



Northern Bear

Northern Bear plc

Interim Report
30 September 2014

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Advisors

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Chairman's statement

Introduction

I am pleased to report unaudited interim results for the six months to 30 September 2014.

The Group has continued to perform well, delivering retained profit of £0.7 million (2013: £0.6 million) and earnings per share of 4.1p (2013: 3.2p) in the period.

Trading

The Group's revenue increased to £20.1 million (2013: £17.4 million) in the period and its gross profit increased to £4.6 million (2013: £4.2 million). There was growth in revenue at the majority of the Group's businesses with the most marked increases in those in the roofing sector.

Operating profit increased to £1.1 million (2013: £0.9 million) and profit before tax to £0.9m (2013: £0.7m).

We have continued to see positive movement in the new house build market and strength in the Social Housing sector. During the period, the Group commenced work on a number of significant and high profile projects, including the Tyne Tunnel, roofing works on the Aloft Hotel (as part of the Royal Exchange Building redevelopment in Liverpool), and the redevelopment of Tyneside Cinema in Newcastle City centre.

Cash flow

Net bank debt at 30 September 2014 was £4.7m (2013: £6.6m).

I am pleased to report that the strong trading performance in the period and in the second half of the year ended 31 March 2014 has resulted in a significant reduction in bank debt.

Whilst increased profitability should ordinarily result in reduced bank debt, the level of the reduction is testament to the strong management systems which are in place, ensuring that cash generation was maintained during a period in which the Group was experiencing substantial growth.

The Group's bank facilities were renewed on 7 April 2014. As part of this process, we successfully negotiated a change in the blend of debt from shorter to longer term borrowings. This will give greater operational flexibility in the future.

Dividend

As in prior years no interim dividend will be declared and the Group will continue to use trading cash flow to reduce bank debt. Provided that the strong performance continues as expected then the Board intends to continue with its current policy of paying a final dividend.

Strategy / Outlook

The Board has maintained, as a priority, the use of operating cash flow to reduce the level of bank debt. We will, however, continue to actively monitor opportunities for the use of funds generated, including capital investment, bolt-on acquisitions and capital repurchases.

During the period, we started the process of consolidating two of our trading businesses, MGM Limited and Northern Bear Building Services Limited, which operate in similar markets. As part of this process, we have leased new premises in the Team Valley Trading Estate from which both businesses will operate. This will provide operational synergies and overhead savings, whilst maintaining the brands and workforces of both companies.

This is part of a medium term objective to plan for the Group's future through both streamlining operations and succession planning which, moving forward, will involve bringing new blood into subsidiary management teams and promotions to the Group Board.

Order books across the Group remain strong and we are hopeful of a successful second half of the financial year.

Chairman's statement *(continued)*

New trading division

In May 2014, we announced the launch of a new trading division, Vantage Point Media, which provides an innovative new way of conducting detailed aerial surveys of buildings and roofs using state-of-the-art remote controlled hexacopters. This is an excellent example of how we are prepared to adapt new technologies and work together to provide innovative solutions for our clients. This was recognised by Durham University at its recent annual Supplier Recognition Event, where our technological application won the 'Most Innovative Solution or Proposal' category.

People

The implementation of a more streamlined management reporting structure, including the changes to the Board in February 2014, the direct reporting of subsidiary Managing Directors to the Group Managing Director, and the holding of bi-monthly Managing Director meetings, has resulted in better sharing of knowledge across the Group and closer working relationships between our businesses.

As reported in prior years, in an industry which has seen a decreasing number of skilled tradesmen over the past few years, our strategy of employing the majority of our workforce, along with investment in training new operatives, continues to reap dividends. We are able to sustain a loyal and dedicated workforce with the skills required to meet the demands of the modern day construction industry.

The quality and experience of our people and the key customer relationships that they maintain remain fundamental to the Group's success and I would again like to thank all of our employees for their contribution to the Group's strong results.

Steve Roberts
Executive Chairman

1 December 2014

Consolidated statement of comprehensive income
for the six month period ended 30 September 2014

	6 months ended 30 September 2014 Unaudited £'000	6 months ended 30 September 2013 Unaudited £'000	Year ended 31 March 2014 Audited £'000
Revenue	20,077	17,383	36,781
Cost of sales	<u>(15,472)</u>	<u>(13,174)</u>	<u>(27,542)</u>
Gross profit	4,605	4,209	9,239
Other operating income	8	9	20
Administrative expenses			
Share based payment	(5)	-	(1)
Other administrative expenses	<u>(3,479)</u>	<u>(3,299)</u>	<u>(7,025)</u>
	(3,484)	(3,299)	(7,026)
Operating profit	1,129	919	2,233
Finance income	2	-	21
Finance expense	<u>(209)</u>	<u>(191)</u>	<u>(502)</u>
Profit before income tax	922	728	1,752
Income tax expense	<u>(194)</u>	<u>(168)</u>	<u>(417)</u>
Profit for the period	<u>728</u>	<u>560</u>	<u>1,335</u>
Total comprehensive income attributable to equity holders of the parent	<u>728</u>	<u>560</u>	<u>1,335</u>
Earnings per share from continuing operations			
<i>Basic earnings per share</i>	4.1p	3.2p	7.6p
<i>Diluted earnings per share</i>	4.1p	3.2p	7.5p

Consolidated statement of changes in equity

for the six month period ended 30 September 2014

	Share capital £'000	Capital redemption reserve £'000	Share premium £'000	Merger reserve £'000	Retained earnings £'000	Total equity £'000
At 1 April 2013	184	6	5,169	10,371	2,604	18,334
Total comprehensive income for the period						
Profit for the period	-	-	-	-	560	560
At 30 September 2013	184	6	5,169	10,371	3,164	18,894
At 1 April 2013	184	6	5,169	10,371	2,604	18,334
Total comprehensive income for the year						
Profit for the year	-	-	-	-	1,335	1,335
Transactions with owners, recorded directly in equity						
Equity settled share-based payment transactions	-	-	-	-	1	1
At 31 March 2014	184	6	5,169	10,371	3,940	19,670
At 1 April 2014	184	6	5,169	10,371	3,940	19,670
Total comprehensive income for the period						
Profit for the period	-	-	-	-	728	728
Transactions with owners, recorded directly in equity						
Equity settled share-based payment transactions	-	-	-	-	5	5
Equity dividends paid	-	-	-	-	(133)	(133)
At 30 September 2014	184	6	5,169	10,371	4,540	20,270

Consolidated balance sheet at 30 September 2014

	30 September 2014 Unaudited £'000	30 September 2013 Unaudited £'000	31 March 2014 Audited £'000
Assets			
Property, plant and equipment	2,675	2,464	2,530
Intangible assets	21,354	21,356	21,355
Total non-current assets	24,029	23,820	23,885
Inventories	868	867	831
Trade and other receivables	8,691	8,356	9,151
Prepayments	398	425	169
Deferred consideration receivable	153	180	166
Cash and cash equivalents	779	260	111
Total current assets	10,889	10,088	10,428
Total assets	34,918	33,908	34,313
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	4,540	3,164	3,940
Total equity attributable to equity holders of the Company	20,270	18,894	19,670
Liabilities			
Loans and borrowings	4,815	1,402	1,039
Deferred tax liabilities	66	23	66
Total non-current liabilities	4,881	1,425	1,105
Bank overdraft	-	4,931	3,664
Loans and borrowings	979	967	1,169
Trade and other payables	8,218	7,384	8,261
Current tax payable	570	307	444
Total current liabilities	9,767	13,589	13,538
Total liabilities	14,648	15,014	14,643
Total equity and liabilities	34,918	33,908	34,313

Consolidated statement of cash flows
for the six month period ended 30 September 2014

	6 months ended 30 September 2014 Unaudited £'000	6 months ended 30 September 2013 Unaudited £'000	Year ended 31 March 2014 Audited £'000
Cash flows from operating activities			
Profit for the period	728	560	1,335
<i>Adjustments for:</i>			
Depreciation	241	235	496
Amortisation	1	1	2
Finance income	(2)	-	(21)
Finance expense	209	191	502
Loss on sale of property, plant and equipment	3	15	16
Equity settled share-based payment transactions	5	-	1
Income tax	194	168	417
	1,379	1,170	2,748
Change in inventories and materials handling property, plant and equipment	(37)	(234)	(116)
Change in trade and other receivables	460	(900)	(1,695)
Change in prepayments	(229)	(283)	(26)
Change in trade and other payables	(43)	274	1,151
	1,530	27	2,062
Interest received	2	-	21
Interest paid	(210)	(191)	(433)
Tax paid	(68)	(28)	(97)
Net cash from operating activities	1,254	(192)	1,553
Cash flows from investing activities			
Proceeds from the sale of property, plant and equipment	33	72	147
Proceeds from subsidiary disposal	13	17	31
Acquisition of property, plant and equipment	(340)	(82)	(436)
Net cash from investing activities	(294)	7	(258)
Cash flows from financing activities			
Increase in bank loans on re-financing of overdraft	4,213	-	-
Repayment of borrowings	(590)	(360)	(564)
Payment of finance lease liabilities	(118)	(86)	(244)
Equity dividends paid	(133)	-	-
Net cash from financing activities	3,372	(446)	(808)
Net increase in cash and cash equivalents	4,332	(631)	487
Cash and cash equivalents at start of period	(3,553)	(4,040)	(4,040)
Cash and cash equivalents at end of period	779	(4,671)	(3,553)

Notes

1. Basis of preparation

These condensed financial statements have been prepared in accordance with IAS 34 'Interim Financial Reporting as adopted by the EU'. They do not include all the information required for full annual financial statements and should be read in conjunction with the financial statements of the Group as at and for the year ended 31 March 2014.

These condensed financial statements are unaudited and were approved by the Board of Directors on 1 December 2014.

The information for the year ended 31 March 2014 does not constitute statutory financial statements as defined by section 435 of the Companies Act 2006. Those financial statements have been reported on by the Group's auditor and delivered to the Registrar of Companies. The report of the auditor was unqualified and did not contain statements under section 498 (2) or (3) of the Companies Act 2006.

The accounting policies applied by the Group in these condensed financial statements are the same as those applied by the Group in its consolidated financial statements for the year ended 31 March 2014, other than as disclosed in note 2.

2. Changes in accounting policies

From 1 April 2014 the following standards, amendments and interpretations became effective and were adopted by the Group:

- IFRS 10 Consolidated Financial Statements;
- IFRS 11 Joint Arrangements;
- IFRS 12 Disclosure of Interests in Other Entities;
- Amendments to IAS 32 Offsetting Financial Assets and Financial Liabilities; and
- IFRIC 21 Levies.

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 2014 is calculated by applying the Directors' best estimate of the annual effective tax rate to the profit for the period.

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 2014 Unaudited	6 months ended 30 September 2013 Unaudited	Year ended 31 March 2014 Audited
Profit for the period (£'000)	728	560	1,335
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	4.1p	3.2p	7.6p

Notes (continued)

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 2014 Unaudited	6 months ended 30 September 2013 Unaudited	Year ended 31 March 2014 Audited
Profit for the period (£'000)	728	560	1,335
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)	260	-	90
Diluted weighted average number of ordinary shares excluding shares held in treasury for the proportion of the year held in treasury ('000)	17,930	17,670	17,760
Diluted earnings per share	4.1p	3.2p	7.5p

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 8 and 9, and 52 to 54 of our Annual Report and Financial Statements for the year ended 31 March 2014, which are available on our website, www.northernbearplc.com.

6. Related party transactions

There have been no related party transactions in the first six months of the current financial year which have materially affected the financial position or performance of the Group.

7. Half year report

The condensed financial statements were approved by the Board of Directors on 1 December 2014 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.

8. Statement of directors' responsibilities

The director named below confirms on behalf of the Board of Directors that to the best of their knowledge:

- the condensed set of financial statements has been prepared in accordance with IAS 34 'Interim Financial Reporting' as adopted by the EU; and
- the interim management report includes a fair review of the information required by:
 - DTR4.2.7R of the Disclosure and Transparency Rules, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements; and a description of the principal risks and uncertainties for the remaining six months of the year; and
 - DTR4.2.8R of the Disclosure and Transparency Rules, being related party transactions that have taken place in the first six months of the financial year and that have materially affected the

Notes (continued)

financial position or performance of the Group during the period; and any changes in the related party transactions described in the last annual report that could do so.

The Directors of Northern Bear Plc are listed in the Annual Report and Financial Statements for the year ended 31 March 2014.

For and on behalf of the Board of Directors

Thomas Hayes
Finance Director

1 December 2014