



Northern Bear plc

Unaudited preliminary results
year ended 31 March 2010

6 July 2010

Northern Bear PLC

Preliminary results for the year ended 31 March 2010

Highlights

- Revenue £35.0m (2009 £41.8m)
- Operating profit (pre-exceptional) £1.7m (2009 £3.7m)
- Adjusted (pre-exceptional) earnings per share 4.5p (2009 12.2p)
- Successful completion of revised banking covenants

Howard Gold, Chairman of Northern Bear Plc commented:

“These results represent a strong performance in the context of the current economic climate, where the UK economy has just emerged from six successive quarters of negative growth and both the sector and geographic region in which we operate were particularly exposed to the downturn.

“The new financial year has started well, with strong order books and a healthy pipeline far exceeding the outlook at the corresponding time last year.”

For further information contact:

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|--|---------------|
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Chairman's statement

Introduction

I am pleased to announce the unaudited preliminary results for the period to 31 March 2010, in which Northern Bear delivered another year of profitability (before exceptional items) and positive cash generation at the operating level.

Despite a fall in turnover to £35.0 million (2009 £41.8 million), the Group has delivered operating profits before exceptional items of £1.7 million (2009 £3.7 million). Adjusted (pre-exceptional) earnings per share has fallen to 4.5p (2009 12.2p) and adjusted interest cover is 3.4 times (2009 5.0 times).

Administrative expenses (including depreciation but excluding exceptional items) were reduced to £7.6 million (2009 £8.3 million), a fall of 9%, which reflects our robust response to the challenging trading conditions which prevailed throughout the period.

Impairment charges, relating to acquired goodwill and asset write-downs, were £1.8 million (2009 £nil).

Other exceptional items were £0.5 million (2009 £0.1 million) which included asset provisions, restructuring costs and costs associated with aborted acquisitions.

After deducting exceptional expenses of £2.2m (2009: £0.1m) the loss for the year was £1.4m (2009: profit £2.2m) and a basic loss per share 7.2p (2009 earnings 11.2p)

I believe that these results represent a strong performance in the context of the current economic climate, where the UK economy has just emerged from six successive quarters of negative growth and both the sector and geographic region in which we operate were particularly exposed to the downturn.

Trading

The effects of the financial crisis on our sector, which began in mid 2008, gathered momentum during 2009.

Against this backdrop, we instigated a comprehensive range of measures to minimise the effect on the profitability of our businesses. These measures, which were taken very early in the cycle, have resulted in a significant reduction in our fixed cost base, while at the same time protected our market position and the quality of our services. These actions have enabled us to move forward again, as we begin to see the return of some stability and an upturn in certain areas of the business.

The trading period was characterised by a sustained weakening of our end markets which continued until late summer 2009. As I reported in my Interim Statement in December 2009, we began to experience an increase in activity during the course of the autumn 2009, which gave us cause for cautious optimism. The extreme cold weather conditions and snow experienced in January and February 2010 resulted in particularly difficult trading during these months, however, we saw a significant improvement in activity during March.

Cash flow

Following an increase in our net debt in the first six months, cash generation was particularly strong in the second half of the financial year. Our net bank debt at the year end was less than £9 million, with facilities of £10.0 million.

This reflects the focus our financial and operational teams place on cash management.

In December 2009, we agreed new banking covenants, but as a result of our strong cash generation, the schedule of debt repayments was maintained. The Group's bankers remain very supportive and this provides us with a solid financial foundation on which to continue building in 2010 and beyond. In addition, subsequent to the year end, we have recently paid our last tranche of vendor deferred consideration and our financial lease obligations are now less than £0.25 million.

Risk management

Risk management is an important priority on every project that we undertake, however small.

The safety of our staff, clients and the general public is of paramount importance. We take this responsibility very seriously and ensure that all risks are properly assessed, then devise strategies to manage and minimise such risks.

Our commitment to risk management has led to the creation of Northern Bear Safety, our fourteenth operating business. This is in line with our policy of identifying opportunities for organic growth. This business is led by Jason Harrison, the Managing Director and a Chartered Member of the Institute of Occupational Safety and Health (IOSH).

Northern Bear Safety, as well as providing health and safety services to our Group companies, has an expanding portfolio of external clients.

Since joining the Group, Jason and his team have driven up standards of health and safety significantly. Our number of accidents in 2009 was less than 40% of that in 2007. Further, our accident incident rate (AIR) was less than 56% of the national average for construction companies.

Dividend

The Board have decided that, since cash conservation is of prime importance, it is prudent to withhold the dividend but will look to reinstate it at the earliest possible opportunity.

Board of Directors and Advisors

We were delighted to welcome back Steve Roberts as Finance Director to the executive team during the year. Steve was the Finance Director at the time that Northern Bear's shares were admitted to trading on AIM, subsequently converting to a non-executive role in 2007.

Steve was instrumental in successfully concluding our revised banking covenants. The significant improvement in cash management is testament to the controls and procedures he and his team have introduced and implemented.

Strand Hanson remains our nominated advisor and were joined by Seymour Pierce, as corporate broker, in January 2010.

Outlook

The new financial year has started well, with strong order books and a healthy pipeline both far exceeding the outlook at the corresponding time last year.

Public spending cuts are inevitable; we must ensure that we are well placed to secure orders where they are available, on terms we find acceptable. To achieve this, the quality of our work must be of the highest possible standard in order to maintain our reputation, and we remain focussed on this goal.

While we remain cautious about the overall economic environment, we feel the Group is well placed to take advantage of opportunities for its businesses as they arise.

Acquisitions remain a key element of our long term growth strategy. We continue to look for quality companies with strong management teams that complement our existing businesses. For the foreseeable future, any acquisitions will be funded with a combination of vendor equity and from the Company's own resources, without any recourse to additional bank debt.

People

The day to day management of our businesses remains fundamental to the success of the Group and this requires not only skill and experience, but also hard work and commitment.

Our operational management team strive to satisfy our clients' needs in terms of both quality and speed of service. This ensures we retain our trusted position with long term clients, and gives me considerable confidence for the future.

I would like to thank all of our employees across the Group for their substantial efforts over the past 12 months and their contribution towards the Group's trading performance.

Howard Gold
Non Executive Chairman

Consolidated statement of comprehensive income
for the year ended 31 March 2010 (unaudited)

| | 2010 | | | 2009 | | |
|--|--|------------------------------|----------------|--|------------------------------|---------------|
| | Before exceptional items £000 | Exceptional items £000 | Total £000 | Before exceptional items £000 | Exceptional items £000 | Total £000 |
| Revenue | 34,984 | - | 34,984 | 41,758 | - | 41,758 |
| Cost of sales | (25,589) | - | (25,589) | (29,609) | - | (29,609) |
| Gross profit | 9,395 | - | 9,395 | 12,149 | - | 12,149 |
| Other operating income | 23 | - | 23 | 27 | - | 27 |
| Administrative expenses | | | | | | |
| Impairment charges | - | (1,806) | (1,806) | - | - | - |
| Share based payments | (60) | - | (60) | (91) | - | (91) |
| Other administrative expenses | (7,617) | (514) | (8,131) | (8,339) | (129) | (8,468) |
| Operating profit/(loss) | 1,741 | (2,320) | (579) | 3,746 | (129) | 3,617 |
| Finance income | - | - | - | 25 | - | 25 |
| Finance expenses | (531) | - | (531) | (785) | - | (785) |
| Profit/(loss) before income tax | 1,210 | (2,320) | (1,110) | 2,986 | (129) | 2,857 |
| Income tax expense | (365) | 114 | (251) | (685) | - | (685) |
| Profit/(loss) for the period | 845 | (2,206) | (1,361) | 2,301 | (129) | 2,172 |
| Total comprehensive income attributable to equity holders of the parent | | | (1,361) | | | 2,172 |
| Basic (loss)/earnings per share | | | (7.2p) | | | 11.5p |
| Diluted (loss)/earnings per share | | | (7.2p) | | | 11.5p |
| Adjusted (pre-exceptional) earnings per share | | | 4.5p | | | 12.2p |

Consolidated statement of changes in equity
for the year ended 31 March 2010 (unaudited)

| | Share capital £000 | Share premium £000 | Merger reserve £000 | Retained earnings £000 | Total equity £000 |
|---|--------------------------|--------------------------|---------------------------|------------------------------|-------------------------|
| At 1 April 2008 | 170 | 5,021 | 10,935 | 1,631 | 17,757 |
| Profit for the year | - | - | - | 2,172 | 2,172 |
| Issue of shares | 20 | 148 | - | - | 168 |
| Merger reserve arising on acquisition | - | - | 1,651 | - | 1,651 |
| Equity settled share based payment transactions | - | - | - | 91 | 91 |
| Dividends | - | - | - | (564) | (564) |
| | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> |
| At 31 March 2009 | 190 | 5,169 | 12,586 | 3,330 | 21,275 |
| | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> |
| At 1 April 2009 | 190 | 5,169 | 12,586 | 3,330 | 21,275 |
| Loss for the year | - | - | - | (1,361) | (1,361) |
| Equity settled share based payment transactions | - | - | - | 60 | 60 |
| | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> |
| At 31 March 2010 | 190 | 5,169 | 12,586 | 2,029 | 19,974 |
| | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> |

Consolidated balance sheet
at 31 March 2010 (unaudited)

| | 2010 | 2009 |
|---|---------------|-------------|
| | £000 | £000 |
| Assets | | |
| Property, plant and equipment | 3,126 | 3,705 |
| Intangible assets | 23,623 | 25,264 |
| Other investments | 11 | 11 |
| | <hr/> | <hr/> |
| Total non-current assets | 26,760 | 28,980 |
| | <hr/> | <hr/> |
| Inventories | 916 | 929 |
| Trade and other receivables | 7,838 | 7,482 |
| Prepayments for current assets | 233 | 370 |
| Cash and cash equivalents | 355 | 750 |
| | <hr/> | <hr/> |
| Total current assets | 9,342 | 9,531 |
| | <hr/> | <hr/> |
| Total assets | 36,102 | 38,511 |
| | <hr/> <hr/> | <hr/> <hr/> |
| Equity | | |
| Share capital | 190 | 190 |
| Share premium | 5,169 | 5,169 |
| Merger reserve | 12,586 | 12,586 |
| Retained earnings | 2,029 | 3,330 |
| | <hr/> | <hr/> |
| Total equity attributable to equity holders of the company | 19,974 | 21,275 |
| | <hr/> | <hr/> |
| Liabilities | | |
| Loans and borrowings | 3,810 | 4,671 |
| Deferred tax liabilities | 62 | 48 |
| | <hr/> | <hr/> |
| Total non-current liabilities | 3,872 | 4,719 |
| | <hr/> | <hr/> |
| Bank overdraft | 4,327 | 3,489 |
| Loans and borrowings | 1,425 | 1,881 |
| Trade and other payables | 6,176 | 6,241 |
| Current tax payable | 278 | 456 |
| Deferred consideration | 50 | 450 |
| | <hr/> | <hr/> |
| Total current liabilities | 12,256 | 12,517 |
| | <hr/> | <hr/> |
| Total liabilities | 16,128 | 17,236 |
| | <hr/> | <hr/> |
| Total equity and liabilities | 36,102 | 38,511 |
| | <hr/> <hr/> | <hr/> <hr/> |

The line item 'deferred income' has been reclassified as 'deferred consideration' to reflect the nature of the liability.

Consolidated statement of cash flows
for the year ended 31 March 2010 (unaudited)

| | 2010 | 2009 |
|--|----------------|-----------------------|
| | £000 | (as restated) £000 |
| Cash flows from operating activities | | |
| (Loss)/profit for the period | (1,361) | 2,172 |
| Adjustments for: | | |
| Depreciation | 566 | 670 |
| Impairment | 1,806 | - |
| Finance income | - | (25) |
| Finance expense | 531 | 785 |
| Loss/(profit) on sale of property, plant and equipment | 60 | (4) |
| Equity settled share-based payment expenses | 60 | 91 |
| Income tax expense | 251 | 685 |
| | 1,913 | 4,374 |
| Change in inventories | (67) | (527) |
| Change in trade and other receivables | (356) | 1,151 |
| Change in prepayments | 9 | 22 |
| Change in trade and other payables | (65) | (723) |
| | 1,434 | 4,297 |
| Interest received | - | 25 |
| Interest paid | (531) | (785) |
| Tax paid | (415) | (1,352) |
| Net cash from operating activities | 488 | 2,185 |
| Cash flows from investing activities | | |
| Proceeds from sale of property, plant and equipment | 147 | 74 |
| Acquisition of subsidiary, net of cash acquired | (400) | (4,222) |
| Acquisition of property, plant and equipment | (139) | (173) |
| Net cash from investing activities | (392) | (4,321) |
| Cash flows from financing activities | | |
| Proceeds from new borrowings | - | 3,500 |
| Repayment of borrowings | (1,064) | (1,740) |
| Payment of finance lease liabilities | (265) | (230) |
| Dividends paid | - | (564) |
| Net cash from financing activities | (1,329) | 966 |
| Net decrease in cash and cash equivalents | (1,233) | (1,170) |
| Cash and cash equivalents at start of year | (2,739) | (1,569) |
| Cash and cash equivalents at end of year | (3,972) | (2,739) |

The comparative disclosures have been restated to reclassify £150,000 cash outflows from operating activities ('change in deferred income') to investing activities ('acquisition of subsidiary, net of cash acquired') to reflect the nature of the payment being settlement of deferred consideration in relation to past business combinations. This reclassification has no impact on the income statement or balance sheet.

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 2010 or 2009. The financial information for 2009 is derived from the statutory accounts for 2009, which have been delivered to the Registrar of Companies. The auditors have reported on the 2009 accounts; their report was i) unqualified, ii) drew attention by way of emphasis, without qualifying their report, to the Company's and Group's ability to continue as a going concern, and iii) did not contain a statement under section 237(2) or (3) of the Companies Act 1985. The statutory accounts for 2010 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 been prepared using the accounting policies, published in the Group's accounts for the year ended 31 March 2009, 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:

- Amendments to IAS 1 'Presentation of financial statements'
- IFRS 8 'Operating segments'

3 Exceptional items

Administrative expenses include the following exceptional expenses:

| | 2010 | 2009 |
|-----------------------------|--------------|-------------|
| | £000 | £000 |
| Impairment – goodwill | 1,641 | - |
| Impairment – property | 165 | - |
| Restructuring | 246 | 129 |
| Trade receivable provisions | 161 | - |
| Aborted transaction costs | 107 | - |
| | <hr/> | <hr/> |
| | 2,320 | 129 |
| | <hr/> <hr/> | <hr/> <hr/> |

4 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:

| | 2010 | 2009 |
|---|-------------------|-------------------|
| (Loss)/profit for the period (£000) | (1,361) | 2,172 |
| Weighted average number of ordinary shares ('000) | 18,967 | 18,814 |
| (Loss)/earnings per share | (7.2)p | 11.5p |
| | <u> </u> | <u> </u> |

The calculation of diluted earnings per share was based on the profit/(loss) for the period and on the weighted average number of ordinary shares outstanding, after adjustment for the effects of all dilutive potential ordinary shares, calculated as follows:

| | 2010 | 2009 |
|---|-------------------|-------------------|
| (Loss)/profit for the period (£000) | (1,361) | 2,172 |
| Weighted average number of ordinary shares ('000) | 18,967 | 18,814 |
| (Loss)/earnings per share | (7.2)p | 11.5p |
| | <u> </u> | <u> </u> |

Share options in issue during the current year do not have a dilutive impact on the 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:

| | 2010 | 2009 |
|---|-------------------|-------------------|
| (Loss)/profit for the period (£000) | (1,361) | 2,172 |
| Exceptionals | 2,206 | 129 |
| | <u> </u> | <u> </u> |
| Profit for the period before exceptionals | 845 | 2,301 |
| Weighted average number of ordinary shares ('000) | 18,967 | 18,814 |
| Adjusted earnings per share | 4.5p | 12.2p |
| | <u> </u> | <u> </u> |

5 Dividends

The following tables analyse dividends paid and the year to which they relate:

Dividend paid

| | 2010 | | 2009 | |
|-----------------------|--------------------|-------------------|--------------------|-------------------|
| | Pence per share | £000 | Pence per share | £000 |
| 2009 interim dividend | - | - | 1.0 | 188 |
| 2008 final dividend | - | - | 2.0 | 376 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| | | - | | 564 |
| | | <u> </u> | | <u> </u> |

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.

Investment objectives

There can be no guarantee that the strategy of the Group will be achieved.

Economic stability

The success of an investment in the Group depends, in part, on the stability of the economic situation in the North of England and the continuation of government expenditure programmes.

Key clients

There can be no guarantee that the Group's clients will not change suppliers.

Dependence on personnel

The Group is dependent on the principal members of its management. Retaining qualified personnel, consultants and advisors will be important to the Group's success. There can be no assurance that the Group will be able to recruit or retain its personnel on acceptable terms given the competition for such personnel from competing businesses. The loss of any of the Group's personnel could impede the achievement of its objectives.