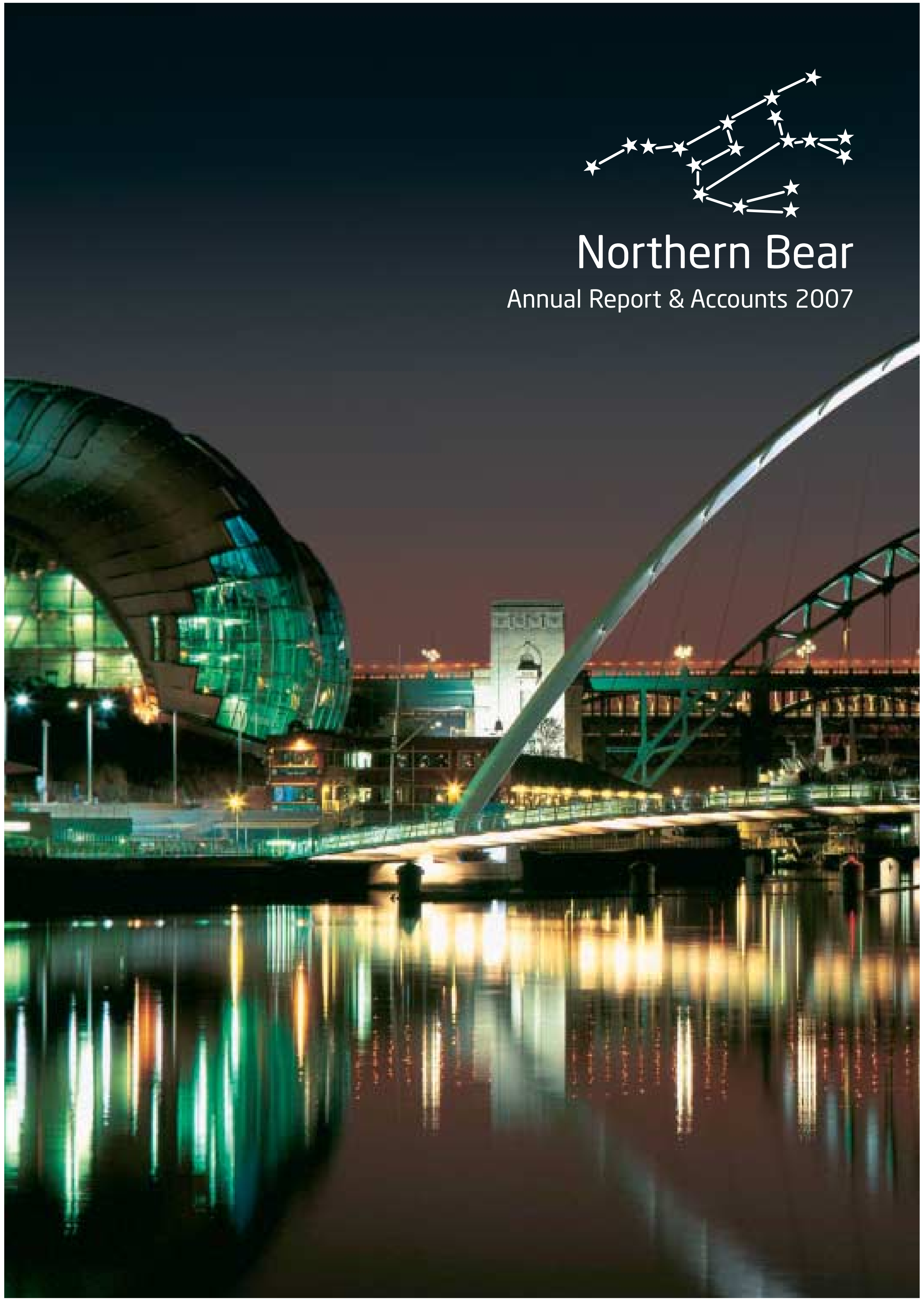
Northern Bear

Annual Report & Accounts 2007



Board of Directors

1.	Jon Pither, Executive Chairman	Northern Bear Plc
2.	Graham Forrest, Chief Executive Officer	Northern Bear Plc
3.	David Jay, Finance Director	Northern Bear Plc
4.	Steve Gray, Operations Director	Northern Bear Plc
5.	Keith Soulsby, Operations Director	Northern Bear Plc

Non-Executive Directors

1.	Marcus Yeoman, Non-Executive Director	Northern Bear Plc
2.	Howard Gold, Non-Executive Director	Northern Bear Plc
3.	Steve Roberts, Non-Executive Director	Northern Bear Plc

Subsidiaries

1.	John Gilstin, Managing Director	Isoler
2.	Kevin Gray, Managing Director	Roof Truss and Floor Joist
3.	Keith Muldoon, Managing Director	Springs Roofing
4.	Ian Young, Manager Director	Wensley Roofing
5.	Lance Rainey, Managing Director	MGM
6.	Brian Young, Managing Director	MGM
7.	David Wales, Managing Director	Chirmarn
8.	Gary Burton, General Manager	Hastie Burton

Contents

Advisers

Independent Auditor	**KPMG Audit Plc**, Quayside House, 110 Quayside, Newcastle upon Tyne NE1 3DX
Bankers	**Bank of Scotland Corporate,** 116 Wellington Street, Leeds LS1 4LT
Legal Advisers	**Mincoffs Solictors LLP,** 5 Osborne Terrace, Jesmond, Newcastle upon Tyne NE2 1SQ
Nominated Adviser	**Strand Partners Limited,** 26 Mount Row, London W1K 3SQ
Broker	**Dawnay, Day Corporate Broking** **(A Division of Dawnay, Day Brokers Limited),** 15-17 Grosvenor Gardens, London SW1W 0BD
Registered Office	Unit 1 Station House, Station Road, Chester-le-Street, County Durham DH3 3DU

Chairman's Statement

I am delighted to present the first set of results for the Group following our successful flotation on AIM in December 2006.

Results for the period to 31 March 2007 show turnover of £4,751,000 and operating profit of £105,000 after goodwill amortisation of £148,000.

The Model

The business model of bringing mature, cash generative, profitable North East based building services businesses into a group has proved successful.

Our existing businesses continue to trade in line with expectations and our acquisition strategy is proving to be highly effective.

The Board

We continue to strengthen our board, particularly at the executive level. Joining me as Chairman and Graham Forrest, as Chief Executive Officer, are Keith Soulsby and Steven Gray who were appointed as Operations Directors on 19 April 2007. Both Steve and Keith each have over 20 years experience of owning and operating building services businesses in the North East prior to their acquisition by Northern Bear and we are delighted that they accepted our offer to join the board.

Following the acquisition of Chirmarn on 11 May 2007, David Jay, the previous Managing Director and majority shareholder of Chirmarn, joined the board as our first full-time Finance Director. David is a Chartered Accountant and replaces Steve Roberts, our interim Finance Director, who continues as a Non-Executive Director.

We were all very sorry when Roy Stanley reluctantly stepped down as a Non-Executive Director in May 2007 due to well known business commitments. Roy has been a great source of guidance during our formative months and will be greatly missed.

Howard Gold joined as a Non-Executive Director in January 2007 and brings with him both North East business experience and an invaluable source of legal knowledge, essential for a group of our type.

Employees

I would like to express the thanks of the board to all employees, without whose loyalty and commitment, success would be impossible to maintain. A particular mention needs to be made of the Directors of each of our acquired subsidiaries, all of whom have embraced the ethos of Northern Bear and helped bond the businesses into a cohesive group.

Future

We are committed to progressively increasing earnings per share by selective acquisition and organic development. Growth for growth's sake is not our objective.

It is encouraging that the gathering scale and momentum of Northern Bear is attracting more potential acquisitions of suitable size and performance. We expect the period ahead to be extremely busy.

The current year has got off to a very satisfactory start.

13 June 2007

Jon Pither

Chairman

Directors' report

The Directors present their Directors' report and financial statements for the period from incorporation, 13 April 2006 to 31 March 2007.

Business review

Principal activities
The principal activity of the Group is to acquire and operate businesses in the building services and materials sector, located in the North of England.

All acquired businesses must demonstrate consistent profitability, positive operating cash-flow and have experienced management who are prepared to make a long term commitment to the business.

Objective and strategy
The Directors' objective is to continue to apply the strategy which has proved successful to date, namely to acquire mature owner-managed businesses operating in the building services and materials sector.

The Directors believe that the Group is well placed to be able to make further acquisitions of similar businesses to those acquired to date by taking advantage of the Directors' industry and professional contacts in the North of England.

The Directors believe that an opportunity for continued growth for the Group is the need of founders and operators of small, self contained, profitable businesses to realise all or part of their equity.

Northern Bear aims to satisfy the consideration for future acquisitions using a combination of cash and the issue of ordinary shares. The Directors believe that this consideration structure should ensure that the vendors have a significant financial interest in the continued progress of the business they have sold and the Group as a whole.

Statement on risks relating to the Group's business
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 continued construction of new housing. If house prices in the North of England decline, there is a possibility that the Group's customers would attempt to reduce their operating margins and this could reduce the profitability of the Group.
- **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 advisers 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.

Directors' report (continued)

Future outlook
As outlined in the Chairman's Statement, the current year has got off to a very satisfactory start and the Directors expect the year to continue to be busy.

Dividends
The Directors do not recommend the payment of a dividend.

Policy and practice on payment of creditors
It is the Group's policy to pay suppliers in accordance with terms and conditions agreed prior to the commencement of trading, provided that the supplier has met its contractual obligations. The Group does not follow any standard code of practice for payment of suppliers.

At the year end creditor days were 51 days.

Directors and Directors' interests
The Directors who held office during the period were as follows:

Osborne Nominees One Limited	(appointed 13 April 2006, resigned 13 April 2006)
JP Pither	(appointed 13 April 2006)
GSL Forrest	(appointed 13 April 2006)
SM Roberts	(appointed 8 November 2006)
RRE Stanley	(appointed 8 November 2006, resigned 11 May 2007)
M Yeoman	(appointed 8 November 2006)
HB Gold	(appointed 16 January 2007)
K Soulsby	(appointed 19 April 2007)
S Gray	(appointed 19 April 2007)
D Jay	(appointed 11 May 2007)

The Directors who held office at the end of the financial period had the following disclosable interests in the shares of the Company according to the register of Directors' interests:

	Interest at end of period	Interest at incorporation or date of appointment
JP Pither	2,514,914	-
GSL Forrest	2,635,014	100
SM Roberts	750,000	-
RRE Stanley	175,000	-
M Yeoman	-	-
HB Gold	-	-

From 11 May 2007, all the Directors benefited from qualifying third party indemnity provisions up to and including the date of this report.

According to the register of Directors' interests, no rights to subscribe for shares in Group companies were granted to any of the Directors or their immediate families, or exercised by them, during the financial period and up to the date of this report.

Directors' report (continued)

Significant shareholdings

At 13 June 2007, the Company had been notified or was aware of the following shareholders with 3% or more of the issued share capital of the Company:

Shareholder	Number of ordinary shares in which interested	% of issued share capital
GSL Forrest	2,635,014	19.6%
JP Pither	2,514,914	18.7%
Singer and Friedlander	906,250	6.7%
S Gray	833,032	6.2%
SM Roberts	750,000	5.6%
K Gray	700,048	5.2%
JJ Lightle	646,273	4.8%
Bell Lawrie	552,272	4.1%
D Jay	540,000	4.0%
KA Muldoon	508,992	3.8%
K Soulsby	495,870	3.7%
Noble Fund Managers Nominee Limited	454,545	3.4%

Political and charitable contributions

The Group made no political contributions during the period. Charitable donations amounted to £3,500.

Financial instruments

Financial risk management objectives and policies and an indication of exposure to financial risk are set out in note 22. Accounting policies on financial instruments are included in note 1.

International financial reporting standards (IFRS)

For reporting periods beginning on or after 1 January 2007 the consolidated accounts of the Group must comply with IFRSs as adopted by the E.U. The first accounts to which these new standards will apply will be the interim accounts for the six months to 30 September 2007.

The impact on the accounts of the adoption of IFRS will depend on which of the new standards are applicable to the Group and the particular circumstances prevailing at the date of adoption. The Group has not yet completed the process of identifying all disclosure, presentation or classification differences that would affect the manner in which transactions or events are presented, nor has it completed its quantification of any differences which may arise. However, the Group has established a programme which aims to ensure the timely identification and implementation of any changes required to Group financial accounting and reporting arrangements.

Corporate governance

The Directors recognise the value of the revised Combined Code issued in July 2003.

The Company, whilst not bound by the Combined Code, seeks to comply with the code so far as is practicable and appropriate for a public company of its size. The Company also seeks to follow the recommendations on corporate governance of the Quoted Companies Alliance (QCA).

The board has established an audit committee and a remuneration committee, each of which comprises the Non-Executive Directors with formally delegated duties and responsibilities.

Directors' report (continued)

The audit committee receives and reviews reports from the Company's auditors relating to the annual and interim accounts and the accounting and internal control systems in use throughout the Group. The audit committee has unrestricted access to the Company's auditors.

The remuneration committee reviews the scale and structure of the Executive Directors' remuneration and the terms of their service contracts. The remuneration and terms and conditions of appointment of the Non-Executive Directors are set by the board. The remuneration committee also administers the Group's share option schemes.

Employees

The Group provides equal opportunities to all staff and employees and recruits the most suitably qualified person for each position. Full and fair consideration is given to applications for employment from disabled persons. All necessary assistance with initial training courses is given. Once employed, a career plan is developed so as to ensure suitable opportunities for each disabled person. Where an existing employee becomes disabled, the Group's policy is to provide continuing employment under normal terms and conditions wherever possible.

The Directors recognise the importance of good communications and inform and consult with employees' representatives on all matters likely to affect them.

The Group operates a range of schemes to involve employees in the financial performance of the business including profit related and other cash bonus arrangements and a share option scheme.

Annual general meeting

The business of the AGM is set out in the notice on pages 41 - 43. The AGM is to be held at 5th Floor, Quayside House, 110 Quayside, Newcastle-upon-Tyne, NE1 3DX on 13 August 2007 at 12.00pm.

Disclosure of information to auditors

The Directors who held office at the date of approval of this Directors' Report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware; and each Director has taken all the steps that they ought to have taken as a Director to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Independent auditors

KPMG Audit Plc were appointed as auditors of the Company during the period.

In accordance with s384 of the Companies Act 1985, a resolution for the re-appointment of KPMG Audit Plc as auditors of the Company and to authorise the Directors to agree their remuneration is to be proposed at the forthcoming Annual General Meeting.

By order of the board.

D Jay
Secretary

Unit 1 Station House
Station Road
Chester-Le-Street
Co Durham
DH3 3DU
13 June 2007

Statement of Directors' responsibilities in respect of the Annual Report and the financial statements

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the Group and the parent company financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

The Group and parent company financial statements are required by law to give a true and fair view of the state of affairs of the Group and the parent company and of the profit or loss for that period.

In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the parent company will continue in business.

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 1985. They have a general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Independent Auditors' report to the members of Northern Bear Plc

We have audited the Group and parent company financial statements (the 'financial statements') of Northern Bear Plc for the period ended 31 March 2007 which comprise the Consolidated Profit and Loss Account, the Consolidated and Company Balance Sheets, the Consolidated Cash Flow Statement and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and Auditors

The Directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities on page 7.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements. The information given in the Directors' Report includes that specific information presented in the Chairman's statement that is cross referenced from the Business Review section of the Directors' Report.

In addition we report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and other transactions is not disclosed.

We read the other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group's and Company's circumstances, consistently applied and adequately disclosed.

Independent auditors' report to the members of Northern Bear Plc (continued)

Basis of audit opinion (continued)
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion
In our opinion:

- the financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the Group's and the parent company's affairs as at 31 March 2007 and of the Group's loss for the period from 13 April 2006 (date of incorporation) to 31 March 2007;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

KPMG Audit Plc 13 June 2007

Chartered Accountants
Registered Auditor

Quayside House
110 Quayside
Newcastle upon Tyne
NE1 3DX
United Kingdom

Consolidated profit and loss account
for the period from incorporation to 31 March 2007

	Note	2007 £000	2007 £000
Group turnover	2		
Continuing operations		-	
Acquisitions		4,751	
			4,751
Cost of sales			(3,459)
Gross profit			1,292
Other operating income			9
Administrative expenses			(1,196)
Group operating profit	2-5		
Continuing operations		(196)	
Acquisitions		301	
			105
Analysed as:			
Group operating profit before depreciation, amortisation, share based payment and pre-flotation expenses		440	
Pre-flotation expenses		(110)	
Depreciation		(49)	
Amortisation		(148)	
Share based payment		(28)	
Group operating profit		105	
Interest receivable	6		14
Interest payable and similar charges	7		(184)
Loss on ordinary activities before taxation			(65)
Tax on loss on ordinary activities	8		(65)
Loss for the financial period			(130)
Basic loss per share	10		(3.9p)
Diluted loss per share	10		(3.9p)

The Group has no recognised gains and losses other than those shown above and therefore no separate statement of total recognised gains and losses has been presented.

The Group had no discontinued operations. Loss per share relates entirely to continuing operations.

Consolidated balance sheet
At 31 March 2007

	Note	2007 £000	2007 £000
Fixed assets			
Intangible assets - goodwill	11	12,266	
Tangible assets	12	1,718	
Investments	13	11	
			13,995
Current assets			
Stocks	14	197	
Debtors	15	4,175	
Cash at bank and in hand		494	
		4,866	
Creditors: amounts falling due within one year	16	(6,201)	
Net current liabilities			(1,335)
Total assets less current liabilities			12,660
Creditors: amounts falling due after more than one year	17		(3,140)
Provisions for liabilities	18		(52)
Net assets			9,468
Capital and reserves			
Called up share capital	19		120
Share premium account	20		1,479
Merger reserve	20		7,971
Profit and loss account	20		(102)
Shareholders' funds			9,468

These financial statements were approved by the Board of Directors 13 June 2007 and were signed on its behalf by:

JP Pither
Chairman

D Jay
Finance Director

Company balance sheet
At 31 March 2007

	Note	2007 £000	2007 £000
Fixed assets			
Tangible assets	12	5	
Investments	13	24,429	
			24,434
Current assets			
Debtors	15	1,219	
Cash at bank and in hand		110	
		1,329	
Creditors: amounts falling due within one year	16	(3,920)	
Net current liabilities			(2,591)
Total assets less current liabilities			21,843
Creditors: amounts falling due after more than one year	17		(12,602)
Net assets			9,241
Capital and reserves			
Called up share capital	19		120
Share premium account	20		1,479
Merger reserve	20		7,971
Profit and loss account	20		(329)
Shareholders' funds			9,241

These financial statements were approved by the Board of Directors 13 June 2007 and were signed on its behalf by:

JP Pither
Chairman

D Jay
Finance Director

Consolidated cash flow statement
for the period from incorporation to 31 March 2007

	Note	2007 £000
Cash flow statement		
Cash flow from operating activities	24	185
Returns on investments and servicing of finance	25	(117)
Taxation		-
Capital expenditure	25	(29)
Acquisitions	25	(95)
Cash outflow before financing		(56)
Financing	25	(546)
Decrease in cash in the period		(602)
Reconciliation of net cash flow to movement in net debt	26	
Decrease in cash in the period		(602)
Net cash inflow from financing		2,052
Change in net debt resulting from cash flows		1,450
Loans and finance leases acquired with subsidiary		(5,694)
New finance leases		(125)
Movement in net debt in the period		(4,369)
Net debt at the start of the period		-
Net debt at the end of the period		(4,369)

Reconciliations of movements in shareholders' funds
for the period from incorporation to 31 March 2007

	2007 Group £000	2007 Company £000
Loss for the financial period	(130)	(357)
Charge in relation to share based payments	28	28
New share capital subscribed (net of issue costs)	9,570	9,570
Net addition to shareholders' funds	9,468	9,241
Opening shareholders' funds	-	-
Closing shareholders' funds	9,468	9,241

Notes
(forming part of the financial statements)

1. Accounting policies

The Company was incorporated on 13 April 2006 and since that date the following accounting policies have been applied in dealing with items which are considered material in relation to the financial statements.

Basis of preparation
The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules.

Basis of consolidation
The consolidated financial statements include the financial statements of the Company and its subsidiary undertakings made up to 31 March 2007. The acquisition method of accounting has been adopted. Under this method, the results of subsidiary undertakings acquired or disposed of in the year are included in the consolidated profit and loss account from the date of acquisition or up to the date of disposal.

Under section 230(4) of the Companies Act 1985 the Company is exempt from the requirement to present its own profit and loss account.

Goodwill
Purchased goodwill (representing the excess of the fair value of the consideration given over the fair value of the separable net assets acquired) arising on consolidation is capitalised. Positive goodwill is amortised to nil by equal annual instalments over its estimated useful life.

In the Company's financial statements, investments in subsidiary undertakings are stated at cost less provision for impairment.

Foreign currencies
Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction or, if hedged forward, at the rate of exchange under the related forward currency contract. Monetary assets and liabilities denominated in foreign currencies are translated using the contracted rate or the rate of exchange ruling at the balance sheet date and the gains and losses on translation are included in the profit and loss account.

Tangible fixed assets and depreciation
Depreciation is provided to write off the cost less the estimated residual value of tangible fixed assets over their estimated useful economic lives as follows:

Freehold buildings	-	2% straight line
Leasehold improvements	-	Life of the lease straight line
Motor vehicles	-	25% reducing balance
Plant and machinery	-	15% reducing balance
Fixtures, fittings and equipment	-	15-33% reducing balance

Leases
Assets acquired under finance leases are capitalised and the outstanding future lease obligations are shown in creditors. Operating lease rentals are charged to the profit and loss account on a straight line basis over the period of the lease.

Pension scheme
The Group operates defined contribution pension schemes. The assets of the schemes are held separately from those of the Group in independently administered funds. The amount charged to the profit and loss account represents the contributions payable to the schemes in respect of the accounting period.

Notes (continued)

1. Accounting policies (continued)

Stocks
Stocks are stated at the lower of cost and net realisable value.

Long term contracts
The amount of profit attributable to the stage of completion of a long term contract is recognised when the outcome of the contract can be foreseen with reasonable certainty. Turnover for such contracts is stated at cost appropriate to their stage of completion plus attributable profits, less amounts recognised in previous years. Provision is made for any losses as soon as they are foreseen.

Contract work in progress is stated at costs incurred, less those transferred to the profit and loss account, after deducting foreseeable losses and payments on account not matched with turnover.

Amounts recoverable on contracts are included in debtors and represent turnover recognised in excess of payments on account.

Taxation
The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred tax is recognised without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes, which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

Classification of financial instruments issued by the Group
Financial instruments issued by the Group are treated as equity (i.e. forming part of shareholders' funds) only to the extent that they meet the following two conditions:

a) they include no contractual obligations upon the Company (or Group as the case may be) to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Company (or Group); and

b) where the instrument will or may be settled in the Company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Company's own equity instruments or is a derivative that will be settled by the Company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the Company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

Where a financial instrument that contains both equity and financial liability components exists these components are separated and accounted for individually under the above policy. The finance cost on the financial liability component is correspondingly higher over the life of the instrument.

Finance payments associated with financial liabilities are dealt with as part of interest payable and similar charges. Finance payments associated with financial instruments that are classified as part of shareholders' funds (see dividends policy), are dealt with as appropriations in the reconciliation of movements in shareholders' funds.

Financial instruments
Where the Company enters into financial guarantee contracts to guarantee the indebtedness of other companies within its Group, the Company considers these to be insurance arrangements and accounts for them as such. In this respect, the Company treats the guarantee contract as a contingent liability until such time as it becomes probable that the Company will be required to make a payment under the guarantee.

Notes (continued)

1. Accounting policies (continued)

Turnover
Turnover represents the amounts (excluding value added tax) derived from the provision of goods and services to customers. Turnover is recognised on delivery of goods and services.

Share based payments
The share option programme allows employees to acquire shares of the Company. The fair value of options granted is recognised as an employee expense with a corresponding increase in equity. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the options. The fair value of the options granted is measured using an option pricing model, taking into account the terms and conditions upon which the options were granted. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest except where variations are due only to share prices not achieving the threshold for vesting.

Dividends on shares presented within shareholders' funds
Dividends unpaid at the balance sheet date are only recognised as a liability at that date to the extent that they are appropriately authorised and are no longer at the discretion of the Company. Unpaid dividends that do not meet these criteria are disclosed in the notes to the financial statements.

Cash
Cash, for the purpose of the cash flow statement, comprises cash in hand and deposits repayable on demand, less overdrafts payable on demand.

2. Segmental information and acquired operations

The Group operates in a single industry segment, that of building contractors. The origination and destination of all operations is in the United Kingdom.

The consolidated profit and loss account for the period from incorporation to 31 March 2007 includes the following amounts relating to acquisitions: cost of sales £3,459,000 and net operating expenses £991,000 (namely administrative expenses £1,000,000 and other operating income £9,000).

Notes (continued)

3. Notes to the profit and loss account

	2007 £000
Loss on ordinary activities before taxation is stated after charging:	
Depreciation and other amounts written off tangible fixed assets:	
Owned	24
Leased	25
Amortisation of goodwill	148
Loss on disposal of fixed assets	5
Hire of other assets - operating leases	4
Auditors' remuneration:	
Audit of these financial statements	35
Amounts receivable by auditors and their associates in respect of:	
Audit of financial statements of subsidiaries pursuant to legislation	45
Other services pursuant to such legislation	10
Other services relating to taxation	12
Services relating to recruitment and remuneration	6
Services relating to corporate finance transactions	192

Of the above amount £192,000 was charged directly to share premium account as issue costs arising on the issue of shares.

Amounts paid to the Company's auditor in respect of services to the Company, other than the audit of the Company's financial statements, have not been disclosed as the information is required instead to be disclosed on a consolidated basis.

4. Remuneration of directors

	2007 £000
Directors' emoluments	120
Amounts paid to third parties in respect of Directors' services	27
	147

No Directors are accruing retirement benefits.

All of the Directors benefited from third party indemnity provisions from 11 May 2007.

Notes (continued)

5. Staff numbers and costs

The average number of persons employed by the Group and Company (including Directors) during the period from commencement of trade, analysed by category, was as follows:

	2007 Number of employees Group	Company
Directors	6	6
Administration	43	1
Production	213	-
	262	7

The aggregate payroll costs of these persons were as follows:

	2007 Group £000	Company £000
Wages and salaries	1,505	168
Share based payments (note 29)	28	4
Social security costs	132	7
Other pension costs (note 23)	42	-
	1,707	179

6. Interest receivable

	2007 £000
Bank interest	14

7. Interest payable and similar charges

	2007 £000
On bank loans and overdrafts	170
On all other loans	8
Finance charges payable in respect of finance leases and hire purchase contracts	6
	184

Notes (continued)

8. Taxation

Analysis of charge in period

	2007 £000	£000
UK corporation tax		
Current tax on income for the period	65	
Total current tax		65
Deferred tax (note 18)		
Origination of timing differences	-	
Total deferred tax		-
Tax on profit on ordinary activities		65

Factors affecting the tax charge for the current period

The current tax charge for the period is higher than the standard rate of corporation tax in the UK of 30%. The differences are explained below.

	2007 £000
Current tax reconciliation	
Loss on ordinary activities before tax	(65)
Current tax at 30%	(20)
Effects of:	
Expenses not deductible for tax purposes (primarily goodwill amortisation)	95
Capital allowances for period in excess of depreciation	(9)
Small companies tax rates	(1)
Total current tax charge (see above)	65

9. Loss attributable to the parent company

As permitted by Section 230 of the Companies Act 1985, the parent company's profit and loss account has not been included in these financial statements. The parent company's loss for the financial period was £357,000.

Notes (continued)

10. Loss per share

The loss per share for the period is as follows:

	2007
Basic loss per share	(3.9p)
Diluted loss per share	(3.9p)

The basic loss per share is calculated by dividing the loss for the period of £130,000 by the weighted average number of shares, 3,374,891, in issue during the period.

The diluted loss per share is calculated by dividing the loss for the period of £130,000 by the weighted average number of shares adjusted to allow for the issue of shares on the assumed conversion of dilutive options. As the impact of the options would be to reduce the loss per share, they are not treated as dilutive. The diluted loss per share is therefore unchanged from the basic loss per share.

11. Intangible fixed assets

Group	Goodwill £000
Cost	
At beginning of period	-
Additions (note 27)	12,414
At end of period	12,414
Amortisation	
At beginning of period	-
Charge for the period	148
At end of period	148
Net book value	
At 31 March 2007	12,266

The Directors consider each acquisition separately for the purpose of determining the amortisation period of any goodwill that arises. The goodwill is being amortised over 20 years on a straight line basis.

Notes (continued)

12. Tangible fixed assets

Group	Freehold land and buildings and leasehold improvements £000	Plant and machinery £000	Motor vehicles £000	Fixtures and fittings £000	Total £000
Cost					
At beginning of period	-	-	-	-	-
Acquisitions (note 27)	885	429	1,119	116	2,549
Additions	-	20	130	7	157
Disposals	-	-	(93)	-	(93)
At end of period	885	449	1,156	123	2,613
Depreciation					
At beginning of period	-	-	-	-	-
Acquisitions (note 27)	41	217	595	80	933
Charge for period	1	8	37	3	49
On disposals	-	-	(87)	-	(87)
At end of period	42	225	545	83	895
Net book value					
At 31 March 2007	843	224	611	40	1,718

Included in the net book values of motor vehicles and furniture and equipment is £260,000 in respect of assets held under finance lease and similar hire purchase contracts. Depreciation for the period on these assets was £25,000.

Included in the net book value of freehold land and buildings and leasehold improvements is £815,000 in respect of freehold land and buildings.

Company	Fixtures and fittings £000
Cost	
At beginning of period	-
Additions	5
At end of period	5
Depreciation	
At beginning of period	-
Charge for period	-
At end of period	-
Net book value	
At 31 March 2007	5

Notes (continued)

13. Fixed asset investments

Group	Other investments £000
Cost and net book value	
At beginning of period	-
Acquisitions (note 27)	11
At end of period	11

Company	Shares in group undertakings £000
Shares at cost	
Cost and net book value	
At beginning of period	-
Acquisitions (note 27)	10,112
Arising on group reorganisation (see below)	14,293
Share options issued to employees of subsidiary undertakings	24
At end of period	24,429

Notes (continued)

13. Fixed asset investments (continued)

The principal undertakings, which are all incorporated in Great Britain, in which the Company's interest at the year end is more than 20% are as follows:

	Principal activity	Class and percentage of shares held by Group and Company: Class	Percentage
Subsidiary undertakings			
Ron Gone Limited	Non-trading	Ordinary	100
Isoler Limited	Fire protection contractors	Ordinary	100
		A Ordinary	100
Dudley Wilson Limited	Non-trading	A Ordinary	100
		B Ordinary	100
The Roof Truss Company (Northern) Limited	Design and manufacture of roof trusses	Ordinary	100
Kelmax Roofing Limited	Non-trading	A Ordinary	100
		B Ordinary	100
Springs Roofing Limited	Roofing contractors	Ordinary	100
		A Ordinary	100
		B Ordinary	100
		C Ordinary	100
		D Ordinary	100
Maximuse Limited	Non-trading	A Ordinary	100
		B Ordinary	100
Wensley Roofing Limited	Roofing contractors	Ordinary	100
		A Ordinary	100
MGM Limited	Property preservation	Ordinary	100
		A Ordinary	100
The Floor Joist Company (Northern) Limited	Design and Manufacture of Floor Joists	Ordinary	100
Prosafe Consultants Limited	Dormant	Ordinary	100

Group reorganisation

On 19 December 2006 the Company acquired 100% of the issued share capital of the Floor Joist Company (Northern) Limited and 100% of the issued share capital of the groups headed by Ron Gone Limited, Dudley Wilson Limited, Kelmax Roofing Limited and Maximuse Limited.

The investments in the subsidiaries of the groups, being Isoler Limited, The Roof Truss Company (Northern) Limited, Springs Roofing Limited, Wensley Limited and Prosafe Consultants Limited, were hived up to Northern Bear Plc on the same date for total consideration of £14,293,000, which represented the fair value of those assets at the date of the hive-up. The consideration was satisfied by an unsecured, interest-free intercompany loan, which remains outstanding at the year end.

Notes (continued)

14. Stocks

Group	2007 £000
Raw materials and consumables	197

Company

The Company has no stocks.

15. Debtors

	2007	
	Group £000	Company £000
Trade debtors	3,060	-
Amounts recoverable on contracts	732	-
Amounts due from group undertakings	-	906
Other debtors	198	305
Prepayments and accrued income	185	8
	4,175	1,216

Total debtors include amounts due from group undertakings of £906,000 due after more than one year in respect of the Company.

16. Creditors: amounts falling due within one year

	2007	
	Group £000	Company £000
Bank loans and overdrafts (note 17)	1,618	1,997
Obligations under finance leases and hire purchase contracts (note 17)	150	-
Amounts owed to group undertakings	-	1,193
Trade creditors	1,836	-
Corporation tax	952	-
Other taxes and social security	358	6
Other creditors	72	68
Accruals and deferred income	619	65
Vendor consideration	591	591
Other loans	5	-
	6,201	3,920

The vendor consideration relates to the acquisition of MGM Limited. This consideration was settled on 5 April 2007 by the issue of 218,549 1p ordinary shares at a value of £238,000 and £353,000 settled in cash.

Notes (continued)

17. Creditors: amounts falling due after more than one year

	2007	
	Group £000	Company £000
Term loans	1,698	1,698
Amounts owed to group undertakings	-	10,904
Obligations under finance leases and hire purchase contracts	155	-
Deferred consideration	50	-
Director loans (note 30)	1,198	-
Other loans	39	-
	3,140	12,602

Analysis of debt:

	Director loans £000	Term loans £000	Other loans £000	Revolving credit facility £000	Finance leases/ Hire purchase contracts £000	Total £000
Repayable within one year or on demand	-	522	5	1,096	150	1,773
Between two and five years	-	1,337	20	-	155	1,512
In more than five years	1,198	361	19	-		1,578
	1,198	2,220	44	1,096	305	4,863

Director loans

The Director loans are unsecured, non-interest bearing and repayable on demand, subject to prior repayment of the term loans and revolving credit facility.

Term loans

Term loans comprise two loans – term loan A and term loan B.

Term loan A is repayable in instalments ending 6 September 2010. The loan is secured by fixed and floating charges over the entire assets of the Group. Term loan A bears interest at variable rates based on bank base rate plus 2.5% and the average interest charge in the period was 7.75%. An exit fee of £380,000 is payable on the date of the final repayment of the loan or when the loan is pre-paid in full, whichever date is the earlier. The exit fee is being accrued over the life of the loan.

Term loan B is repayable in instalments ending 7 June 2016. The term loan is secured by fixed and floating charges over the entire assets of the Group. Term loan B bears interest at variable rates based on bank base rate plus 2.5% and the average interest charge in the period was 7.75%.

The term loans are subject to a number of financial covenants. Any breach of these covenants would result in the term loans being repayable on demand.

Other loans

The other loans are unsecured.

Notes (continued)

17. Creditors: amounts falling due after more than one year (continued)

Revolving credit facility
The revolving credit facility is repayable at the end of each month and is available to draw down until December 2009.

The facility is secured by fixed and floating charges over the entire assets of the Group.

The facility bears interest at variable rates based on bank base rate plus 2.5% and the average interest charge in the period was 7.75%.

Finance leases and hire purchase contracts.
Finance leases and hire purchase contracts are secured on the specific assets to which they relate.

18. Provisions for liabilities

Group	Deferred taxation £000
At beginning of period	-
Arising on acquisition (note 27)	52
Charge to profit and loss account (note 8)	-
At end of period	52

The elements of deferred taxation are as follows:

	At beginning of period £000	On acquisition £000	Profit and loss charge for period £000	At end of period £000
Difference between accumulated depreciation and capital allowances	-	52	9	61
Other timing differences	-	-	(9)	(9)
Deferred tax liability	-	52	-	52

Notes (continued)

19. Called up share capital

	2007 £000
Authorised	
50,000,000 Ordinary shares of 1p each	500
50,000 0.1% cumulative redeemable preference shares of £1 each	50
	550
Allotted, called up and fully paid	
12,008,034 Ordinary shares of 1p each	120
Shares classified in shareholders' funds	120

During the period the Company issued the following shares:

a) Ordinary shares
On incorporation, 13 April 2006, 1 £1 ordinary share was issued for consideration of £1.

On 29 November 2006, the 1 £1 issued ordinary share was subdivided into 100 ordinary shares of 1p each. The Company also issued 175,000 1p ordinary shares for consideration of £2,000 settled in cash.

On 19 December 2006, the Company issued 8,366,786 1p ordinary shares in exchange for the entire issued share capital of Ron Gone Limited, Dudley Wilson Limited, Kelmax Roofing Limited, Maximuse Limited and their subsidiary undertakings.

On 19 December 2006, the Company issued 2,751,133 1p ordinary shares for consideration of £2,423,000 settled in cash.

On 5 February 2007, the Company issued 715,015 ordinary 1p shares in partial payment for the acquisition of the entire issued share capital of MGM Limited.

b) Preference shares
On 29 November 2006 the Company issued 50,000 £1 cumulative redeemable preference shares, for consideration of £50,000 settled by cash. On 19 December 2006, these shares were redeemed by the Company.

Whilst in issue the preference shares were subject to the following terms and conditions:

Redemption
The redeemable preference shares are issued on the condition that they are to be redeemed by the Company upon the earlier of 31 December 2006 and the date on which the ordinary shares are admitted to trading on AIM, a market of London Stock Exchange plc.

Dividends
Holders of the redeemable preference shares are entitled to receive a fixed dividend at the rate of 0.01% per annum on the nominal amount of the redeemable preferences held by the holder, such a dividend to accrue annually and to be payable in respect of each accounting reference period of the Company within 21 days of the end of the period.

Voting
The preference shares do not carry voting rights.

Notes (continued)

20. Share premium and reserves

Group	Share premium account £000	Merger reserve £000	Profit and loss account £000
At beginning of period	-	-	-
Loss for the period	-	-	(130)
Premium on share issues, less expenses	1,479	-	-
Credit in relation to share based payments	-	-	28
Merger reserve arising on acquisition	-	7,971	-
At end of period	1,479	7,971	(102)

Company	Share premium account £000	Merger reserve £000	Profit and loss account £000
At beginning of period	-	-	-
Loss for the period	-	-	(357)
Premium on share issues, less expenses	1,479	-	-
Credit in relation to share based payments	-	-	28
Merger reserve arising on acquisition	-	7,971	-
At end of period	1,479	7,971	(329)

21. Commitments

a) The Group and Company have no capital commitments.

b) Annual commitments under non-cancellable operating leases are as follows:

Group	2007 £000
Operating leases which expire:	
Within one year	6
In the second to fifth years inclusive	10
	16

The Company has no operating lease commitments.

Notes (continued)

22. Financial instruments

The Group's financial instruments comprise borrowings (principally bank loans and obligations under finance leases), cash and various items, such as trade debtors, trade creditors etc, which arise directly from its operations. The main purpose of these financial instruments is to raise finance for the Group's operations and to manage interest rate risks arising from operations.

The Group has taken advantage of the exemptions available under FRS 13 not to provide numerical disclosures in relation to short term debtors and creditors.

The main risks arising from the Group's financial instruments are: interest rate risk and liquidity risk. The Board reviews and agrees policies for managing each of these risks and they are summarised below.

Interest rate risk

The Group finances its operations through bank borrowings. The Group borrows at floating rates of interest.

Liquidity risk

The Group maintains a mixture of medium and short term facilities. The current cash resources together with the undrawn approved bank facility and the expected cash generated during the coming year should give the Group sufficient resources to continue its acquisition policy.

Interest rate risk profile of financial liabilities

	2007			
	Non-interest bearing liabilities £000	Floating rate liabilities £000	Fixed rate liabilities £000	Total liabilities £000
Liabilities	1,242	3,316	305	4,863

Fixed rate liabilities

	2007	
	Weighted average interest rate %	Weighted average fixed rate period Years
Finance Leases	4.9%	3

The floating rate financial liabilities comprise bank loans and a revolving credit facility which bear interest at rates based on the rates set by the UK Central Bank. Fixed rate liabilities include the Group's obligations under finance leases and hire purchase contracts. The non-interest bearing liabilities comprise Director loans and other loans.

The weighted average period to maturity on the non-interest bearing liabilities is 10.3 years.

Notes (continued)

22. Financial instruments (continued)

Maturity of financial liabilities and undrawn borrowing facilities

The maturity of the Group's financial liabilities at 31 March 2007 is disclosed in note 17.

The Group has various undrawn committed borrowing facilities. The maturity of the undrawn facilities available at 31 March were as follows:

	2007 £000
In more than 2 years	904

These undrawn facilities comprise the undrawn balance of £904,000 on a revolving credit facility.
The fair values of financial assets and liabilities are not significantly different to the carrying amounts.

23. Pension scheme

The Group operates defined contribution pension schemes. The pension cost charge for the period represents contributions payable by the Group to the schemes and amounted to £42,000. There were no outstanding or prepaid contributions, at the end of the financial period.

24. Reconciliation of operating profit to operating cash flows

	2007 £000
Group operating profit	105
Depreciation and amortisation	197
Loss on sale of fixed assets	5
Increase in stocks	(44)
Increase in debtors	(287)
Increase in creditors	181
Charge in relation to share based payments	28
Net cash inflow from operating activities	185

Notes (continued)

25. Analysis of cash flows

	2007 £000	£000
Returns on investment and servicing of finance		
Interest received	14	
Interest paid	(125)	
Interest element of finance lease rental payments	(6)	
		(117)
Capital expenditure		
Purchase of tangible fixed assets	(31)	
Sale of tangible fixed assets	2	
		(29)
Acquisitions (note 27)		
Purchase of subsidiary undertakings	(1,778)	
Net cash acquired with subsidiary	1,683	
		(95)
Financing		
Issue of ordinary share capital	1,506	
Issue of preference share capital	50	
Redemption of preference share capital	(50)	
Debt due within one year:		
New secured loan repayable in 2010	456	
New secured loan repayable in 2016	66	
Debt due after more than one year:		
New secured loan repayable in 2010	1,254	
New secured loan repayable in 2016	574	
Repayment of secured loans	(130)	
Repayment of invoice discounting facility	(236)	
Repayment of term loans acquired with subsidiary	(3,978)	
Capital element of finance lease rental payments	(58)	
		(546)

Notes (continued)

25. Analysis of cash flows (continued)

Analysis of cash flows between continuing operations and acquisitions

Cash flows can further be analysed between continuing operations and acquisitions as follows:

	2007		
	Continuing operations £000	Acquisitions £000	Total £000
Operating cash flows	(396)	581	185
Returns on investment and servicing	(128)	11	(117)
Taxation	-	-	-
Capital expenditure	(5)	(24)	(29)
Acquisitions	(95)	-	(95)
Financing	(488)	(58)	(546)
Movement in cash in the period	(1,112)	510	(602)

Major non-cash transactions

The Company issued 9,081,801 shares in consideration for the acquisition of subsidiary undertakings (Note 27). These transactions did not give rise to any cash transactions and consequently are not included in any of the cash flows disclosed above.

26. Analysis of net debt

	At beginning of period £000	Cash flow £000	Acquisition (excluding cash and overdrafts) £000	Other non cash changes £000	At end of period £000
Cash, in hand, at bank	-	494	-	-	494
Overdrafts	-	(1,096)	-	-	(1,096)
		(602)			(602)
Debt due within one year	-	3,818	(4,210)	(135)	(527)
Debt due after one year	-	(1,824)	(1,246)	135	(2,935)
Finance leases	-	58	(238)	(125)	(305)
Total	-	1,450	(5,694)	(125)	(4,369)

Notes (continued)

27. Acquisitions

a) Initial acquisitions

On 6 December 2006 the Company entered into Share Exchange Agreements to acquire Floor Joist Company (Northern) Limited and the groups headed by Ron Gone Limited, Dudley Wilson Limited, Kelmax Limited and Maximuse Limited. The acquisition of each did not complete until the admission of the ordinary shares of Northern Bear Plc onto AIM on 19 December 2006. The resulting goodwill of £10,815,000 was capitalised and will be amortised over 20 years, which is considered by management to be a fair reflection of the useful economic life.

	Book and fair value					
	Ron Gone Limited £000	Dudley Wilson Limited £000	Maimuse Limited £000	Kelmax Limited £000	The Floor Joist Company (Northern) Limited £000	Total £000
Fixed Assets						
Tangible	102	952	130	183	41	1,408
Investments	-	11	-	-	-	11
Current Assets						
Stock	10	27	93	12	-	142
Debtors	523	300	1,011	749	5	2,588
Cash	118	-	148	656	-	922
Total Assets	753	1,290	1,382	1,600	46	5,071
Liabilities						
Provisions	-	27	2	6	-	35
Creditors	1,575	1,437	2,412	3,018	46	8,488
Total Liabilities	1,575	1,464	2,414	3,024	46	8,523
Net Liabilities	(822)	(174)	(1,032)	(1,424)	-	(3,452)
Goodwill	1,526	1,641	3,126	4,522	-	10,815
Purchase Consideration	704	1,467	2,094	3,098	-	7,363

The total purchase consideration of £7,363,000 was settled by the issue of 8,366,786 1p ordinary shares (see note 19).

Notes (continued)

27. Acquisitions (continued)

a) Initial acquisitions (continued)

None of the holding companies acquired on 19 December 2006 recorded either a profit / loss or recognised any other gains and losses in the financial period prior to acquisition or in the previous financial year.

The results of the trading subsidiaries of the groups acquired, from the beginning of their financial period, 1 April 2006, to the date of acquisition are summarised below:

	Isoler Limited £000	The Roof Truss Company (Northern) Limited £000	Wensley Roofing Limited £000	Springs Roofing Limited £000
Turnover	1,369	1,321	3,759	3,476
Operating profit	228	137	476	509
Profit before taxation	187	81	475	499
Taxation	(62)	(23)	(136)	(98)

In the period from 1 April 2006 to the date of acquisition, The Roof Truss Company (Northern) Limited recognised a deficit of £75,000 on the revaluation of its freehold property. None of the other trading subsidiaries recognised any gains or losses other than profit for the period from 1 April 2006 to the date of acquisition.

In the previous financial periods, which begin on the dates shown below, and ended on 31 March 2006, the profit after tax of the trading subsidiaries was:

	Isoler Limited £000	The Roof truss Company (Northern) Limited £000	Wensley Roofing Limited £000	Springs Roofing Limited £000
Financial period beginning	1 April 2005	1 July 2005	1 January 2006	1 May 2005
Profit after taxation	110	30	44	508

Notes (continued)

27. Acquisitions (continued)

b) MGM Limited

On 2 February 2007 the Company acquired 100% of the issued share capital of MGM Limited. The resulting goodwill was capitalised and will be amortised over 20 years, which is considered by management to be a fair reflection of the useful economic life.

	Book and fair value £000
Fixed assets	
Tangible	208
Current assets	
Stock	10
Debtors	1,336
Cash	809
Total assets	2,363
Liabilities	
Provisions	17
Creditors	1,196
Total liabilities	1,213
Net assets	1,150
Goodwill	1,599
Purchase consideration and costs of acquisition	2,749
Satisfied by:	
Cash	1,811
Shares	938
	2,749

Notes (continued)

27. Acquisitions (continued)

b) MGM Limited

The results of MGM Limited, from the beginning of its financial period, 1 May 2006, to the date of acquisition is summarised as follows:

	1 May 2006 to 2 Feb 2007
	£000
Turnover	5,690
Operating profit	555
Profit before taxation	571
Taxation	(180)

In the period from 1 May 2006 to the date of the acquisition MGM Limited did not recognise any gains and losses, other than the profit for the period.
In the previous financial year, which began on 1 May 2005, the profit after taxation was £79,000.
In the twelve months prior to the acquisition provisions of £nil were made for reorganisation and restructuring costs.

28. Contingent liabilities

The Company has guaranteed the overdrafts of its subsidiaries; the amount outstanding at the year end was £563,000.

29. Employee share scheme

Share based payments – Group

The Group operates an Inland Revenue approved share option scheme and an unapproved share option scheme. Share options, granted to employees, that existed at the end of the period were as follows:

Date granted	No of share options at end of period	No of share options at beginning of period	Exercise price (pence)	Exercise period
18 December 2006	700,000	-	88.0	Dec 2007 - Dec 2016
1 March 2007	300,000	-	98.0	Mar 2010 - Mar 2017
	1,000,000	-		

Under the scheme rules, options are exercisable at a price equal to the average quoted market price of the Company's shares on the date of the grant. The vesting period of the options issued in December 2006 is split with 50% vesting after two years and 50% vesting after three years and if the option remains unexercised after a further period of seven years the options expire. The vesting period of the options granted in March 2007 is three years, and if the option remains unexercised after a further period of seven years the options expire. Options are forfeited if the employee leaves the Company before the options vest.

Notes (continued)

29. Employee share schemes (continued)

Share based payments – Group (continued)

The number and weighted average exercise prices of share options in issue are as follows:

	2007	
	Weighted average exercise price	Number of options
	£	
Outstanding at the beginning of the period	-	-
Granted during the period	0.91	1,000,000
Outstanding at the end of the period	0.91	1,000,000
Exercisable at the end of the period	-	-

The options outstanding at the period end have an exercise price in the range of £0.88 to £0.98 and a weighted average contractual life of 5.5 years.
The fair value of services received in return for share options granted are measured by reference to the fair value of share options granted.
The share options were valued, by the Directors, using an adjusted Black-Scholes model. The key inputs used in the model were:

	Share options granted on	
	18 December 2006	1 March 2007
Fair value at measurement date	16.5p	17.6p
Exercise price	0.88	0.98
Expected volatility	19.0%	17.8%
Option life	5.5 years	5.5 years
Expected dividends	3.0%	3.0%
Risk free interest rate (based on national government bonds)	5.0%	5.0%

The expected volatility is based on the volatility of the FTSE AIM all share index from September 2001 to the date of the award.

Notes (continued)

29. Employee share schemes (continued)

Share based payments – Group (continued)
Share options are granted under a service condition and, for share options granted after 19 December 2006, a non-market performance condition. Such conditions are not taken into account in the grant date fair value measurement of the services received. There are no market conditions associated with the share option grants.

The total expenses recognised for the period arising from share based payments are as follows:

	2007 £000
Equity settled share based payments	28

Share based payments – Company
Information about the share options issued to employees of the Company, have not been separately disclosed, as in the opinion of the Directors they are not material.

30. Related party disclosures

The Company is controlled by its shareholders.

The following related party transactions took place during the period:

a) Director loans
The following loans existed during the period:

	2007 £000
Loan from GSL Forrest	
Balance at start of year	-
Balance at end of year	168
Maximum balance outstanding during the year	168
Loan from JP Pither	
Balance at start of year	-
Balance at end of year	931
Maximum balance outstanding during the year	931
Loan from SM Roberts	
Balance at start of year	-
Balance at end of year	49
Maximum balance outstanding during the year	49
Loan from K Soulsby	
Balance at start of year	-
Balance at end of year	50
Maximum balance outstanding during the year	50

The loans are unsecured, non-interest bearing and repayable on demand, subject to prior repayment of the loans and revolving credit facility term.

Notes (continued)

30. Related party disclosures (continued)

b) Acquisition of companies owned by Directors
On 19 December 2006 the Company acquired the companies disclosed in note 27. Certain of the Directors of Northern Bear plc received shares in the Company in exchange for their shareholdings in the acquired companies as disclosed in the table below:

	The Floor Joist Company (Northern) Limited	Ron Gone Limited	Dudley Wilson Limited	Kelmax Roofing Limited	Maximuse Limited	Total
GSL Forrest	26	320,000	483,333	1,008,480	823,075	2,634,914
JP Pither	26	160,000	483,333	1,008,480	823,075	2,474,914
SM Roberts	-	160,000	-	352,000	238,000	750,000

c) Transactions with entities with which the Directors have a vested interest

	McInnes Corporate Finance LLP £000	Mincoffs Solicitors LLP £000	St Helens Private Equity Plc £000	Total £000
Balance as at beginning of period	-	-	-	-
Purchases	(109)	(284)	(21)	(414)
Settled	106	284	-	390
Balance as at end of period	(3)	-	(21)	(24)

SM Roberts, a Non-Executive Director is a partner of McInnes Corporate Finance LLP, which provided financial advice to the Group throughout the period.

HB Gold, a Non-Executive Director, is a partner of Mincoffs Solicitors LLP. Mincoffs Solicitors LLP are the Group's legal advisors and provided legal advice to the Group throughout the period.

JP Pither, Chairman, is a Director of St Helens Private Equity Plc.

The above balances are included within trade creditors.

31. Post balance sheet events

a) Acquisitions
On 11 May 2007 the Company acquired the entire issued share capital of Chirmarn Holdings Limited, settled by consideration of £2,580,000 in cash and the issue of 820,000 1p ordinary shares, at £1.40 per share.

On 31 May 2007 the Company acquired the entire issued share capital of Hastie Limited, settled by consideration of £900,000 in cash, and the issue of 136,986 1p ordinary shares at £1.46 per share. These amounts are subject to final agreement.

b) Change to corporation tax rates
On 21 March 2007 the Chancellor announced that the standard rate of corporation tax in the UK would be reduced from 30% to 28% with effect from 1 April 2008. As the change in tax rates had not been substantively enacted at the balance sheet date they have not been used in the calculation of the deferred tax liability. The impact of this change, when enacted, is expected to be immaterial.

Notice of annual general meeting

Northern Bear Plc
Company Number 5780581

NOTICE IS HEREBY GIVEN THAT THE FIRST ANNUAL GENERAL MEETING of Northern Bear Plc ("the Company") will be held at 5th Floor, Quayside House, 110 Quayside, Newcastle upon Tyne NE1 3DX on Monday 13th August 2007 at 12pm for the following purposes.

Ordinary Business
To consider and, if thought fit, pass the following resolutions (which will be proposed as ordinary resolutions), namely:-

(1) To receive and adopt the Company's accounts for the year ending 31 March 2007 and the reports of the Directors and auditors thereon.

(2) To re-elect Mr J P Pither as a Director of the Company.

(3) To re-elect Mr G S L Forrest as a Director of the Company.

(4) To re-elect Mr S M Roberts as a Director of the Company.

(5) To re-elect Mr M Yeoman as a Director of the Company.

(6) To re-elect Mr H B Gold as a Director of the Company.

(7) To re-elect Mr S Gray as a Director of the Company.

(8) To re-elect Mr K Soulsby as a Director of the Company.

(9) To re-elect Mr D Jay as a Director of the Company.

(10) To re-appoint KPMG Audit Plc as auditors.

(11) To authorise the Directors to agree the remuneration of the auditors.

Special business
To consider and, if thought fit, to pass the following resolutions (of which resolution 12 shall be proposed as an ordinary resolution and resolution 13 will be proposed as a special resolution), namely:-

(12) That, in substitution for all subsisting authorities, the Directors be and they hereby generally and unconditionally authorised for the purpose of section 80 of the Companies Act 1985 ("the Act") to allot relevant securities (as defined in section 80(2) of the Act) up to a maximum aggregate nominal amount of £50,000 PROVIDED THAT:

(a) this authority shall expire at the conclusion of the Annual General Meeting next held after the passing of this resolution or the date falling 15 months from the date of the passing of this resolution, whichever is the earlier; and

(b) the Company may before the expiry of such period make an offer, agreement or other arrangement which would or might require relevant securities to be allotted after the expiry of such period and the Directors may allot relevant securities in pursuance if any such offer, agreement or other arrangements as if the authority conferred hereby had not expired.

(13) That, subject to the passing of resolution 12 above, the Directors be and they are hereby empowered pursuant to section 95 of the Act to allot equity securities (as defined in section 94 of the said Act) for cash pursuant to the authority conferred upon them by resolution 11 of this notice (as varied from time to time by the Company in general meeting) as if section 89(1) of the Act did not apply to any such allotment PROVIDED THAT this power shall be limited:

(a) to the allotment of equity securities in connection with a rights issue or any other pre-emptive offer in favour of holders of equity securities where the equity securities respectively attribute to the interests of all such holders are proportionate (as nearly as may be) to the respective amounts of equity securities held by them subject only to such exclusions or other arrangements as the Directors may consider appropriate to deal with fractional entitlements or legal and practical difficulties under the laws of or the requirements of any recognised regulatory body in any territory or otherwise or as regards shares held by an approved depository or in issue in uncertified form or otherwise howsoever; and

(b) to the allotment (otherwise than pursuant to sub-paragraphs (a) and (b)) of equity securities up to an aggregate nominal value of £20,000;

and shall expire on whichever is the earlier of the conclusion of the next Annual General Meeting of the company or the date falling 15 months from the passing of this resolution unless renewed or extended prior to or at such meeting except that the company may before the expiry of any power contained in this resolution make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of such offer or agreement as if the power conferred hereby had not expired.

By the order of the Board

D Jay
Company Secretary 2007

Registered Office
Station House
Station Road
Chester-le-Street
County Durham
DH3 3DU

Notes

1. A member entitled to vote at the meeting is entitled to appoint one or more proxies to attend and vote in his place. A proxy need not be a member of the Company.
2. To be effective, a form of proxy must be duly completed and executed and must be received together with the power of attorney or other authority (if any) under which it is executed, or a notarially certified copy of such power of attorney or other authority, by the Company's registrars, Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU, not less than 48 hours before the time of the meeting.
3. The following documents will be available for inspection during normal business hours on any weekday (Saturdays, Sundays and public holidays excepted) at the Company's registered office from the date of this notice and at the place of the Annual General Meeting from 15 minutes before and until the conclusion of the meeting:

   (a) Register of the Directors' interests (and their families) in the shares or debenture or capital of the Company and its subsidiaries.

   (b) Copies of the Directors' service agreements with the Company.
4. The Company, pursuant to regulation 41 of the Uncertified Securities Regulations 2001, specifies that regard shall only be had to those shareholders registered in the register of members of the Company by 6pm on 11 August 2007 in determining the rights if any person to attend or vote at the meeting.

Northern Bear

ISOLER
SPECIALIST FIRE PROTECTION CONTRACTORS

THE ROOF TRUSS COMPANY NORTHERN LIMITED

Springs Roofing Ltd

WENSLEY
ROOFING LIMITED

The FLOOR JOIST Co. (Northern) Ltd.

chirmarn LIMITED

MGM

Hastie D. Burton Ltd.

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Northern Bear

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