



Northern Bear plc

Unaudited preliminary results
year ended 31 March 2011

10 August 2011

Northern Bear PLC

Preliminary results for the year ended 31 March 2011

Highlights

- Revenue from continuing operations £27.2m (2010: £27.6m)
- Operating profit (pre exceptional) from continuing operations £1.6m (2010: £1.7m)
- Adjusted (pre exceptional) earnings per share from continuing operations 5.0p (2010: 5.0p)
- Continued support of the bank as well as new funding streams for opportunities in the renewable energy sector

Howard Gold, Chairman of Northern Bear Plc commented:

“I believe that these results demonstrate the resilient nature of our businesses, as well as highlighting the Board’s continuing work to review the core focus of the Group and to identify and dispose of non-core, or under-performing businesses, in a timely fashion.

Following the disposal of three non-core businesses during the previous financial year, we now have a more streamlined group of businesses, wholly focused on the support services sector.

The new financial year has started well and we currently enjoy an order book which is healthier than at any time over the past two years.

We believe that as a group of businesses, we are very well positioned to take advantage of opportunities as they arise, particularly in the renewable energy sector.

We look forward to reporting on progress on our newly formed renewables business in the coming months.”

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Chairman's statement

Introduction

I am pleased to report results for the year ended 31 March 2011.

Underlying profit before tax from continued operations (before exceptional items) was £1.1 million (2010: £1.2 million). Net cash generated from operating activities has increased by 77% to £864,000 (2010: £488,000).

Basic earnings per share from continued operations were 3.4p (2010: 2.9p) whilst earnings per share before exceptional items were 5.0p (2010: 5.0p).

Exceptional items (from continued operations) were £309,000 (2010: £506,000), the majority of which were bad debts resulting from two customers becoming insolvent.

As stated in note 3 of the Financial Statements, three businesses have been disposed of since 31 March 2010 and these disposals have resulted in a loss from discontinued operations (net of income tax) of £856,000 (2010: loss £1,909,000).

I believe that these results demonstrate the resilient nature of our businesses, as well as highlighting the Board's continuing work to review the core focus of the Group and to identify and dispose of non-core, or under-performing businesses, in a timely fashion.

Trading

The uncertain macroeconomic conditions have continued to dominate the trading environment for our businesses. Both turnover and margins have remained broadly static during the past two financial years, reinforcing our view that there is no immediate prospect of a significant change in the current year.

The effects of HM Government's Comprehensive Spending Review are beginning to feed through to our end-markets, whilst the continued lack of mortgage finance continues to depress the new build housing market.

In addition to the above, the crippling weather conditions in the North of England during December 2010 had a significant impact on the results during the second half of the year.

It is testament to the robustness of the Group's businesses that it continued to generate both profit and positive cash flow during this difficult period.

Cash flow

The cash performance of the Group remains good, with a further reduction in net bank debt to £8.7 million (2010: £9.0 million). In addition, the sale of Roof Truss Company in April 2011 resulted in a further reduction in borrowings of £400,000.

The Group's bankers remain supportive and this provides us with the solid foundation needed to continue to move forward.

Risk management

We reported last year the creation of Northern Bear Safety Limited to provide health and safety services to external clients, as well as Group companies.

This business has maintained its growth during the period and our health and safety standards continue to improve.

Our number of reportable accidents during the period fell by 85% versus 2009 and our Accidents Incident Rate (AIR) fell by a further 50% versus the previous year.

We continue to look for avenues to grow this side of our business, never losing sight, however, of the overriding requirement to maintain the highest possible safety standards for our staff and clients.

Dividend

The Board has decided that it is prudent to withhold the payment of a dividend but will look to reinstate it at the earliest possible opportunity.

Board of Directors and Advisors

During the year, we have enjoyed a very stable team of both directors and advisors, with no changes.

Keith Soulsby has indicated his desire to step down from the Board at the forthcoming AGM, to enable him to fully concentrate his efforts on the opportunities currently presenting themselves to Wensley Roofing, the business he founded and sold to Northern Bear in 2006.

On behalf of all his fellow Board members, I would like to put on record our most sincere gratitude to Keith for his efforts in the formative years of Northern Bear. I look forward to him helping Wensley Roofing taking advantage of solar roofing opportunities and driving that business forward for many years to come.

Outlook

Following the disposal of three non-core businesses during the previous year, we now have a more streamlined group of businesses, wholly focused on the support services sector.

The new financial year has started well and we currently enjoy an order book which is healthier than at any time over the past two years.

In addition to the core businesses, we have formed two new businesses.

Northern Bear Building Services has been created to provide services to two principal markets; first as a reactive maintenance business for insurance clients and secondly, as a main contractor for sub-£3 million refurbishment and new build contracts.

Northern Bear (Renewables) Limited, has been created to provide photovoltaic systems (PV) to our existing client base. As reported on 5th July 2011, we have entered into a funding arrangement with RGE and Hazel Capital. This market, driven by the Feed in Tariff (FIT) scheme, is moving very quickly at present and we expect to make a further announcement on progress to Shareholders at the time of the forthcoming AGM.

The markets in which we operate continue to be characterised by depressed margins and little or no growth. We feel it is essential for the future of our business to continue to identify and exploit opportunities to enable us to deliver growth and shareholder value.

We believe that as a group of businesses, we are very well positioned to take advantage of these opportunities as they arise, particularly in the renewable energy sector.

Our priority is to improve earnings and cash flow to enable us to reduce our existing level of indebtedness.

People

Once again, the Board and Shareholders would like to thank all of our employees and sub-contractors for their continued commitment and energy. They have faced many varied challenges during the past year and in all cases, a combination of experience and positive attitude have ensured the best result for the Group has been achieved.

HB Gold
Chairman

10 August 2011

Consolidated statement of comprehensive income
for the year ended 31 March 2011

	2011			2010		
	Before exceptional items £000	Exceptional items £000	Total £000	Before exceptional items £000	Exceptional items £000	Total £000
<i>Continuing operations</i>						
Revenue	27,160	-	27,160	27,609	-	27,609
Cost of sales	(19,286)	-	(19,286)	(19,669)	-	(19,669)
Gross profit	7,874	-	7,874	7,940	-	7,940
Other income	20	-	20	22	-	22
Administrative expenses						
Share based payments	178	-	178	(60)	-	(60)
Other administrative expenses	(6,426)	(309)	(6,735)	(6,183)	(506)	(6,689)
Operating profit/(loss)	1,646	(309)	1,337	1,719	(506)	1,213
Finance income	1	-	1	-	-	-
Finance expenses	(518)	-	(518)	(526)	-	(526)
Profit/(loss) before income tax	1,129	(309)	820	1,193	(506)	687
Income tax expense	(205)	24	(181)	(253)	114	(139)
Profit/(loss) from continuing operations	924	(285)	639	940	(392)	548
<i>Discontinued operations</i>						
Loss from discontinued operation (net of income tax)	(144)	(712)	(856)	(95)	(1,814)	(1,909)
Profit/(loss) for the year	780	(997)	(217)	845	(2,206)	(1,361)
Total comprehensive income attributable to equity holders of the parent			(217)			(1,361)
Basic earnings/(loss) per share						
- continuing operations			3.4p			2.9p
- discontinued operations			(4.6)p			(10.1)p
- total operations			(1.2)p			(7.2)p
Adjusted (pre-exceptional) earnings/(loss) per share						
- continuing operations			5.0p			5.0p
- discontinued operations			(0.8)p			(0.5)p
- total operations			4.2p			4.5p

Consolidated statement of changes in equity
for the year ended 31 March 2011

	Share capital £000	Capital redemption £000	Share premium £000	Merger reserve £000	Retained earnings £000	Total equity £000
At 1 April 2009	190	-	5,169	12,586	3,330	21,275
Total comprehensive income for the year						
Loss for the year	-	-	-	-	(1,361)	(1,361)
Transactions with owners, recognised directly in equity						
Equity settled share based payment transactions	-	-	-	-	60	60
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2010	190	-	5,169	12,586	2,029	19,974
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
At 1 April 2010	190	-	5,169	12,586	2,029	19,974
Total comprehensive income for the year						
Loss for the year	-	-	-	-	(217)	(217)
Transactions with owners, recognised directly in equity						
Equity settled share based payment transactions	-	-	-	-	(178)	(178)
Buy back of shares	(6)	6	-	(514)	(1,766)	(2,280)
Transfers in respect of discontinued operations	-	-	-	(1,701)	1,701	-
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2011	184	6	5,169	10,371	1,569	17,299
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Consolidated statement of financial position
at 31 March 2011

	2011 £000	2010 £000
Assets		
Property, plant and equipment	2,258	3,126
Intangible assets	21,348	23,623
Other investments	-	11
	<hr/>	<hr/>
Total non-current assets	23,606	26,760
	<hr/>	<hr/>
Inventories	851	916
Trade and other receivables	6,028	7,838
Prepayments for current assets	145	233
Cash and cash equivalents	281	355
Assets classified as held for sale	3,517	-
	<hr/>	<hr/>
Total current assets	10,822	9,342
	<hr/>	<hr/>
Total assets	34,428	36,102
	<hr/> <hr/>	<hr/> <hr/>
Equity		
Share capital	184	190
Capital redemption reserve	6	-
Share premium	5,169	5,169
Merger reserve	10,371	12,586
Retained earnings	1,569	2,029
	<hr/>	<hr/>
Total equity attributable to equity holders of the company	17,299	19,974
	<hr/>	<hr/>
Liabilities		
Loans and borrowings	3,561	3,810
Deferred tax liabilities	103	62
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Total non-current liabilities	3,664	3,872
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Bank overdraft	4,782	4,327
Loans and borrowings	754	1,425
Trade and other payables	5,016	6,176
Current tax payable	275	278
Deferred consideration	-	50
Liabilities classified as held for sale	2,638	-
	<hr/>	<hr/>
Total current liabilities	13,465	12,256
	<hr/>	<hr/>
Total liabilities	17,129	16,128
	<hr/>	<hr/>
Total equity and liabilities	34,428	36,102
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Consolidated statement of cash flows
for the year ended 31 March 2011

	2011	2010
	£000	£000
Cash flows from operating activities		
Loss for the year	(217)	(1,361)
<i>Adjustments for:</i>		
Depreciation	562	566
Impairment	530	1,806
Finance income	(1)	-
Finance expense	518	531
Loss on sale of property, plant and equipment	8	60
Equity settled share-based payment transactions	(178)	60
Income tax expense	158	251
	<hr/>	<hr/>
	1,380	1,913
Change in inventories	(318)	(67)
Change in trade and other receivables	735	(356)
Change in prepayments	(9)	9
Change in trade and other payables	(281)	(65)
	<hr/>	<hr/>
	1,507	1,434
Interest received	1	-
Interest paid	(518)	(531)
Tax paid	(126)	(415)
	<hr/>	<hr/>
Net cash from operating activities	864	488
	<hr/>	<hr/>
Cash flows from investing activities		
Proceeds from sale of property, plant and equipment	99	147
Acquisition of subsidiary, net of cash acquired	(50)	(400)
Disposal of subsidiary, net of cash disposed of	(9)	-
Acquisition of property, plant and equipment	(246)	(139)
	<hr/>	<hr/>
Net cash from investing activities	(206)	(392)
	<hr/>	<hr/>
Cash flows from financing activities		
Repayment of borrowings	(955)	(1,064)
Payment of finance lease liabilities	(232)	(265)
	<hr/>	<hr/>
Net cash from financing activities	(1,187)	(1,329)
	<hr/>	<hr/>
Net decrease in cash and cash equivalents	(529)	(1,233)
Cash and cash equivalents at start of year	(3,972)	(2,739)
	<hr/>	<hr/>
Cash and cash equivalents at end of year	(4,501)	(3,972)
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Notes

1 Basis of preparation

The preliminary announcement has been prepared in accordance with the recognition and measurement principles of International Financial Reporting Standards as adopted by the EU (Adopted IFRSs), IFRIC interpretations and the Companies Act 2006 applicable to companies reporting under IFRS. It does not include all the information required for full annual accounts.

2 Status of financial information

The financial information set out above does not constitute the Company's statutory accounts for the years ended 31 March 2011 or 2010. The financial information for 2010 is derived from the statutory accounts for 2010, which have been delivered to the Registrar of Companies. The auditors have reported on the 2010 accounts; 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 statutory accounts for 2011 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 in due course.

The preliminary announcement is unaudited and has been prepared using the accounting policies published in the Group's accounts for the year ended 31 March 2010, which are available on the Company's website www.northern-bear.com with the exception of the following standards, amendments and interpretations which became effective during the year and were adopted by the Group:

- Revised IFRS 3 *Business combinations*
- Amendments to IAS27 *Consolidated and separate financial statements*

3 Discontinued operation

On 15 September 2010, the Group disposed of DJ McGough Limited through a buy back of shares.

At the year end management were committed to a plan to sell Hastie Limited and The Roof Truss Company (Northern) Limited, following a strategic decision to place greater focus on the Group's core operations within changing market conditions. Subsequent to the year end, on 20 April 2011 and 26 May 2011, the Group disposed of Hastie Limited and The Roof Truss Company (Northern) Limited respectively.

These operations were not discontinued or classified as held for sale at 31 March 2010, and the comparative statement of comprehensive income has been represented to show the discontinued operations separately from continuing operations.

Results from discontinued operations – 2011

	DJ McGough £000	Hastie £000	Roof Truss £000	2011 Total £000
Revenue	479	2,523	1,551	4,553
Expenses	(568)	(2,624)	(1,528)	(4,720)
Exceptional expenses	(50)	(470)	(192)	(712)
	<hr/>	<hr/>	<hr/>	<hr/>
Loss before income tax	(139)	(571)	(169)	(879)
Income tax	26	(2)	(1)	23
	<hr/>	<hr/>	<hr/>	<hr/>
Loss for the year	(113)	(573)	(170)	(856)
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Basic loss per share				(4.6)p
				<hr/> <hr/>
Adjusted (pre exceptional) loss per share				(0.8)p
				<hr/> <hr/>

Results from discontinued operations - 2010

	DJ McGough £000	Hastie £000	Roof Truss £000	2010 Total £000
Revenue	3,197	3,128	1,050	7,375
Expenses	(3,116)	(3,187)	(1,055)	(7,358)
Exceptional expenses	-	(8)	(1,806)	(1,814)
	<hr/>	<hr/>	<hr/>	<hr/>
Profit/(loss) before income tax	81	(67)	(1,811)	(1,797)
Income tax	(112)	3	(3)	(112)
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Loss for the year	(31)	(64)	(1,814)	(1,909)
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Basic loss per share				(10.1)p
				<hr/> <hr/>
Adjusted (pre exceptional) loss per share				(0.5)p
				<hr/> <hr/>

Effect of disposal on financial position of the Group

	DJ McGough £000	Hastie £000	Roof Truss £000
Property, plant and equipment	89	58	658
Investments	-	-	11
Inventories	97	10	108
Trade and other receivables	398	358	318
Prepayments for current assets	31	17	26
Cash and cash equivalents	9	-	-
Loans and borrowings	(4)	(7)	(16)
Trade and other payables	(226)	(467)	(186)
Current tax payable	21	-	(5)
Deferred tax liabilities	(5)	5	(11)
	<hr/>	<hr/>	<hr/>
Net assets and liabilities	410	(26)	903
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Consideration received, satisfied in cash	-		
Cash disposed of	(9)		
	<hr/>		
Net cash outflow	(9)		
	<hr/> <hr/>		

4 Exceptional items

Administrative expenses include the following exceptional expenses:

	2011 £000	2010 £000
<i>Continuing operations</i>		
Trade receivable provisions	280	161
Aborted transaction costs	29	107
Restructuring	-	238
	<hr/>	<hr/>
	309	506
	<hr/> <hr/>	<hr/> <hr/>
<i>Discontinued operations</i>		
Impairment goodwill	405	1,641
Impairment property	125	165
Net asset impairment	91	8
Legal fees	91	-
	<hr/>	<hr/>
	712	1,814
	<hr/> <hr/>	<hr/> <hr/>

5 Earnings/(loss) per share

The calculation of basic earnings/(loss) per share was based on the profit/(loss) for the period and on the weighted average number of ordinary shares outstanding, calculated as follows:

	2011	2010
Profit/(loss) for the period (£000) - continuing operations	639	548
- discontinued operations	(856)	(1,909)
	<hr/>	<hr/>
- total	(217)	(1,361)
	<hr/>	<hr/>
Weighted average number of ordinary shares ('000)	18,663	18,967
	<hr/>	<hr/>
Earnings/(loss) per share - continuing operations	3.4p	2.9p
- discontinued operations	(4.6)p	(10.1)p
	<hr/>	<hr/>
- total	(1.2)p	(7.2)p
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Share options in issue do not have a dilutive impact on the earnings/(loss) per share calculation.

The calculation of adjusted earnings per share was based on the profit/(loss) for the period, adjusted for exceptional charges, and on the weighted average number of ordinary shares outstanding, calculated as follows:

	2011	2010
Profit for the year (£000) – continuing operations	639	548
Exceptional expenses	285	392
	<hr/>	<hr/>
Profit for the year before exceptionals (£000) – continuing operations	924	940
	<hr/>	<hr/>
Loss for the year (£000) – discontinued operations	(856)	(1,909)
Exceptional expenses	712	1,814
	<hr/>	<hr/>
Loss for the year before exceptionals (£000) – discontinued operations	(144)	(95)
	<hr/>	<hr/>
Loss for the year (£000) – total	(217)	(1,361)
Exceptional expenses	997	2,206
	<hr/>	<hr/>
Profit for the year before exceptionals - total	780	845
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Weighted average number of ordinary shares	18,663	18,967
	<hr/>	<hr/>
Adjusted earnings/(loss) per share - continuing operations	5.0p	5.0p
- discontinued operations	(0.8)p	(0.5)p
	<hr/>	<hr/>
- total	4.2p	4.5p
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6 Principal risks and uncertainties

The nature of the building services industry means that the Group is subject to a number of risk factors. Some of these factors apply to the building services industry generally, while others are specific to the Group's activities within that market.

Identification of acquisitions

The Group's long term growth is partly dependent upon the identification and subsequent acquisition of suitable businesses. The Group continues to commit resources to the research, identification and appropriate due diligence in respect of potential acquisitions. Failure to identify, acquire and integrate any such businesses could adversely affect the long term growth of the Group.

Sector demand

The Group currently consists of businesses which all operate in three main segments of the building services sector of the economy. The Group is therefore exposed to varying activity levels within these diverse industries. Whilst the exposure of the Group to the new house build sector is less than 10% of Group turnover, our exposure to public sector markets is far greater. Consequently, any material reduction in Government expenditure programmes, particularly in social housing, will have an adverse effect on the financial position of the Group.

Competition

Some of the businesses within the Group have competitors who, as a result of their funding structure, may be able to accept lower financial returns than that required by the Group. Competition within these companies could adversely affect the Group's profitability and financial position.

Key clients

There can be no guarantee that the Group's key clients will not change suppliers. While each of the Group's businesses has many longstanding relationships with a number of key customers, the failure to satisfy the needs of these customers could harm the Group's business. Furthermore, these customers may be facing challenges within their own businesses.

Dependence on personnel

The Group continues to be dependent on the continued services of its senior management. Retaining qualified personnel, consultants and advisors is important to the continued successful operation of the Group's business. There can be no assurance that the Group will be able to recruit or retain its personnel in the future which could have an adverse effect upon the Group's business and financial position. The loss of any of the Group's senior personnel could impede the achievement of its objectives.