



Northern Bear

**Interim Report
September 2015**

Main Board

Executive Directors



Graham Jennings
Managing Director



Steve Roberts
Executive Chairman



Tom Hayes
Finance Director



Keith Soulsby
Director

Non Executive Directors



Howard Gold
Non Executive Director



Ian McLean
Non Executive Director

Managing Directors of Subsidiary Companies



Graeme Tennick
Joint
Managing Director
A1 Trucks



Derek Wymes
Joint
Managing Director
A1 Trucks



David Wales
Managing Director
Chirmarn &
Chirmarn Surveying



John Gilstin
Managing Director
Isoler



Graham Jennings
Chief Executive
Jennings Roofing



Neil Jukes
Managing Director
Northern Bear
Building Services
and MGM



Jason Harrison
Managing Director
Northern Bear
Safety



Keith Muldoon
Managing Director
Springs Roofing



Keith Soulsby
Managing Director
Wensley Roofing



Alan Chapman
Heritage Director
Matthew Charlton
Slaters

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Registered office

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Chairman's statement

Introduction

I am pleased to report the unaudited interim results for the six months to 30 September 2015.

The Group has continued to perform very well, delivering retained profit of £0.7 million (2014: £0.7 million) and earnings per share of 4.2p (2014: 4.1p) in the period.

Delivering profits in line with the prior period is an excellent result, given the September 2014 interim results represented an outstanding trading performance for the Group and a significant step up from previous years.

Trading

The Group's revenue decreased to £19.6 million (2014: £20.1 million) in the period and its gross profit also decreased to £4.4 million (2014: £4.6 million).

Revenue in the current period was impacted by delays in commencing work on a major roofing contract due to factors outside of our control. Had this contract commenced as expected, we would have reported revenue and gross profit in excess of prior period results. This contract is now underway and, in addition, we have a very strong committed order book across the Group.

Operating profit remained at £1.1 million (2014: £1.1 million) and profit before tax at £0.9m (2014: £0.9m). We have continued to keep a careful control of costs across the Group and have made a number of savings in the period through operational efficiencies.

The Group's roofing companies continue to perform well within their sector, despite constant pressure on margins. This continued success is testament to the quality of our management team who have proactively implemented savings on all direct cost lines. They are assisted in their endeavours by the exceptional supply chain in place, which ensures that we receive both competitive prices and an outstanding service.

Our mainstream specialist building services companies continue to secure high quality work and to grow their reputations within the industry. A number of high profile contracts have been secured in recent months from Local Authorities, Housing Associations and the private sector. Our asbestos removal and surveying business has endured a challenging few months but has implemented a number of management role changes, along with an overhead review conducted by the Group Managing Director. Moving forward, we would envisage this having a positive impact on the business.

Our materials handling business, A1 Industrial Trucks, continues to not only exceed our expectations with regard to sales and hire of Mitsubishi Fork Lift trucks, but also to provide an excellent service in maintaining both sold and leased trucks for its customers.

Cash flow

Net bank debt at 30 September 2015 was £4.0m (2014: £4.9m).

The Group's net bank debt position has benefited from both the strong trading profits and an improved working capital position, such that cash generated from operations was £1.4m (2014: £1.5m). We have continued to invest in our fixed asset base with gross capital expenditure of £0.3m (2014: £0.3m).

As disclosed in the Annual Report and Financial Statements for 31 March 2015, the Group's bank facilities have recently been restructured and this has reduced finance costs in the period to £0.1m (2014: £0.2m).

Dividend

As has been our policy for some time no interim dividend will be declared. The Group will continue to use trading cash flow to reduce bank debt. Provided that the Group's strong performance continues for the remainder of the financial year, the Board intends to continue with its current policy of paying a final dividend.

Chairman's statement *(continued)*

Operational matters

As previously mentioned in our 2015 Annual Report, our growing building services division has now been integrated into new offices at Team Valley in Gateshead. We have also combined the administrative functions of Jennings Roofing's Leeds and Manchester divisions into one central office in Leeds. These moves have provided overhead reductions, as well as enhancing our ability to pool resources.

Northern Bear Safety has continued to grow its business with continued support for both Group companies and external clients. It has been instrumental in helping the Group reduce the number of working days lost due to accidents and continues to provide a significant number of training courses in the new facility at Team Valley. The Construction Industry Training Board (CITB) approved training centre at Team Valley now includes a scaffolding set up (with a ladder station) and we are planning a low level rig for the New Year.

Vantage Point Media, the drone survey business, has also continued to grow and has provided aerial imagery for a number of high profile clients including Capita, Durham University and Gateshead Council. A decision has been taken by the Board to rebrand this business as "Survey Drones", which defines its services better in this growing marketplace.

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.

I am pleased to say that we are being presented with a number of acquisition opportunities at present and, whilst we will be cautious in our use of shareholders' funds in this area, I believe that making a small number of bolt-on acquisitions of specialist building services businesses could enhance the Group's service offering to customers and provide an attractive return on investment.

We would seek to use existing cash resources to fund small acquisitions but, should an outstanding opportunity to purchase a larger business arise, we would seek to raise a mix of external debt and equity.

Outlook

The Group has a stronger order book than has previously been the case at this time of year and there are encouraging signs of tender activity for all Group companies. We are cautiously optimistic for a successful second half to the financial year.

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 is increasingly paying dividends in a sector where labour shortages and cost pressures are impacting operators of all sizes.

The new National Living Wage legislation is not expected to impact the Group's results in the future 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

27 November 2015

Consolidated statement of comprehensive income

for the six month period ended 30 September 2015

	6 months ended 30 September 2015 Unaudited £'000	6 months ended 30 September 2014 Unaudited £'000	Year ended 31 March 2015 Audited £'000
Revenue	19,569	20,077	41,723
Cost of sales	(15,212)	(15,472)	(31,897)
Gross profit	4,357	4,605	9,826
Other operating income	9	8	17
Administrative expenses			
Exceptional expense	-	-	(259)
Share based payment	(7)	(5)	(13)
Other administrative expenses	(3,281)	(3,479)	(7,116)
	(3,288)	(3,484)	(7,388)
Operating profit	1,078	1,129	2,455
Finance income	3	2	8
Finance costs			
Non-recurring finance costs	-	-	(239)
Other finance costs	(145)	(209)	(361)
	(145)	(209)	(600)
Profit before income tax	936	922	1,863
Income tax expense	(187)	(194)	(355)
Profit for the period	749	728	1,508
Total comprehensive income attributable to equity holders of the parent	749	728	1,508
Earnings per share from continuing operations			
Basic earnings per share	4.2p	4.1p	8.5p
Diluted earnings per share	4.2p	4.1p	8.4p

Consolidated statement of changes in equity

for the six month period ended 30 September 2015

	Share capital £'000	Capital redemption reserve £'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 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
At 1 April 2014	184	6	5,169	10,371	3,940	19,670
Total comprehensive income for the 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	184	6	5,169	10,371	5,328	21,058
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

Consolidated balance sheet

at 30 September 2015

	30 September 2015 Unaudited £'000	30 September 2014 Unaudited £'000	31 March 2015 Audited £'000
Assets			
Property, plant and equipment	2,688	2,675	2,702
Intangible assets	21,352	21,354	21,353
Total non-current assets	24,040	24,029	24,055
Inventories	793	868	849
Trade and other receivables	8,929	8,691	9,746
Prepayments	408	398	223
Deferred consideration receivable	18	153	143
Cash and cash equivalents	903	779	502
Total current assets	11,051	10,889	11,463
Total assets	35,091	34,918	35,518
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	5,819	4,540	5,328
Total equity attributable to equity holders of the Company	21,549	20,270	21,058
Liabilities			
Loans and borrowings	4,135	4,815	4,599
Deferred tax liabilities	139	66	140
Total non-current liabilities	4,274	4,881	4,739
Loans and borrowings	1,042	979	1,049
Trade and other payables	7,774	8,218	8,368
Current tax payable	452	570	304
Total current liabilities	9,268	9,767	9,721
Total liabilities	13,542	14,648	14,460
Total equity and liabilities	35,091	34,918	35,518

Consolidated statement of cash flows

for the six month period ended 30 September 2015

	6 months ended 30 September 2015 Unaudited £'000	6 months ended 30 September 2014 Unaudited £'000	Year ended 31 March 2015 Audited £'000
Cash flows from operating activities			
Operating profit for the period	1,078	1,129	2,455
<i>Adjustments for:</i>			
Depreciation	249	241	521
Amortisation	1	1	2
Loss on sale of property, plant and equipment	9	3	2
Equity settled share-based payment transactions	7	5	13
	<u>1,344</u>	<u>1,379</u>	<u>2,993</u>
Change in inventories	56	(37)	(18)
Change in trade and other receivables	817	460	(595)
Change in prepayments	(185)	(229)	(54)
Change in trade and other payables	(594)	(43)	107
	<u>1,438</u>	<u>1,530</u>	<u>2,433</u>
Cash generated from operations			
Interest received	3	2	8
Interest paid	(145)	(210)	(361)
Tax paid	(40)	(68)	(421)
	<u>1,256</u>	<u>1,254</u>	<u>1,659</u>
Net cash flow from operating activities			
Cash flows from investing activities			
Proceeds from the sale of property, plant and equipment	104	33	219
Proceeds from subsidiary disposal	125	13	23
Acquisition of property, plant and equipment	(297)	(340)	(705)
	<u>(68)</u>	<u>(294)</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	4,213
Repayment of borrowings	(423)	(590)	(989)
Payment of finance lease liabilities	(99)	(118)	(232)
Equity dividends paid	(265)	(133)	(133)
	<u>(787)</u>	<u>3,372</u>	<u>2,859</u>
Net cash from financing activities			
Net increase in cash and cash equivalents	401	4,332	4,055
Cash and cash equivalents at start of period	502	(3,553)	(3,553)
	<u>903</u>	<u>779</u>	<u>502</u>
Cash and cash equivalents at end of period			

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 2015.

These condensed financial statements are unaudited and were approved by the Board of Directors on 27 November 2015.

The information for the year ended 31 March 2015 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 2015, other than as disclosed in note 2.

2. Changes in accounting policies

From 1 April 2015 the following standards, amendments and interpretations became effective and 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 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 2015 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 2015 Unaudited	6 months ended 30 September 2014 Unaudited	Year ended 31 March 2015 Audited
Profit for the period (£'000)	749	728	1,508
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	4.2p	4.1p	8.5p

Notes (continued)

4. Earnings per share (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 2015 Unaudited	6 months ended 30 September 2014 Unaudited	Year ended 31 March 2015 Audited
Profit for the period (£'000)	749	728	1,508
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)	225	260	207
Diluted weighted average number of ordinary shares excluding shares held in treasury for the proportion of the year held in treasury ('000)	17,895	17,930	17,877
Diluted earnings per share	4.2p	4.1p	8.4p

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 55 of our Annual Report and Financial Statements for the year ended 31 March 2015, 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 27 November 2015 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.

Notes (continued)

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 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.

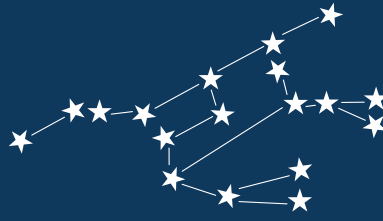
The Directors of Northern Bear Plc are listed in the Annual Report and Financial Statements for the year ended 31 March 2015.

For and on behalf of the Board of Directors

Thomas Hayes
Finance Director

27 November 2015





Northern Bear

AL industrial trucks Ltd
Established Since 1983

SURVEY DRONES

chirmarn LIMITED

MGM
Specialist Construction Services

chirmarn (SURVEYING) LIMITED
ASBESTOS SURVEYORS



Northern Bear Building Services Ltd

ISOLER Fire Protection and Building Integrity Services



Spirals Roofing Ltd

JENNINGS ROOFING LTD

WENSLEY ROOFING LIMITED



Northern Bear Safety Ltd



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