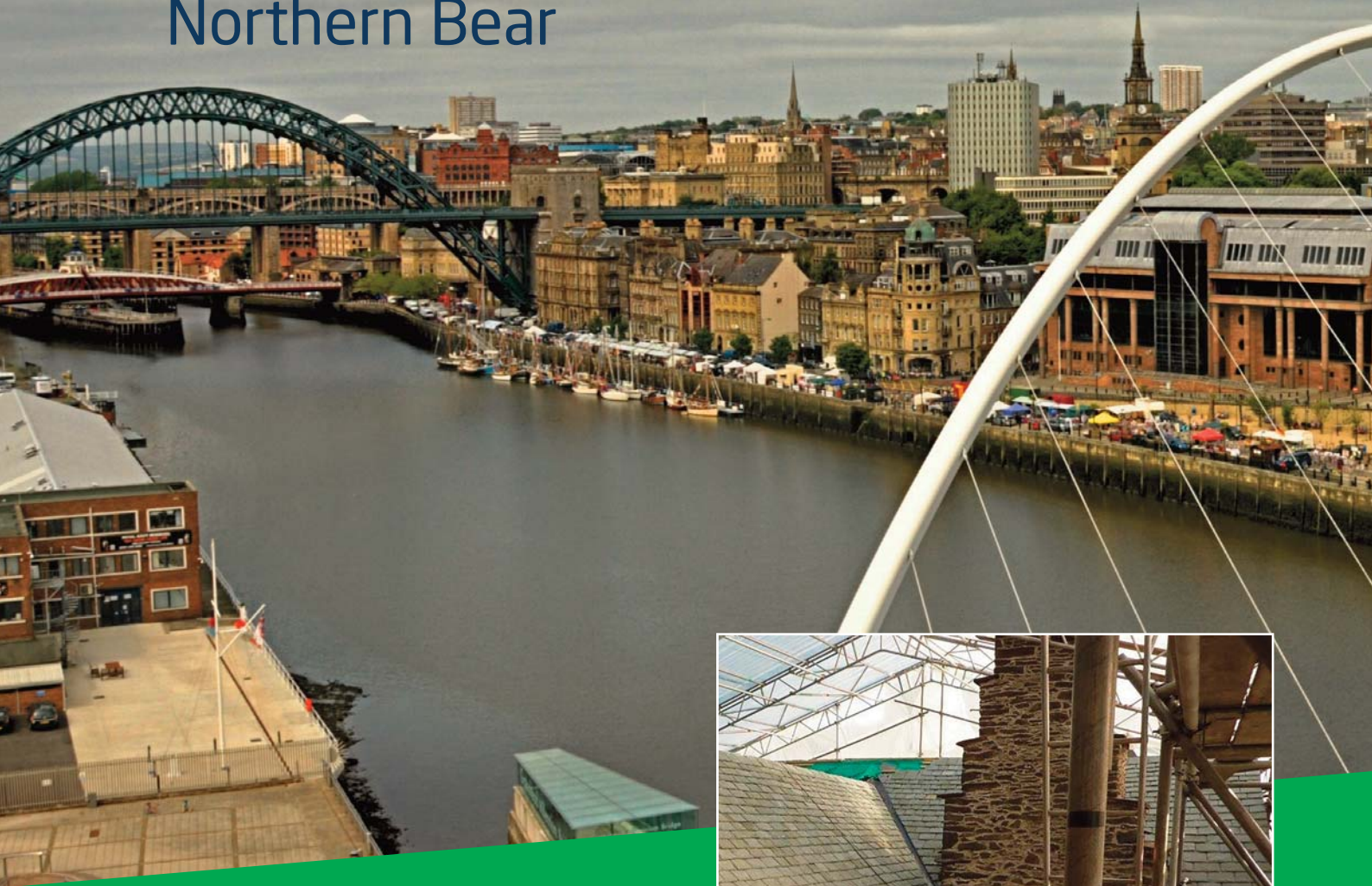




Northern Bear



Interim Report
September 2016



Main Board

Executive Directors



Graham Jennings
Managing Director



Steve Roberts
Executive Chairman



Tom Hayes
Finance Director



Keith Soulsby
Director



Howard Gold
Non Executive Director



Ian McLean
Non Executive Director

Non Executive Directors



Managing Directors of Subsidiary Companies



Graeme Tennick
Managing Director
A1 Trucks Ltd



David Wales
Managing Director
Chirmarn Ltd &
Chirmarn Surveying Ltd



John Gilstin
Managing Director
Isoler Ltd



Graham Jennings
Managing Director
Jennings Roofing
Ltd



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



Jason Harrison
Managing Director
Northern Bear
Safety Ltd



Keith Muldoon
Managing Director
Springs Roofing Ltd



Keith Soulsby
Managing Director
Wensley Roofing
Ltd



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

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NE2 1SQ

Chairman's statement

Introduction

I am pleased to report the unaudited interim results for the six months ended 30 September 2016 for Northern Bear plc and its subsidiaries (together "the Group").

The Group has delivered another excellent set of results, with retained profit of £0.9 million (2015: £0.7 million) and basic earnings per share of 5.2p (2015: 4.2p) for the period. This performance should be measured against what we already considered to be strong first half results in each of the last two years.

Northern Bear was admitted to trading on AIM on 19 December 2006 and we are fast approaching our tenth anniversary as a public company. Despite the severe recession, resulting from the financial crisis that started shortly after our flotation, the current operational management team led by Graham Jennings have worked tirelessly to drive improved trading performance. We have also restructured operations and substantially deleveraged the Group's balance sheet over this period. I would like to thank them for all their efforts and am confident that the Group is well positioned to face the future.

Trading

Turnover for the period was £20.9 million (2015: £19.6 million) with a particularly strong performance coming from our Roofing division as detailed below. Gross profit increased to £4.7 million (2015: £4.4 million), with gross margin slightly higher at 22.7% (2015: 22.3%) through continued careful contract selection and management.

The Group's overhead cost base has increased slightly, with administrative expenses up to £3.5 million (2015: £3.3 million), largely to support higher trading volumes. As a result operating profit was £1.2 million for the period (2015: £1.1 million).

We continue to benefit from reduced finance costs as debt levels fall and, partly due to this, profit before tax increased to £1.1 million (2015: £0.9 million).

Cash flow

Net bank debt at 30 September 2016 was £2.0 million (September 2015: £4.0 million, March 2016: £2.5 million). Cash generated from operations was £1.4 million in the period (2015: £1.4 million) which represents an appropriate cash conversion rate. The improved net bank debt position from March 2016 is despite having paid last year's final dividend of £0.4 million (2015: £0.3 million) in the period.

The Group is grateful for the continued support of Yorkshire Bank. Discussions are ongoing with regard to the routine review and renewal of term loan and overdraft facilities currently committed to 31 March 2017, and we expect these facilities to be renewed in the ordinary course of business in the near future.

Dividend

Over the past three years, the Board has followed a progressive dividend policy, significantly increasing the final dividend in each year (2014: 0.75p, 2015: 1.5p, 2016: 2.0p per share) as the Group's bank debt and associated outgoings reduced to what we deemed a more appropriate and sustainable level.

We stated some time ago that our policy was to pay only a final dividend, primarily due to the potential impact of severe weather on the Group's trading over the winter months, and we will continue with this policy.

Provided that the strong trading performance continues for the remainder of the financial year, it is the intention of the Board to continue with a progressive dividend policy for the benefit of our shareholders.

Chairman's statement

(continued)

Operational and commercial matters

Once again, our Roofing division continues to excel in its sector with Jennings Roofing, Springs Roofing and Wensley Roofing seeing a surge of work in social housing, heritage and private housing projects. We have also benefited from a successful schools programme which has been supported by dry summer weather conditions. It is apparent that the exceptional expertise and knowledge of our employees is having a positive impact with customers seeking good-quality suppliers who employ fully trained and qualified staff.

Our Specialist Building Services division continues to grow in both turnover and in reputation, which is helping to enhance and strengthen the Northern Bear brand in this particular field. I am delighted that Northern Bear Building Services, which was a new division launched in 2010, continues to progress and is delivering a high standard of work while bringing in contracts on time and on budget. We also benefit from sharing technical skills and knowledge across all of our companies in this division.

The Group's Materials Handling business, A1 Industrial Trucks, has again performed strongly through the sale, hire and provision of maintenance of Mitsubishi Fork Lift trucks to its customer base.

The support provided by our in-house health and safety business, Northern Bear Safety, is invaluable in maintaining our high safety standards and ensuring that working environments are compliant with all relevant regulations. They carry out unannounced on-site inspections on a regular basis and provide safety training to all Group companies, including CITB accredited courses. Northern Bear Safety also provides the same services to an increasing number of external clients.

Survey Drones, a sub business operated by the safety team, has seen its best year to date, both in terms of work won and revenue generated. With the use of drones increasing in the construction industry, they are in an ideal position to increase their client base and grow further in the second half of the current financial year.

Strategy

Having used operating cash flow to reduce bank debt levels in recent years, the Group is now well placed to take advantage of both strategic and commercial opportunities as and when they arise.

We continue to believe that acquisitions of specialist building services businesses, either in the same or complementary sectors to our current operations, could further enhance the Group's offering to customers. As previously stated, however, we will only proceed with such an opportunity where we are confident that it will predictably enhance earnings and provide an acceptable return on investment for our shareholders.

We have considered a number of acquisition opportunities in recent months but none were able to meet all of our criteria. We will continue to be cautious with our use of shareholders' funds in this area.

Outlook

Order books remain healthy across the Group and I am cautiously optimistic for a successful second half to the financial year. We have not yet experienced any adverse impact to date from the recent referendum on the UK's continued membership of the European Union, although the longer term impact on our business will become clearer as the process of the UK leaving unfolds over the medium term.

People

I remain proud that the Group directly employs a large majority of its workforce and, overseen by Keith Soulsby, has continued to invest in training new operatives throughout difficult economic times. This is particularly important given the shortage of skilled operatives and cost pressures in our sector. Our loyal, dedicated and skilled workforce, along with investment in apprenticeship schemes, is a key part of the Group's continued success.

Conclusion

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

Steve Roberts
Executive Chairman

8 November 2016

Consolidated statement of comprehensive income

for the six month period ended 30 September 2016

	6 months ended 30 September 2016 Unaudited £'000	6 months ended 30 September 2015 Unaudited £'000	Year ended 31 March 2016 Audited £'000
Revenue	20,878	19,569	36,466
Cost of sales	(16,148)	(15,212)	(27,542)
Gross profit	4,730	4,357	8,924
Other operating income	13	9	25
Administrative expenses			
Share based payment	(8)	(7)	(15)
Other administrative expenses	(3,496)	(3,281)	(6,830)
	(3,504)	(3,288)	(6,845)
Operating profit	1,239	1,078	2,104
Finance income	-	3	2
Finance costs	(96)	(145)	(229)
Profit before income tax	1,143	936	1,877
Income tax expense	(228)	(187)	(423)
Profit for the period	915	749	1,454
Total comprehensive income attributable to equity holders of the parent	915	749	1,454
Earnings per share from continuing operations			
<i>Basic earnings per share</i>	5.2p	4.2p	8.2p
<i>Diluted earnings per share</i>	5.1p	4.2p	8.1p

Consolidated statement of changes in equity

for the six month period ended 30 September 2016

	Share capital £'000	Capital redemption reserve £'000	Share premium £'000	Merger reserve £'000	Retained earnings £'000	Total equity £'000
At 1 April 2015	184	6	5,169	10,371	5,328	21,058
Total comprehensive income for the period						
Profit for the period	-	-	-	-	749	749
Transactions with owners, recorded directly in equity						
Equity settled share-based payment transactions	-	-	-	-	7	7
Equity dividends paid	-	-	-	-	(265)	(265)
At 30 September 2015	184	6	5,169	10,371	5,819	21,549
At 1 April 2015	184	6	5,169	10,371	5,328	21,058
Total comprehensive income for the year						
Profit for the year	-	-	-	-	1,454	1,454
Transactions with owners, recorded directly in equity						
Equity settled share-based payment transactions	-	-	-	-	15	15
Equity dividends paid	-	-	-	-	(265)	(265)
At 31 March 2016	184	6	5,169	10,371	6,532	22,262
At 1 April 2016	184	6	5,169	10,371	6,532	22,262
Total comprehensive income for the period						
Profit for the period	-	-	-	-	915	915
Transactions with owners, recorded directly in equity						
Equity settled share-based payment transactions	-	-	-	-	8	8
Equity dividends paid	-	-	-	-	(353)	(353)
At 30 September 2016	184	6	5,169	10,371	7,102	22,832

Consolidated balance sheet

at 30 September 2016

	30 September 2016 Unaudited £'000	30 September 2015 Unaudited £'000	31 March 2016 Audited £'000
Assets			
Property, plant and equipment	3,004	2,688	2,881
Intangible assets	21,350	21,352	21,351
Total non-current assets	24,354	24,040	24,232
Inventories	1,094	793	976
Trade and other receivables	9,384	8,929	7,239
Prepayments	421	408	289
Deferred consideration receivable	-	18	-
Cash and cash equivalents	2,022	903	1,898
Total current assets	12,921	11,051	10,402
Total assets	37,275	35,091	34,634
Equity			
Share capital	184	184	184
Capital redemption reserve	6	6	6
Share premium	5,169	5,169	5,169
Merger reserve	10,371	10,371	10,371
Retained earnings	7,102	5,819	6,532
Total equity attributable to equity holders of the Company	22,832	21,549	22,262
Liabilities			
Loans and borrowings	142	4,135	119
Deferred tax liabilities	213	139	213
Total non-current liabilities	355	4,274	332
Loans and borrowings	4,168	1,042	4,607
Trade and other payables	9,353	7,774	7,090
Current tax payable	567	452	343
Total current liabilities	14,088	9,268	12,040
Total liabilities	14,443	13,542	12,372
Total equity and liabilities	37,275	35,091	34,634

Consolidated statement of cash flows

for the six month period ended 30 September 2016

	6 months ended 30 September 2016 Unaudited £'000	6 months ended 30 September 2015 Unaudited £'000	Year ended 31 March 2016 Audited £'000
Cash flows from operating activities			
Operating profit for the period	1,239	1,078	2,104
Adjustments for:			
Depreciation	259	249	529
Amortisation	1	1	2
Loss on sale of property, plant and equipment	9	9	16
Equity settled share-based payment transactions	8	7	15
	1,516	1,344	2,666
Change in inventories	(118)	56	(127)
Change in trade and other receivables	(2,145)	817	2,427
Change in prepayments	(132)	(185)	14
Change in trade and other payables	2,263	(594)	(1,278)
Cash generated from operations	1,384	1,438	3,702
Interest received	-	3	2
Interest paid	(96)	(145)	(229)
Tax paid	(4)	(40)	(311)
Net cash flow from operating activities	1,284	1,256	3,164
Cash flows from investing activities			
Proceeds from the sale of property, plant and equipment	167	104	212
Proceeds from subsidiary disposal	-	125	143
Acquisition of property, plant and equipment	(405)	(297)	(813)
Net cash from investing activities	(238)	(68)	(458)
Cash flows from financing activities			
Repayment of borrowings	(451)	(423)	(848)
Payment of finance lease liabilities	(118)	(99)	(197)
Equity dividends paid	(353)	(265)	(265)
Net cash from financing activities	(922)	(787)	(1,310)
Net increase in cash and cash equivalents	124	401	1,396
Cash and cash equivalents at start of period	1,898	502	502
Cash and cash equivalents at end of period	2,022	903	1,898

Notes

1. Basis of preparation

The consolidated interim financial information has been prepared in accordance with the accounting policies that are expected to be adopted in the Group's full financial statements for the year ending 31 March 2017 which are not expected to be significantly different to those set out in Notes 2 and 3 of the Group's audited financial statements for the year ended 31 March 2016, other than as disclosed in Note 2. These are based on the recognition and measurement principles of IFRS in issue as adopted by the European Union (EU) and are effective at 31 March 2017 or are expected to be adopted and effective at 31 March 2017. The financial information has not been prepared (and is not required to be prepared) in accordance with IAS 34. The accounting policies have been applied consistently throughout the Group for the purposes of preparation of this financial information.

The financial information in this statement relating to the six months ended 30 September 2016 and the six months ended 30 September 2015 has neither been audited nor reviewed pursuant to guidance issued by the Auditing Practices Board. The financial information for the year ended 31 March 2016 does not constitute the full statutory accounts for that period. The Annual Report and Financial Statements for the year ended 31 March 2016 have been filed with the Registrar of Companies. The Independent Auditor's Report on the Annual Report and Financial Statements for the year ended 31 March 2016 was unqualified, did not draw attention to any matters by way of emphasis, and did not contain a statement under 498(2) or 498(3) of the Companies Act 2006.

2. Changes in accounting policies

From 1 April 2016 the following standards, amendments and interpretations became effective and were adopted by the Group:

- 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 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; and
- Annual Improvements to IFRS (2012 -2014).

The adoption of the above has not had a significant impact on the Group's profit for the period or equity.

3. Taxation

The taxation charge for the six months ended 30 September 2016 is calculated by applying the Directors' best estimate of the annual effective tax rate to the profit for the period.

Notes *(continued)*

4. Earnings per share

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

	6 months ended 30 September 2016 Unaudited	6 months ended 30 September 2015 Unaudited	Year ended 31 March 2016 Audited
Profit for the period (£'000)	915	749	1,454
Weighted average number of ordinary shares excluding shares held in treasury for the proportion of the year held in treasury ('000)	17,670	17,670	17,670
Basic earnings per share	5.2p	4.2p	8.2p

The calculation of diluted earnings per share is the profit for the period 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:

	6 months ended 30 September 2016 Unaudited	6 months ended 30 September 2015 Unaudited	Year ended 31 March 2016 Audited
Profit for the period (£'000)	915	749	1,454
Weighted average number of ordinary shares excluding shares held in treasury for the proportion of the year held in treasury ('000)	17,670	17,670	17,670
Effect of potential dilutive ordinary shares ('000)	191	225	211
Diluted weighted average number of ordinary shares excluding shares held in treasury for the proportion of the year held in treasury ('000)	17,861	17,895	17,881
Diluted earnings per share	5.1p	4.2p	8.1p

Notes *(continued)*

5. Principal risks and uncertainties

The directors consider that the principal risks and uncertainties which could have a material impact on the Group's performance in the remaining six months of the financial year remain the same as those stated on pages 7 to 9, and 52 to 56 of our Annual Report and Financial Statements for the year ended 31 March 2016, which are available on our website, www.northernbearplc.com.

6. Half year report

The condensed financial statements were approved by the Board of Directors on 8 November 2016 and are available on the Company's website, www.northernbearplc.com. Copies will be sent to shareholders and are available on application to the Company's registered office.

For and on behalf of the Board of Directors

Thomas Hayes
Finance Director

8 November 2016





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