

**Northern Bear plc**

**Preliminary results**  
**For the year ended 31 March 2016**  
11 July 2016

11 July 2016

**Northern Bear PLC**  
(**"Northern Bear"** or the **"Company"**)

**Preliminary results for the year ended 31 March 2016**

The board of directors of Northern Bear (the "Board") is pleased to announce its preliminary results for the year ended 31 March 2016.

**Highlights**

- Profit before tax of £1.9m (2015: £1.9m)
- Basic earnings per share 8.2p (2015: 8.5p)
- Cash generated from operations grew to £3.7m (2015: £2.4m)
- Significant decrease in net bank debt to £2.5m (2015: £4.8m)
- Increase in proposed final dividend to 2.0p per share (2015: 1.5p)

**Steve Roberts, Executive Chairman of Northern Bear, commented:**

*"The results for the year ended 31 March 2016 were in line with the excellent achievements in the previous year. This has resulted in a further significant decrease in bank debt, which will allow us to continue with a progressive dividend policy for the benefit of shareholders. We are very pleased with the continued progress, particularly given the impact of weather conditions on our ability to trade on site in the second half of the year, and would once again like to thank our staff for all their hard work and commitment."*

**For further information contact:**

<b>Northern Bear PLC</b> Steve Roberts - Executive Chairman Tom Hayes – Finance Director	+44 (0) 166 182 0369 +44 (0) 166 182 0369
<b>Strand Hanson Limited (Nominated Adviser and Broker)</b> James Harris James Spinney James Bellman	+44 (0) 20 7409 3494

## **Chairman's Statement**

### **Introduction**

I am pleased to report the results for the year to 31 March 2016 for Northern Bear and its subsidiaries (together "the Group").

The Group has delivered another strong performance, with profit before tax and earnings per share in line with prior year results despite the severe winter weather.

Northern Bear was admitted to trading on AIM on 19 December 2006 and we are consequently approaching our tenth anniversary as a public company. During this period, despite having experienced the worst recession to hit the building services industry that any of our operational staff can recall, we have reported a trading profit (before exceptional items) every year as a public company. Under current management, we have also driven substantial performance improvements, as well as having restructured operations and de-leveraged the Group's balance sheet. This leaves us in an excellent position from which to approach the next ten years and beyond.

### **Trading**

Turnover for the year was £36.5m (2015: £41.7m) and gross profit was £8.9m (2015: £9.8m). It has been well publicised that, during the winter of 2015/2016, the North of England was hit by unprecedented floods and high winds for a prolonged period. This seriously affected our ability to carry out site work, particularly for our Roofing division. As a result, turnover and gross profit decreased in the period, although gross margin increased to 24.5% (2015: 23.6%) through careful contract selection and our policy of avoiding chasing turnover on lower margin work.

The Group was able to make savings in administrative expenses which fell to £6.8m (2015: £7.4m) to partly offset the impact of lower volumes on operating profit, which decreased to £2.1m (2015: £2.5m) in the year (both including exceptional items).

The results also benefited from reduced finance costs following the renegotiation of bank facilities in March 2015 and the reduction in debt levels, with finance costs falling to £0.2m (2015: £0.6m). This was also due to a non-recurring write off of £0.2m of prepaid bank facility fees included in the 2015 results.

As a result, profit before tax remained at £1.9m (2015: £1.9m). Basic earnings per share was 8.2p (2015: 8.5p), with the difference relating to a slightly higher corporation tax charge for the period.

### **Cash flow**

Net bank debt at 31 March 2016 was £2.5m (2015: £4.8m), following the strong trading performance and some favourable payment terms on newer contract work. This led to cash generated from operations of £3.7m (2015: £2.4m), which represents an outstanding cash conversion rate, although an element of this may reverse later in the year depending on the ongoing customer mix.

We continued to invest in the Group's fixed asset base during the year, with capital expenditure of £0.8m (2015: £0.7m) well in excess of depreciation charges. The majority of this was in our Materials Handling division's fleet of fork lift trucks, where we continue to see opportunities to invest at an attractive rate of return.

The Group is grateful for the continued support of Yorkshire Bank.

## **Dividend**

In view of the continued strong trading performance and substantially reduced net bank debt, I am pleased to announce that the Board proposes the payment of an increased final dividend of 2.0p per share (2015: 1.5p per share) for the year ended 31 March 2016. This is subject to shareholder approval at the Annual General Meeting to be held on 23 August 2016 and, if approved, will be payable on 26 August 2016 to shareholders on the register at 5 August 2016.

The Board is very pleased to be able to significantly increase the level of dividend payment for this financial year, having decreased the level of bank debt and associated outgoings over the last few years to what we deem to be a more appropriate and sustainable level. The Board will continue to assess the level of dividend and our current intention is to adjust future dividends in line with the Group's relative performance, taking into account the Group's available cash, working capital requirements, debt obligations and the macro-economic environment at the relevant time.

## **Operational and commercial matters**

Despite the adverse weather conditions during the winter months, our Roofing division produced another excellent set of results. It is pleasing that customers continue to recognise the exceptional skill base within this division of the Group. This has allowed it to maintain profitability in what has become a margin-pressured marketplace.

Our mainstream Specialist Building Services companies continue to secure high quality work and to grow their reputations within the industry. This year, the Group has continued to secure high profile contracts, ranging from Heritage sites to lighthouses. These include Acklam Hall (Middlesbrough), Alnwick Castle (Northumberland), St George's Quarter (Huddersfield), Durham Castle (Durham), Haworth Parish Church (Haworth), The Literary and Philosophical Society (Newcastle) and Souter Lighthouse (Sunderland).

The Group's Materials Handling business, A1 Industrial Trucks, continues to perform strongly through both the sale and hire of Mitsubishi Fork Lift trucks and providing an outstanding service in maintaining sold and leased trucks for its customers.

I would also mention our excellent supply chain that has been built up over a number of years and which has once again supported all of our Group companies. Our suppliers have always ensured that we receive quality products, both sustainably sourced and competitively priced, and have always met our just in time approach for deliveries ensuring the efficiency of the Group's operations.

## **Outlook and strategy**

Current order book levels remain strong across the Group and the new financial year has started well. It remains a source of frustration that the Group is often not in a position to influence when contracts commence, so flexibility is the key to maintaining profitability.

I am pleased to say that we are being presented with a number of acquisition opportunities and continue to believe that making a small number of bolt-on acquisitions of specialist building services businesses could further enhance the Group's service offering to customers. We will, however, only execute an acquisition where we are confident that it will broaden the Group's service offering, predictably enhance earnings and provide an attractive return on investment for our shareholders.

## **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 continues to pay dividends in a sector where labour shortages and cost pressures are impacting operators of all sizes.

The Group is also proud of its apprenticeship schemes, which are available with all Group companies. We currently run a number of schemes which cover a wide range of skills such as roofing, joinery and brickwork. This continuous investment in apprenticeships will ensure that we have a steady stream of qualified tradespeople who are able to supplement our existing workforce, both now and in the future.

As previously mentioned, the new 'National Living Wage' legislation is not expected to impact the Group's results, 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

11 July 2016

# Consolidated statement of comprehensive income

for the year ended 31 March 2016

	2016	2015
	£000	£000
<b>Revenue</b>	<b>36,466</b>	41,723
Cost of sales	<b>(27,542)</b>	(31,897)
<b>Gross profit</b>	<b>8,924</b>	9,826
Other operating income	<b>25</b>	17
Administrative expenses		
Exceptional expense	-	(259)
Share based payment	(15)	(13)
Other administrative expenses	(6,830)	(7,116)
	<b>(6,845)</b>	(7,388)
<b>Operating profit</b>	<b>2,104</b>	2,455
Finance income	<b>2</b>	8
Finance costs		
Non-recurring finance costs	-	(239)
Other finance costs	(229)	(361)
	<b>(229)</b>	(600)
<b>Profit before income tax</b>	<b>1,877</b>	1,863
Income tax expense	<b>(423)</b>	(355)
<b>Profit for the year</b>	<b>1,454</b>	1,508
<b>Total comprehensive income attributable to equity holders of the parent</b>	<b>1,454</b>	1,508
<b>Earnings per share from continuing operations</b>		
Basic earnings per share	<b>8.2p</b>	8.5p
Diluted earnings per share	<b>8.1p</b>	8.4p

**Consolidated statement of changes in equity  
for the year ended 31 March 2016**

	Share capital £000	Capital redemption £000	Share premium £000	Merger reserve £000	Retained earnings £000	Total equity £000
<b>At 1 April 2014</b>	184	6	5,169	10,371	3,940	19,670
<b>Total comprehensive income for the year</b>						
Profit for the year	-	-	-	-	1,508	1,508
<b>Transactions with owners, recorded directly in equity</b>						
Equity settled share-based payment transactions	-	-	-	-	13	13
Equity dividends paid	-	-	-	-	(133)	(133)
<b>At 31 March 2015</b>	184	6	5,169	10,371	5,328	21,058
<b>At 1 April 2015</b>	184	6	5,169	10,371	5,328	21,058
<b>Total comprehensive income for the year</b>						
Profit for the year	-	-	-	-	1,454	1,454
<b>Transactions with owners, recorded directly in equity</b>						
Equity settled share-based payment transactions	-	-	-	-	15	15
Equity dividends paid	-	-	-	-	(265)	(265)
<b>At 31 March 2016</b>	184	6	5,169	10,371	6,532	22,262

**Consolidated balance sheet**  
**at 31 March 2016**

	<b>2016</b>	2015
	<b>£000</b>	£'000
<b>Assets</b>		
Property, plant and equipment	<b>2,881</b>	2,702
Intangible assets	<b>21,351</b>	21,353
<b>Total non-current assets</b>	<b>24,232</b>	24,055
Inventories	<b>976</b>	849
Trade and other receivables	<b>7,239</b>	9,746
Prepayments	<b>289</b>	223
Deferred consideration receivable	-	143
Cash and cash equivalents	<b>1,898</b>	502
<b>Total current assets</b>	<b>10,402</b>	11,463
<b>Total assets</b>	<b>34,634</b>	35,518
<b>Equity</b>		
Share capital	<b>184</b>	184
Capital redemption reserve	<b>6</b>	6
Share premium	<b>5,169</b>	5,169
Merger reserve	<b>10,371</b>	10,371
Retained earnings	<b>6,532</b>	5,328
<b>Total equity attributable to equity holders of the Company</b>	<b>22,262</b>	21,058
<b>Liabilities</b>		
Loans and borrowings	<b>119</b>	4,599
Deferred tax liabilities	<b>213</b>	140
<b>Total non-current liabilities</b>	<b>332</b>	4,739
Loans and borrowings	<b>4,607</b>	1,049
Trade and other payables	<b>7,090</b>	8,368
Current tax payable	<b>343</b>	304
<b>Total current liabilities</b>	<b>12,040</b>	9,721
<b>Total liabilities</b>	<b>12,372</b>	14,460
<b>Total equity and liabilities</b>	<b>34,634</b>	35,518



**Consolidated statement of cash flows**  
**for the year ended 31 March 2016**

	<b>2016</b>	2015
	<b>£000</b>	£000
<b>Cash flows from operating activities</b>		
Operating profit for the year	<b>2,104</b>	2,455
<i>Adjustments for:</i>		
Depreciation	<b>529</b>	521
Amortisation	<b>2</b>	2
Loss on sale of property, plant and equipment	<b>16</b>	2
Equity settled share-based payment transactions	<b>15</b>	13
	<b>2,666</b>	2,993
Change in inventories	<b>(127)</b>	(18)
Change in trade and other receivables	<b>2,507</b>	(595)
Change in prepayments	<b>(66)</b>	(54)
Change in trade and other payables	<b>(1,278)</b>	107
<b>Cash generated from operations</b>	<b>3,702</b>	2,433
Interest received	<b>2</b>	8
Interest paid	<b>(229)</b>	(361)
Tax paid	<b>(311)</b>	(421)
<b>Net cash flow from operating activities</b>	<b>3,164</b>	1,659
<b>Cash flows from investing activities</b>		
Proceeds from sale of property, plant and equipment	<b>212</b>	219
Proceeds from subsidiary disposal	<b>143</b>	23
Acquisition of property, plant and equipment	<b>(813)</b>	(705)
<b>Net cash from investing activities</b>	<b>(458)</b>	(463)
<b>Cash flows from financing activities</b>		
Increase in bank loans on re-financing of overdraft	<b>-</b>	4,213
Repayment of borrowings	<b>(848)</b>	(989)
Repayment of finance lease liabilities	<b>(197)</b>	(232)
Equity dividends paid	<b>(265)</b>	(133)
<b>Net cash from financing activities</b>	<b>(1,310)</b>	2,859
<b>Net increase in cash and cash equivalents</b>	<b>1,396</b>	4,055
Cash and cash equivalents at start of year	<b>502</b>	(3,553)
<b>Cash and cash equivalents at end of year</b>	<b>1,898</b>	502

## Notes

### 1 Basis of preparation

This announcement has been prepared in accordance with the Company's accounting policies, which in turn are in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU") applied in accordance with the provisions of the Companies Act 2006. IFRS is subject to amendment and interpretation by the International Accounting Standards Board ("IASB") and the IFRS Interpretations Committee and there is an on-going process of review and endorsement by the European Commission. The accounting policies comply with each IFRS that is mandatory for accounting periods ended 31 March 2016.

### 2 Status of financial information

The financial information set out above does not constitute the Company's financial statements for the years ended 31 March 2016 or 2015.

The financial information for the year ended 31 March 2015 is derived from the financial statements for that year, which have been delivered to the Registrar of Companies. The auditor has reported on the 2015 financial statements; their report was i) unqualified, ii) did not include 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.

The financial statements for 2016 will be finalised on the basis of the financial information presented by the Directors in this preliminary announcement and will be delivered to the Registrar of Companies following the Company's Annual General Meeting. The results are unaudited, however we do not expect there to be any difference between the numbers presented and those within the annual report.

### 3 Earnings per share

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

	2016	2015
Profit for the year (£000)	<u>1,454</u>	<u>1,508</u>
Weighted average number of ordinary shares excluding shares held in treasury for the proportion of the year held in treasury ('000)	<u>17,670</u>	<u>17,670</u>
Basic earnings per share	8.2p	8.5p

### 3 Earnings per share (continued)

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

	2016	2015
Profit for the year (£000)	<u>1,454</u>	<u>1,508</u>
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
Effect of potential dilutive ordinary shares ('000)	<u>211</u>	<u>207</u>
Diluted weighted average number of ordinary shares excluding shares held in treasury for the proportion of the year held in treasury ('000)	<u>17,881</u>	<u>17,877</u>
Diluted earnings per share	8.1p	8.4p

### 4 Finance income and costs

	2016 £'000	2015 £'000
<b>Finance income</b>		
Bank interest	<u>2</u>	<u>8</u>
<b>Finance costs</b>		
On bank loans and overdrafts	204	345
Finance charges payable in respect of finance leases and hire purchase contracts	25	16
Non-recurring write off of unamortised transaction costs included in borrowings	-	239
	<u>229</u>	<u>600</u>

### 5 Loans and borrowings

	2016 £'000	2015 £'000
<b>Non-current liabilities</b>		
Secured bank loans	-	4,440
Finance lease liabilities	<u>119</u>	<u>159</u>
	<u>119</u>	<u>4,599</u>
<b>Current liabilities</b>		
Current portion of secured bank loans	4,440	850
Current portion of finance lease liabilities	161	195
Other loans	<u>6</u>	<u>4</u>
	<u>4,607</u>	<u>1,049</u>

The term loan facility of £4,440,000 is secured on a fixed and floating charge over all of the assets (including inventories and trade receivables) of the Group.

## **5 Loans and borrowings (continued)**

The Group restructured the whole of its bank facilities on 7 April 2014 and, as part of this process, the revolving credit facility of £3,500,000 was transferred to term debt, along with £750,000 of the Group's bank overdraft. The term loan facility is next due for routine review and renewal on 31 March 2017. The entire term loan balance has been included in current liabilities as the renewal date falls within 12 months of the balance sheet date.

The Group retains a £1 million overdraft facility for working capital purposes although this was not utilised at the balance sheet date. This facility was renewed on 17 March 2016 and is next due for routine review and renewal on 31 March 2017. As part of the prior year renewal process, the margin on all bank debt was reduced from LIBOR plus 4.25 per cent to a maximum of LIBOR plus 3.25 per cent effective from 1 April 2015.

The Directors have already commenced discussions with Yorkshire Bank with regard to the routine review and renewal of term loan and overdraft facilities on 31 March 2017 and fully expect these facilities to be renewed, on terms that are substantially the same as those currently in place, to ensure that the Group has sufficient and appropriate bank facilities for the foreseeable future. Further to these discussions, should the Group need to issue further bank debt to fund an acquisition then the Directors expect that additional facilities will be available.

## **6 Availability of financial statements**

The Group's Annual Report and Financial Statements for the year ended 31 March 2016 are expected to be approved by 25 July 2016 and will be posted to shareholders during the week commencing 25 July 2016. Further copies will be available to download on the Company's website at: <http://www.northernbearplc.com/>. It is intended that the Annual General Meeting will take place at the Company's registered office, A1 Grainger, Prestwick Park, Prestwick, Newcastle upon Tyne, NE20 9SJ, at 9.30am on 23 August 2016.