

29 November 2023

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

Interim results for the six month period ended 30 September 2023

Northern Bear (LSE:NTBR), the AIM quoted holding company of the group of companies providing specialist building and support services headquartered in Northern England and serving customers across the UK, is pleased to announce the unaudited interim results for the Company and its subsidiaries (together the “Group”) for the six months to 30 September 2023 (the “Period” or “H1 FY24”).

Financial Summary

- Revenue of £36.9m, representing an increase of 8.7% (*H1 FY23: £34.0m*)
- Operating profit of £1.8m*, representing an increase of 20.9% (*H1 FY23: £1.5m*)
- Profit for the period up 11.6% to £1.3m (*H1 FY23: £1.1m*)
- Basic earnings per share up 11.7% to 6.7p (*H1 FY23: 6.0p*)
- Net cash of £0.4m as at 30 September 2023 (*30 September 2022: £1.9m net bank debt; 31 March 2023: £3.2m net cash*)
- Equity dividends paid of £0.6m in the Period (*H1 FY23: £nil*)
- Post period end: return of capital of approximately £3.1m by way of tender offer for 5 million Ordinary Shares at a fixed price of 62p per Ordinary Share, expected to complete in December 2023, and updated upon separately today via RNS.

Operational and commercial summary

- The Board of Directors of Northern Bear (the “Board”) is pleased with the Group’s performance during the Period, with revenue and profits in line with management’s expectations and ahead of strong prior year results.
- Site activity levels remained high despite the ongoing macro-economic challenges and their related impact on the construction industry.
- The results in the Period are testament to the hard work and commitment of the Group’s employee base.

Outlook

- The Group has traded well during the first half of FY24 and has the potential to trade ahead of strong prior year results should this level of performance continue.
- At this stage, the Board confirms that the Group is trading in line with market expectations.
- Our forward order book remains strong and should support our trading performance in the coming months.

** No material adjustments to reported operating profit in the Period or H1 FY23*

Harry Samuel, Non-Executive Chairman of Northern Bear, commented:

“Notwithstanding the challenging macro-economic environment, the Group’s performance has been strong during the Period and beyond, with a robust pipeline of new business opportunities supported by the continued efforts of our dedicated workforce.”

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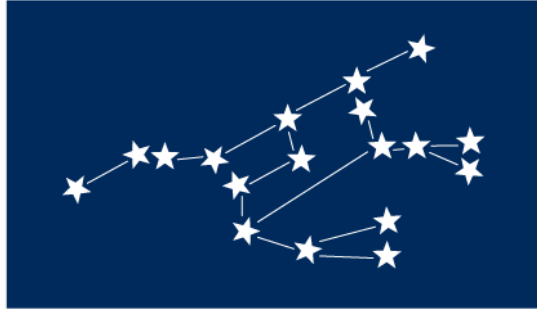
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Northern Bear

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Interim Report
30 September 2023

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Chairman's statement

Introduction

I am delighted to report the unaudited interim results for the Company and its subsidiaries (together the "Group") for the six months ended 30 September 2023 (the "Period" or "H1 FY24").

These results represent a significant improvement on what were considered very strong results in the prior period ended 30 September 2022 (the "Prior Period" or "H1 FY23), and are testament to the hard work and commitment of the Group's employee base.

Trading

Despite ongoing macro-economic challenges and their related impact on the construction industry, our site activity levels remained high during the Period across our Group of companies. This led to revenue in the Period increasing by 8.7% to £36.9m (H1 FY23: £34.0m).

Gross margin increased to 22.2% (H1 FY23: 20.7%) through both greater economies of scale from higher revenues and continued careful contract selection and execution. This was offset to an extent by administrative expenses increasing to £6.4m from £5.6m to support the higher revenue levels.

All of our Roofing, Specialist Building Services, and Materials Handling divisions made positive trading contributions during the Period.

As reported in our results for the financial year ended 31 March 2023 ("FY23"), Arcas Building Solutions undertook a small number of contracts under prior management where significant trading losses were incurred totalling £733,000 (including a provision for losses through to completion). John Davies was appointed as Managing Director at Arcas in April 2023 and has since made significant commercial, management, and systems' improvements to the business. I am pleased to report that Arcas traded profitably in the Period.

As in prior years, we have included a calculation of adjusted Operating Profit, adjusted EBITDA, and adjusted earnings per share in note 4 to these interim results as supplemental measures of the Group's profitability, in addition to the statutory measures defined under IFRS. The only adjusting item to Operating Profit in the Period and Prior Period is for amortisation of £6,000.

Cash flows

The Group had a net cash position, defined as cash balances less the amount drawn down on our revolving credit facility, of £0.4m at 30 September 2023 (30 September 2022: net bank debt of £1.9m; 31 March 2023: net cash of £3.2m). As in prior years, the financial year-end balance is usually a high point reflecting favourable working capital movements, and excess cash balances would be expected to normalise post year-end.

During the Period, the Company paid an ordinary dividend of 2.0p per ordinary share (H1 FY23: nil) and a further special dividend of 1.0p per ordinary share (H1 FY23: nil), providing a return of capital to shareholders of £0.6m (H1 FY23: £nil).

As we have emphasised in prior results, our net cash (or net bank debt) position represents a snapshot at a particular point in time and 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 lowest position in the Period was £0.7m net bank debt, and the highest position in the Period was £3.3m net cash, and the average was £0.7m net cash.

Chairman's statement (*continued*)

Tender offer and new bank facilities

On 23 October 2023, we announced a return of capital of up to £3.1m by way of Tender Offer to shareholders for up to 5 million Ordinary Shares at a fixed price of 62 pence per Ordinary Share. This was approved by shareholders at a General Meeting on 15 November 2023; further to this we announced this morning that the Tender Offer was fully subscribed, and it is expected to complete on or around 8 December 2023.

The return of capital of £3.1m, plus associated costs, will be funded using both existing cash resources and an increase of £1.0m to the Group's existing debt facilities of £4.5m from Clydesdale Bank plc (trading as Virgin Money). We had previously stated that costs and expenses related to the Tender Offer were not expected to exceed an aggregate of £0.4 million inclusive of VAT. While the final amount will only be confirmed following conclusion of the Tender Offer, our current expectation is that the final costs and expenses will be closer to £0.2m.

Outlook

As at the date of this report, the Board confirms that the Group is trading in line with management's expectations and that our forward order book remains strong.

The timing of Group turnover and profitability is, however, difficult to predict, and our results are subject to monthly variability. In addition, whilst on site activity levels have been encouraging, overall Group performance is dependent on a number of factors outside of management's control, including macro-economic factors and their impact on the construction industry, any prolonged spells of severe weather, supply-chain and construction materials availability, and ongoing challenges with attracting and retaining employees within the construction industry.

Notwithstanding the inherent uncertainties associated with our industry, the Group has made an excellent start to FY24 and has the potential to trade ahead of strong prior year results should the current level of performance continue.

People and Board changes

As announced following the conclusion of the General Meeting on 15 November 2023, Jeff Baryshnik resigned from his role as Non-Executive Chairman and as a director of the Company with immediate effect. The board would like to thank Jeff for his service as a director of the Company.

I have assumed the position of Interim Non-Executive Chairman, having previously been a Non-Executive Director, until such time as the Board has identified and appointed a permanent successor.

Martin Boden joined the Board as a Non-Executive Director on 13 September 2023. I am pleased to welcome Martin, who brings strong public markets experience to the Board.

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.

Conclusion

Once again, I would like to thank all our employees for their hard work and commitment, and our shareholders for their continued support.

Harry Samuel
Non-Executive Chairman

29 November 2023

Consolidated statement of comprehensive income
for the six month period ended 30 September 2023

	6 months ended 30 September 2023	6 months ended 30 September 2022	Year ended 31 March 2023
	Unaudited	Unaudited	Audited
	£'000	£'000	£'000
Revenue	36,890	33,951	69,724
Cost of sales	<u>(28,704)</u>	<u>(26,935)</u>	<u>(55,785)</u>
Gross profit	8,186	7,016	13,939
Other operating income	16	13	35
Administrative expenses	<u>(6,449)</u>	<u>(5,579)</u>	<u>(11,828)</u>
Operating profit	1,753	1,450	2,146
Finance costs	<u>(74)</u>	<u>(89)</u>	<u>(210)</u>
Profit before income tax	1,679	1,361	1,936
Income tax expense	<u>(421)</u>	<u>(234)</u>	<u>(344)</u>
Profit for the period	<u>1,258</u>	<u>1,127</u>	<u>1,592</u>
Total comprehensive income attributable to equity holders of the parent	<u>1,258</u>	<u>1,127</u>	<u>1,592</u>
Earnings per share from continuing operations			
Basic earnings per share	6.7p	6.0p	8.5p
Diluted earnings per share	6.7p	6.0p	8.5p

Consolidated balance sheet
at 30 September 2023

	30 September 2023	30 September 2022	31 March 2023
	Unaudited £'000	Unaudited £'000	Audited £'000
Assets			
Property, plant and equipment	5,171	4,550	4,990
Right of use asset	1,565	1,596	1,553
Intangible assets	15,400	15,413	15,406
Trade and other receivables	983	783	799
Total non-current assets	23,119	22,342	22,748
Inventories	1,418	1,383	1,444
Trade and other receivables	13,964	14,535	12,771
Cash and cash equivalents	439	150	3,150
Total current assets	15,821	16,068	17,365
Total assets	38,940	38,410	40,113
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	8,195	7,034	7,499
Total equity attributable to equity holders of the Company	23,263	22,102	22,567
Liabilities			
Trade and other payables	55	168	114
Lease liabilities	1,484	1,433	1,504
Deferred tax liabilities	1,059	879	1,059
Total non-current liabilities	2,598	2,480	2,677
Loans and borrowings	50	2,028	35
Trade and other payables	11,690	10,796	13,947
Lease liabilities	709	615	700
Current tax payable	630	389	187
Total current liabilities	13,079	13,828	14,869
Total liabilities	15,677	16,308	17,546
Total equity and liabilities	38,940	38,410	40,113

Consolidated statement of changes in equity
for the six month period ended 30 September 2023

	Share capital £'000	Capital redemption reserve £'000	Share premium £'000	Merger reserve £'000	Retained earnings £'000	Total equity £'000
At 1 April 2022	190	6	5,169	9,703	5,907	20,975
Total comprehensive income for the period						
Profit for the period	-	-	-	-	1,127	1,127
At 30 September 2022	190	6	5,169	9,703	7,034	22,102
At 1 April 2022	190	6	5,169	9,703	5,907	20,975
Total comprehensive income for the year						
Profit for the year	-	-	-	-	1,592	1,592
At 31 March 2023	190	6	5,169	9,703	7,499	22,567
At 1 April 2023	190	6	5,169	9,703	7,499	22,567
Total comprehensive income for the period						
Profit for the period	-	-	-	-	1,258	1,258
Transactions with owners, recorded directly in equity						
Equity dividends paid	-	-	-	-	(562)	(562)
At 30 September 2023	190	6	5,169	9,703	8,195	23,263

Consolidated statement of cash flows
for the six month period ended 30 September 2023

	6 months ended 30 September 2023 Unaudited £'000	6 months ended 30 September 2022 Unaudited £'000	Year ended 31 March 2023 Audited £'000
Cash flows from operating activities			
Operating profit for the period	1,753	1,450	2,146
<i>Adjustments for:</i>			
Depreciation of property, plant and equipment	420	361	787
Depreciation of lease asset	251	204	417
Amortisation	6	6	13
Loss on sale of property, plant and equipment	(22)	(16)	(31)
	2,408	2,005	3,332
Change in inventories	26	21	(40)
Change in trade and other receivables	(1,377)	(2,458)	(710)
Change in trade and other payables	(2,316)	(2,903)	193
Cash (used in)/generated from operations	(1,259)	(3,335)	2,775
Interest paid	(34)	(56)	(155)
Tax received/(paid)	22	99	(33)
Net cash flow from operating activities	(1,271)	(3,292)	2,587
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment	246	193	520
Acquisition of property, plant and equipment	(701)	(614)	(1,466)
Net cash from investing activities	(455)	(421)	(946)
Cash flows from financing activities			
Issue of borrowings	15	990	-
Repayment of borrowings	-	-	(1,003)
Repayment of lease liabilities	(438)	(360)	(721)
Equity dividends paid	(562)	-	-
Net cash from financing activities	(985)	630	(1,724)
Net decrease in cash and cash equivalents	(2,711)	(3,083)	(83)
Cash and cash equivalents at start of period	3,150	3,233	3,233
Cash and cash equivalents at end of period	439	150	3,150

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 2023 Annual Report and Financial Statements. The financial information for the half years ended 30 September 2023 and 30 September 2022 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 2023 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 2023 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 2023 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 2023 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 2023, and will be adopted in the 2024 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 2024 or are expected to be adopted and effective at 31 March 2024.

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

- IFRS 17 - Insurance Contracts – effective date on or after 1 January 2023
- Amendments to IFRS 17 - Insurance Contracts; and Extension of the Temporary Exemption from Applying IFRS 9 (Amendments to IFRS 4 Insurance Contracts) – effective date on or after 1 January 2023
- Disclosure of Accounting Policies (Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgements) – effective date on or after 1 January 2023
- Definition of Accounting Estimates (Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors) – effective date on or after 1 January 2023
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12 Income Taxes) – effective date on or after 1 January 2023

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 2023 is calculated by applying the Directors’ best estimate of the annual effective tax rate to the profit for the period.

Notes (continued)

4. Alternative performance measures

The Group uses Adjusted Operating Profit, Adjusted EBITDA, and Adjusted earnings per share as supplemental measures of the Group's profitability, in addition to measures defined under IFRS. The directors consider these useful due to the exclusion of specific items that could impact a comparison of the Group's underlying profitability, and is aware that shareholders use these measures to assist in evaluating performance.

The adjusting items for the alternative measures of profit are either recurring but non-cash charges (amortisation of acquired intangible assets), one-off non-cash items (impairment charges), or one-off exceptional items (e.g., exceptional loss-making contracts in Arcas Building Solutions Limited).

Adjusted operating profit is calculated as below:

	6 months ended 30 September 2023 Unaudited £'000	6 months ended 30 September 2022 Unaudited £'000	Year ended 31 March 2023 Audited £'000
Operating profit (as reported)	1,753	1,450	2,146
Loss-making contracts in Arcas Building Solutions	-	-	733
Amortisation of intangible assets arising on acquisitions	6	6	13
Adjusted profit for the period	1,759	1,456	2,892

Adjusted EBITDA is calculated as below:

	6 months ended 30 September 2023 Unaudited £'000	6 months ended 30 September 2022 Unaudited £'000	Year ended 31 March 2023 Audited £'000
Adjusted operating profit (as above)	1,759	1,456	2,892
Depreciation of property, plant and equipment	420	361	787
Depreciation of lease asset	251	204	417
Adjusted EBITDA	2,430	2,021	4,096

Adjusted basic and diluted earnings per share is presented in note 5 below.

Notes (continued)

5. 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 2023 Unaudited	6 months ended 30 September 2022 Unaudited	Year ended 31 March 2023 Audited
Profit for the period (£'000)	<u>1,258</u>	<u>1,127</u>	<u>1,592</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>18,725</u>	<u>18,725</u>
Basic earnings per share	<u>6.7p</u>	<u>6.0p</u>	<u>8.5p</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 2023 Unaudited	6 months ended 30 September 2022 Unaudited	Year ended 31 March 2023 Audited
Profit for the period (£'000)	<u>1,258</u>	<u>1,127</u>	<u>1,592</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>18,725</u>	<u>18,725</u>
Effect of potential dilutive ordinary shares ('000)	<u>15</u>	<u>15</u>	<u>13</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>18,740</u>	<u>18,738</u>
Diluted earnings per share	<u>6.7p</u>	<u>6.0p</u>	<u>8.5p</u>

Notes (continued)

5. 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 recurring but non-cash charges (amortisation of acquired intangible assets), one-off non-cash items (impairment charges), or one-off exceptional items (e.g. exceptional loss-making contracts in Arcas Building Solutions Limited), 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 2023 Unaudited	6 months ended 30 September 2022 Unaudited	Year ended 31 March 2023 Audited
Profit for the period (£'000)	1,258	1,127	1,592
Loss-making contracts in Arcas Building Solutions	-	-	733
Amortisation of intangible assets arising on acquisitions	6	6	13
Corporation tax effect of above items	-	-	(139)
Adjusted profit for the period (£'000)	1,264	1,133	2,199
Weighted average number of ordinary shares excluding shares held in treasury for the proportion of the year held in treasury ('000)	18,725	18,725	18,725
Adjusted basic earnings per share	6.8p	6.1p	11.7p
Adjusted diluted earnings per share	6.7p	6.0p	11.7p

6. Finance costs

	6 months ended 30 September 2023 Unaudited £'000	6 months ended 30 September 2022 Unaudited £'000	Year ended 31 March 2023 Audited £'000
On bank loans and overdrafts	34	56	128
Finance charges on lease liabilities	40	33	82
Total finance costs	74	89	210

Notes (continued)

7. 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 69 of our Annual Report and Financial Statements for the year ended 31 March 2023, which are available on the Company's website, www.northernbearplc.com.

8. Half year report

The condensed financial statements were approved by the Board of Directors on 29 November 2023 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

29 November 2023