

26 November 2021

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

Interim results for the six month period ended 30 September 2021

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 2021.

Financial Summary

- Revenue of £30.0m (*H1 2020: £20.1m*)
- Adjusted operating profit* of £1.5m (*H1 2020: £0.5m*)
- Net cash of £0.6m at 30 September 2021
- Robust trading performance despite industry-wide supply chain disruptions and staffing challenges
- Positive outlook for the second half of the financial year
- Appointment of two new independent non-executive Directors with significant corporate, financial, and real estate experience

** stated prior to the impact of amortisation and impairment charges*

Jeff Baryshnik, Non-Executive Chairman of Northern Bear, commented:

“We are pleased to announce strong operating results for the period, despite ongoing industry-wide challenges.”

“It is a testament to the executive team and subsidiary operating teams that these results exceed those from the comparable pre-pandemic period for the six months ended 30 September 2019. With a strong order book, we are well positioned to continue to generate a more normalised level of profitability.”

For further information please contact:

Northern Bear plc

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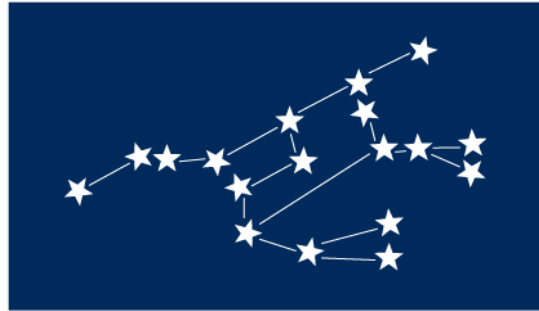
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Northern Bear

Northern Bear plc

Interim Report
30 September 2021

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Chairman's statement

Introduction

I am pleased to report the unaudited interim results for the six months ended 30 September 2021 (the "Period") for Northern Bear plc (the "Company" and, together with its subsidiaries, the "Group").

Further to the recent trading update, I am pleased to confirm the Group's results for the Period, with adjusted operating profit (stated prior to the impact of amortisation and impairment charges) of £1.5m (H1 2020: £0.5m) and diluted earnings per share of 6.1p (H1 2020: 13.2p diluted loss per share).

In our last Annual Report and Accounts published in July 2021, we noted the industry-wide challenges with respect to both availability and price inflation of construction materials. There also have been well-publicised challenges in relation to attracting and retaining employees in the construction industry. Despite the impact of these headwinds on our businesses, our Group generated strong operating results that exceeded those of the comparable pre-pandemic period for the six months ended 30 September 2019.

Trading

Despite industry-wide challenges, our Group companies generated strong results in aggregate during the Period. Our roofing division was somewhat more adversely impacted by materials shortages than the other divisions, but our companies have strong and well-established supplier relationships and have been able, on the whole, to work with our robust supply chain to ensure continuity of supply for contracts

Revenue for the Period was £30.0m (H1 2020: £20.1m) and, through the greater economy of scale from higher revenues along with continued careful contract selection and execution, gross margins materially exceeded those of the period ending 30 September 2020 ("Prior Period") at 19.5% (H1 2020: 14.5%).

Administrative expenses increased to £4.5m (H1 2020: £3.8m) due to both an element of semi-variable costs in the overhead base and the voluntary and temporary wage reductions incurred by Group directors during the Prior Period.

Overall profit before income tax for the Period was £1.4m (H1 2020: £2.4m loss) and diluted earnings per share was 6.1p (H1 2020: 13.2p diluted loss per share).

Cash flow

Net cash at 30 September 2021 was £0.6m (30 September 2020: £0.6m, 31 March 2021: £2.1m).

We had stated in the March 2021 results that the cash position at 31 March 2021 reflected some favourable working capital swings which to an extent would be expected to reverse post year-end. This was the case, and the current customer and contract mix has an increased working capital requirement which reduced the cash balance during the Period.

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 and their associated working capital requirements. The highest bank position during the Period was £2.5m net cash, the lowest net bank debt position during the period was £1.2m net bank debt, and the average was £0.1m net cash.

Our existing £3.5m revolving credit facility with Virgin Money plc (previously known as 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.

Strategy and Dividend

Following recent Board appointments, as detailed below, I have commenced a process of engaging with the Board and management to discuss and review the Group's strategy and approach to capital allocation, including the dividend policy. Once this process is completed, we will provide further information to shareholders. Our existing policy is to pay only a final dividend, at the Board's discretion, and to assess 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.

Chairman's statement (*continued*)

Outlook

Our forward order book remains strong and should support our trading performance in the coming months, subject to the ongoing supply chain and staffing challenges noted above and the uncertainty over the long-term outlook for the COVID-19 pandemic.

People and Board changes

As announced on 11 November 2021, I am pleased that Harry Samuel and Anil Khera were appointed to the Board as non-executive directors effective as of that date.

Anil Khera began his career at Credit Suisse, within DLJ Real Estate Capital Partners, before joining Blackstone's real estate investment team in 2006 where he spent 10 years, becoming a managing director of the Real Estate Capital Markets team in 2011. In 2016, Mr Khera founded Node Living, a fully integrated residential investment, development and management company based in London which operates across Europe and North America.

Harry Samuel spent over 20 years across various leadership roles within Royal Bank of Canada (RBC). This included roles as Global Head of Funding and Liquidity Asset Management, Foreign Exchange and Commodities, and Fixed Income and Currencies, before becoming CEO of RBC Capital Markets Europe in 2011 and subsequently CEO of RBC Investor & Treasury Services and Chair of RBC's European Executive Committee from 2013 to 2019. Mr Samuel currently serves as CEO of Affordable Housing Communities Limited and Managing Director of Affordable Housing and Healthcare Group Limited, a leading UK developer, constructor and operator of shared ownership communities working in partnership with local authorities, NHS Trusts and institutional investors to create socially impactful developments.

The Company also announces that, further to the Company's announcement of 24 August 2021, John Holroyd has retired from the Board. Steve Roberts, formerly Executive Chairman, resigned as a Director of the Company on 24 August and continues to be part of the Group's operational management team and a Director of all our subsidiary companies. The Board and I would like to thank John and Steve for their contributions as Directors of the Company.

Conclusion

I am pleased to report a strong set of results for the Period that exceeded those of the comparable pre-pandemic period for the six months ended 30 September 2019 despite widespread industry challenges. As always, our loyal, dedicated and skilled workforce is a key part of our success, and we make every effort to support them through continued training and health and safety compliance. I would once more like to thank all of our employees for their hard work and contribution.

Jeff Baryshnik
Non-Executive Chairman

26 November 2021

Consolidated statement of comprehensive income
for the six month period ended 30 September 2021

	6 months ended 30 September 2021	6 months ended 30 September 2020	Year ended 31 March 2021
	Unaudited £'000	Unaudited £'000	Audited £'000
Revenue	29,973	20,105	49,182
Cost of sales	<u>(24,114)</u>	<u>(17,190)</u>	<u>(40,726)</u>
Gross profit	5,859	2,915	8,456
Other operating income	86	1,366	1,549
Administrative expenses	<u>(4,459)</u>	<u>(3,806)</u>	<u>(8,640)</u>
Operating profit (before amortisation and other adjustments)	1,486	475	1,365
Impairment charge	-	(2,807)	(2,807)
Amortisation of intangible assets arising on acquisitions	<u>(7)</u>	<u>(16)</u>	<u>(13)</u>
Operating profit/(loss)	1,479	(2,348)	(1,455)
Finance costs	<u>(65)</u>	<u>(68)</u>	<u>(176)</u>
Profit/(loss) before income tax	1,414	(2,416)	(1,631)
Income tax expense	<u>(270)</u>	<u>(60)</u>	<u>(162)</u>
Profit/(loss) for the period	1,144	(2,476)	(1,793)
Total comprehensive income/(loss) attributable to equity holders of the parent	1,144	(2,476)	(1,793)
Earnings per share from continuing operations			
Basic earnings/(loss) per share	6.1p	(13.3p)	(9.6p)
Diluted earnings/(loss) per share	6.1p	(13.2p)	(9.6p)

Consolidated balance sheet
at 30 September 2021

	30 September 2021 Unaudited £'000	30 September 2020 Unaudited £'000	31 March 2021 Audited £'000
Assets			
Property, plant and equipment	3,893	3,375	3,596
Right of use asset	1,183	1,198	1,094
Intangible assets	18,037	18,040	18,044
Trade and other receivables	1,006	1,080	872
Total non-current assets	24,119	23,693	23,606
Inventories	1,080	881	974
Trade and other receivables	12,010	10,673	9,843
Cash and cash equivalents	563	569	2,114
Total current assets	13,653	12,123	12,931
Total assets	37,772	35,816	36,537
Equity			
Share capital	190	190	190
Capital redemption reserve	6	6	6
Share premium	5,169	5,169	5,169
Merger reserve	9,703	9,703	9,703
Retained earnings	8,362	6,535	7,218
Total equity attributable to equity holders of the Company	23,430	21,603	22,286
Liabilities			
Deferred consideration	50	50	-
Trade and other payables	-	-	122
Lease liabilities	1,078	1,114	1,039
Deferred tax liabilities	487	294	487
Total non-current liabilities	1,615	1,458	1,648
Loans and borrowings	22	31	28
Deferred consideration	-	50	50
Trade and other payables	11,703	11,705	11,936
Lease liabilities	565	571	533
Current tax payable	437	398	56
Total current liabilities	12,727	12,755	12,603
Total liabilities	14,342	14,213	14,251
Total equity and liabilities	37,772	35,816	36,537

Consolidated statement of changes in equity
for the six month period ended 30 September 2021

	Share capital £'000	Capital redemption reserve £'000	Share premium £'000	Merger reserve £'000	Retained earnings £'000	Total equity £'000
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
At 1 April 2020	190	6	5,169	9,703	9,011	24,079
Total comprehensive income for the year						
Loss for the year	-	-	-	-	(1,793)	(1,793)
At 31 March 2021	190	6	5,169	9,703	7,218	22,286
At 1 April 2021	190	6	5,169	9,703	7,218	22,286
Total comprehensive income for the period						
Profit for the period	-	-	-	-	1,144	1,144
At 30 September 2021	190	6	5,169	9,703	8,362	23,430

Consolidated statement of cash flows
for the six month period ended 30 September 2021

	6 months ended 30 September 2021 Unaudited £'000	6 months ended 30 September 2020 Unaudited £'000	Year ended 31 March 2021 Audited £'000
Cash flows from operating activities			
Operating profit/(loss) for the period	1,479	(2,348)	(1,455)
<i>Adjustments for:</i>			
Depreciation of property, plant and equipment	312	283	600
Depreciation of lease asset	174	185	373
Amortisation	7	16	13
Impairment charge	-	2,807	2,807
Profit/(loss) on sale of property, plant and equipment	(5)	2	-
	<u>1,967</u>	<u>945</u>	<u>2,338</u>
Change in inventories	(106)	126	33
Change in trade and other receivables	(2,301)	(2,472)	(1,434)
Change in trade and other payables	(355)	2,514	2,867
Cash (used in)/generated from operations	<u>(795)</u>	<u>1,113</u>	<u>3,804</u>
Interest paid	(42)	(33)	(176)
Tax paid	111	-	(252)
Net cash flow from operating activities	<u>(726)</u>	<u>1,080</u>	<u>3,376</u>
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment	240	218	420
Acquisition of property, plant and equipment	(727)	(591)	(1,200)
Acquisition of subsidiary (net of cash acquired)	-	-	(50)
Net cash from investing activities	<u>(487)</u>	<u>(373)</u>	<u>(830)</u>
Cash flows from financing activities			
Repayment of borrowings	(6)	(3,500)	(3,503)
Repayment of lease liabilities	(332)	(296)	(587)
Net cash from financing activities	<u>(338)</u>	<u>(3,796)</u>	<u>(4,090)</u>
Net decrease in cash and cash equivalents	<u>(1,551)</u>	<u>(3,089)</u>	<u>(1,544)</u>
Cash and cash equivalents at start of period	<u>2,114</u>	<u>3,658</u>	<u>3,658</u>
Cash and cash equivalents at end of period	<u><u>563</u></u>	<u><u>569</u></u>	<u><u>2,114</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 UK. 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 2021 Annual Report and Financial Statements. The financial information for the half years ended 30 September 2021 and 30 September 2020 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 International Financial Reporting Standards in conformity with the Companies Act 2006. The comparative financial information for the year ended 31 March 2021 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 2021 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 2021 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 2021 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 2021, and will be adopted in the 2022 financial statements. The accounting policies applied are based on the recognition and measurement principles of IFRS in issue as adopted by the UK and are effective at 31 March 2022 or are expected to be adopted and effective at 31 March 2022.

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

- Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16) – effective date on or after 1 January 2021.
- Covid 19-Related Rent Concessions Beyond 30 June 2021 (Amendment to IFRS 16 Leases) – effective date on or after 1 April 2021.

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 2021 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 2021 Unaudited	6 months ended 30 September 2020 Unaudited	Year ended 31 March 2021 Audited
Profit/(loss) for the period (£'000)	<u>1,144</u>	<u>(2,476)</u>	<u>(1,793)</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>18,665</u>	<u>18,665</u>
Basic earnings/(loss) per share	<u>6.1p</u>	<u>(13.3p)</u>	<u>(9.6p)</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 2021 Unaudited	6 months ended 30 September 2020 Unaudited	Year ended 31 March 2021 Audited
Profit/(loss) for the period (£'000)	<u>1,144</u>	<u>(2,476)</u>	<u>(1,793)</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>18,665</u>	<u>18,665</u>
Effect of potential dilutive ordinary shares ('000)	<u>43</u>	<u>46</u>	<u>43</u>
Diluted weighted average number of ordinary shares excluding shares held in treasury for the proportion of the year held in treasury ('000)	<u>18,708</u>	<u>18,711</u>	<u>18,708</u>
Diluted earnings/(loss) per share	<u>6.1p</u>	<u>(13.2p)</u>	<u>(9.6p)</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 earnings per share is the profit or loss for the period, adjusted for impairment charges, acquisition related items, and transaction and other one-off costs, 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 2021 Unaudited	6 months ended 30 September 2020 Unaudited	Year ended 31 March 2021 Audited
Profit/(loss) for the period (£'000)	1,144	(2,476)	(1,793)
Impairment charge	-	2,807	2,807
Amortisation of intangible assets arising on acquisitions	7	16	13
Corporation tax effect of above items	-	-	-
Adjusted profit for the period (£'000)	1,151	347	1,027
Weighted average number of ordinary shares excluding shares held in treasury for the proportion of the year held in treasury ('000)	18,665	18,665	18,665
Adjusted basic earnings per share	6.2p	1.9p	5.5p
Adjusted diluted earnings per share	6.2p	1.9p	5.5p

5. Finance costs

	6 months ended 30 September 2021 Unaudited £'000	6 months ended 30 September 2020 Unaudited £'000	Year ended 31 March 2021 Audited £'000
On bank loans and overdrafts	42	33	97
Finance charges on lease liabilities	23	35	79
Unwinding of discount on deferred consideration liabilities	-	-	-
Total finance costs	65	68	176

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 14, and 68 to 71 of our Annual Report and Financial Statements for the year ended 31 March 2021, 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 26 November 2021 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

26 November 2021