



Northern Bear



Interim Report
September 2017

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



Ford Castle, Northumberland - MGM Ltd and Matthew Charlton Slaters

Managing Directors of Subsidiary Companies



Graeme Tennick
Managing Director
A1 Trucks Ltd



John Gilstin
Managing Director
Isoler Ltd



Graham Jennings
Managing Director
Jennings Roofing
Ltd



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



Jason Harrison
Managing Director
Northern Bear
Safety Ltd



Keith Muldoon
Managing Director
Springs Roofing Ltd



Keith Soulsby
Managing Director
Wensley Roofing
Ltd



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



Dominic Brogan
Joint
Managing Director
H Peel & Sons Ltd



Andrew Pollock
Joint
Managing Director
H Peel & Sons Ltd

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Chairman's statement

Introduction

I am pleased to report the unaudited interim results for the six months ended 30 September 2017 for Northern Bear plc (the "Company") and its subsidiaries (together the "Group").

In our trading update, released on 7 November 2017, we announced that profit before tax from continuing operations would exceed last year's excellent results, before the impact of non-recurring transaction costs and amortisation of acquired intangibles relating to the acquisition of H Peel & Sons (Holdings) Limited ("H Peel") in July 2017.

Further to that update, I am pleased to confirm the Group's outstanding results for the period. After non-recurring transaction costs and amortisation, the Group generated retained profits from total operations of £1.1 million (2016: £0.9 million) and basic earnings per share of 5.9p (2016: 5.2p). This included a positive post-acquisition contribution from H Peel.

Trading

During the prior year to 31 March 2017, the Company disposed of Chirmarn Holdings Limited and its subsidiaries (together "Chirmarn"). Results from these companies have, accordingly, been presented as discontinued operations in the results for the prior period to 30 September 2016 and for the year to 31 March 2017.

Turnover from continuing operations for the period increased to £27.2 million (2016: £20.1 million). Much of the increase was attributable to a strong performance in our Specialist Building Services division, and to the inclusion of revenues generated by H Peel.

Gross profit from continuing operations increased to £5.0 million (2016: £4.5 million) while gross margin reduced to 18.4% (2016: 22.2%). The Group's Specialist Building Services division typically operates at lower margins than the Roofing and Materials Handling divisions and, hence, the reduction in gross margin is down to a change in sales mix in the period.

The Group continues to be careful in terms of contract selection. I am pleased to report that trading profits were in line or ahead of management expectations at every trading division during the period. This is testament to the hard work of our Group Managing Director, Graham Jennings, our Operations Director, Keith Soulsby, and all of the operational management team.

Administrative expenses, before transaction costs and amortisation, increased to £3.5 million (2016: £3.1 million). This was largely to support increased activity levels in the period. Operating profit, again, before transaction costs and amortisation, increased to £1.6 million (2016: £1.4 million).

Cash flow

Net bank debt at 30 September 2017 was £0.6 million (30 September 2016: £2.0 million net bank debt, 31 March 2017: £0.6 million net cash), which was in line with management expectations. The increase in debt from 31 March 2017 relates to both the H Peel acquisition and the payment in the period of last year's final ordinary and special dividends, which totalled £0.7 million (2016: £0.4 million).

Cash generated from operations was £0.9 million in the period (2016: £1.4 million), which was impacted by the reversal of some favourable working capital movements in the prior year.

As reported in April 2017, the Group recently negotiated a new revolving credit facility with Yorkshire Bank, which provided us with the flexibility to pursue acquisition opportunities. Following the H Peel acquisition, we extended this facility by a further £1 million (to £4.5 million). This will provide continued flexibility in this area.

Dividend

The Board has followed a progressive dividend policy in recent years, with continued increases in the final dividend and a special dividend for the year ended 31 March 2017.

Chairman's statement

(continued)

Dividend (continued)

Our stated policy is to pay only a final dividend. This is primarily due to the potential impact of exceptional, adverse weather on the Group's trading over the winter months. Provided that the strong trading performance continues for the remainder of the financial year, it is the intention of the Board to continue with our progressive dividend policy.

Strategy

I am delighted that the Group was able to complete the acquisition of H Peel in July 2017. H Peel is an interiors and fit-out business based in Dewsbury, West Yorkshire. It has a blue chip client base spread across the UK and operates primarily in the hotel and leisure sectors.

H Peel met all of our key acquisition criteria, which include a business that is well established in its sector, a consistent track record of profitability and cash generation and a strong management team who are committed to remaining with the business. The acquisition also provides the Group with further sectoral and geographical diversification. The team at H Peel have settled in well and we look forward to sharing in their continued success.

We continue to believe that acquisitions of established specialist building services businesses, either in the same or complementary sectors to our current operations, could further enhance the Group's offering to customers. Although we are presented with potential acquisitions on a regular basis, we will only proceed with such an acquisition opportunity where we are confident that it will meet our criteria, predictably enhance earnings and provide an acceptable return on investment for our shareholders.

Outlook

The Group currently has a high level of committed orders and the Directors are positive about the outlook for trading in the second half of the year, subject to there being no exceptional, adverse weather conditions over the period.

People

The Group's loyal, dedicated and skilled workforce, along with continued investment in training new operatives and apprenticeship schemes, is a key part of our success. Our operational strategy is to directly employ a large majority of the workforce and, with HR responsibilities overseen by Keith Soulsby, the Group continues to invest in training, regardless of short term economic conditions. This is particularly important, given the continued shortage of skilled operatives and cost pressures in our sector.

During the period we were notified by Graeme Tennick, the current Managing Director of A1 Industrial Trucks, our Materials Handling business, that he intends to retire from his role in March 2018. Graeme is co-founder of A1 and has remained with the business for almost ten years since it was acquired by the Group in April 2008. We have worked with Graeme to recruit a replacement who has held senior roles in national Materials Handling businesses and, subject to satisfactory performance, he will be appointed Managing Director of A1 on Graeme's retirement. I would like to thank Graeme and his co-founder Derek Wymes (who retired in summer 2016) for their hard work and contribution since joining the Group.

Conclusion

I am, yet again, delighted to be reporting on an excellent trading period and set of results. I would once more like to thank all of our employees for their hard work and contribution to another strong set of results for the Group.

Steve Roberts
Executive Chairman

30 November 2017

Consolidated statement of comprehensive income

for the six month period ended 30 September 2017

	6 months ended 30 September 2017 Unaudited £'000	6 months ended 30 September 2016 Unaudited £'000	Year ended 31 March 2017 Audited £'000
Revenue	27,196	20,147	45,563
Cost of sales	(22,202)	(15,656)	(36,256)
Gross profit	4,994	4,491	9,307
Other operating income	13	13	25
Administrative expenses	(3,453)	(3,139)	(6,786)
Operating profit (before amortisation and transaction costs)	1,554	1,365	2,546
Transaction costs	(158)	-	-
Amortisation of acquired intangibles	(26)	-	-
Operating profit	1,370	1,365	2,546
Finance income	-	-	-
Finance costs	(59)	(94)	(166)
Profit before income tax	1,311	1,271	2,380
Income tax expense	(249)	(253)	(386)
Profit from continuing operations	1,062	1,018	1,994
Discontinued operations			
Loss from discontinued operations (net of income tax)	-	(103)	(4,266)
Profit/(loss) for the period	1,062	915	(2,272)
Total comprehensive income / (loss) attributable to equity holders of the parent	1,062	915	(2,272)
Basic earnings / (loss) per share			
Continuing operations	5.9p	5.8p	11.3p
Discontinued operations	-	(0.6)p	(24.1)p
Total operations	5.9p	5.2p	(12.8)p
Diluted earnings / (loss) per share			
Continuing operations	5.9p	5.7p	11.1p
Discontinued operations	-	(0.6)p	(24.1)p
Total operations	5.9p	5.1p	(13.0)p

Consolidated statement of changes in equity

for the six month period ended 30 September 2017

	Share capital £'000	Capital redemption reserve £'000	Share premium £'000	Merger reserve £'000	Retained earnings £'000	Total equity £'000
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
At 1 April 2016	184	6	5,169	10,371	6,532	22,262
Total comprehensive income for the year						
Loss for the year	-	-	-	-	(2,272)	(2,272)
Transactions with owners, recorded directly in equity						
Equity settled share-based payment transactions	-	-	-	-	14	14
Exercise of share options	-	-	-	-	41	41
Equity dividends paid	-	-	-	-	(353)	(353)
Transfers in respect of discontinued operations	-	-	-	(1,140)	1,140	-
At 31 March 2017	184	6	5,169	9,231	5,102	19,692
At 1 April 2017	184	6	5,169	9,231	5,102	19,692
Total comprehensive income for the period						
Profit for the period	-	-	-	-	1,062	1,062
Transactions with owners, recorded directly in equity						
Equity settled share-based payment transactions	-	-	-	-	1	1
Issue of shares	5	-	-	-	-	5
Exercise of share options	-	-	-	-	37	37
Equity dividends paid	-	-	-	-	(742)	(742)
Merger reserve arising on acquisition	-	-	-	374	-	374
At 30 September 2017	189	6	5,169	9,605	5,460	20,429

Consolidated balance sheet

at 30 September 2017

	30 September 2017 Unaudited £'000	30 September 2016 Unaudited £'000	31 March 2017 Audited £'000
Assets			
Property, plant and equipment	3,007	3,004	2,852
Intangible assets	20,661	21,350	17,458
Total non-current assets	23,668	24,354	20,310
Inventories	1,033	1,094	944
Trade and other receivables	8,881	9,384	8,755
Prepayments	503	421	246
Cash and cash equivalents	2,923	2,022	2,583
Total current assets	13,340	12,921	12,528
Total assets	37,008	37,275	32,838
Equity			
Share capital	189	184	184
Capital redemption reserve	6	6	6
Share premium	5,169	5,169	5,169
Merger reserve	9,605	10,371	9,231
Retained earnings	5,460	7,102	5,102
Total equity attributable to equity holders of the Company	20,429	22,832	19,692
Liabilities			
Loans and borrowings	3,630	142	2,122
Deferred consideration	474	-	-
Deferred tax liabilities	307	213	182
Total non-current liabilities	4,411	355	2,304
Loans and borrowings	180	4,168	168
Deferred consideration	365	-	-
Trade and other payables	10,898	9,353	10,255
Current tax payable	725	567	419
Total current liabilities	12,168	14,088	10,842
Total liabilities	16,579	14,443	13,146
Total equity and liabilities	37,008	37,275	32,838

Consolidated statement of cash flows

for the six month period ended 30 September 2017

	6 months ended 30 September 2017 Unaudited £'000	6 months ended 30 September 2016 Unaudited £'000	Year ended 31 March 2017 Audited £'000
Cash flows from operating activities			
Operating profit – continuing operations	1,370	1,365	2,546
Operating profit – discontinued operations	-	(126)	(206)
Operating profit for the period	1,370	1,239	2,340
<i>Adjustments for:</i>			
Depreciation	265	259	549
Amortisation	26	1	2
(Profit)/Loss on sale of property, plant and equipment	(3)	9	9
Equity settled share-based payment transactions	1	8	14
	1,659	1,516	2,914
Change in inventories	(70)	(118)	24
Change in trade and other receivables	(52)	(2,145)	(1,802)
Change in prepayments	(205)	(132)	29
Change in trade and other payables	(461)	2,263	3,358
Cash generated from operations	871	1,384	4,523
Interest received	-	-	-
Interest paid	(59)	(96)	(166)
Tax paid	(106)	(4)	(341)
Net cash flow from operating activities	706	1,284	4,016
Cash flows from investing activities			
Proceeds from the sale of property, plant and equipment	94	167	294
Proceeds from subsidiary disposal	-	-	25
Acquisition of subsidiary, net of cash acquired	(817)	-	-
Acquisition of property, plant and equipment	(313)	(405)	(689)
Net cash from investing activities	(1,036)	(238)	(370)
Cash flows from financing activities			
Repayment of borrowings	1,504	(451)	(2,441)
Payment of finance lease liabilities	(129)	(118)	(208)
Proceeds from the exercise of share options	37	-	41
Equity dividends paid	(742)	(353)	(353)
Net cash from financing activities	670	(922)	(2,961)
Net increase in cash and cash equivalents	340	124	685
Cash and cash equivalents at start of period	2,583	1,898	1,898
Cash and cash equivalents at end of period	2,923	2,022	2,583

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 2018 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 2017, 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 2018 or are expected to be adopted and effective at 31 March 2018. 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 2017 and the six months ended 30 September 2016 has neither been audited nor reviewed pursuant to guidance issued by the Auditing Practices Board.

The financial information for the year ended 31 March 2017 does not constitute the full statutory accounts for that period. The Annual Report and Financial Statements for the year ended 31 March 2017 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 2017 was i) unqualified, ii) did not include any references to any matters to which the auditors drew attention by way of emphasis, without qualifying their report, and iii) did not contain a statement under section 498(2) or (3) of the Companies Act 2006.

2. Changes in accounting policies

From 1 April 2017 the following standards, amendments and interpretations became effective and were adopted by the Group:

- Amendments to IAS 12 'Income Taxes' - Amendments to the recognition of deferred tax assets for unrealised losses;
- Amendments to IAS 7 'Statement of Cash Flow' - Disclosure amendments;
- Amendments to IAS 40 'Investment Property' for transfers of Investment Property; and
- Annual Improvements to IFRS (2014 - 2016).

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 2017 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 or loss 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 2017 Unaudited	6 months ended 30 September 2016 Unaudited	Year ended 31 March 2017 Audited
Profit for the period (£'000) – continuing operations	1,062	1,018	1,994
Loss for the period (£'000) – discontinued operations	-	(103)	(4,266)
Profit / (loss) for the period (£'000) – total operations	1,062	915	(2,272)
Weighted average number of ordinary shares excluding shares held in treasury for the proportion of the year held in treasury ('000)	17,920	17,670	17,680
Basic earnings per share - continuing operations	5.9p	5.8p	11.3p
Basic loss per share – discontinued operations	-	(0.6p)	(24.1p)
Basic earnings/(loss) per share – total operations	5.9p	5.2p	(12.8p)

The calculation of diluted earnings per share is the profit or loss 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 2017 Unaudited	6 months ended 30 September 2016 Unaudited	Year ended 31 March 2017 Audited
Profit for the period (£'000) – continuing operations	1,062	1,018	1,994
Loss for the period (£'000) – discontinued operations	-	(103)	(4,266)
Profit / (loss) for the period (£'000) – total operations	1,062	915	(2,272)
Weighted average number of ordinary shares excluding shares held in treasury for the proportion of the year held in treasury ('000)	17,920	17,670	17,680
Effect of potential dilutive ordinary shares ('000)	188	191	214
Diluted weighted average number of ordinary shares excluding shares held in treasury for the proportion of the year held in treasury ('000)	18,108	17,861	17,894
Diluted earnings per share - continuing operations	5.9p	5.7p	11.1p
Diluted loss per share – discontinued operations	-	(0.6p)	(24.1p)
Diluted earnings/(loss) per share – total operations	5.9p	5.1p	(13.0p)

All potential shares were anti-dilutive for discontinued operations in the year ended 31 March 2017 due to the loss reported.

Notes (continued)

5. Discontinued operations

During the year ended 31 March 2017, the Company disposed of its subsidiary Chirmarn Holdings Limited, along with its wholly owned subsidiaries Chirmarn Limited and Chirmarn (Surveying) Limited (together "Chirmarn"). Chirmarn's principal activities were asbestos removal and surveying services. The disposal was completed on 31 March 2017.

The results of the discontinued operations are included in the Group's consolidated financial information until the date the disposal was completed. These are as follows:

	6 months ended 30 September 2017 Unaudited	6 months ended 30 September 2016 Unaudited	Year ended 31 March 2017 Audited
Revenue	-	731	1,370
Expenses	-	(859)	(1,582)
Pre tax trading loss	-	(128)	(212)
Loss on disposal of discontinued operations	-	-	(191)
Write off of related goodwill	-	-	(3,891)
Loss before income tax	-	(128)	(4,294)
Income tax credit	-	25	28
Loss for the period from discontinued operations	-	(103)	(4,266)

6. Acquisition of H Peel & Sons

On 25 July 2017 the Group acquired 100 per cent of the share capital of H Peel & Sons (Holdings) Limited, including its wholly owned subsidiary H Peel & Sons Limited (together "H Peel").

The initial value of purchase consideration recognised in the consolidated interim financial information is £2.3 million, which includes a combination of cash, shares and deferred consideration (an element of which is contingent) recorded at discounted present value. The total amount of intangible assets recognised in the balance sheet at 30 September 2017 is £3.2 million. These amounts represent the Directors' provisional estimates of fair values at the date of acquisition and will be finalised as part of the Group's year end reporting for the year to 31 March 2018.

7. 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 page 9, and 55 to 58 of our Annual Report and Financial Statements for the year ended 31 March 2017, which are available on our website, www.northernbearplc.com.

Notes *(continued)*

8. Half year report

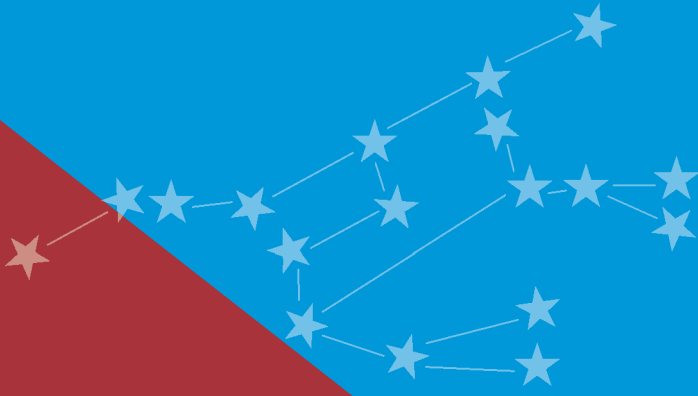
The condensed financial statements were approved by the Board of Directors on 30 November 2017 and are available on the Company's website, www.northernbearplc.com. Copies will be sent to shareholders and are available on application to the Company's registered office.

For and on behalf of the Board of Directors

Thomas Hayes
Finance Director

30 November 2017





PEEL

AL industrial trucks Ltd
Established Since 1983

SURVEY DRONES



Northern Bear
Building Services Ltd

MGM
Specialist Construction Services

ISOLER Fire Protection and Building Integrity Services


Springs Roofing Ltd

SERVICING THE BUILDING INDUSTRY FOR 10 YEARS
10
Northern Bear


JENNINGS ROOFING LTD

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ROOFING LIMITED


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Safety Ltd


MATTHEW
CHARLTON
SLATERS
Quality in Slating since 1942

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