

Revenues rise to £61m at Newcastle construction group Northern Bear despite industry challenges

Newcastle construction company Northern Bear has seen revenues rise 24% to top £61m despite a range of industry challenges.

The chairman of the group said the board was pleased with the strong results in light of ongoing headwinds and challenges facing the industry, including inflation, materials availability and attracting and retaining staff.

The group, which is made up of several firms including MGM Limited, Northern Bear Roofing and A1 industrial trucks, reported adjusted Ebitda of £3.6m, up from £2.3m a year earlier, and adjusted operating profit of £2.6m, up from £1.4m.

However, the group reported an overall operating loss of £700,000 and a retained loss of £1.3m, after recording an impairment of goodwill of £2.6m due to supply chain interruptions in its materials handling business, A1 Industrial Trucks, which is affecting lead times for the delivery of forklift trucks.

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Jeff Baryshnik, non-executive chairman of Northern Bear said: “Despite industry-wide challenges with respect to both the availability and increasing prices of construction materials, along with the well-publicised issues relating to attracting and retaining employees in our industry, we are pleased to announce strong adjusted operating results which have exceeded

those from the prior year to 31 March 2021 as well as those from the comparable pre-pandemic year.

“It is a testament to the executive team and the subsidiary operating teams that FY22 operating results exceed those of the comparable pre-pandemic year ended 31 March 2020. Our companies have strong and well-established supplier relationships and, on the whole, have been able to work with our robust supply chain to ensure continuity of supply for contracts.”

Looking ahead, however, Mr Baryshnik said in his report that the group has seen some impact on its results and that “this situation could provide a short-term headwind to operations until industry supply and demand revert to more typical levels.”

He added: “Our forward order book remains strong and should support our trading performance in the coming months, subject to potential supply chain challenges and the business-specific considerations noted in the trading statement above. We regularly report that the timing of group turnover and profitability is difficult to predict despite the continued strong order book, and our results can also be volatile on a month to month basis.”

The group said MGM Limited, its specialist construction and refurbishment business, saw continued exceptional performance. It sought to ease some of the pressure on its surveyors and contract managers by employing a buyer to optimise supply chain availability and pricing, freeing up them up to concentrate more on their site work.

H Peel, its fit out and interiors business, continued to experience challenging trading conditions during the year as a result of lockdowns affecting its core hospitality and leisure markets, but it is “cautiously hopeful” of a continued stabilisation.

Electrical contractor J Lister Electrical saw improved profitability during the year, and its fire protection contracting firm Isoler performed very strongly.

Earlier this month the firm also agreed to settle a legal claim against Springs Roofing Limited, brought by its client Engie Regeneration, for £600,000, relating to roofing work carried out on eight care home properties. Northern Bear said Engie employed Springs to re-roof eight of its properties, as it was experiencing performance issues with various aspects of its buildings. Springs' directors believe the performance issues were caused by problems with the design of the buildings for which Springs had no responsibility.

The re-roofing, however, was carried out to a different specification to the original contract and different materials were used.

The firm said: "While the Springs directors believed the claim was without merit, we took into consideration the commercial risk of litigation and the potential for irrecoverable costs to be incurred in defending the claim. Springs and Northern Bear's other subsidiaries retain excellent commercial relationships with Engie's (recently renamed to Equans) regional and national management team. As such, Engie (Equans) continues to be an important and valued customer for the group."

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