholders' funds	<hr/> 184	<hr/> 184

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

On 13 December 2012 the Company purchased 133,992 ordinary shares of one penny each in the Company ("Ordinary Shares") at a price of 11 5p per Ordinary Share from Graham Forrest, the Company's former Chief Executive. The shares are held in treasury. 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 are also held in treasury. The cost of the share purchase was recorded in retained earnings.

Reserves

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

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

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

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

Dividend

The Company paid a dividend of 1.5p per ordinary share during the year (2015 0 75p), with a total cost of £265,000 (2015 £133,000), which was recorded as a distribution to owners through retained earnings.

Notes to the financial statements

year ended 31 March 2016 (continued)

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

Deferred consideration receivable

The fair value of deferred consideration receivable is estimated as the present value of future cash flows, discounted at the market rate of interest at the balance sheet date if the effect is material

Trade and other payables

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

Cash and cash equivalents

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

Interest-bearing borrowings

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

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

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

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

Credit risk

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

Notes to the financial statements

year ended 31 March 2016 (continued)

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 loans and receivables and cash at bank.

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

Fair values

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

Profit and loss account

Details of finance income and finance costs are included in note 9.

Notes to the financial statements

year ended 31 March 2016 (continued)

23 Financial instruments (continued)

Carrying amounts of financial assets

	Group		Company	
	2016	2015	2016	2015
	£000	£000	£000	£000
Trade receivables	7,239	9,746	3	3
Other receivables	-	-	222	215
Amounts owed by group undertakings	-	-	547	-
Deferred consideration receivable	-	143	-	143
Cash at bank	1,898	502	131	252
	<u>9,137</u>	<u>10,391</u>	<u>903</u>	<u>613</u>

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 £9,137,000 (2015: £10,391,000) and for the Company was £903,000 (2015: £613,000) being the total of the carrying amount of financial assets.

Credit quality of financial assets and impairment losses

Trade receivables consist of the following:

	Group		Company	
	2016	2015	2016	2015
	£000	£000	£000	£000
Sales ledger	7,687	10,184	3	3
Bad debt provision	(448)	(438)	-	-
Net trade receivable	<u>7,239</u>	<u>9,746</u>	<u>3</u>	<u>3</u>

Movements in the bad debt provision are summarised below:

	2016	2015
	£000	£000
At beginning of year	438	230
Provided in year	149	420
Write offs and recoveries	(139)	(212)
At end of year	<u>448</u>	<u>438</u>

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

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

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

Notes to the financial statements

year ended 31 March 2016 (continued)

23 Financial instruments (continued)

Interest rate risk

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

	2016 Interest rate	2015 Interest rate
Cash and cash equivalents	Nil	Nil
Bank overdraft	Libor+3 25	Libor+4 25
Term loans	Libor+3 25	Libor+4 25
Other loans	n/a	n/a

A change of 100 basis points in interest would increase or decrease profit by £24,000 (2015 £28,000)

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

Foreign exchange risk

The Group is not exposed to significant foreign exchange risk

Liquidity risks

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

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

31 March 2016

Non-derivative financial instruments

Group	Carrying amount £000	Contractual cash flow £000	6 months or less £000	6-12 months £000	1-2 years £000	2-5 years £000	More than 5 years £000
Trade and other payables	7,090	(7,090)	(7,090)	-	-	-	-
Finance lease liabilities	280	(312)	(111)	(71)	(90)	(40)	-
Bank loan	4,440	(4,922)	(541)	(4,381)	-	-	-
Other loans	6	(6)	(6)	-	-	-	-
	<u>11,816</u>	<u>(12,330)</u>	<u>(7,748)</u>	<u>(4,452)</u>	<u>(90)</u>	<u>(40)</u>	<u>-</u>
Company	Carrying amount £000	Contractual cash flow £000	6 months or less £000	6-12 months £000	1-2 years £000	2-5 years £000	More than 5 years £000
Trade and other payables	359	(359)	(359)	-	-	-	-
Amounts owed to group undertakings	15,265	(15,265)	(15,265)	-	-	-	-
Bank loan	4,440	(4,922)	(541)	(4,381)	-	-	-
	<u>20,064</u>	<u>(20,546)</u>	<u>(16,165)</u>	<u>(4,381)</u>	<u>-</u>	<u>-</u>	<u>-</u>

Notes to the financial statements

year ended 31 March 2016 (continued)

23 Financial instruments (continued)

31 March 2015

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	8,368	(8,368)	(8,368)	-	-	-	-
Finance lease liabilities	354	(396)	(115)	(102)	(131)	(48)	-
Bank loan	5,290	(5,980)	(533)	(525)	(4,922)	-	-
Other loans	4	(4)	(4)	-	-	-	-
	<u>14,016</u>	<u>(14,748)</u>	<u>(9,020)</u>	<u>(627)</u>	<u>(5,053)</u>	<u>(48)</u>	<u>-</u>

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	355	(355)	(355)	-	-	-	-
Finance lease liabilities	5	(5)	(3)	(2)	-	-	-
Amounts owed to group undertakings	13,075	(13,075)	(13,075)	-	-	-	-
Bank loan	5,290	(5,980)	(533)	(525)	(4,922)	-	-
	<u>18,725</u>	<u>(19,415)</u>	<u>(13,966)</u>	<u>(527)</u>	<u>(4,922)</u>	<u>-</u>	<u>-</u>

24 Operating leases

Operating leases in which Group is a lessee

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

	Group		Company	
	2016 £000	2015 £000	2016 £000	2015 £000
Less than one year	219	202	90	91
Between one and five years	393	474	206	246
More than five years	168	219	168	219
	<u>780</u>	<u>895</u>	<u>464</u>	<u>556</u>

Operating leases in which the Group operates as lessee comprise properties on both short and long term rental agreements. Operating lease rental expenses incurred during the year in relation to properties amounted to £225,000 (2015: £238,000).

Notes to the financial statements

year ended 31 March 2016 (continued)

25 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 16.7% (2015 16.7%) of the voting shares of the Company at the balance sheet date

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

	Group	
	2016	2015
	£000	£000
Key management emoluments excluding social security costs	531	504

During the year the Company paid a dividend of 1.5p per ordinary share (2015 0.75p). The amount paid to key management personnel based on their holdings of the Company's ordinary shares was £44,368 (2015 £22,184)

Group

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

2016

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

2015

	Wensley Roofing Limited DPS £000	Mincoffs Solicitors LLP £000
Balance as at beginning of period	-	-
Purchases	(21)	(34)
Settled	21	30
Balance as at end of period	-	(4)

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

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

Notes to the financial statements

year ended 31 March 2016 (continued)

25 Related parties (continued)

Other related party transactions in the year totalled £51,000 (2015 £48,000)

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 (none in the years ended 31 March 2016 or 2015). 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.

26 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

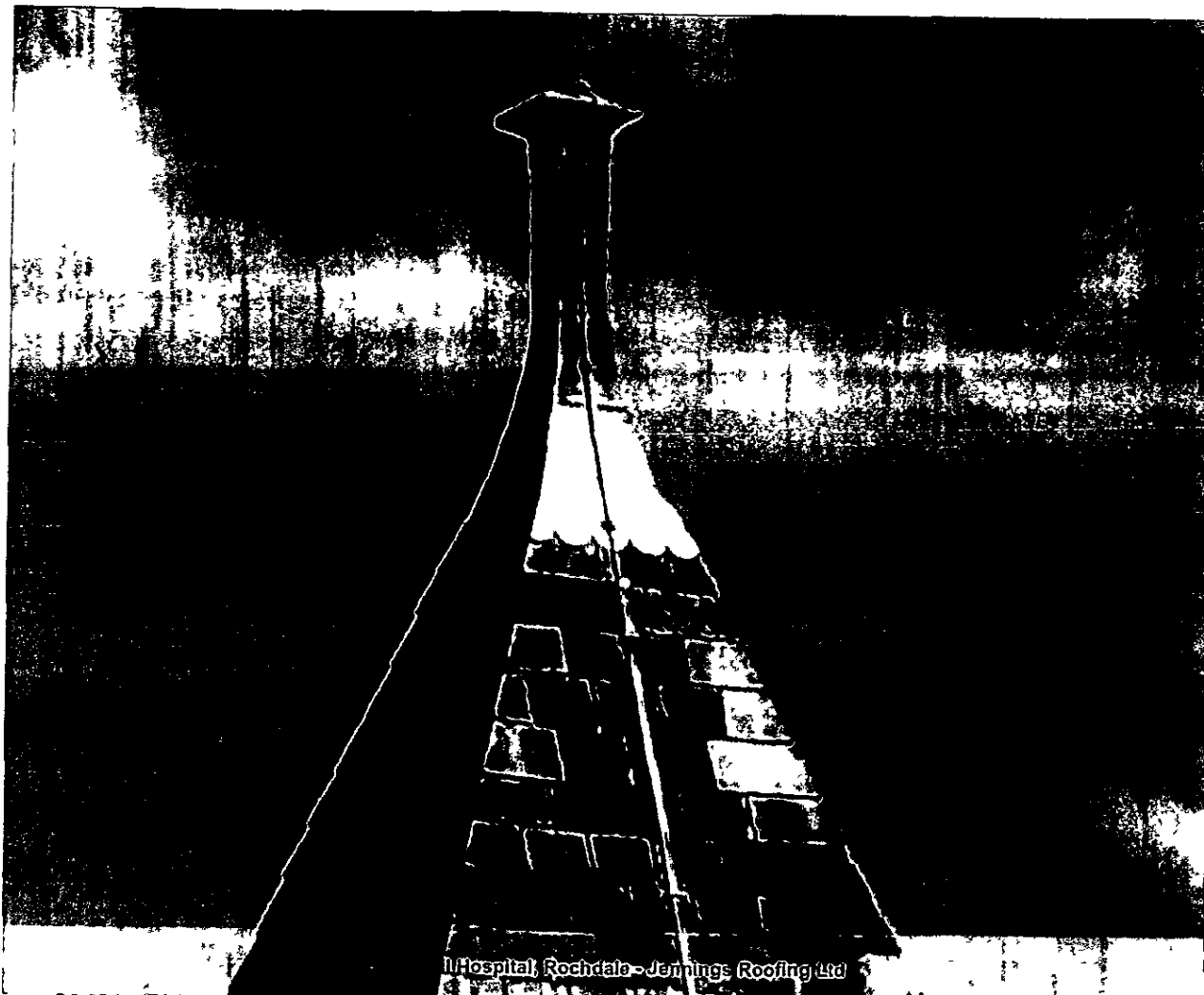
This requires the identification of recoverable value, being the higher of value in use and fair value less costs to sell. The directors have assessed whether there has been any indication that property, plant and equipment may be impaired and have determined that there have been no indicators of impairment.

Revenue and profit recognition on contracting activities

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

27 Off balance sheet arrangements

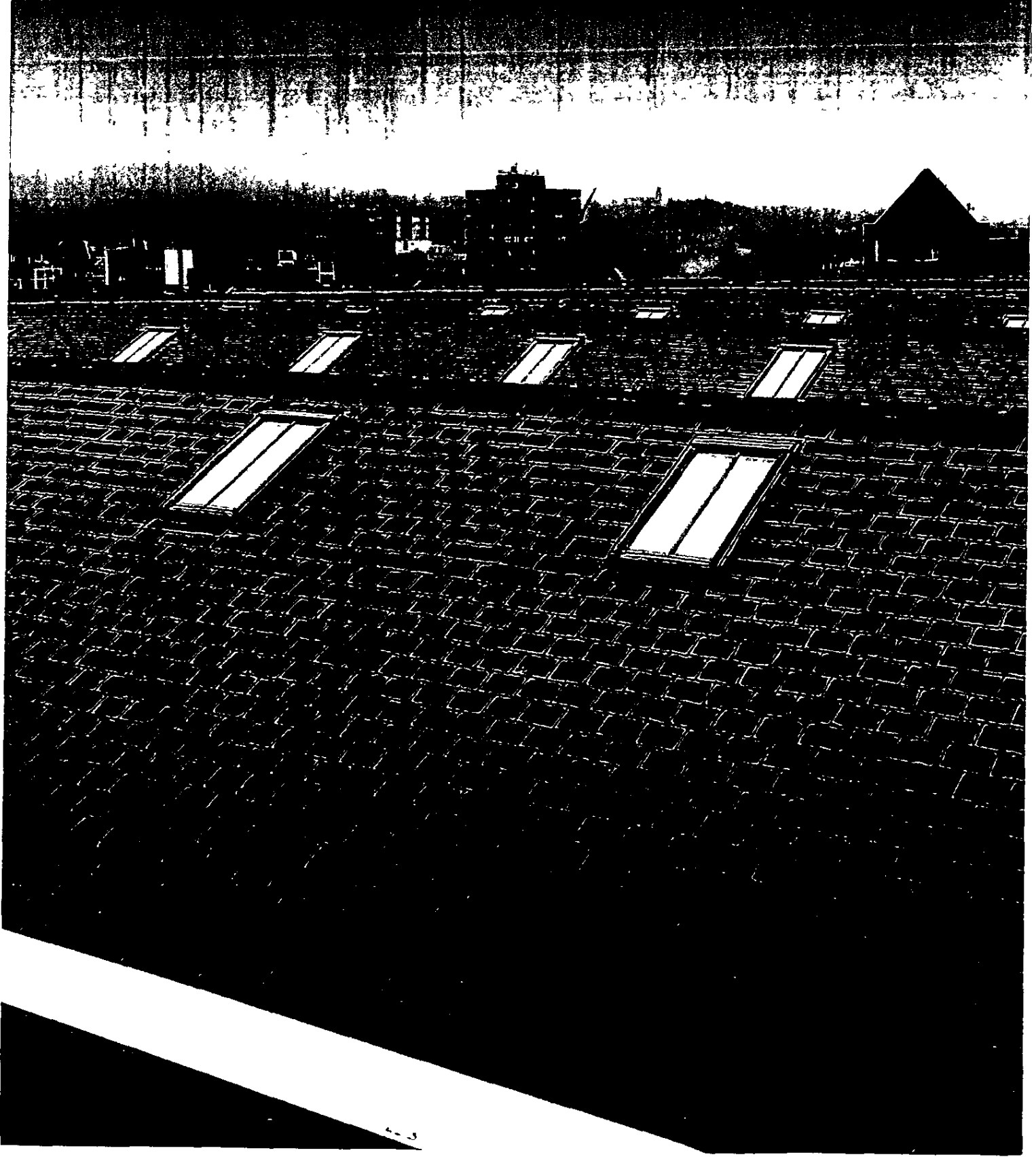
There are no parties with whom the Group or Company has contractual or other arrangements that are considered material to the Group or Company's financial position other than those arrangements disclosed in the financial statements.



St. Hospital, Rochdale - Jennings Roofing Ltd



Linden Homes, Warrington - Sprague Roofing Ltd



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WENSLEY
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Northern Bear
Safety Ltd



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