

25 November 2022

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

**Interim results for the six month period ended 30 September 2022**

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 2022.

**Financial Summary**

- Revenue of £34.0m (*H1 FY22: £30.0m*)
- Adjusted operating profit\* of £1.5m (*H1 FY22: £1.5m*)
- Net bank debt of £1.9m at 30 September 2022
- Settlement of legal claim against Springs Roofing Limited, as previously announced on 8 July 2022
- Strong order book supportive of trading for the remainder of the financial year

*\* stated prior to the impact of amortisation*

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

*“We are pleased to announce solid operating results for the period despite significant inflationary headwinds. The Group enjoys a strong order book, so we are well positioned for the remainder of the financial year.”*

**For further information please contact:**

**Northern Bear plc**

Jeff Baryshnik – Non-Executive Chairman

+44 (0) 166 182 0369

Tom Hayes – Finance Director

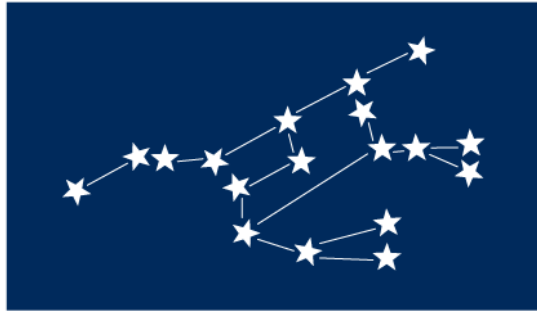
+44 (0) 166 182 0369

**Strand Hanson Limited (Nominated Adviser and Broker)**

+44 (0) 20 7409 3494

James Harris

James Bellman



**Northern Bear**

**Northern Bear plc**

Interim Report  
30 September 2022

# Contents

Advisers	2
Chairman's statement	3
Consolidated statement of comprehensive income	5
Consolidated balance sheet	6
Consolidated statement of changes in equity	7
Consolidated statement of cash flows	8
Notes	9

## **Advisers**

### ***Auditor***

Saffery Champness LLP  
Mitre House  
North Park Road  
Harrogate  
HG1 5RX

### ***Bankers***

Virgin Money plc  
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

### ***Registrar***

Link Group  
10th Floor  
Central Square  
29 Wellington Street  
Leeds  
LS1 4DL

### ***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 2022 (the "Period", "H1 FY23") for Northern Bear plc (the "Company" and, together with its subsidiaries, the "Group").

I am pleased to confirm the Group's results for the Period, with adjusted operating profit (stated prior to the impact of amortisation) of £1.5m (H1 FY22: £1.5m) and diluted earnings per share of 6.0p (H1 FY22: 6.1p).

In our last Annual Report and Accounts published in July 2022, we noted the continued 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 solid operating results whilst further investing in the Group's businesses.

### Trading

Despite industry-wide challenges, our Group companies generated strong results in aggregate during the Period. 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. Additionally, we have not experienced any slowdown in business to date despite widely publicised concerns about rising interest rates and their potential effects on construction generally and the housing market more specifically.

Revenue for the Period was £34.0m (H1 FY22: £30.0m) and, through the greater economy of scale from higher revenues along with continued careful contract selection and execution, gross margins were increased to 20.7% (H1 FY22: 19.5%).

However, administrative expenses increased to £5.6m (H1 FY22: £4.5m) in large part due to increases in payroll, motor and fuel expenses, insurance costs, and general cost inflation. The payroll increase relates primarily to the recruitment of additional commercial and operational staff, in particular at MGM and Isoler, both of which have performed strongly in recent years and are businesses where we see further opportunities for profitable growth.

Overall profit before income tax for the Period was £1.4m (H1 FY22: £1.4m) and diluted earnings per share was 6.0p (H1 FY2022: 6.1p).

### Cash flow

Net bank debt at 30 September 2022 was £1.9m (30 September 2021: £0.6m net cash, 31 March 2022: £2.2m net cash).

We had stated in the 2022 annual results that the cash position at 31 March 2022 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, along with increased turnover levels, has created an increased working capital requirement which reduced the cash balance during the Period.

As we announced in July 2022, one of the Company's subsidiaries, Springs Roofing Limited ("Springs"), settled a claim by Engie Regeneration (FHM) Limited for £0.6 million, which also impacted the Group's consolidated cash balances. The claim related to roofing work undertaken between April 2009 and March 2011 on seven care home properties. The Springs directors believed that the claim was without merit and this position was supported by third-party technical expert and legal advice. In reaching the agreed settlement set out above, Springs considered the management time commitment, the legal costs and the commercial risk of continued litigation. Springs, and the wider Group, retain excellent commercial relationships with Engie (now known as Equans), which continues to be an important and valued customer. The settlement was satisfied from the Group's existing cash resources in August 2022 and was previously recorded as an exceptional item in the Group's annual results to March 2022.

## **Chairman's statement (*continued*)**

### **Cash flow (*continued*)**

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 net cash position during the Period was £2.1m, the lowest net bank debt position during the Period was £2.7m, and the average net bank debt position during the Period was £0.7m.

Our existing £3.5m revolving credit facility with Virgin Money plc (previously known as Yorkshire Bank) was last renewed in March 2020 and provides us with committed working capital facilities to May 2023, along with a £1.0m overdraft facility which is renewable annually. We have already commenced initial renewal discussions with Virgin Money and these have been positive to date.

### **Strategy and Dividend**

As previously announced, I commenced a process of engaging with the Board and management to discuss and review the Group's strategy and approach to capital allocation with a focus on further increasing shareholder value. As part of this review, we have increased our emphasis on seeking higher margin business opportunities with the goal of continually improving our operating margins. We anticipate completing this review over the coming months.

As a result of this ongoing review, which includes dividend policy, we did not declare a final dividend for the year ended March 2022. I would note that we have the cash resources available to pay a final dividend commensurate with prior year dividends, should we have decided to declare one. Any future dividends would be in line with the Group's relative performance, after taking into account the Group's available resources, working capital requirements, corporate opportunities, debt obligations, and the macro-economic environment.

### **Outlook**

Our forward order book remains strong and should continue to support our trading performance for the remainder of the financial year, subject to the ongoing supply chain and staffing challenges noted above, the winter weather conditions, and the wider macro-economic environment.

We note the Bank of England's recent commentary on the UK economic outlook and the likelihood of recession, along with the potential impact of higher interest rates on the construction industry and housing market, and ever-increasing energy costs.

Our Group traded profitably through the last major recession in 2008-2009 and we have relatively limited exposure to new build housing work at approximately 10 to 15% of current Group turnover. While we are mindful that trading conditions may well become more challenging, our results in October were in line with management expectations and we have not seen any drop-off in trading to date. Further, although we have been impacted by higher fuel and vehicle costs in the Period, our Group exposure to heat, light and power costs is relatively low at less than £0.1m per annum.

### **Conclusion**

I am pleased to report solid results for the Period 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, including through continued training and health and safety compliance. I would like to thank all of our employees for their hard work and contribution.

**Jeff Baryshnik**  
Non-Executive Chairman

25 November 2022

**Consolidated statement of comprehensive income**  
for the six month period ended 30 September 2022

	6 months ended 30 September 2022	6 months ended 30 September 2021	Year ended 31 March 2022
	Unaudited £'000	Unaudited £'000	Audited £'000
<b>Revenue</b>	<b>33,951</b>	29,973	61,098
Cost of sales	<u>(26,935)</u>	<u>(24,114)</u>	<u>(48,642)</u>
<b>Gross profit</b>	<b>7,016</b>	5,859	12,456
Other operating income	<b>13</b>	86	99
Administrative expenses	<u>(5,573)</u>	<u>(4,459)</u>	<u>(10,005)</u>
<b>Operating profit (before amortisation and other adjustments)</b>	<b>1,456</b>	1,486	2,550
One-off costs	-	-	(648)
Impairment charge	-	-	(2,612)
Amortisation of intangible assets arising on acquisitions	<u>(6)</u>	<u>(7)</u>	<u>(13)</u>
<b>Operating profit/(loss)</b>	<b>1,450</b>	1,479	(723)
Finance costs	<u>(89)</u>	<u>(65)</u>	<u>(156)</u>
<b>Profit/(loss) before income tax</b>	<b>1,361</b>	1,414	(879)
Income tax expense	<u>(234)</u>	<u>(270)</u>	<u>(449)</u>
<b>Profit/(loss) for the period</b>	<u><b>1,127</b></u>	<u>1,144</u>	<u>(1,328)</u>
<b>Total comprehensive income/(loss) attributable to equity holders of the parent</b>	<u><b>1,127</b></u>	<u>1,144</u>	<u>(1,328)</u>
<b>Earnings per share from continuing operations</b>			
Basic earnings/(loss) per share	<b>6.0p</b>	6.1p	(7.1)p
Diluted earnings/(loss) per share	<b>6.0p</b>	6.1p	(7.1)p

## Consolidated balance sheet at 30 September 2022

	30 September 2022 Unaudited £'000	30 September 2021 Unaudited £'000	31 March 2022 Audited £'000
<b>Assets</b>			
Property, plant and equipment	4,550	3,893	4,413
Right of use asset	1,596	1,183	1,702
Intangible assets	15,413	18,037	15,419
Trade and other receivables	783	1,006	708
<b>Total non-current assets</b>	<b>22,342</b>	<b>24,119</b>	<b>22,242</b>
Inventories	1,383	1,080	1,404
Trade and other receivables	14,535	12,010	12,152
Cash and cash equivalents	150	563	3,233
<b>Total current assets</b>	<b>16,068</b>	<b>13,653</b>	<b>16,789</b>
<b>Total assets</b>	<b>38,410</b>	<b>37,772</b>	<b>39,031</b>
<b>Equity</b>			
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	7,034	8,362	5,907
<b>Total equity attributable to equity holders of the Company</b>	<b>22,102</b>	<b>23,430</b>	<b>20,975</b>
<b>Liabilities</b>			
Loans and borrowings	-	-	1,000
Trade and other payables	168	-	58
Lease liabilities	1,433	1,078	1,606
Deferred tax liabilities	879	487	879
<b>Total non-current liabilities</b>	<b>2,480</b>	<b>1,565</b>	<b>3,543</b>
Loans and borrowings	2,028	22	38
Deferred consideration	-	50	-
Trade and other payables	10,796	11,703	13,210
Provisions	-	-	600
Lease liabilities	615	565	609
Current tax payable	389	437	56
<b>Total current liabilities</b>	<b>13,828</b>	<b>12,777</b>	<b>14,513</b>
<b>Total liabilities</b>	<b>16,308</b>	<b>14,342</b>	<b>18,056</b>
<b>Total equity and liabilities</b>	<b>38,410</b>	<b>37,772</b>	<b>39,031</b>



**Consolidated statement of changes in equity**  
for the six month period ended 30 September 2022

	Share capital £'000	Capital redemption reserve £'000	Share premium £'000	Merger reserve £'000	Retained earnings £'000	Total equity £'000
<b>At 1 April 2021</b>	<b>190</b>	<b>6</b>	<b>5,169</b>	<b>9,703</b>	<b>7,218</b>	<b>22,286</b>
<b>Total comprehensive income for the period</b>						
Profit for the period	-	-	-	-	1,144	1,144
<b>At 30 September 2021</b>	<b>190</b>	<b>6</b>	<b>5,169</b>	<b>9,703</b>	<b>8,362</b>	<b>23,430</b>
<b>At 1 April 2021</b>	<b>190</b>	<b>6</b>	<b>5,169</b>	<b>9,703</b>	<b>7,218</b>	<b>22,286</b>
<b>Total comprehensive income for the year</b>						
Loss for the year	-	-	-	-	(1,328)	(1,328)
<b>Transactions with owners, recorded directly in equity</b>						
Exercise of share options	-	-	-	-	17	17
<b>At 31 March 2022</b>	<b>190</b>	<b>6</b>	<b>5,169</b>	<b>9,703</b>	<b>5,907</b>	<b>20,975</b>
<b>At 1 April 2022</b>	<b>190</b>	<b>6</b>	<b>5,169</b>	<b>9,703</b>	<b>5,907</b>	<b>20,975</b>
<b>Total comprehensive income for the period</b>						
Profit for the period	-	-	-	-	1,127	1,127
<b>At 30 September 2022</b>	<b>190</b>	<b>6</b>	<b>5,169</b>	<b>9,703</b>	<b>7,034</b>	<b>22,102</b>

**Consolidated statement of cash flows**  
for the six month period ended 30 September 2022

	6 months ended 30 September 2022	6 months ended 30 September 2021	Year ended 31 March 2022
	Unaudited £'000	Unaudited £'000	Audited £'000
<b>Cash flows from operating activities</b>			
Operating profit/(loss) for the period	1,450	1,479	(723)
<i>Adjustments for:</i>			
Depreciation of property, plant and equipment	361	312	671
Depreciation of lease asset	204	174	374
Amortisation	6	7	13
Impairment charge	-	-	2,612
Profit/(loss) on sale of property, plant and equipment	(16)	(5)	(29)
	<b>2,005</b>	1,967	2,918
Change in inventories	21	(106)	(430)
Change in trade and other receivables	(2,458)	(2,301)	(2,145)
Change in trade and other payables	(2,903)	(355)	1,810
<b>Cash (used in)/generated from operations</b>	<b>(3,335)</b>	(795)	2,153
Interest paid	(56)	(42)	(101)
Tax paid	99	111	(57)
<b>Net cash flow from operating activities</b>	<b>(3,292)</b>	(726)	1,995
<b>Cash flows from investing activities</b>			
Proceeds from sale of property, plant and equipment	193	240	588
Acquisition of property, plant and equipment	(614)	(727)	(1,747)
Acquisition of subsidiary (net of cash acquired)	-	-	(50)
<b>Net cash from investing activities</b>	<b>(421)</b>	(487)	(1,209)
<b>Cash flows from financing activities</b>			
Issue of borrowings	990	-	1,010
Repayment of borrowings	-	(6)	-
Repayment of lease liabilities	(360)	(332)	(694)
Proceeds from the exercise of share options	-	-	17
<b>Net cash from financing activities</b>	<b>630</b>	(338)	333
<b>Net decrease in cash and cash equivalents</b>	<b>(3,083)</b>	(1,551)	1,119
Cash and cash equivalents at start of period	3,233	2,114	2,114
<b>Cash and cash equivalents at end of period</b>	<b>150</b>	563	3,233

## 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 2022 Annual Report and Financial Statements. The financial information for the half years ended 30 September 2022 and 30 September 2021 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 the requirements of the Companies Act 2006 and UK adopted International Accounting Standards. The comparative financial information for the year ended 31 March 2022 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 2022 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 2022 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 2022 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 2022, and will be adopted in the 2023 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 2023 or are expected to be adopted and effective at 31 March 2023.

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

- Reference to the Conceptual Framework (Amendments to IFRS 3 Business Combinations) – effective date on or after 1 January 2022;
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16) – effective date on or after 1 January 2022;
- Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets) – effective date on or after 1 January 2022; and
- Annual improvements 2018-2020 cycle – effective date on or after 1 January 2022.

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 2022 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:

	<b>6 months ended 30 September 2022 Unaudited</b>	6 months ended 30 September 2021 Unaudited	Year ended 31 March 2022 Audited
Profit/(loss) for the period (£'000)	<u>1,127</u>	<u>1,144</u>	<u>(1,328)</u>
Weighted average number of ordinary shares excluding shares held in treasury for the proportion of the year held in treasury ('000)	<u>18,725</u>	<u>18,665</u>	<u>18,674</u>
Basic earnings/(loss) per share	<u>6.0p</u>	<u>6.1p</u>	<u>(7.1)p</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:

	<b>6 months ended 30 September 2022 Unaudited</b>	6 months ended 30 September 2021 Unaudited	Year ended 31 March 2022 Audited
Profit/(loss) for the period (£'000)	<u>1,127</u>	<u>1,144</u>	<u>(1,328)</u>
Weighted average number of ordinary shares excluding shares held in treasury for the proportion of the year held in treasury ('000)	<u>18,725</u>	<u>18,665</u>	<u>18,674</u>
Effect of potential dilutive ordinary shares ('000)	<u>15</u>	<u>43</u>	<u>42</u>
Diluted weighted average number of ordinary shares excluding shares held in treasury for the proportion of the year held in treasury ('000)	<u>18,740</u>	<u>18,708</u>	<u>18,716</u>
Diluted earnings/(loss) per share	<u>6.0p</u>	<u>6.1p</u>	<u>(7.1)p</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:

	<b>6 months ended 30 September 2022 Unaudited</b>	6 months ended 30 September 2021 Unaudited	Year ended 31 March 2022 Audited
Profit/(loss) for the period (£'000)	<b>1,127</b>	1,144	(1,328)
Impairment charge	-	-	2,612
One-off costs	-	-	648
Amortisation of intangible assets arising on acquisitions	<b>6</b>	7	13
Corporation tax effect of above items	-	-	(123)
Adjusted profit for the period (£'000)	<b>1,133</b>	1,151	1,822
Weighted average number of ordinary shares excluding shares held in treasury for the proportion of the year held in treasury ('000)	<b>18,725</b>	18,665	18,674
Adjusted basic earnings per share	<b>6.1p</b>	6.2p	9.8p
Adjusted diluted earnings per share	<b>6.0p</b>	6.2p	9.7p

### 5. Finance costs

	<b>6 months ended 30 September 2022 Unaudited £'000</b>	6 months ended 30 September 2021 Unaudited £'000	Year ended 31 March 2022 Audited £'000
On bank loans and overdrafts	<b>56</b>	42	101
Finance charges on lease liabilities	<b>33</b>	23	55
Total finance costs	<b>89</b>	65	156

## 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 2022, which are available on the Company's website, [www.northernbearplc.com](http://www.northernbearplc.com).

### 7. Half year report

The condensed financial statements were approved by the Board of Directors on 25 November 2022 and are available on the Company's website, [www.northernbearplc.com](http://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 2022