

25 November 2020

Northern Bear plc
(“Northern Bear” or the “Company”)

Interim results for the six month period ended 30 September 2020

The board of directors of Northern Bear (the “Board”) is pleased to announce the unaudited interim results for the Company and its subsidiaries (together the “Group”) for the six months to 30 September 2020.

Financial Summary

- Revenue of £20.1m (2019: £27.8m)
- Adjusted operating profit* of £0.5m (2019: £1.4m)
- Net cash flow from operating activities of £1.1m (2019: £1.4m outflow)
- Net cash of £0.6m at 30 September 2020 (31 March 2020: net cash £0.2m; 30 September 2019: net bank debt £0.7m)
- Goodwill impairment in relation to H Peel
- Results significantly impacted by COVID-19 disruption during Q1
- More normal levels of operating activity in Q2, which have continued to date

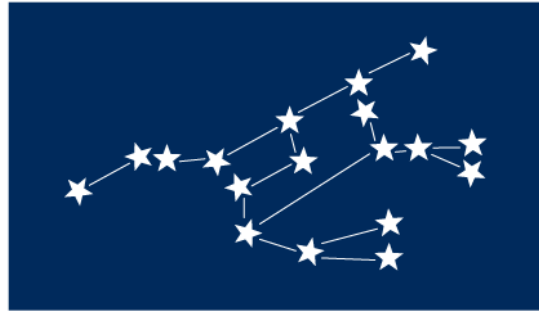
** stated prior to the impact of amortisation, impairment, and other acquisition related adjustments*

Steve Roberts, Executive Chairman of Northern Bear, commented:

“I am delighted that we were able to minimise trading losses during Q1 and, as a result, we can report a pleasing level of trading profitability for H1 as a whole. This is testament to the efforts of our loyal workforce, many of whom took voluntary pay reductions during Q1 when the majority of our businesses generated very little revenue as a result of large scale site closures due to the COVID-19 pandemic. “

For further information please contact:

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



Northern Bear

Northern Bear plc

Interim Report
30 September 2020

Contents

Advisers	2
Chairman's statement	3
Consolidated statement of comprehensive income	6
Consolidated balance sheet	7
Consolidated statement of changes in equity	8
Consolidated statement of cash flows	9
Notes	10

Advisers

Auditor

Mazars LLP
5th Floor
3 Wellington Place
Leeds
LS1 4AP

Bankers

Yorkshire Bank
94-96 Briggate
Leeds
LS1 6NP

Legal advisers

Mincoffs Solicitors LLP
5 Osborne Terrace
Jesmond
Newcastle upon Tyne
NE2 1SQ

Nominated Adviser and Broker

Strand Hanson Limited
26 Mount Row
London
W1K 3SQ

Registered office

A1 Grainger
Prestwick Park
Prestwick
Newcastle upon Tyne
NE20 9SJ

Chairman's statement

Introduction

I am pleased to report the unaudited interim results for the six months ended 30 September 2020 (the "Period") for Northern Bear plc (the "Company" and, together with its subsidiaries, the "Group").

In our preliminary results for the year to 31 March 2020 ("FY20"), announced in July 2020, we provided a detailed statement on the impact of the COVID-19 pandemic on our results from March 2020 onwards and the related actions we took to ensure the safety of our employees, customers, and suppliers, and to manage the Group's cash resources during the period.

While activity levels were low during April, there was a gradual and sustained improvement during the latter part of May and June, with a number of private sector and local authority contracts resuming. This allowed us to restrict the extensive losses that would otherwise have occurred across the majority of our businesses had there been a worst-case scenario of no on-site activity over a sustained period of months.

On release of our preliminary results in July 2020, we were operating at circa 75% of normal activity levels and trading profitably again. By the time of our AGM in August, we had seen a further increase in activity to circa 90% of normal levels. We provided a further trading update on 2 November 2020 stating that we had since had a solid trading month in September.

Further to the last trading update, I can now confirm the Group's results for the Period, with an adjusted operating profit (stated prior to the impact of amortisation, impairment and other acquisition related adjustments) of £0.5m (2019: £1.4m). Given the levels of disruption from March onwards, this performance is testament to the loyal workforce of the Group, many of whom took voluntary wage reductions to help restrict fixed overheads during the initial lockdown period and beyond.

We are required to consider the carrying value of goodwill on the Group's balance sheet at least annually and, by way of prudence, have decided to record an impairment to goodwill and related intangible assets for H Peel & Sons (Holdings) Limited ("H Peel"). Further detail on this is provided below.

Trading

Revenue for the Period was £20.1m (2019: £27.8m) and, through continued careful contract selection and execution, gross margins were slightly higher than the corresponding prior period at 20.1% (2019: 19.5%).

Administrative expenses reduced to £3.6m (2019: £4.1m), despite having acquired Lister Holdings (York) Limited, and its trading subsidiary J Lister Electrical Limited (together "J Lister") in January 2020. This was due to a combination of the obvious lower levels of activity, use of the Government's furlough scheme and the voluntary wage reductions as referred to above.

Goodwill impairment

We recorded an impairment of goodwill and related intangible assets of £2.8m in the Period. This relates to H Peel, our fit out and interiors business. H Peel has seen a major impact on its core hospitality and leisure markets due to COVID-19 restrictions and, as a result, has experienced a very challenging trading period. Given the new sector restrictions imposed in recent weeks by the Government, this is likely to continue throughout the second half of the financial year.

We had noted in our annual report and financial statements for the year ended 31 March 2020 that, should trading performance not improve at H Peel, it was likely that a goodwill impairment would need to be booked in future years. At that point in time, the COVID-19 impact was still relatively low and we were hopeful of a recovery in trading. However, given the situation has since worsened and we have seen the impact of new restrictions on the hospitality and leisure sector, it seems there is no certainty over how quickly the sector and, therefore, H Peel's trading will recover so we consider it prudent to record this impairment now.

The management team at H Peel continue to make every effort to explore new markets and we expect them to be well positioned to benefit from any recovery in their core sectors in due course.

Goodwill is a non-cash accounting estimate which arises on acquisition of subsidiaries. It should be noted that the carrying value of goodwill included estimated consideration payable during a three year earn-out period. The majority of the proposed earn-out was neither achieved nor paid.

Chairman's statement (*continued*)

Goodwill impairment (*continued*)

Following the impairment adjustment, the overall loss before tax for the period was £2.4m (2019: £1.2m profit) and basic loss per share was 13.3p (2019: 5.4p earnings per share).

Cash flow

The Group had a net cash position (defined as cash balances less any draw down on our revolving credit facility) of £0.6m (31 March 2020: net cash £0.2m; 30 September 2019: net bank debt £0.7m). Cash generated from operations in the Period was £1.1m (2019: £1.2m outflow).

Our existing £3.5m revolving credit facility with Yorkshire Bank was renewed in March 2020 and provides us with committed working capital facilities to May 2023, along with a £1m overdraft facility which is renewable annually.

As we have emphasised previously, the net cash/bank debt position represents a snapshot at a particular point in time and our net cash/bank debt position can move by up to £1.5m in a matter of days given the nature, size and variety of contracts that we work on and the related working capital balances. The highest net cash position in the Period was £1.7m, the lowest position during the period was £0.7m net bank debt, and the average was £0.2m net cash.

Dividend

We stated previously that we did not consider it appropriate in the circumstances to return capital to shareholders via a final dividend for the year ended 31 March 2020. Subject to the ongoing impact of the COVID-19 pandemic and cash requirements of the Group, should trading continue to improve, then our intention is to resume dividend payments at the earliest opportunity.

We will continue to assess dividend levels generally and our intention for the longer term is to maintain future dividend levels 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.

Strategy

I was delighted to announce the acquisition of J Lister in January 2020. J Lister met our criteria of being well-established in its sector, having a consistent track record of profitability and cash generation and a strong management team who are committed to remaining with the business. I am pleased to say that, following COVID-19 disruption in the Period, J Lister is currently trading well and is also exploring a number of opportunities for expansion and cross-selling with our existing Group companies.

We continue to seek acquisitions of established specialist building services businesses, either in the same or complementary sectors to our current operations, although we will proceed with caution in this area in the current trading environment.

Outlook

Our forward order book remains strong and should support our operating performance in the remainder of this financial year, subject to a continued ability to fulfil contracts on site. The renewed restrictions put in place following the outbreak of the second wave of COVID-19 infections have increased inherent uncertainty in our industry, impacting both our customer base and supply chain, and are expected to continue to impact on trading in the short term. We will do everything possible to maintain our site activities, by ensuring that the first-class safety procedures our safety team have devised over this challenging period remain in place, and are adaptable as circumstances change, in order to protect all of our workforce, customers, and members of the public.

The Group has traded well since the end of the Period and this, together with the strong order book and our cash and facility headroom position, means that we are well placed to trade through a further difficult and uncertain period during this second wave of the pandemic and beyond.

Chairman's statement (*continued*)

Conclusion

I am pleased with the Group's results for the Period, in light of the unprecedented impact of the COVID-19 pandemic. I would like to once again thank all of our employees for their hard work and their fortitude in the face of the challenges we have faced in recent months.

Steve Roberts
Executive Chairman

25 November 2020

Consolidated statement of comprehensive income
for the six month period ended 30 September 2020

	6 months ended 30 September 2020	6 months ended 30 September 2019	Year ended 31 March 2020
	Unaudited £'000	Unaudited £'000	Audited £'000
Revenue	20,105	27,849	54,421
Cost of sales	<u>(16,071)</u>	<u>(22,431)</u>	<u>(43,545)</u>
Gross profit	4,034	5,418	10,876
Other operating income	12	12	25
Administrative expenses	<u>(3,571)</u>	<u>(4,059)</u>	<u>(8,682)</u>
Operating profit (before amortisation and other adjustments)	475	1,371	2,219
Transaction and other one-off costs	-		(264)
Deferred consideration adjustments	-	36	277
Impairment charge	(2,807)	-	-
Amortisation of intangible assets arising on acquisitions	<u>(16)</u>	<u>(77)</u>	<u>(155)</u>
Operating (loss)/profit	(2,348)	1,330	2,077
Finance costs	<u>(68)</u>	<u>(97)</u>	<u>(229)</u>
(Loss)/profit before income tax	(2,416)	1,233	1,848
Income tax expense	<u>(60)</u>	<u>(235)</u>	<u>(360)</u>
(Loss)/profit for the period	(2,476)	998	1,488
Total comprehensive (loss)/income attributable to equity holders of the parent	(2,476)	998	1,488
(Loss)/earnings per share from continuing operations			
Basic (loss)/earnings per share	(13.3p)	5.4p	8.0p
Diluted (loss)/earnings per share	(13.2p)	5.4p	8.0p

Consolidated balance sheet
at 30 September 2020

	30 September 2020 Unaudited £'000	30 September 2019 Unaudited £'000	31 March 2020 Audited £'000
Assets			
Property, plant and equipment	3,375	3,145	3,213
Right of use asset	1,198	1,084	1,132
Intangible assets	18,040	20,399	20,923
Trade and other receivables	1,080	1,025	1,063
Total non-current assets	23,693	25,653	26,331
Inventories	881	805	1,007
Trade and other receivables	10,673	10,512	8,218
Cash and cash equivalents	569	1,300	3,658
Total current assets	12,123	12,617	12,883
Total assets	35,816	38,270	39,214
Equity			
Share capital	190	189	190
Capital redemption reserve	6	6	6
Share premium	5,169	5,169	5,169
Merger reserve	9,703	9,605	9,703
Retained earnings	6,535	8,516	9,011
Total equity attributable to equity holders of the Company	21,603	23,485	24,079
Liabilities			
Loans and borrowings	-	230	3,500
Deferred consideration	50	-	50
Trade and other payables	-	-	88
Lease liabilities	1,114	814	1,072
Deferred tax liabilities	294	295	354
Total non-current liabilities	1,458	1,339	5,064
Loans and borrowings	31	2,236	31
Deferred consideration	50	229	50
Trade and other payables	11,705	10,075	9,103
Lease liabilities	571	292	549
Current tax payable	398	614	338
Total current liabilities	12,755	13,446	10,071
Total liabilities	14,213	14,785	15,135
Total equity and liabilities	35,816	38,270	39,214

Consolidated statement of changes in equity

for the six month period ended 30 September 2020

	Share capital £'000	Capital redemption reserve £'000	Share premium £'000	Merger reserve £'000	Retained earnings £'000	Total equity £'000
At 1 April 2019	189	6	5,169	9,605	8,277	23,246
Effect of adoption of IFRS 16	-	-	-	-	(18)	(18)
At 1 April 2019 (adjusted)	189	6	5,169	9,605	8,259	23,228
Total comprehensive income for the period						
Profit for the period	-	-	-	-	998	998
Transactions with owners, recorded directly in equity						
Equity dividends paid	-	-	-	-	(741)	(741)
At 30 September 2019	189	6	5,169	9,605	8,516	23,485
At 1 April 2019	189	6	5,169	9,605	8,277	23,246
Effect of adoption of IFRS 16	-	-	-	-	(18)	(18)
At 1 April 2019 (adjusted)	189	6	5,169	9,605	8,259	23,228
Total comprehensive income for the year						
Profit for the year	-	-	-	-	1,488	1,488
Transactions with owners, recorded directly in equity						
Issue of shares	1	-	-	-	-	1
Exercise of share options	-	-	-	-	5	5
Equity dividends paid	-	-	-	-	(741)	(741)
Merger reserve arising on acquisition	-	-	-	98	-	98
At 31 March 2020	190	6	5,169	9,703	9,011	24,079
At 1 April 2020	190	6	5,169	9,703	9,011	24,079
Total comprehensive income for the period						
Loss for the period	-	-	-	-	(2,476)	(2,476)
At 30 September 2020	190	6	5,169	9,703	6,535	21,603

Consolidated statement of cash flows
for the six month period ended 30 September 2020

	6 months ended 30 September 2020	6 months ended 30 September 2019	Year ended 31 March 2020
	Unaudited £'000	Unaudited £'000	Audited £'000
Cash flows from operating activities			
Operating (loss)/profit for the period	(2,348)	1,330	2,077
<i>Adjustments for:</i>			
Depreciation of property, plant and equipment	283	265	570
Depreciation of lease asset	185	152	367
Amortisation	16	77	155
Loss on sale of property, plant and equipment	2	5	1
Impairment of goodwill and intangible assets	2,807	-	-
Deferred consideration adjustments	-	(36)	(277)
	<u>945</u>	<u>1,793</u>	<u>2,893</u>
Change in inventories	126	(153)	(275)
Change in trade and other receivables	(2,472)	(1,771)	1,039
Change in trade and other payables	<u>2,514</u>	<u>(1,077)</u>	<u>(2,215)</u>
Cash generated from operations	1,113	(1,208)	1,442
Interest paid	(33)	(82)	(202)
Tax paid	-	(111)	(485)
Net cash flow from operating activities	<u>1,080</u>	<u>(1,401)</u>	<u>755</u>
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment	218	141	671
Acquisition of property, plant and equipment	(591)	(405)	(1,156)
Acquisition of subsidiary (net of cash acquired)	-	(64)	(876)
Net cash from investing activities	<u>(373)</u>	<u>(328)</u>	<u>(1,361)</u>
Cash flows from financing activities			
(Repayment)/ issue of borrowings	(3,500)	1,007	2,513
Repayment of lease liabilities	(296)	(275)	(551)
Proceeds from the exercise of share options	-	-	5
Equity dividends paid	-	(741)	(741)
Net cash from financing activities	<u>(3,796)</u>	<u>(9)</u>	<u>1,226</u>
Net (decrease)/ increase in cash and cash equivalents	(3,089)	(1,738)	620
Cash and cash equivalents at start of period	<u>3,658</u>	<u>3,038</u>	<u>3,038</u>
Cash and cash equivalents at end of period	<u><u>569</u></u>	<u><u>1,300</u></u>	<u><u>3,658</u></u>

Notes

1. Basis of preparation

These interim consolidated financial statements have been prepared using accounting policies based on International Financial Reporting Standards (IFRS and IFRIC Interpretations) issued by the International Accounting Standards Board (“IASB”) as adopted for use in the EU. They do not include all disclosures that would otherwise be required in a complete set of financial statements and should be read in conjunction with the 31 March 2020 Annual Report and Financial Statements. The financial information for the half years ended 30 September 2020 and 30 September 2019 does not constitute statutory accounts within the meaning of Section 434 (3) of the Companies Act 2006 and both periods are unaudited. The financial information has not been prepared (and is not required to be prepared) in accordance with IAS 34 *Interim Financial Reporting*.

The annual consolidated financial statements of Northern Bear plc (the “Company”, or, together with its subsidiaries, the “Group”) are prepared in accordance with IFRS as adopted by the European Union. The comparative financial information for the year ended 31 March 2020 included within this report does not constitute the full statutory Annual Report for that period. The statutory Annual Report and Financial Statements for the year ended 31 March 2020 have been filed with the Registrar of Companies. The Independent Auditors’ Report on the Annual Report and Financial Statements for the year ended 31 March 2020 was i) unqualified, ii) did not draw attention to any matters by way of emphasis, and iii) did not contain a statement under 498(2) - (3) of the Companies Act 2006.

2. Accounting policies

The Group has applied the same accounting policies and methods of computation in its interim consolidated financial statements as in its 2020 annual financial statements, as set out in Notes 2 and 3 of that document, except for those that relate to new standards and interpretations effective for the first time for periods beginning on (or after) 1 April 2020, and will be adopted in the 2021 financial statements. The accounting policies applied are based on the recognition and measurement principles of IFRS in issue as adopted by the European Union (EU) and are effective at 31 March 2021 or are expected to be adopted and effective at 31 March 2021.

New and amended standards and interpretations issued by the IASB that will apply for the first time in the next annual financial statements include:

- Conceptual Framework (Revised) and amendments to related references in IFRS Standards – effective date on or after 1 January 2020;
- IFRS 9 Financial Instruments, IAS 39 Financial Instruments: Recognition and Measurement and IFRS 7 Financial Instruments: Disclosures (Amendments): Interest Rate Benchmark Reform (effective date for periods starting on or after 1 January 2020); and
- IFRS 3 Business Combinations (Amendment): Definition of a Business (effective date for periods starting on or after 1 January 2020).

Adoption of the above standards and interpretations is not expected to have a material impact on the Group’s financial statements.

3. Taxation

The taxation charge for the six months ended 30 September 2020 is calculated by applying the Directors’ best estimate of the annual effective tax rate to the profit for the period.

Notes (continued)

4. Earnings per share

Basic earnings per share is the profit or loss 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 2020 Unaudited	6 months ended 30 September 2019 Unaudited	Year ended 31 March 2020 Audited
(Loss)/ Profit for the period (£'000)	<u>(2,476)</u>	<u>998</u>	<u>1,488</u>
Weighted average number of ordinary shares excluding shares held in treasury for the proportion of the year held in treasury ('000)	<u>18,665</u>	<u>18,519</u>	<u>18,548</u>
Basic (loss)/ earnings per share	<u>(13.3p)</u>	<u>5.4p</u>	<u>8.0p</u>

The calculation of diluted earnings per share is the profit or loss 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 2020 Unaudited	6 months ended 30 September 2019 Unaudited	Year ended 31 March 2020 Audited
(Loss)/ Profit for the period (£'000)	<u>(2,476)</u>	<u>998</u>	<u>1,488</u>
Weighted average number of ordinary shares excluding shares held in treasury for the proportion of the year held in treasury ('000)	<u>18,665</u>	<u>18,519</u>	<u>18,548</u>
Effect of potential dilutive ordinary shares ('000)	<u>46</u>	<u>55</u>	<u>57</u>
Diluted weighted average number of ordinary shares excluding shares held in treasury for the proportion of the year held in treasury ('000)	<u>18,711</u>	<u>18,574</u>	<u>18,605</u>
Diluted (loss)/ earnings per share	<u>(13.2p)</u>	<u>5.4p</u>	<u>8.0p</u>

Notes (continued)

4. Earnings per share (continued)

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 (loss)/ earnings per share is the loss or profit for the period, adjusted for acquisition related costs and impairment of goodwill and intangible assets, divided by the weighted average number of ordinary shares outstanding as presented above.

Adjusted earnings per share is calculated as follows:

	6 months ended 30 September 2020 Unaudited	6 months ended 30 September 2019 Unaudited	Year ended 31 March 2020 Audited
(Loss)/ Profit for the period (£'000)	(2,476)	998	1,488
Transaction and other one-off costs	-	-	264
Deferred consideration adjustments	-	(36)	(277)
Impairment of goodwill and intangible assets	2,807	-	-
Amortisation of intangible assets arising on acquisitions	16	77	155
Unwinding of discount on deferred consideration liabilities	-	21	28
Corporation tax effect of above items	-	(18)	(50)
Adjusted profit for the period (£'000)	347	1,042	1,608
Weighted average number of ordinary shares excluding shares held in treasury for the proportion of the year held in treasury ('000)	18,665	18,519	18,548
Adjusted basic earnings per share	1.9p	5.6p	8.7p
Adjusted diluted earnings per share	1.9p	5.6p	8.6p

5. Finance costs

	6 months ended 30 September 2020 Unaudited £'000	6 months ended 30 September 2019 Unaudited £'000	Year ended 31 March 2020 Audited £'000
On bank loans and overdrafts	33	44	114
Finance charges on lease liabilities	35	32	87
Unwinding of discount on deferred consideration liabilities	-	21	28
Total finance costs	68	97	229

Notes (continued)

6. 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 page 11 to 12, and 68 to 71 of our Annual Report and Financial Statements for the year ended 31 March 2020, which are available on the Company's website, www.northernbearplc.com.

7. Half year report

The condensed financial statements were approved by the Board of Directors on 25 November 2020 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.

For and on behalf of the Board of Directors

Thomas Hayes
Finance Director

25 November 2020