16 July 2018

Northern Bear PLC

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

Preliminary results for the year ended 31 March 2018

The board of directors of Northern Bear (the "Board") is pleased to announce its unaudited preliminary results for the year ended 31 March 2018.

Highlights

- Turnover from continuing operations of £53.6m *(2017: £45.6m)*
- Adjusted operating profit* from continuing operations of £3.1m *(2017: £2.5m)*
- Operating profit from continuing operations of £2.8m *(2017: £2.5m)*
- Adjusted basic earnings per share* from continuing operations of 12.5p *(2017: 11.3p)*
- Basic earnings per share from continuing operations of 10.9p *(2017: 11.3p)*
- Acquisition of H Peel & Sons (Holdings) Limited in July 2017
- Net bank debt position at year end of £0.8m *(2017: net cash of £0.6m)*
- Increase in proposed final dividend to 3.0p per share *(2017: 2.5p)*
- Proposed special dividend of 1.0p per share *(2017: 1.5p per share)*

** stated prior to the impact of amortisation and transaction costs in relation to the acquisition of H Peel & Sons (Holdings) Limited*

Steve Roberts, Executive Chairman of Northern Bear, commented:

"I am delighted to be reporting on another great set of results. With a strong current order book, I am hopeful of another good year to come and would like to thank my fellow Directors and the management teams and staff at all of our companies for the efforts they put into making the Group such a success story.

We are pleased to be back on the acquisition trail and will continue to look at opportunities as and when they arise."

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Chairman's Statement

Introduction

I am pleased to report the results for the year to 31 March 2018 for Northern Bear and its subsidiaries (together, the "Group").

The Group's continuing operations delivered another excellent year's trading, with turnover and operating profit from continuing operations ahead of the already strong results for the prior year.

We also completed our first acquisition in almost ten years in July 2017 when we acquired H Peel & Sons (Holdings) Limited and its subsidiary (together, "H Peel"). H Peel has traded in line with our expectations since acquisition and has made a positive contribution to our results over the period.

The acquisition of H Peel, along with the disposal of Chirmarn Holdings Limited and its subsidiaries in the prior year, has allowed us to consolidate the Group's core operations, while adding a well-established and high quality business to our portfolio of companies.

Trading

The Group's continuing operations traded strongly and ahead of management expectations over the course of the financial year, despite the severe winter weather (particularly during the first three months of 2018). This is testament to the continued hard work of our Group managing director, Graham Jennings, our operations director, Keith Soulsby, and all of the operational management team.

This is the first winter for several years where we have experienced severe weather over a sustained period of time. I am therefore pleased to report that the Group was able to continue its strong performance despite such weather conditions, in part due to the diversity of its businesses.

From time to time we receive shareholder enquiries with regard to the impact of industry events and severe weather on the Group's results. I would like to assure our shareholders that, if the Group's results are likely to be materially affected by any such events, we will make an appropriate announcement immediately as is required by the AIM Rules for Companies. Our policy continues to be to avoid issuing unnecessary market updates, or creating an expectation of providing ongoing commentary, on wider market events when the Board does not expect the Group's performance to be materially affected.

Turnover from continuing operations increased to £53.6 million (2017: £45.6 million), which was due to a combination of increased turnover from existing operations and the impact of the H Peel acquisition.

Gross profit from continuing operations increased to £10.5 million (2017: £9.3 million) while gross margin reduced to 19.6% (2017: 20.4%). The reduction in gross margin is the result of a change in sales mix. The Group's Specialist Building Services division typically operates at lower margins than the Roofing and Materials Handling divisions, and accounted for a higher proportion of the Group's turnover during the year.

Administrative expenses, before amortisation and transaction costs, increased to £7.5 million (2017: £6.8 million), largely to support increased activity levels in the period.

We have made the decision to present operating profit both before and after the impact of the amortisation of intangible assets and transaction costs totalling £0.3 million (2017: nil), in order to provide a better understanding of the Group's underlying trading performance. Operating profit from continuing operations, prior to these costs, was £3.1 million (2017: £2.5 million). After the impact of these costs, operating profit from continuing operations was £2.8 million (2017: £2.5 million).

We have also presented adjusted earnings per share for the year, the calculation for which is included later in this document. Adjusted basic earnings per share from continuing operations was 12.5p (2017: 11.3p). Reported basic earnings per share from continuing operations was 10.9p (2017: 11.3p).

Cash flow and bank facilities

We stated in prior year results that the Group's operating cash generation was significantly in excess of trading profits, due to some favourable payment terms on contract work. We stated at the time that this may reverse in due course. The Group's working capital has since reverted to a more normal position, due to a change in contract mix, and, hence, cash generated from operations in the year was £1.4 million (2017: £4.5 million).

The Group's working capital requirements will continue to vary depending on the ongoing customer and contract mix. I believe that the Group's results, when considered over a period of more than one year, have demonstrated a strong ratio of profit to operating cash generation.

During the prior year we signed a new £3.5m revolving credit facility agreement with Yorkshire Bank to replace the previous term loan facility. This new facility was intended to provide the Group with a much more flexible funding structure and to support a wider range of options for capital allocation. It has since supported our acquisition of H Peel as well as the ordinary and special dividends paid during 2017. The facility is committed to 31 May 2020 and the Group also retains a £1.0m overdraft facility.

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 3.0p per share (2017: 2.5p per share) for the year ended 31 March 2018. This is subject to shareholder approval at the Annual General Meeting to be held on 20 August 2018. If approved, it will be payable on 31 August 2018 to shareholders on the register at 10 August 2018.

Due to the exceptional financial performance in the year, we have also decided to distribute funds which are surplus to our strategic requirements. Accordingly, we are announcing a proposed special dividend of 1.0p per share (2017: 1.5p per share), which is also subject to shareholder approval and payable as above.

The Board will continue to assess the dividend levels, and our 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, corporate opportunities, debt obligations and the macro-economic environment at the relevant time.

Outlook

The Group continues to hold a high level of committed orders and trading in the new financial year has started well, which provides optimism for another good set of results in the year ending 31 March 2019.

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 acquisition criteria, which include that a business is well established in its sector, is consistently profitable and cash generative, and has a strong management team who are committed to remaining with the business.

The acquisition also provided us with further sectoral and geographical diversification. The management team at H Peel have settled in well and we look forward to sharing in their continued success.

We continue to be presented with acquisition opportunities on a regular basis. However, we will only proceed with an acquisition where we are confident that it will meet the above criteria, predictably enhance earnings and provide an attractive return on investment for our shareholders.

People

During the year Graham Jennings, our Group managing director, stepped down from his role as managing director of Jennings Roofing in order to focus on his Group role and to support the further expansion and development of the Group.

Martin Briggs, who has worked closely with Graham for the past 26 years, was appointed as managing director at Jennings Roofing with effect from 1 April 2018. I would like to congratulate Martin on his promotion and I wish him well in his new role.

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. With HR overseen by Keith Soulsby, the Group continues to invest in its workforce, regardless of short term economic conditions. This is particularly important, given the continued shortage of skilled operatives and cost pressures in our sector.

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

16 July 2018

Consolidated statement of comprehensive income

for the year ended 31 March 2018

	2018	2017
	£000	£000
Revenue	**53,573**	45,563
Cost of sales	**(43,067)**	(36,256)
Gross profit	**10,506**	9,307
Other operating income	**23**	25
Administrative expenses	**(7,459)**	(6,786)
Operating profit (before amortisation and transaction costs)	**3,070**	2,546
Transaction costs	**(158)**	-
Amortisation of acquired intangible assets arising on acquisitions	**(102)**	-
Operating profit	**2,810**	2,546
Finance costs	**(213)**	(166)
Profit before income tax	**2,597**	2,380
Income tax expense	**(613)**	(386)
Profit from continuing operations	**1,984**	1,994
Discontinued operations		
(Loss) / profit from discontinued operations (net of income tax)	**-**	(4,266)
Profit / (loss) for the year	**1,984**	(2,272)
Total comprehensive income/(loss) attributable to equity holders of the parent	**1,984**	(2,272)
Basic (loss) / earnings per share		
Continuing operations	**10.9p**	11.3p
Discontinued operations	**-**	(24.1p)
Total operations	**10.9p**	(12.8p)
Diluted (loss) / earnings per share		
Continuing operations	**10.8p**	11.1p
Discontinued operations	**-**	(24.1p)
Total	**10.8p**	(13.0p)

Consolidated statement of changes in equity
for the year ended 31 March 2018

	Share capital	Capital redemption reserve	Share premium	Merger reserve	Retained earnings	Total equity
	£000	£000	£000	£000	£000	£000
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)
Transfer 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 year						
Profit for the year	-	-	-	-	1,984	1,984
Transactions with owners, recorded directly in equity						
Issue of shares	5	-	-	-	-	5
Exercise of share options	-	-	-	-	65	65
Equity dividends paid	-	-	-	-	(742)	(742)
Merger reserve arising on acquisition	-	-	-	374	-	374
At 31 March 2018	**189**	**6**	**5,169**	**9,605**	**6,409**	**21,378**

Consolidated balance sheet
at 31 March 2018

	2018	2017
	£000	**£000**
Assets		
Property, plant and equipment	**3,050**	2,852
Intangible assets	**20,628**	17,458
Total non-current assets	**23,678**	20,310
Inventories	**952**	944
Trade and other receivables	**9,833**	8,755
Prepayments	**265**	246
Cash and cash equivalents	**1,731**	2,583
Total current assets	**12,781**	12,528
Total assets	**36,459**	32,838
Equity		
Share capital	**189**	184
Capital redemption reserve	**6**	6
Share premium	**5,169**	5,169
Merger reserve	**9,605**	9,231
Retained earnings	**6,409**	5,102
Total equity attributable to equity holders of the Company	**21,378**	19,692
Liabilities		
Loans and borrowings	**2,672**	2,122
Deferred consideration	**510**	-
Deferred tax liabilities	**316**	182
Total non-current liabilities	**3,498**	2,304
Loans and borrowings	**227**	168
Deferred consideration	**425**	-
Trade and other payables	**10,333**	10,255
Current tax payable	**598**	419
Total current liabilities	**11,583**	10,842
Total liabilities	**15,081**	13,146
Total equity and liabilities	**36,459**	32,838

Consolidated statement of cash flows
for the year ended 31 March 2018

	2018	2017
	£000	£000
Cash flows from operating activities		
Operating profit for the year – continuing operations	**2,810**	2,546
Operating profit for the year – discontinued operations	**-**	(206)
Operating profit for the year	**2,810**	2,340
Adjustments for:		
Depreciation	**559**	549
Amortisation	**103**	2
(Profit)/loss on sale of property, plant and equipment	**(7)**	9
Equity settled share-based payment transactions	**-**	14
	3,465	2,914
Change in inventories	**11**	24
Change in trade and other receivables	**(1,004)**	(1,802)
Change in prepayments	**33**	29
Change in trade and other payables	**(1,103)**	3,358
Cash generated from operations	**1,402**	4,523
Interest received	**-**	-
Interest paid	**(139)**	(166)
Tax paid	**(483)**	(341)
Net cash flow from operating activities	**780**	4,016
Cash flows from investing activities		
Proceeds from sale of property, plant and equipment	**186**	294
Proceeds from subsidiary disposal	**-**	25
Acquisition of property, plant and equipment	**(569)**	(689)
Acquisition of subsidiary (net of cash acquired)	**(866)**	-
Net cash from investing activities	**(1,249)**	(370)
Cash flows from financing activities		
Issue/(repayment) of borrowings	**511**	(2,441)
Repayment of finance lease liabilities	**(216)**	(208)
Proceeds from the exercise of share options	**64**	41
Equity dividends paid	**(742)**	(353)
Net cash from financing activities	**(383)**	(2,961)
Net increase in cash and cash equivalents	**(852)**	685
Cash and cash equivalents at start of year	**2,583**	1,898
Cash and cash equivalents at end of year	**1,731**	2,583

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 2018.

For the purposes of their assessment of the appropriateness of the preparation of the Group's accounts on a going concern basis, the directors have considered the current cash position and forecasts of future trading including working capital and investment requirements. The Group's forecasts and projections, taking account of reasonable possible changes in trading performance, show that the Group and the Company should have sufficient cash resources to meet its requirements for at least the next 12 months. Accordingly, the adoption of the going concern basis in preparing the financial statements remains appropriate.

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 2018 or 2017.

The financial information for the year ended 31 March 2017 is derived from the financial statements for that year, which have been delivered to the Registrar of Companies. The auditor has reported on the 2017 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 2018 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:

	2018	2017
Profit for the year (£000) – continuing operations	**1,984**	1,994
(Loss)/profit for the year (£000) – discontinued operations	**-**	(4,266)
Profit/(loss) for the year (£000) – total operations	**1,984**	(2,272)
Weighted average number of ordinary shares excluding shares held in treasury for the proportion of the year held in treasury ('000)	**18,270**	17,680
Basic earnings per share – continuing operations	**10.9p**	11.3p
Basic (loss)/earnings per share – discontinued operations	**-**	(24.1p)
Basic earnings/(loss) per share – total operations	**10.9p**	(12.8p)

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:

	2018	2017
Profit for the year (£000) – continuing operations	**1,984**	1,994
(Loss)/profit for the year (£000) – discontinued operations	**-**	(4,266)
Profit/(loss) for the year (£000) – total operations	**1,984**	(2,272)
Weighted average number of ordinary shares excluding shares held in treasury for the proportion of the year held in treasury ('000)	**18,270**	17,680
Effect of potential dilutive ordinary shares ('000)	**113**	214
Diluted weighted average number of ordinary shares excluding shares held in treasury for the proportion of the year held in treasury ('000)	**18,383**	17,894
Diluted earnings per share – continuing operations	**10.8p**	11.1p
Diluted (loss)/earnings per share – discontinued operations	**-**	(24.1p)
Diluted earnings/(loss) per share – total operations	**10.8p**	(13.0p)

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

The following additional earnings per share figures are presented as the directors believe they provide a better understanding of the trading performance of the Group.

Adjusted basic and diluted earnings per share from continuing operations is the profit for the year from continuing operations, adjusted for acquisition related costs, divided by the weighted average number of ordinary shares outstanding as presented above.

Adjusted earnings is calculated as follows:

	2018	2017
Profit for the year (£000) – continuing operations	**1,984**	1,994
Transaction costs	**158**	-
Amortisation of intangible assets arising on acquisitions	**102**	-
Unwinding of discount on deferred consideration liabilities	**74**	-
Corporation tax effect of above items	**(30)**	-
Adjusted profit for the year (£000) – continuing operations	**2,288**	1,994
Weighted average number of ordinary shares excluding shares held in treasury for the proportion of the year held in treasury ('000)	**18,270**	17,680
Adjusted basic earnings per share from continuing operations	**12.5p**	11.3p
Adjusted diluted earnings per share from continuing operations	**12.4p**	11.1p

4 Finance costs

	2018	2017
	£'000	£'000
On bank loans and overdrafts	**128**	149
Finance charges payable in respect of finance leases and hire purchase contracts	**11**	17
Unwinding of discount on deferred consideration liabilities	**74**	-
	213	166

5 Loans and borrowings

	2018	2017
	£'000	£'000
Non-current liabilities		
Secured bank loans	**2,500**	2,000
Finance lease liabilities	**172**	122
	2,672	2,122
Current liabilities		
Current portion of finance lease liabilities	**211**	163
Other loans	**16**	5
	227	168

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 2018 a total of £2.5 million (2017: £2.0 million) was drawn down on this facility, which is committed until 31 May 2020, providing a net bank debt figure at 31 March 2018 of £0.8 million (2017: net cash of £0.6 million) after offsetting cash and cash equivalents of £1.7 million (2017: £2.6 million).

The Group also retains a £1 million overdraft facility for working capital purposes. This facility was renewed on 31 May 2018 and is next due for routine review and renewal on 31 May 2019.

6 Acquisition

H Peel & Sons (Holdings) Limited

On 25 July 2017 the Group acquired the entire issued share capital of H Peel & Sons (Holdings) Limited and its subsidiary H Peel & Sons Limited, an interiors and fit out business based in Dewsbury, West Yorkshire.

The amounts recognised in respect of the identifiable assets acquired and liabilities assumed are set out below:

	Book value £000	Fair value adjustments £000	Fair value £000
Net assets acquired:			
Intangible assets	-	762	762
Property, plant and equipment	115	-	115
Inventory	19	-	19
Trade and other receivables	126	-	126
Cash and cash equivalents	329	-	329
Trade and other payables	(1,297)	-	(1,297)
Deferred taxation	-	(130)	(130)
Total identifiable assets	(708)	632	(76)
Goodwill			2,511
Total consideration			**2,435**
Satisfied by:			
Cash			746
Equity instruments (ordinary shares)			378
Deferred and contingent consideration			1,311
Total consideration			**2,435**
Cash outflows arising on acquisition:			
Cash consideration			746
Less: cash and cash equivalents acquired			(329)
			417

Fair value adjustments of £632,000 relating to the separate recognition of intangible assets and a related deferred tax liability have been recorded.

Under the terms of the acquisition, deferred cash consideration of £0.4 million is payable in four equal six monthly instalments commencing six months from the acquisition date. Additional contingent consideration of up to £1.4 million was payable, subject to various earn out agreements, over a three year period from the acquisition date. The deferred consideration balance of £0.9 million at 31 March 2018 represents the discounted present value of estimated future payments to be made.

The fair value of the 461,538 ordinary shares in Northern Bear plc issued as part of the consideration paid (£378,000) was determined on the basis of the closing mid-market price of the Group's ordinary shares on 24 July 2017, being 82p.

Acquisition related costs included in administrative expenses amount to £158,000.

H Peel contributed a total of £3.3 million revenue and £0.5 million to the Group's operating profit for the period between the date of acquisition and the balance sheet date.

If the acquisition of H Peel had been completed on the first day of the financial year, Group revenues for the year would have been £54.3 million and Group operating profit would have been £2.9 million.

7 Availability of financial statements

The Group's Annual Report and Financial Statements for the year ended 31 March 2018 are expected to be approved by 23 July 2018 and will be posted to shareholders during the week commencing 23 July 2018. 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 9:00am on 20 August 2018.