18 July 2017

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

Preliminary results for the year ended 31 March 2017

The board of directors of Northern Bear (the "Board") is pleased to announce its unaudited preliminary results for the year ended 31 March 2017.

Highlights

- Turnover from continuing operations of £45.6m *(2016: £34.7m)*
- Profit before tax from continuing operations of £2.4m *(2016: £1.8m)*
- Basic earnings per share from continuing operations of 11.3p *(2016: 7.9p)*
- Cash generated from operations grew to £4.5m *(2016: £3.7m)*
- Net cash position at year end of £0.6m *(2016: net bank debt of £2.5m)*
- Increase in proposed final dividend to 2.5p per share *(2015: 2.0p)*
- Special dividend of 1.5p per share *(2016: nil)*

Steve Roberts, Executive Chairman of Northern Bear, commented:

"I am delighted to announce another excellent set of results from our continuing operations, as well as a further improvement in our financial position, with a net positive cash balance at the year end. The strong cash generation in the year allows us to continue with our progressive dividend policy for the benefit of shareholders. Following the outstanding results for the year from our continuing operations, we are also pleased to announce a special dividend. I would once again like to thank our staff for all their hard work and commitment."

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Chairman's Statement

Introduction

I am pleased to report the results for the year to 31 March 2017 for Northern Bear and its subsidiaries (together, the "Group").

The Group's continuing operations delivered an outstanding year's trading, with profit before tax and earnings per share from continuing operations ahead of strong prior year results.

As a result of strong cash generation during the year, we are delighted to report a positive net cash position at 31 March 2017 of £0.6m (31 March 2016: net bank debt of £2.5m). Given that the Group had a reported net bank debt position of £10.1m at 30 September 2009, during the most severe recession to hit the building services industry that any of our operational staff can recall, it is testament to our current management team that we have been able to deleverage the balance sheet to this extent.

I would like to thank Yorkshire Bank for their continued support over this period. We have recently agreed new and more flexible bank facilities with them which are discussed further below.

During the year, we made the decision to dispose of Chirmarn Holdings Limited and its subsidiaries (together "Chirmarn"). The sale completed on 31 March 2017. Results from these companies have, accordingly, been presented as discontinued operations in results for both the current and prior year. In the current year, discontinued operations also include a loss on book value on disposal of Chirmarn and a non-cash write down of associated goodwill.

Trading

Following a relatively mild winter and continued strong performance in the Group's Roofing division, along with continued careful contract selection and management, turnover from continuing operations increased to £45.6m (2016: £34.7m) and gross profit was £9.3m (2016: £8.2m).

The Group's administrative expenses increased to £6.8m (2016: £6.1m), largely due to operating costs associated with higher trading levels. As a result, operating profit from continuing operations for the year increased to £2.5m (2016: £2.0m).

The results also benefited from reduced finance costs due to lower bank debt levels. Overall profit before tax from continuing operations increased to £2.4m (2016: £1.8m) and basic earnings per share from continuing operations was 11.3p (2016: 7.9p).

Cash flow and new bank facilities

The Group's cash generated from all operations was £4.5m (2016: £3.7m), following the strong trading performance and some continued favourable payment terms on contract work. However, an element of this may reverse in due course depending on the ongoing mix of contracts.

Our investment in the Group's fixed asset base continued during the year, with capital expenditure of £0.7m (2016: £0.8m).

During the year we signed a new £3.5m revolving credit facility agreement with Yorkshire Bank to replace the previous term loan facility (which was due for renewal on 31 March 2017). This new facility is committed to 31 May 2020 and was secured at a reduced interest rate level, reflecting the strength of the Group's recent and ongoing financial performance. The Group also retains a £1.0m committed overdraft facility.

The new facilities will provide the Group with a much more flexible funding structure and permit a wider range of options for capital allocation in the future.

Dividend policy

In view of the continued strong trading performance of the Group, I am pleased to announce that the Board proposes the payment of an increased final dividend of 2.5p per share (2016: 2.0p per share) for the year ended 31 March 2017. This is subject to shareholder approval at the Annual General Meeting to be held on 24 August 2017 and, if approved, will be payable on 1 September 2017 to shareholders on the register at 11 August 2017.

Due to the exceptional financial performance in the year and the Group's net cash position at 31 March 2017, we have decided to distribute funds which are surplus to our strategic requirements. Accordingly, we are also announcing a special dividend of 1.5p per share (2016: nil), which is also subject to shareholder approval and payable as above.

The Board will continue to assess the dividend levels, and our current intention remains to adjust future dividends in line with the Group's relative performance, after taking into account the Group's available cash, working capital requirements, debt obligations and the macro-economic environment at the relevant time.

Outlook

We have moved into the new financial year with a particularly strong order book for the time of year which provides optimism for what we hope will be another good set of results for the year ending 31 March 2018.

Acquisitions

We continue to be presented with a number of acquisition opportunities and believe that making a small number of acquisitions of specialist building services businesses could further enhance the Group's service offering to customers. However, as previously stated, we will 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.

Discontinued operations

On 31 March 2017 the Group disposed of its subsidiary, Chirmarn Holdings Limited. This followed a detailed review by the Board of the entire Chirmarn operation.

Chirmarn provides asbestos removal and surveying services. It had made a substantial contribution to the Group's performance since acquisition in 2007. It also traded exceptionally well during the severe recession which began in 2008. However, during the financial year ended 31 March 2017, Chirmarn was trading at a loss and required continued funding from the Group.

The Board provided all possible resource and support during that period in an attempt to improve matters, however, the situation persisted, with no certainty that there would be any improvement in the business activities of Chirmarn in the short to medium term. Furthermore, the sector in which Chirmarn operates differs from those in which other Group companies operate in that asbestos, for health and safety reasons, has not been widely used as a construction material for some time and, therefore, we believe there is limited potential for long term market growth.

As a result, the Board decided that the disposal of Chirmarn was in the best interest of shareholders and will allow the Board to focus on the Group's core businesses and markets.

People

I remain proud that the Group directly employs a large majority of its workforce. Overseen by Keith Soulsby, the Group has continued to invest in training new operatives throughout difficult economic times. In more buoyant times, this has proved to be particularly important given the shortage of skilled operatives and cost pressures in our sector. As a result of our long term strategy, we have retained a loyal, dedicated and skilled workforce. That 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 a positive set of results, and I would once again like to thank all our employees for their hard work and contribution to another period of strong performance for the Group.

Steve Roberts

Executive Chairman

18 July 2017

Consolidated statement of comprehensive income

for the year ended 31 March 2017

	2017	2016
	£000	£000
Revenue	**45,563**	34,690
Cost of sales	**(36,256)**	(26,540)
Gross profit	**9,307**	8,150
Other operating income	**25**	25
Administrative expenses		
Share based payment	**(14)**	(15)
Other administrative expenses	**(6,772)**	(6,134)
	(6,786)	(6,149)
Operating profit	**2,546**	2,026
Finance income	**-**	2
Finance costs	**(166)**	(226)
Profit before income tax	**2,380**	1,802
Income tax expense	**(386)**	(403)
Profit from continuing operations	**1,994**	1,399
Discontinued operations		
(Loss) / profit from discontinued operations (net of income tax)	**(4,266)**	55
(Loss) / profit for the year	**(2,272)**	1,454
Total comprehensive (loss)/income attributable to equity holders of the parent	**(2,272)**	1,454
Basic (loss) / earnings per share		
Continuing operations	**11.3p**	7.9p
Discontinued operations	**(24.1p)**	0.3p
Total operations	**(12.8p)**	8.2p
Diluted (loss) / earnings per share		
Continuing operations	**11.1p**	7.8p
Discontinued operations	**(24.1p)**	0.3p
Total	**(13.0p)**	8.1p

Consolidated statement of changes in equity
for the year ended 31 March 2017

	Share capital £000	Capital Redemption £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 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 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**

Consolidated balance sheet
at 31 March 2017

	2017	2016
	£000	**£000**
Assets		
Property, plant and equipment	**2,852**	2,881
Intangible assets	**17,458**	21,351
Total non-current assets	**20,310**	24,232
Inventories	**944**	976
Trade and other receivables	**8,755**	7,239
Prepayments	**246**	289
Cash and cash equivalents	**2,583**	1,898
Total current assets	**12,528**	10,402
Total assets	**32,838**	34,634
Equity		
Share capital	**184**	184
Capital redemption reserve	**6**	6
Share premium	**5,169**	5,169
Merger reserve	**9,231**	10,371
Retained earnings	**5,102**	6,532
Total equity attributable to equity holders of the Company	**19,692**	22,262
Liabilities		
Loans and borrowings	**2,122**	119
Deferred tax liabilities	**182**	213
Total non-current liabilities	**2,304**	332
Loans and borrowings	**168**	4,607
Trade and other payables	**10,255**	7,090
Current tax payable	**419**	343
Total current liabilities	**10,842**	12,040
Total liabilities	**13,146**	12,372
Total equity and liabilities	**32,838**	34,634

Consolidated statement of cash flows
for the year ended 31 March 2017

	2017	2016
	£000	£000
Cash flows from operating activities		
Operating profit for the year – continuing operations	2,546	2,026
Operating profit for the year – discontinued operations	(206)	78
Operating profit for the year	2,340	2,104
Adjustments for:		
Depreciation	549	529
Amortisation	2	2
Loss on sale of property, plant and equipment	9	16
Equity settled share-based payment transactions	14	15
	2,914	2,666
Change in inventories	24	(127)
Change in trade and other receivables	(1,802)	2,427
Change in prepayments	29	14
Change in trade and other payables	3,358	(1,278)
Cash generated from operations	4,523	3,702
Interest received	-	2
Interest paid	(166)	(229)
Tax paid	(341)	(311)
Net cash flow from operating activities	4,016	3,164
Cash flows from investing activities		
Proceeds from sale of property, plant and equipment	294	212
Proceeds from subsidiary disposal	25	143
Acquisition of property, plant and equipment	(689)	(813)
Net cash from investing activities	(370)	(458)
Cash flows from financing activities		
Repayment of borrowings	(2,441)	(848)
Repayment of finance lease liabilities	(208)	(197)
Proceeds from the exercise of share options	41	-
Equity dividends paid	(353)	(265)
Net cash from financing activities	(2,961)	(1,310)
Net increase in cash and cash equivalents	685	1,396
Cash and cash equivalents at start of year	1,898	502
Cash and cash equivalents at end of year	2,583	1,898

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 2017.

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 2017 or 2016.

The financial information for the year ended 31 March 2016 is derived from the financial statements for that year, which have been delivered to the Registrar of Companies. The auditor has reported on the 2016 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 2017 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 or loss for the year divided by the weighted average number of ordinary shares outstanding, excluding those in treasury, calculated as follows:

	2017	2016
Profit for the year (£000) – continuing operations	**1,994**	1,399
(Loss)/profit for the year (£000) – discontinued operations	**(4,266)**	55
(Loss)/profit for the year (£000) – total operations	**(2,272)**	1,454
Weighted average number of ordinary shares excluding shares held in treasury for the proportion of the year held in treasury ('000)	**17,680**	17,670
Basic earnings per share – continuing operations	**11.3p**	7.9p
Basic (loss)/earnings per share – discontinued operations	**(24.1p)**	0.3p
Basic (loss)/earnings per share – total operations	**(12.8p)**	8.2p

3 Earnings per share (continued)

The calculation of diluted earnings per share is the profit or loss 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:

	2017	2016
Profit for the year (£000) – continuing operations	**1,994**	1,399
(Loss)/profit for the year (£000) – discontinued operations	**(4,266)**	55
(Loss)/profit for the year (£000) – total operations	**(2,272)**	1,454
Weighted average number of ordinary shares excluding shares held in treasury for the proportion of the year held in treasury (‘000)	**17,680**	17,670
Effect of potential dilutive ordinary shares (‘000)	**214**	211
Diluted weighted average number of ordinary shares excluding shares held in treasury for the proportion of the year held in treasury (‘000)	**17,894**	17,881
Diluted earnings per share – continuing operations	**11.1p**	7.8p
Diluted (loss)/earnings per share – discontinued operations	**(24.1p)**	0.3p
Diluted (loss)/earnings per share – total operations	**(13.0p)**	8.1p

All potential shares were anti-dilutive for 2017 discontinued operations due to the loss reported.

4 Discontinued operations

During the year, 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 operation have been included in the consolidated financial statements until the date the disposal was completed. These are as follows:

	2017	2016
	£’000	£’000
Revenue	**1,370**	1,776
Expenses	**(1,582)**	(1,701)
Pre tax trading (loss)/profit	**(212)**	75
Loss on disposal of discontinued operations	**(191)**	-
Write off of related goodwill	**(3,891)**	-
(Loss) / profit before income tax	**(4,294)**	75
Income tax credit / (expense)	**28**	(20)
(Loss) / profit for the period from discontinued operations	**(4,266)**	55

The net cash flows attributable to the operating, investing and financing activities of discontinued operations were as follows:

	2017	2016
	£’000	£’000
Operating activities	**(181)**	78
Investing activities	**-**	(7)
Financing activities	**(25)**	(12)

5 Loans and borrowings

	2017	2016
	£'000	£'000
Non-current liabilities		
Secured bank loans	**2,000**	-
Finance lease liabilities	**122**	119
	2,122	119
Current liabilities		
Current portion of secured bank loans	**-**	4,440
Current portion of finance lease liabilities	**163**	161
Other loans	**5**	6
	168	4,607

The Group's term loan facility was due for routine review and renewal on 31 March 2017. The entire term loan balance was included in current liabilities at 31 March 2016 as the renewal date fell within 12 months of the balance sheet date.

During the year to 31 March 2017 the Group renewed and replaced term loan facilities with a £3.5 million revolving credit facility in order to provide greater flexibility in the use of funds. At 31 March 2017, a total of £2.0 million was drawn down on this facility, which is committed until 31 May 2020.

The Group also retains a £1 million overdraft facility for working capital purposes. This facility was renewed on 31 May 2017 and is next due for routine review and renewal on 31 May 2018.

6 Availability of financial statements

The Group's Annual Report and Financial Statements for the year ended 31 March 2017 are expected to be approved by 24 July 2017 and will be posted to shareholders during the week commencing 24 July 2017. 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 11:30am on 24 August 2017.