# Northern Bear

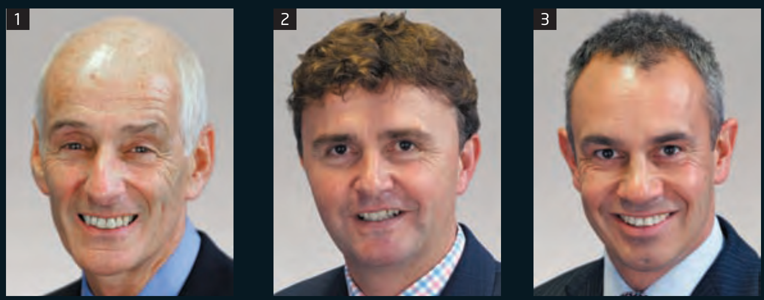
## Annual Report & Accounts 2008

# Board of Directors

| | | |
|---|---|---|
| 1. | Jon Pither<br>Executive Chairman | Northern Bear Plc |
| 2. | Graham Forrest<br>Chief Executive Officer | Northern Bear Plc |
| 3. | David Jay<br>Finance Director | Northern Bear Plc |
| 4. | Steve Gray<br>Operations Director | Northern Bear Plc |
| 5. | Keith Soulsby<br>Operations Director | Northern Bear Plc |
| 6. | Graham Jennings<br>Operations Director | Northern Bear Plc |

# Non-Executive Directors

| | | |
|---|---|---|
| 1. | Howard Gold<br>Deputy Chairman | Northern Bear Plc |
| 2. | Marcus Yeoman<br>Non-Executive Director | Northern Bear Plc |
| 3. | Steve Roberts<br>Non-Executive Director | Northern Bear Plc |



# Subsidiaries

| | | |
|---|---|---|
| 1. | John Gilstin<br>Managing Director | Isoler |
| 2. | Kevin Gray<br>Managing Director | Roof Truss and Floor Joist |
| 3. | Keith Muldoon<br>Managing Director | Springs Roofing |
| 4. | Ian Young<br>Manager Director | Wensley Roofing |
| 5. | Lance Rainey<br>Managing Director | MGM |
| 6. | Brian Young<br>Managing Director | MGM |
| 7. | David Wales<br>Managing Director | Chirmarn |
| 8. | Gary Burton<br>General Manager | Hastie Burton |
| 9. | Martin Briggs<br>Acting Managing Director | Jennings Roofing |
| 10. | Graeme Tennick<br>Managing Director | A1 Trucks |
| 11. | Derek Wymes<br>Managing Director | A1 Trucks |
| 12. | David McGough<br>Managing Director | DJ McGough |

## Contents

## Advisers

*Auditor*

KPMG Audit PLC
Quayside House
110 Quayside
Newcastle upon Tyne
NE1 3DX

*Broker*

St Helens Capital PLC
15 St Helens Place
London
EC3A 6DE

*Bankers*

Yorkshire Bank
94 Albion Street
Leeds
LS1 6AG

*Secondary Broker*

Redmayne Bentley
1 Skipton Road
Ilkley
LS29 9EH

*Legal Advisers*

Mincoffs Solicitors LLP
5 Osborne Terrace
Jesmond
Newcastle upon Tyne
NE2 1SQ

*Registered Office*

Unit 1 Station House
Station Road
Chester-le-Street
County Durham
DH3 3DU

*Nominated Adviser*

Strand Partners Limited
26 Mount Row
London
W1K 3SQ

# Chairman's statement

### Introduction

I am delighted to announce a strong set of results for the year ended 31 March 2008, our first full financial year as a listed company. We have successfully pursued our growth strategy, completing four acquisitions during the period, all of which have contributed to delivering significant increases in both turnover and earnings per share. On 1 April 2008, we successfully completed the acquisitions of DJ McGough Ltd and A1 Industrial Trucks Ltd for a combined consideration of £7.2 million.

Given the current pipeline of potential acquisitions and the Company's expected ability to finance future acquisitions, I am confident that the business is in a strong position to achieve its objective of becoming a leading supplier of support services to the building and construction industry in the north of England.

### Results

During the 12 months to 31 March 2008, the Company generated revenue of £32.2 million (2007: £4.8 million), a profit before tax of £2.3 million (2007: £0.1 million) and EPS of 10.3p (2007: 0.5p). In line with the Board's strategy to generate significant value for its shareholders, we continue to focus on Adjusted EPS (before share based payments and exceptional finance expense) growth, which increased to 14.3p (2007: 1.4p) and have therefore proposed to pay a final dividend of 2p per share, making a total dividend for the year of 3p per share. The final dividend is subject to shareholders' approval in the forthcoming Annual General Meeting scheduled for 30 June 2008 and will be payable on 4 July 2008 to registered shareholders as at 6 June 2008.

### Strategic development

Northern Bear's strategy is to acquire established cash generative building services businesses based in the north of England and to further augment these acquisitions by organic growth. The aim is to become the preferred buyer of mature, owner-managed businesses that complement and extend the range of support services and products already provided by the Company.

During the year we continued this strategy with the acquisition of four companies, and a further two on 1 April 2008, all of which operate in the building services sector. The businesses we have acquired are predominantly focused on servicing local authorities, government and public funded customers and also provide a widening spread of sector services such as asbestos removal, plant hire, plumbing and gas fitting. As a result, our dependence on new house building is now only 13% on an annualised basis, whereas 49% of turnover comes from the public sector.

The problems in the new house building sector of the economy are well documented and conditions remain challenging, however, we feel confident that these markets will improve and it is important that we retain a presence in these areas. In the long term, I would see up to 20% of our turnover being generated in the new house building sector.

Social housing remains a buoyant market with significant potential for further growth. Under the Decent Homes Initiative, all local authorities are required to bring social housing stock up to a decent standard. Central government is investing approximately £3.5 billion each year on the initiative and we expect this commitment to last well beyond 2010. The government's commitment to investing in housing, schools and hospitals has created a positive market environment, and longer term we expect this to continue through significant, ongoing capital works programmes.

As Northern Bear is now repositioned, I am pleased to announce that the Company will be reclassified from the FTSE building materials sector into the FTSE support services sector in the quarterly index rebalancing in June of this year.

### Finance

The Company entered into new banking arrangements with Yorkshire Bank in November 2007 which now comprise, having been further extended in April 2008, facilities totalling £11.5 million, used to support acquisition financing. At 31 March 2008, net debt stood at £6.5 million. As a result of the acquisitions completed on 1 April 2008, net debt increased by £3.3 million to £9.8 million.

## People

The quality of our staff is fundamental to the levels of service we are able to provide to our clients and as such is our greatest asset.  The majority of our senior team have been with their respective businesses in excess of 20 years and retaining such people is key to our continued success.

Since the period end, the Company announced the appointment of Graham Jennings to the Board as an Operations Director on 8 April 2008.  Mr Jennings has been involved in the roofing industry in the north of England for 34 years, and brings vast experience and knowledge of the industry including many long standing relationships with blue chip customers.

We are well positioned for the next stage of our development, with a focused and experienced management team. We are very aware of the need for management succession as it is key to the longevity of our business and in this regard, successors to each managing director have already been identified and are being mentored, trained and prepared for ultimate succession.

We are delighted to welcome new employees into the Company.  At the time of our flotation in December 2006, we had approximately 160 employees; this has now grown threefold to well over 500 currently.

On behalf of the Board, I would like to thank all our staff for their significant contribution to the growth of the business so far and I look forward to its continuing development.

## Outlook

The Company is in a strong financial position to continue the pattern of growth set over the last 18 months.  Since the year end we have successfully completed two further acquisitions, for a combined consideration of £7.2 million. The success of the Company's activities to date has led to significant vendor interest, resulting in a strong pipeline of potential acquisitions.

I am looking forward to our development in the years ahead.  We have a firm financial base, a clear strategy and are in a strong position to continue our excellent progress.

On behalf of the Board, we thank you for your continued support of the Company.

Jon Pither
**Chairman**

21 May 2008

# Directors' report

The Directors present their directors' report and financial statements for the year ended 31 March 2008.

## Business review

### *Principal activities*

The principal activity of the Group is to acquire and continue to operate businesses in the North of England active in the building services sector, and to further augment these acquisitions by organic growth.

All acquired businesses must demonstrate consistent profitability, positive operating cash-flows 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 that complement and extend the range of support services and products already provided by the Group.

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.

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.

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. This risk reduces as the scope of the Group's activities widens.

*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.

### *Financial position*

The strong cash generation during the year together with the low gearing and substantial interest cover put the Company in a robust financial position.

### *Future outlook*

As outlined in the Chairman's Statement, the Group is in a strong financial position to continue growth, not least through the acquisitions of DJ McGough Ltd and A1 Industrial Trucks Ltd on 1 April 2008, and a strong pipeline of potential acquisitions.

**Business review** (*continued)*

### Proposed dividend

The Directors have proposed a final ordinary dividend in respect of the current financial year of 2p per share. This has not been included within creditors as it was not approved before the year end.

Dividends paid during the year comprise an interim dividend in respect of the year ended 31 March 2008 of 1p per share.

### Directors and Directors' interests

The Directors who held office during the year were as follows:

| | |
|---|---|
| JP Pither | |
| GSL Forrest | |
| SM Roberts | |
| M Yeoman | |
| HB Gold | |
| K Soulsby | (appointed 19 April 2007) |
| S Gray | (appointed 19 April 2007) |
| D Jay | (appointed 11 May 2007) |
| GR Jennings | (appointed 8 April 2008) |
| RRE Stanley | (resigned 11 May 2007) |

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

| | Interest at end of year | Interest at beginning of year |
|---|---:|---:|
| GSL Forrest | 2,553,014 | 2,635,014 |
| JP Pither | 2,477,914 | 2,474,914 |
| S Gray | 827,282 | - |
| SM Roberts | 753,000 | 750,000 |
| D Jay | 543,000 | - |
| K Soulsby | 497,820 | 495,870 |
| HB Gold | 20,000 | - |
| M Yeoman | 3,333 | - |

The Directors who held office at the end of the financial year had the following warrants, at a price of £1.45 per share:

| | Interest at end of year | Interest at beginning of year |
|---|---:|---:|
| GSL Forrest | 1,000,000 | - |
| JP Pither | - | - |
| S Gray | - | - |
| SM Roberts | - | - |
| D Jay | - | - |
| K Soulsby | - | - |
| HB Gold | - | - |
| M Yeoman | 50,000 | - |

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

### Significant shareholdings

At 3 April 2008, 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 | 2,553,014 | 13.6% |
| JP Pither | 2,477,914 | 13.2% |
| Octopus Asset Management | 1,248,818 | 6.7% |
| S Gray | 827,282 | 4.4% |
| G Jennings | 814,569 | 4.3% |
| Singer and Friedlander | 810,225 | 4.3% |
| SM Roberts | 753,000 | 4.0% |
| JJ Lightle | 630,432 | 3.4% |
| K Gray | 615,548 | 3.3% |
| Bell Lawrie | 614,806 | 3.3% |
| Noble Fund Managers Nominee Limited | 594,545 | 3.2% |
| G Tennick | 591,251 | 3.2% |
| D Wymes | 591,251 | 3.2% |

### Political and charitable contributions

Neither the Company nor any of its subsidiaries made any political contributions during the year (2007: £nil). Charitable donations amounted to £nil *(2007: £3,500)*.

### Corporate governance

The Directors recognise the value of the revised Combined Code issued in July 2004.

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.

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 share option schemes.

### Annual general meeting

The business of the AGM is set out in the accompanying circular to shareholders. The AGM is to be held at 5th Floor, Quayside House, 110 Quayside, Newcastle upon Tyne, NE1 3DX on 30 June 2008.

### 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.

### Auditors

In accordance with Section 384 of the Companies Act 1985, a resolution for the re-appointment of KPMG Audit Plc as auditors of the Company 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

6 June 2008

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

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

Company law requires the Directors to prepare Group and parent company financial statements for each financial year. As required by the AIM rules of the London Stock Exchange they are required to prepare the Group financial statements in accordance with IFRSs as adopted by the EU and applicable laws and have elected to prepare the parent company financial statements on the same basis.

The Group and parent company financial statements are required by law to present fairly the financial position and the performance of the company; the Companies Act 1985 provides in relation to such financial statements that references in the relevant part of that Act to financial statements giving a true and fair view are references to their achieving a fair presentation.

In preparing each of the Group and parent company 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 they have been prepared in accordance with IFRSs as adopted by the EU; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and 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 company and enable them to ensure that its financial statements comply with the Companies Act 1985. They have 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 Group's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

KPMG Audit Plc
Quayside House
110 Quayside
Newcastle upon Tyne
NE1 3DX
United Kingdom

## 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 year ended 31 March 2008 which comprise the Consolidated Income Statement, the Consolidated and Company Statements of Changes in Equity, the Consolidated and Company Balance Sheets, the Consolidated and Company Cash Flow Statements 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 financial statements and Directors' Report in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU, are set out in the Statement of Directors' Responsibilities on page 9.

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 whether the financial statements have been 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.

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 Directors' 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.

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.

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

## Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with IFRSs as adopted by the EU, of the state of the Group's affairs as at 31 March 2008 and of its profit for the year then ended;
- the parent company financial statements give a true and fair view, in accordance with IFRSs as adopted by the EU, of the state of the parent company's affairs as at 31 March 2008;
- 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**
*Chartered Accountants*
*Registered Auditor*

6 June 2008

## Consolidated Income Statement
*for year ended 31 March 2008*

| | Note | Year ended 31 March 2008 £000 | £000 | Period from incorporation to 31 March 2007 £000 | £000 |
|---|---|---|---|---|---|
| **Revenue** | | | **32,241** | | 4,751 |
| Cost of sales | | | **(22,777)** | | (3,459) |
| **Gross profit** | | | **9,464** | | 1,292 |
| Other operating income | *6* | | **46** | | 9 |
| Administrative expenses | | | | | |
| Share based payments | | **(196)** | | (28) | |
| Other administrative expenses | | **(6,106)** | | (1,020) | |
| | | | **(6,302)** | | (1,048) |
| **Operating profit** | | | **3,208** | | 253 |
| Finance income | *10* | | **64** | | 14 |
| Finance expenses | *10* | | | | |
| Exceptional expense | | **(407)** | | - | |
| Other finance expense | | **(613)** | | (184) | |
| | | | **(1,020)** | | (184) |
| **Profit before income tax** | | | **2,252** | | 83 |
| Taxation | *11* | | **(694)** | | (65) |
| **Profit for the period** | | | **1,558** | | 18 |
| Basic earnings per share | *12* | | **10.3p** | | 0.5p |
| Diluted earnings per share | *12* | | **9.4p** | | 0.5p |

All results derive from continuing operations.

## Consolidated Statement of Changes in Equity
*for year ended 31 March 2008*

| | Year ended 31 March 2008 £000 | Period from incorporation to 31 March 2007 £000 |
|---|---|---|
| **Profit for the period** | **1,558** | 18 |
| Shares issued | **6,556** | 9,570 |
| Share based payments | **196** | 28 |
| Dividends | **(169)** | - |
| **Net increase in total equity** | **8,141** | 9,616 |
| Total equity at start of period | **9,616** | - |
| **Total equity at end of period** | **17,757** | 9,616 |

## Company Statement of Changes in Equity
for year ended 31 March 2008

| | Year ended 31 March 2008 £000 | Period from incorporation to 31 March 2007 £000 |
|---|---|---|
| **Loss for the period** | **(1,921)** | (357) |
| Shares issued | **6,556** | 9,570 |
| Share based payments | **196** | 28 |
| Dividends | **(169)** | - |
| **Net increase in total equity** | **4,662** | 9,241 |
| Total equity at start of period | **9,241** | - |
| **Total equity at end of period** | **13,903** | 9,241 |

## Consolidated Balance Sheet
*at 31 March 2008*

| | *Note* | **2008 £000** | 2007 £000 |
|---|---|---|---|
| **Assets** | | | |
| Property, plant and equipment | *14* | **2,177** | 1,718 |
| Intangible assets | *15* | **20,788** | 12,414 |
| Other investments | *16* | **11** | 11 |
| Deferred tax assets | *17* | **11** | - |
| **Total non-current assets** | | **22,987** | 14,143 |
| Inventories | *18* | **311** | 197 |
| Trade and other receivables | *19* | **8,165** | 3,990 |
| Prepayments for current assets | | **277** | 185 |
| Cash and cash equivalents | *20* | **714** | 494 |
| **Total current assets** | | **9,467** | 4,866 |
| **Total assets** | | **32,454** | 19,009 |
| **Equity** | | | |
| Share capital | *24* | **170** | 120 |
| Share premium | *24* | **5,021** | 1,479 |
| Reserves | *24* | **10,935** | 7,971 |
| Retained earnings | *24* | **1,631** | 46 |
| **Total equity attributable to equity holders of the company** | | **17,757** | 9,616 |
| **Liabilities** | | | |
| Loans and borrowings | *21* | **3,400** | 3,090 |
| Deferred income | | **-** | 50 |
| Deferred tax liabilities | *17* | **-** | 52 |
| **Total non-current liabilities** | | **3,400** | 3,192 |
| Bank overdraft | *20* | **2,283** | 1,096 |
| Loans and borrowings | *21* | **1,501** | 677 |
| Trade and other payables | *22* | **6,044** | 2,885 |
| Current tax payable | | **869** | 952 |
| Deferred income | | **600** | 591 |
| **Total current liabilities** | | **11,297** | 6,201 |
| **Total liabilities** | | **14,697** | 9,393 |
| **Total equity and liabilities** | | **32,454** | 19,009 |

These financial statements were approved by the Board of Directors on 6 June 2008 and were signed on its behalf by:

**D Jay**
*Director*

## Company Balance Sheet
*at 31 March 2008*

| | Note | 2008 £000 | 2007 £000 |
|---|---|---|---|
| **Assets** | | | |
| Property, plant and equipment | *14* | **27** | 5 |
| Investments in subsidiaries | *16* | **35,435** | 24,429 |
| **Total non-current assets** | | **35,462** | 24,434 |
| Trade and other receivables | *19* | **1,059** | 1,211 |
| Prepayments for current assets | | **38** | 8 |
| Cash and cash equivalents | *20* | **-** | 110 |
| **Total current assets** | | **1,097** | 1,329 |
| **Total assets** | | **36,559** | 25,763 |
| **Equity** | | | |
| Share capital | *24* | **170** | 120 |
| Share premium | *24* | **5,021** | 1,479 |
| Reserves | *24* | **10,935** | 7,971 |
| Retained earnings | *24* | **(2,223)** | (329) |
| **Total equity attributable to equity holders of the company** | | **13,903** | 9,241 |
| **Liabilities** | | | |
| Loans and borrowings | *21* | **3,185** | 1,698 |
| Amounts owed to group undertakings | | **13,601** | 10,904 |
| **Total non-current liabilities** | | **16,786** | 12,602 |
| Bank overdraft | *20* | **4,006** | 1,475 |
| Loans and borrowings | *21* | **1,014** | 522 |
| Trade and other payables | *22* | **250** | 1,332 |
| Deferred income | | **600** | 591 |
| **Total current liabilities** | | **5,870** | 3,920 |
| **Total liabilities** | | **22,656** | 16,522 |
| **Total equity and liabilities** | | **36,559** | 25,763 |

These financial statements were approved by the Board of Directors on 6 June 2008 and were signed on its behalf by:

**D Jay**
*Director*

## Consolidated Cash Flow Statement
*for year ended 31 March 2008*

| | Note | **Year ended 31 March 2008 £000** | Period from incorporation to 31 March 2007 £000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Profit for the period | | **1,558** | 18 |
| *Adjustments for:* | | | |
| Depreciation | *14* | **329** | 49 |
| Finance income | *10* | **(64)** | (14) |
| Finance expense | *10* | **1,020** | 184 |
| Loss on sale of property, plant and equipment | | **3** | 5 |
| Equity settled share-based payment transactions | | **196** | 28 |
| Income tax expense | *11* | **694** | 65 |
| | | **3,736** | 335 |
| Change in inventories | *18* | **135** | (44) |
| Change in trade and other receivables | *19* | **(1,273)** | (281) |
| Change in prepayments | | **26** | (6) |
| Change in trade and other payables | *22* | **98** | 181 |
| Change in deferred income | | **199** | - |
| | | **2,921** | 185 |
| Interest received | | **64** | 14 |
| Interest paid | | **(1,020)** | (131) |
| Tax paid | | **(1,555)** | - |
| **Net cash from operating activities** | | **410** | 68 |
| **Cash flows from investing activities** | | | |
| Proceeds from sale of property, plant and equipment | | **22** | 2 |
| Acquisition of subsidiary, net of cash acquired | *4* | **(5,535)** | (95) |
| Acquisition of property, plant and equipment | | **(295)** | (31) |
| **Net cash from investing activities** | | **(5,808)** | (124) |
| **Cash flows from financing activities** | | | |
| Proceeds from the issue of share capital | *24* | **3,906** | 2,425 |
| Payment of transaction costs | | **(337)** | (919) |
| Proceeds from new borrowings | | **4,500** | 2,350 |
| Repayment of borrowings | | **(3,395)** | (4,344) |
| Payment of finance lease liabilities | | **(74)** | (58) |
| Dividends paid | *13* | **(169)** | - |
| **Net cash from financing activities** | | **4,431** | (546) |
| Net decrease in cash and cash equivalents | | **(967)** | (602) |
| Cash and cash equivalents at start of period | *20* | **(602)** | - |
| **Cash and cash equivalents at 31 March** | *20* | **(1,569)** | (602) |

## Company Cash Flow Statement
*for year ended 31 March 2008*

| | Note | Year ended 31 March 2008 £000 | Period from incorporation to 31 March 2007 £000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Loss for the year | | **(1,921)** | (357) |
| *Adjustments for:* | | | |
| Depreciation | *14* | **3** | - |
| Finance income | | **(50)** | (5) |
| Finance expense | | **1,001** | 164 |
| Equity settled share-based payment expenses | | **196** | 28 |
| Income tax expense | | **1** | (1) |
| | | **(770)** | (171) |
| Change in trade and other receivables | *19* | **152** | (1,211) |
| Change in prepayments | | **(30)** | (8) |
| Change in trade and other payables | *22* | **1,499** | (1,727) |
| Change in deferred income | | **249** | - |
| | | **1,100** | (3,117) |
| Interest received | | **50** | 5 |
| Interest paid | | **(1,001)** | (164) |
| Tax paid | | **(1)** | 1 |
| **Net cash from operating activities** | | **148** | (3,275) |
| **Cash flows from investing activities** | | | |
| Acquisition of subsidiary | *4* | **(8,166)** | (1,811) |
| Acquisition of property, plant and equipment | | **(2)** | (5) |
| **Net cash from investing activities** | | **(8,168)** | (1,816) |
| **Cash flows from financing activities** | | | |
| Proceeds from the issue of share capital | *24* | **3,906** | 2,425 |
| Payment of transaction costs | | **(337)** | (919) |
| Proceeds from new borrowing | | **4,500** | 2,350 |
| Repayment of borrowings | | **(2,521)** | (130) |
| Dividends paid | *13* | **(169)** | - |
| **Net cash from financing activities** | | **5,379** | 3,726 |
| Net decrease in cash and cash equivalents | | **(2,641)** | (1,365) |
| Cash and cash equivalents at start of period | *20* | **(1,365)** | - |
| **Cash and cash equivalents at end of period** | *20* | **(4,006)** | (1,365) |

# Notes
*(forming part of the financial statements)*

## 1. Reporting entity

Northern Bear Plc (the "Company") is a company incorporated in the UK.

The group financial statements consolidate those of the Company and its subsidiaries (together referred to as the "Group").

## 2. Basis of preparation

***Statement of compliance***

With financial statements been prepared and approved by the Directors in accordance with International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs").

The Company has taken advantage of the exemption in s230 of the Companies Act 1985 not to present its individual income statement and related notes in these approved financial statements.

***Transition to Adopted IFRSs***

Both the Group and the Company are preparing their financial statements in accordance with Adopted IFRSs for the first time and consequently have applied IFRS 1. An explanation of how the transition to Adopted IFRSs has affected the reported financial position, financial performance and cash flows of the Group is provided in note 29.

***Basis of measurement***

The financial statements are prepared on the historical cost basis.

***Functional and presentation currency***

These financial statements are presented in sterling, which is the Company's functional currency.

***Use of estimates and judgements***

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Estimates and judgements have been used for the following; goodwill impairment, separation of intangibles from goodwill, impairment of trade receivables and estimating the stage of completion for contracts.

## 3. Significant accounting policies

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

***Basis of consolidation***

Control exists where the Group has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Subsidiaries are entities controlled by the Company. The financial statements of subsidiaries are included in the consolidated financial information from the date control commences until the date that control ceases.

Intracompany balances, and any unrealised gains and losses or income and expenses arising from intragroup transactions, are eliminated when preparing the consolidated financial information.

## 3. Significant accounting policies *(continued)*

***Intangible assets and goodwill***

In order for a business combination to exist, the purchased group of assets must constitute a business (an integrated set of activities and assets conducted and managed to lower costs) and will generally consist of inputs, processes and outputs.

Business combinations are accounted for using the acquisition method of accounting. The acquired identifiable tangible and intangible assets, liabilities and contingent liabilities are measured at their fair values at the date of acquisition. Any excess of the cost of acquisition over the group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities acquired is recognised as goodwill.

Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

***Research***

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

***Property, plant and equipment***

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Depreciation is charged to the income statement over the estimated useful economic lives of each part of an item of property, plant and equipment. The depreciation rates are as follows:

| | |
|---|---|
| Freehold buildings | 2% straight line |
| Plant and machinery | 15% diminishing balance |
| Motor vehicles | 25% diminishing balance |
| Furniture, fittings and equipment | 15-33% diminishing balance |
| Leasehold improvements | life of lease straight line |

The residual value, and useful economic life, is reassessed annually. Land is not depreciated.

***Inventories***

Inventories are stated at the lower of cost and net realisable value. The cost of inventories is based on the first-in first out principle and includes expenditure incurred in acquiring the inventories and other costs incurred in bringing them to their existing location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

***Construction work in progress***

Construction work in progress represents the gross unbilled amount expected to be collected from customers for contract work performed to date. It is measured at cost plus profit recognised to date less progress billings and recognised losses. Cost includes all expenditure related directly to specific projects and an allocation of fixed and variable overheads incurred in the Group's contract activities based on normal operating capacity.

Construction work in progress is presented as part of trade and other receivables in the balance sheet.

***Cash and cash equivalents***

'Cash and cash equivalents' comprises cash balances and call deposits with an original maturity of three months or less. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

## 3. Significant accounting policies *(continued)*

***Impairment***

The carrying amounts of the Group's assets, other than inventories and deferred tax assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, then the assets recoverable amount is estimated. For goodwill which has an indefinite life the recoverable amount is estimated at each reporting date.

The recoverable amount of an asset or cash generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash generating unit"). The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to cash-generating units that are expected to benefit from the synergies of the combination.

An impairment loss is recognised if the carrying amount of an asset or its cash generating unit exceeds its estimated recoverable amount. Impairment losses are recognised in the income statement. Impairment losses recognised in respect of cash generating units are allocated first to reduce the carrying amount of any goodwill allocated to cash generating units and then to reduce the carrying amount of other assets within the unit on a pro-rata basis.

***Employee benefits***

*Defined contribution pension plans*

Obligations for contributions to defined contribution pension plans are recognised as an expense in the income statement as service is provided.

*Share-based payment transactions*

The share option programme allows Group employees to acquire shares of the Company. The fair value of share options granted is recognised as an employee expense with a corresponding increase in equity. The fair value is measured at grant date, using an appropriate model taking into account the terms and conditions upon which the share options were granted, and is spread over the period during which the employees become unconditionally entitled to the options. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest except where forfeiture is only due to market conditions.

***Revenue***

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts, VAT and other sales related taxes.

Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably.

Revenue from services rendered is recognised in profit or loss in proportion to the stage of completion of the transaction at the reporting date. The stage of completion is assessed by reference to surveys of work performed.

***Construction contracts***

Contract revenue includes the initial amount agreed in the contract plus any variations in contract work, claims and incentive payments to the extent that it is probable that they will result in revenue and can be measured reliably. As soon as the outcome of a contract can be estimated reliably, contract revenue and expenses are recognised in profit or loss in proportion to the stage of completion of the contract.

The stage of completion is assessed by reference to the value of work performed. When the outcome of a contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable. An expected loss on a contract is recognised immediately in profit or loss.

## 3. Significant accounting policies *(continued)*

***Expenses***

(i) Operating lease payments

Payments under operating leases are recognised in the income and expenditure account on a straight-line basis over the term of the lease. Lease incentives received are recognised in the income statement as an integral part of the total lease expense.

(ii) Finance lease payments

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

(iii) Finance income

Finance income comprises interest receivable on funds invested. Interest income is recognised in the income statement as it accrues using the effective interest method.

(iv) Finance expenses

Finance expenses comprise interest payable on borrowings. All borrowing costs are recognised in profit or loss using the effective interest method.

***Income tax***

Income tax on the profit or loss for the period comprises both current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profits nor differences relating to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognised for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse; based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that a related tax benefit will be realised.

## 3. Significant accounting policies *(continued)*

***Adopted IFRS not yet applied***

The following standards and interpretations were available for early application but have not been applied by the Group in these financial statements.  Their adoption is not expected to have a material affect on the financial statements unless otherwise indicated:

- IFRS 8 'Operating Segments' - as the Company it is not within the scope of IFRS 8 it is not required to adopt IFRS 8;
- Revised IAS 23 'Borrowing Costs' ;
- Revised IAS 1 'Presentation of Financial Statements';
- Revised IFRS 3 'Business Combinations';
- Revised IAS 27 'Consolidated and Separate Financial Statements'; and
- Amendments to IFRS 2 'Share based payment – Vesting Conditions and Cancellations'.

The Directors anticipate that the above will have no material effect on the Groups' financial statements.

## 4. Acquisitions of subsidiaries

### *a) Initial acquisitions*

On 6 December 2006 the Company entered into Share Exchange Agreements to acquire the entire issued share capital of The 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.

| | Book and fair value | | | | | |
|---|---|---|---|---|---|---|
| | **Ron Gone Limited £000** | **Dudley Wilson Limited £000** | **Maximuse Limited £000** | **Kelmax Limited £000** | **The Floor Joist Company (Northern) Limited £000** | **Total £000** |
| **Non-current assets** | | | | | | |
| Property, plant and equipment | 102 | 952 | 130 | 183 | 41 | 1,408 |
| Other investments | - | 11 | - | - | - | 11 |
| **Current assets** | | | | | | |
| Inventories | 10 | 27 | 93 | 12 | - | 142 |
| Trade and other receivables | 523 | 300 | 1,011 | 749 | 5 | 2,588 |
| Cash and cash equivalents | 118 | - | 148 | 656 | - | 922 |
| **Total assets** | 753 | 1,290 | 1,382 | 1,600 | 46 | 5,071 |
| **Liabilities** | | | | | | |
| Provisions | - | 27 | 2 | 6 | - | 35 |
| Trade and other payables | 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.

The goodwill recognised on the acquisition is attributable mainly to the skills, experience and technical expertise of the acquired business' workforce, and the synergies expected to be achieved from integrating the companies into the Group's existing support services businesses.

## 4. Acquisitions *(continued)*

### a) *Initial acquisitions* *(continued)*

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:

| | Ron Gone Limited £000 | Dudley Wilson Limited £000 | Maximuse Limited £000 | Kelmax Roofing Limited £000 |
|---|---|---|---|---|
| Revenue | 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) |

### b) *MGM Limited*

On 2 February 2007 the Company acquired 100% of the issued share capital of MGM Limited. The resulting goodwill was capitalised.

| | Book and fair value £000 |
|---|---|
| **Non-current assets** | |
| Property, plant and equipment | 208 |
| **Current assets** | |
| Inventories | 10 |
| Trade and other receivables | 1,336 |
| Cash and cash equivalents | 809 |
| **Total assets** | 2,363 |
| **Liabilities** | |
| Provisions | 17 |
| Trade and other payables | 1,196 |
| **Total liabilities** | 1,213 |
| **Net assets** | 1,150 |
| **Goodwill** | 1,599 |
| **Purchase consideration and costs of acquisition** | 2,749 |

## 4. Acquisitions *(continued)*

| | £000 |
|---|---|
| *Satisfied by:* | |
| Cash | 1,811 |
| Shares | 938 |
| | 2,749 |

The goodwill recognised on the acquisition is attributable mainly to the skills, experience and technical expertise of the acquired business' workforce, and the synergies expected to be achieved from integrating the companies into the Group's existing support services businesses.

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 |
|---|---|
| Revenue | 5,690 |
| Operating profit | 555 |
| Profit before taxation | 571 |
| Taxation | (180) |

### c) *Chirmarn Holdings Limited*

On 11 May 2007 the company acquired 100% of the issued share capital of Chirmarn Holdings Limited and subsidiaries. The resulting goodwill was calculated and capitalised as follows:

| | Book and fair value £000 |
|---|---|
| **Non-current assets** | |
| Property, plant and equipment | 207 |
| **Current assets** | |
| Inventories | 174 |
| Trade and other receivables | 525 |
| Cash and cash equivalents | 590 |
| **Current liabilities** | (1,448) |
| Net assets | 48 |
| Goodwill | 3,891 |
| Purchase consideration | 3,939 |
| Satisfied by: | |
| Cash | 2,791 |
| Shares | 1,148 |
| | 3,939 |

## 4. Acquisitions *(continued)*

### *c) Chirmarn Holdings Limited* (continued)

The goodwill recognised on the acquisition is attributable mainly to the skills, experience and technical expertise of the acquired business' workforce, and the synergies expected to be achieved from integrating the companies into the Group's existing support services businesses.

The completion accounts were drawn up to 31 March 2007 for the acquisition of Chirmarn Holdings Limited as specified in the sale and purchase agreement.

### *d) Hastie Limited*

On 31 May 2007 the company acquired 100% of the issued share capital of Hastie Limited and subsidiary. The resulting goodwill was calculated and capitalised as follows:

| | **Book and fair value £000** |
|---|---|
| **Non-current assets** | |
| Property plant and equipment | 64 |
| **Current assets** | |
| Inventories | 40 |
| Trade and other receivables | 533 |
| Cash and cash equivalents | 730 |
| **Current liabilities** | (497) |
| Net assets | 870 |
| Goodwill | 396 |
| Purchase consideration | 1,266 |
| Satisfied by: | |
| Cash | 1,014 |
| Shares | 252 |
| | 1,266 |

The goodwill recognised on the acquisition is attributable mainly to the skills, experience and technical expertise of the acquired business' workforce, and the synergies expected to be achieved from integrating the companies into the Group's existing support services businesses.

The results of Hastie Limited, from the beginning of its financial period, 1 April 2007, to the date of acquisition is summarised as follows:

| | **1 April 2007 to 31 May 2007 £000** |
|---|---|
| Revenue | 545 |
| Operating loss | (16) |
| Loss before taxation | (12) |
| Taxation | (9) |

## 4. Acquisitions *(continued)*

### *e) Jennings Properties Limited*

On 12 November 2007 the company acquired 100% of the issued share capital of Jennings Properties Limited and subsidiary. The resulting goodwill was calculated and capitalised as follows:

| | Book and fair value £000 |
|---|---|
| **Non-current assets** | |
| Property, plant and equipment | 144 |
| **Current assets** | |
| Inventories | 35 |
| Trade and other receivables | 1,962 |
| Cash and cash equivalents | 1,311 |
| **Current liabilities** | (1,831) |
| Net assets | 1,621 |
| Goodwill | 4,087 |
| Purchase consideration | 5,708 |
| Satisfied by: | |
| Cash | 4,361 |
| Shares | 1,347 |
| | 5,708 |

The goodwill recognised on the acquisition is attributable mainly to the skills, experience and technical expertise of the acquired business' workforce, and the synergies expected to be achieved from integrating the companies into the Group's existing support services businesses.

The results for Jennings Properties Limited, from the beginning of its financial period, 1 May 2007, to the date of acquisition is summarised as follows:

| | 1 May 2007 to 12 November 2007 £000 |
|---|---|
| Revenue | 4,646 |
| Operating profit | 565 |
| Profit before taxation | 591 |
| Taxation | (297) |

## 5. Segmental information

All revenue and results derive from the building services segment in the United Kingdom.

## 6. Other operating income

| | Year ended 31 March 2008 £000 | Period from incorporation to 31 March 2007 £000 |
|---|---|---|
| Rental income | **25** | 9 |
| Management services | **21** | - |
| | **46** | 9 |

## 7. Expenses and auditors' remuneration

*Auditors' remuneration:*

| | Year ended 31 March 2008 £000 | Period from incorporation to 31 March 2007 £000 |
|---|---|---|
| Audit of these financial statements | **40** | 35 |
| Amounts receivable by auditors and their associates in respect of: | | |
| Audit of financial statements of subsidiaries pursuant to legislation | **62** | 45 |
| Other services pursuant to such legislation | **30** | 10 |
| Other services relating to taxation | **24** | 12 |
| Services relating to recruitment and remuneration | **4** | 6 |
| Services relating to corporate finance transactions entered into or proposed to be entered into by or on behalf of the company or the group | **50** | 192 |

Amounts paid to the company's auditors and their associates 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.

## 8. Staff numbers and costs

The average number of persons employed by the group (including Directors) during the year, analysed by category, was as follows:

| | Number of employees Group | | Number of employees Company | |
|---|---|---|---|---|
| | **Year ended 31 March 2008** | Period from incorporation to 31 March 2007 | **Year ended 31 March 2008** | Period from incorporation to 31 March 2007 |
| Directors | **8** | 6 | **8** | 6 |
| Administration | **57** | 43 | **1** | 1 |
| Production | **294** | 213 | **-** | - |
| | **359** | 262 | **9** | 7 |

The aggregate payroll costs of these persons were as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | **Year ended 31 March 2008** | Period from incorporation to 31 March 2007 | **Year ended 31 March 2008** | Period from incorporation to 31 March 2007 |
| | **£000** | £000 | **£000** | £000 |
| Wages and salaries | **8,359** | 1,505 | **461** | 168 |
| Share based payments (see note 23) | **196** | 28 | **85** | 4 |
| Social security costs | **765** | 132 | **39** | 7 |
| Contributions to defined contribution plans | **80** | 42 | **-** | - |
| | **9,400** | 1,707 | **585** | 179 |

## 9. Directors' remuneration

| | **Year ended 31 March 2008** | Period from incorporation to 31 March 2007 |
|---|---|---|
| | **£000** | £000 |
| Directors' emoluments | **421** | 120 |
| Amounts paid to third parties in respect of Directors' services | **50** | 27 |

## 9. Directors' remuneration *(continued)*

The aggregate of emoluments and amounts receivable under long term incentive schemes of the highest paid Director was £166,000.

| | Number of directors | |
|---|---|---|
| | **Year ended 31 March 2008** | Period from incorporation to 31 March 2007 |
| Retirement benefits are accruing to the following number of Directors under: | | |
| Money purchase schemes | **-** | - |

## 10. Finance income and expense

| | **Year ended 31 March 2008** | Period from incorporation to 31 March 2007 |
|---|---|---|
| | **£000** | £000 |
| Bank interest – finance income | **64** | 14 |

| | **Year ended 31 March 2008** | Period from incorporation to 31 March 2007 |
|---|---|---|
| | **£000** | £000 |
| On bank loans and overdrafts | **543** | 170 |
| On all other loans | **-** | 8 |
| Finance charges payable in respect of finance leases and hire purchase contracts | **70** | 6 |
| | **613** | 184 |
| Exceptional finance expense – refinancing | **407** | - |
| Finance expense | **1,020** | 184 |

Exceptional finance expense relates to the Group refinancing exercise undertaken in the year and specifically early settlement charges for previous banking facilities. This is considered by the Directors to be a one-off expense and hence is classified as exceptional.

## 11. Taxation

### Recognised in the income statement

| | Year ended 31 March 2008 £000 | Period from incorporation to 31 March 2007 £000 |
|---|---|---|
| *Current tax expense* | | |
| Current year | **859** | 65 |
| Adjustments for prior years | **(91)** | - |
| Current tax expense | **768** | 65 |
| *Deferred tax expense* | | |
| Origination and reversal of temporary differences | **(79)** | - |
| Reduction in tax rate | **5** | - |
| Deferred tax expense | **(74)** | - |
| Tax expense in income statement | **694** | 65 |

It has been announced that the corporation tax rate applicable to the Group will change from 30% to 28% from 1 April 2008. Any timing differences which reverse prior to 1 April 2008 will be relieved at 30%, any timing differences which exist at 1 April 2008 will reverse at 28%.

### Reconciliation of effective tax rate

| | Year ended 31 March 2008 £000 | Period from incorporation to 31 March 2007 £000 |
|---|---|---|
| Profit before tax | **2,252** | 83 |
| Tax using the UK corporation tax rate of 30% *(2007: 30%)* | **676** | 25 |
| Non-deductible expenses | **121** | 41 |
| Small companies tax rate | **(12)** | (1) |
| Over provided in prior years | **(91)** | - |
| Total tax expense | **694** | 65 |

## 12. Earnings per share

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

| | **Year ended 31 March 2008** | Period from incorporation to 31 March 2007 |
|---|---|---|
| Profit for the period (£000) | **1,558** | 18 |
| Weighted average number of ordinary shares ('000) | **15,103** | 3,375 |
| Earnings per share | **10.3p** | 0.5p |

The calculation of diluted earnings per share was based on the profit 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:

| | **Year ended 31 March 2008** | Period from incorporation to 31 March 2007 |
|---|---|---|
| Profit for the period (£000) | **1,558** | 18 |
| Weighted average number of ordinary shares ('000) | **16,598** | 3,630 |
| Earnings per share | **9.4p** | 0.5p |

Diluted earnings per share is calculated in the same way as basic earnings per share but using a weighted average number of shares in issue of 16,598,418 to reflect the dilutive effect of share options in existence at the year end of 1,495,199.

The calculation of adjusted earnings per share was based on the profit for the period, adjusted for exceptional finance expenses and share based payments, and on the weighted average number of ordinary shares outstanding, calculated as follows:

| | **Year ended 31 March 2008** | Period from incorporation to 31 March 2007 |
|---|---|---|
| Profit for the period (£000) | **1,558** | 18 |
| Exceptional finance expenses | **407** | - |
| Share based payments | **196** | 28 |
| Adjusted profit for the period | **2,161** | 46 |
| Weighted average number of ordinary shares ('000) | **15,103** | 3,375 |
| Earnings per share | **14.3p** | 1.4p |

## 12 Earnings per share *(continued)*

The calculation of diluted adjusted earnings per share was based on the profit for the period, adjusted for exceptional finance expenses and share based payments, and on the weighted average number of ordinary shares outstanding, after adjustment for the effects of all dilutive potential ordinary shares, calculated as follows:

| | **Year ended 31 March 2008** | Period from incorporation to 31 March 2007 |
|---|---|---|
| Adjusted profit for the period | **2,161** | 46 |
| Weighted average number of ordinary shares ('000) | **16,598** | 3,630 |
| Earnings per share | **13.0p** | 1.3p |

## 13. Dividends

The aggregate amount of dividends comprises:

| | **Year ended 31 March 2008** | Period from incorporation to 31 March 2007 |
|---|---|---|
| | **£000** | £000 |
| Interim dividends paid in respect of the current year | **169** | - |

## 14. Property, plant and equipment

| Group | Land and buildings £000 | Plant and equipment £000 | Fixtures and fittings £000 | Motor vehicles £000 | Total £000 |
|---|---|---|---|---|---|
| ***Cost*** | | | | | |
| Balance at 13 April 2006 | - | - | - | - | - |
| Acquisitions through business combinations | 885 | 429 | 116 | 1,119 | 2,549 |
| Other acquisitions | - | 20 | 7 | 130 | 157 |
| Disposals | - | - | - | (93) | (93) |
| Balance at 31 March 2007 | 885 | 449 | 123 | 1,156 | 2,613 |
| Balance at 1 April 2007 | 885 | 449 | 123 | 1,156 | 2,613 |
| Acquisitions through business combinations | - | 495 | 122 | 806 | 1,423 |
| Other acquisitions | - | 81 | 37 | 280 | 398 |
| Disposals | - | - | (2) | (123) | (125) |
| Balance at 31 March 2008 | 885 | 1,025 | 280 | 2,119 | 4,309 |
| ***Depreciation and impairment*** | | | | | |
| Balance at 13 April 2006 | - | - | - | - | - |
| Depreciation on acquisitions | 41 | 217 | 80 | 595 | 933 |
| Depreciation charge for the period | 1 | 8 | 3 | 37 | 49 |
| Disposals | - | - | - | (87) | (87) |
| Balance at 31 March 2007 | 42 | 225 | 83 | 545 | 895 |
| Balance at 1 April 2007 | 42 | 225 | 83 | 545 | 895 |
| Depreciation on acquisitions | - | 431 | 108 | 469 | 1,008 |
| Depreciation charge for the year | 7 | 44 | 18 | 260 | 329 |
| Disposals | - | - | (2) | (98) | (100) |
| Balance at 31 March 2008 | 49 | 700 | 207 | 1,176 | 2,132 |
| ***Net book value*** | | | | | |
| At 13 April 2006 | - | - | - | - | - |
| At 31 March 2007 | 843 | 224 | 40 | 611 | 1,718 |
| **At 31 March 2008** | **836** | **325** | **73** | **943** | **2,177** |

## 14 Property, plant and equipment *(continued)*

*Leased property, plant and equipment*

At 31 March 2008 the net carrying amount of plant and equipment held on finance leases was £437,000 *(2007: £443,000)*.

*Security*

Leased equipment secures lease obligations

Freehold land and buildings at 2a Rainhill Close, Washington secure a £608,000 mortgage loan.

| **Company** | **Motor vehicles £000** | **Fixtures and fittings £000** | **Total £000** |
|---|---|---|---|
| ***Cost*** | | | |
| Balance at 13 April 2006 | - | - | - |
| Other acquisitions | - | 5 | 5 |
| Balance at 31 March 2007 | - | 5 | 5 |
| Balance at 1 April 2007 | - | 5 | 5 |
| Transfer from group undertakings | 42 | - | 42 |
| Other acquisitions | - | 2 | 2 |
| Balance at 31 March 2008 | 42 | 7 | 49 |
| ***Depreciation and impairment*** | | | |
| Balance at 13 April 2006 | - | - | - |
| Depreciation charge for the year | - | - | - |
| Balance at 31 March 2007 | - | - | - |
| Balance at 1 April 2007 | - | - | - |
| Transfer from group undertakings | 19 | - | 19 |
| Depreciation charge for the year | 1 | 2 | 3 |
| Balance at 31 March 2008 | 20 | 2 | 22 |
| ***Net book value*** | | | |
| At 13 April 2006 | - | - | - |
| At 31 March 2007 | - | 5 | 5 |
| **At 31 March 2008** | **22** | **5** | **27** |

## 15. Intangible assets

| *Group* | *Goodwill* *£000* |
|---|---|
| ***Cost and net book value*** | |
| Balance at 13 April 2006 | - |
| Acquisitions through business combinations | 12,414 |
| Balance at 31 March 2007 | 12,414 |
| Balance at 1 April 2007 | 12,414 |
| Acquisitions through business combinations | 8,374 |
| Balance at 31 March 2008 | 20,788 |

### *Impairment testing*

Goodwill arises on the acquisition of subsidiary undertakings since incorporation. The goodwill is tested annually for impairment or more frequently if there are indications the goodwill may be impaired.

Impairment is tested by calculating its value in use by reference to discounted cash flow forecasts over a five year period. The key assumptions for the value in use calculation are those regarding the growth rates, discount rates and expected changes in profit margins during the period. These are based on approved forecasts in the short term and a prudent assumption of no growth thereafter. The carrying amount of goodwill is allocated to income generating units based on entities.

## 16. Investments

| **Group** | **Other investments £000** |
|---|---|
| ***Cost and net book value*** | |
| At beginning and end of period | 11 |

| **Company** | **Shares in group undertakings £000** |
|---|---|
| ***Cost and net book value*** | |
| At beginning of period | 24,429 |
| Acquisitions | 11,006 |
| At end of period | 35,435 |

## 16 Investments in subsidiaries *(continued)*

The Company has the following investments in subsidiaries:

| Company | Country of Incorporation | Class of shares held | Ownership 2008 | Ownership 2007 |
|---|---|---|---|---|
| Ron Gone Limited | England and Wales | Ordinary | **100%** | 100% |
| Isoler Limited | England and Wales | Ordinary | **100%** | 100% |
| | | A Ordinary | **100%** | 100% |
| Dudley Wilson Limited | England and Wales | A Ordinary | **100%** | 100% |
| | | B Ordinary | **100%** | 100% |
| The Roof Truss Company (Northern) Limited | England and Wales | Ordinary | **100%** | 100% |
| Kelmax Roofing Limited | England and Wales | A Ordinary | **100%** | 100% |
| | | B Ordinary | **100%** | 100% |
| Springs Roofing Limited | England and Wales | Ordinary | **100%** | 100% |
| | | A Ordinary | **100%** | 100% |
| | | B Ordinary | **100%** | 100% |
| | | C Ordinary | **100%** | 100% |
| | | D Ordinary | **100%** | 100% |
| Maximuse Limited | England and Wales | A Ordinary | **100%** | 100% |
| | | B Ordinary | **100%** | 100% |
| Wensley Roofing Limited | England and Wales | Ordinary | **100%** | 100% |
| | | A Ordinary | **100%** | 100% |
| MGM Limited | England and Wales | Ordinary | **100%** | 100% |
| | | A Ordinary | **100%** | 100% |
| The Floor Joist Company (Northern) Limited | England and Wales | Ordinary | **100%** | 100% |
| Prosafe Consultants Limited | England and Wales | Ordinary | **100%** | 100% |
| Chirmarn Holdings Limited | England and Wales | Ordinary | **100%** | nil |
| Chirmarn Limited | England and Wales | Ordinary | **100%*** | Nil |
| Chirmarn (Surveying) Limited | England and Wales | Ordinary | **100%*** | Nil |
| Hastie Limited | England and Wales | Ordinary | **100%** | Nil |
| Hastie D Burton Limited | England and Wales | Ordinary | **100%*** | Nil |
| Jennings Properties Limited | England and Wales | Ordinary | **100%** | Nil |
| | | A Ordinary | **100%** | Nil |
| | | B Ordinary | **100%** | Nil |
| Jennings Roofing Limited | England and Wales | Ordinary | **100%*** | Nil |

*held indirectly.

## 17. Deferred tax assets and liabilities

### Group

*Recognised deferred tax assets and liabilities*

Deferred tax assets and liabilities are attributable to the following:

| | **2008 £000** | 2007 £000 |
|---|---|---|
| Property, plant and equipment | **(48)** | (61) |
| Other | **59** | 9 |
| Net tax assets/(liabilities) | **11** | (52) |

*Movement in deferred tax during the year*

| | **1 April 2007 £000** | **Recognised in income £000** | **Acquired in business combination £000** | **31 March 2008 £000** |
|---|---|---|---|---|
| Property, plant and equipment | (61) | 26 | (13) | (48) |
| Share-based payments | - | 2 | - | 2 |
| Provisions | 9 | 46 | 2 | 57 |
| | (52) | 74 | (11) | 11 |

## 18. Inventories

| | **Group** | | **Company** | |
|---|---|---|---|---|
| | **2008 £000** | 2007 £000 | **2008 £000** | 2007 £000 |
| Raw materials and consumables | **311** | 197 | **-** | - |

All inventory is expected to be recovered in less than 12 months.

## 19. Trade and other receivables

| | Group | | Company | |
|---|---|---|---|---|
| | ***2008*** | *2007* | ***2008*** | *2007* |
| | ***£000*** | *£000* | ***£000*** | *£000* |
| Trade receivables | **8,157** | 3,792 | **-** | - |
| Other trade receivables | **8** | 198 | **61** | 305 |
| Receivable from group undertakings | **-** | - | **998** | 906 |
| | ***8,165*** | *3,990* | ***1,059*** | *1,211* |

Included within trade and other receivables is £998,000 *(2007: £906,000)* for the Company expected to be recovered in more than 12 months.

At 31 March 2008 trade receivables include retentions of £1,095,000 *(2007: £564,000)* relating to construction contracts in progress.

## 20. Cash and cash equivalents/ bank overdrafts

| | Group | | Company | |
|---|---|---|---|---|
| | ***2008*** | *2007* | ***2008*** | *2007* |
| | ***£000*** | *£000* | ***£000*** | *£000* |
| Cash and cash equivalents per balance sheet | **714** | 494 | **-** | 110 |
| Bank overdrafts | **(2,283)** | (1,096) | **(4,006)** | (1,475) |
| Cash and cash equivalents per cash flow statements | **(1,569)** | (602) | **(4,006)** | (1,365) |

## 21. Loans and borrowings

This note provides information about the contractual terms of the Group and Company's interest-bearing loans and borrowings, which are measured at amortised cost. For more information about the Group and Company's exposure to interest rate risk, see note 25.

| | ***Group*** | | ***Company*** | |
|---|---|---|---|---|
| | ***2008*** | *2007* | ***2008*** | *2007* |
| | ***£000*** | *£000* | ***£000*** | *£000* |
| ***Non-current liabilities*** | | | | |
| Secured bank loans | **3,185** | 1,698 | **3,185** | 1,698 |
| Finance lease liabilities | **181** | 155 | **-** | - |
| Shareholder loans | **-** | 1,198 | **-** | - |
| Other loans | **34** | 39 | **-** | - |
| | **3,400** | 3,090 | **3,185** | 1,698 |
| ***Current liabilities*** | | | | |
| Current portion of secured bank loans | **1,014** | 522 | **1,014** | 522 |
| Current portion of finance lease liabilities | **153** | 150 | **-** | - |
| Shareholder loans | **330** | - | **-** | - |
| Other loans | **4** | 5 | **-** | - |
| | **1,501** | 677 | **1,014** | 522 |

*Terms and debt repayment schedule*

| | ***Currency*** | ***Nominal interest rate*** | ***Year of maturity*** | ***Face value 2008 £000*** | ***Carrying amount 2008 £000*** | *Face value 2007 £000* | *Carrying amount 2007 £000* |
|---|---|---|---|---|---|---|---|
| *Yorkshire Bank term loan A* | *GBP* | *Base + 2%* | *2012* | ***3,591*** | ***3,591*** | *-* | *-* |
| *Mortgage loan* | *GBP* | *Base + 2%* | *2017* | ***608*** | ***608*** | *-* | *-* |
| *Shareholder loan* | *GBP* | *n/a* | *n/a* | ***330*** | ***330*** | *1,198* | *1,198* |
| *Revolving credit facility* | *GBP* | *Base + 2%* | *2010* | ***2,283*** | ***2,283*** | *-* | *-* |
| *Finance lease and hire purchase liabilities* | *GBP* | *n/a* | *Within 5 years* | ***334*** | ***334*** | *305* | *305* |
| *Other loans* | *GBP* | *n/a* | *n/a* | ***38*** | ***38*** | *44* | *44* |
| *Bank of Scotland term loans* | *GBP* | *Base + 2.5%* | *n/a* | *-* | *-* | *2,220* | *2,220* |
| *Bank of Scotland revolving credit facility* | *GBP* | *Base + 2.5%* | *n/a* | *-* | *-* | *1,475* | *1,475* |

## 21. Loans and borrowings *(continued)*

*Finance lease liabilities*

Finance lease liabilities are payable as follows:

| *Group* | ***Minimum lease payments 2008 £000*** | ***Interest 2008 £000*** | ***Principal 2008 £000*** | *Principal 2007 £000* |
|---|---|---|---|---|
| Less than one year | **173** | **20** | **153** | 150 |
| Between one and five years | **207** | **26** | **181** | 155 |
| | **380** | **46** | **334** | 305 |

## 22. Trade and other payables

| | ***Group*** | | ***Company*** | |
|---|---|---|---|---|
| | ***2008 £000*** | *2007 £000* | ***2008 £000*** | *2007 £000* |
| Trade payables | **4,384** | 1,836 | **83** | - |
| Other payables due to group undertakings | **-** | - | **-** | 1,193 |
| Non-trade payables and accrued expenses | **1,660** | 1,049 | **167** | 139 |
| | **6,044** | 2,885 | **250** | 1,332 |

## 23. Employee benefits

### Defined contribution plans

The Group operates a number of defined contribution pension plans.

The total expense relating to these plans in the current year was £80,000 *(2007: £42,000).*

### Share-based payments

The Group operate an Inland Revenue Approved Share Option Scheme and an Inland Revenue Unapproved Share Option Scheme.

The terms and conditions of the grants are as follows:

| ***Grant date*** | ***Method of settlement accounting*** | ***Number of Instruments*** | ***Vesting conditions*** | ***Contractual life of options*** |
|---|---|---|---|---|
| 18 December 2006 | Equity | 700,000 | 3 years of service | Dec 07 - Dec 16 |
| 1 March 2007 | Equity | 300,000 | 3 years of service | Mar 10 - Mar 17 |
| 17 December 2007 | Equity | 230,000 | 3 years of service | Dec 10 - Dec 17 |

## 23. Employee benefits *(continued)*

### Share-based payments *(continued)*

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

| | **Weighted average exercise price 2008** | **Number of options 2008** | Weighted average exercise price 2007 | Number of options 2007 |
|---|---|---|---|---|
| Outstanding at the beginning of the year | | **1,000,000** | - | - |
| Granted during the year | **120p** | **230,000** | 91p | 1,000,000 |
| Outstanding at the end of the year | | **1,230,000** | | 1,000,000 |
| Exercisable at the end of the year | | **-** | | - |

The options outstanding at the year end have an exercise price in the range of 88p to 120p 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 fair value of employee share options is measured using a Black-Scholes model. Measurement inputs and assumptions are as follows:

| | 18 December 2006 | 1 March 2007 | 17 December 2007 |
|---|---|---|---|
| Fair value at measurement date | 17p | 18p | 22p |
| Exercise price | 88p | 98p | 120p |
| Expected volatility | 19.0% | 17.8% | 18.1% |
| Option life | 5.5 years | 5.5 years | 5.5 years |
| Expected dividends | 3.0% | 3.0% | 3.0% |
| Risk-free interest rate (based on national government bonds) | 5.0% | 5.0% | 5.0% |

The expected volatility is based on the volatility of the FTSE AIM all shares index from 1 September 2001 to the date of the award.

Share options are granted under a service condition and, for grants 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.

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

| | **2008 £000** | 2007 £000 |
|---|---|---|
| Equity settled share based payment expense | **196** | 28 |

## 24. Capital and reserves

### Reconciliation of movement in capital and reserves – Group

| | Share capital £000 | Share premium £000 | Merger reserve £000 | Retained earnings £000 | Total parent equity £000 |
|---|---|---|---|---|---|
| Balance at 13 April 2006 | - | - | - | - | - |
| Total recognised income and expense | - | - | - | 18 | 18 |
| Issue of shares | 120 | 1,479 | - | - | 1,599 |
| Merger reserve arising on acquisition | - | - | 7,971 | - | 7,971 |
| Equity-settled share based payment transactions | - | - | - | 28 | 28 |
| Balance at 31 March 2007 | 120 | 1,479 | 7,971 | 46 | 9,616 |
| Balance at 1 April 2007 | 120 | 1,479 | 7,971 | 46 | 9,616 |
| Total recognised income and expense | - | - | - | 1,558 | 1,558 |
| Issue of shares | 50 | 3,542 | - | - | 3,592 |
| Merger reserve arising on acquisition | - | - | 2,964 | - | 2,964 |
| Equity-settled share based payment transactions | - | - | - | 196 | 196 |
| Dividends | - | - | - | (169) | (169) |
| **Balance at 31 March 2008** | **170** | **5,021** | **10,935** | **1,631** | **17,757** |

### Reconciliation of movement in capital and reserves – Company

| | Share capital £000 | Share premium £000 | Merger reserve £000 | Retained earnings £000 | Total parent equity £000 |
|---|---|---|---|---|---|
| Balance at 13 April 2006 | - | - | - | - | - |
| Total recognised income and expense | - | - | - | (357) | (357) |
| Issue of shares | 120 | 1,479 | - | - | 1,599 |
| Merger reserve arising on acquisition | - | - | 7,971 | - | 7,971 |
| Equity-settled share based payment transactions | - | - | - | 28 | 28 |
| Balance at 31 March 2007 | 120 | 1,479 | 7,971 | (329) | 9,241 |
| Balance at 1 April 2007 | 120 | 1,479 | 7,971 | (329) | 9,241 |
| Total recognised income and expense | - | - | - | (1,921) | (1,921) |
| Issue of shares | 50 | 3,542 | - | - | 3,592 |
| Merger reserve arising on acquisition | - | - | 2,964 | - | 2,964 |
| Equity-settled share based payment transactions | - | - | - | 196 | 196 |
| Dividends | - | - | - | (169) | (169) |
| **Balance at 31 March 2008** | **170** | **5,021** | **10,935** | **(2,223)** | **13,903** |

## 24 Capital and reserves *(continued)*

### Share capital

| In thousands of shares | *Ordinary shares* ***2008*** | *2007* |
|---|---|---|
| *On issue at start of period* | ***120*** | *-* |
| *Issued for cash* | ***27*** | *29* |
| *Issued for acquisitions* | ***23*** | *91* |
| *On issue at end of period – fully paid* | ***170*** | *120* |

| | **2008** **£000** | 2007 £000 |
|---|---|---|
| *Authorised* | | |
| 50,000,000 ordinary shares of 1p each | **500** | 500 |
| 50,000 0.1% cumulative redeemable preference shares of £1 each | **50** | 50 |
| | **550** | 550 |
| *Allotted, called up and fully paid* | | |
| 17,010,437 *(2007: 12,008,034)* ordinary shares of 1p each | **170** | 120 |
| Shares classified in shareholders funds | **170** | 120 |

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

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 2 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.

On 5 April 2007, the Company issued 218,549 ordinary 1p shares in partial payment for the acquisition of the entire issued share capital of MGM Limited.

On 14 May 2007, the Company issued 820,000 1p ordinary shares in partial payment for the acquisition of the entire issued share capital of Chirmarn Holdings Limited.

On 31 May 2007, the Company issued 275,000 1p ordinary shares for consideration of £385,000 settled in cash.

On 1 June 2007, the Company issued 136,986 1p ordinary shares in partial payment for the acquisition of the entire issued share capital of Hastie Limited.

## 24. Capital and reserves *(continued)*

On 2 August 2007, the Company issued 2,415,250 1p ordinary shares for consideration of £3,502,113 settled in cash.

On 30 August 2007, the company issued 13,793 1p ordinary shares in partial payment of the advisory fee incurred on the placement of the above 2,415,250 1p ordinary shares.

On 4 September 2007, the Company issued 36,733 1p ordinary shares in partial payment for the acquisition of the entire issued share capital of Hastie Limited.

On 13 November 2007, the Company issued 1,025,744 1p ordinary shares in partial payment for the acquisition of the entire issued share capital of Jennings Properties Limited.

On 21 December 2007, the Company issued 60,348 1p ordinary shares in partial payment for the acquisition of the entire issued share capital of Jennings Properties 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.

## 25. Financial instruments

***Overview***

The Group has exposure to the following risks from its use of financial instruments:

- Credit risk;
- Liquidity risk; and
- Market risk.

This applies to:

*Trade and other receivables*

The fair value of trade and other receivables, excluding construction contract debtors, is estimated as the present value of future cash flows, discounted at the market rate of interest at the balance sheet date if the effect is material.

*Trade and other payables*

The fair value of trade and other payables is estimated as the present value of future cash flows, discounted at the market rate of interest at the balance sheet date if the effect is material.

## 25. Financial instruments *(continued)*

*Cash and cash equivalents*

The fair value of cash and cash equivalents is estimated as its carrying amount where the cash is repayable on demand. Where it is not repayable on demand then the fair value is estimated at the present value of future cash flows, discounted at the market rate of interest at the balance sheet date.

*Interest-bearing borrowings*

Fair value, which after initial recognition is determined for disclosure purposes only, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the balance sheet date.

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the company's management of capital. Further quantitative disclosures are included throughout these financial statements.

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

### *Credit risk*

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers.

*Trade and other receivables*

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The demographics of the company's customer base, including the default risk of the industry and country in which customers operate, has less of an influence on credit risk. Due to the nature of sales (high volume, low value) revenue is attributable to a large number of customers. Geographically there is a concentration of credit risk in the United Kingdom.

The Group has established a credit policy under which each new customer is analysed individually for creditworthiness before the Group's standard payment and delivery terms and conditions are offered. The Group's review includes external ratings where available. Purchase limits are established for each customer; these limits are reviewed regularly.

### *Liquidity risk*

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

### *Market risk*

Market risk is the risk that changes in market prices, such as interest rates will affect the Group's income. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

## 25. Financial instruments *(continued)*

***Capital management***

There was no change in the Group's approach to capital management during the year. The Group is not subject to externally imposed capital requirements.

The Group's treasury policy has as its principal objective the achievement of the maximum interest rate on any cash balances whilst maintaining an acceptable level of risk.

***Financial assets and liabilities***

The Group's main financial assets comprise trade receivables arising from the Group's activities and cash at bank.

Other than the bank overdraft, loans and borrowings and trade and other payables, the Group had no financial liabilities within the scope of IAS 39 as at 31 March 2008.

***Fair values***

The fair value of the Group's financial assets and liabilities is not materially different from their carrying values.

***Profit and loss account***

Details of finance income and finance expenses are included in note 10.

***Credit risk***

*Financial risk management*

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers.

| | ***Carrying amount*** | |
|---|---|---|
| | ***2008*** | *2007* |
| | ***£*** | *£* |
| Trade receivables | **8,157** | 3,060 |
| Cash at bank | **714** | 494 |
| | **8,871** | 3,554 |

*Exposure to credit risk*

The carrying amount of financial assets represents the maximum credit exposure. Therefore, the maximum exposure to credit risk at the balance sheet date was £8,871,000 *(2007: £3,554,000)* being the total of the carrying amount of financial assets.

## 25. **Financial instruments** *(continued)*

*Credit quality of financial assets and impairment losses*

Trade receivables consist of the following:

| | ***2008*** | *2007* |
|---|---|---|
| | ***£000*** | *£000* |
| Sales ledger | **8,391** | 3,084 |
| Bad debt provision | **(234)** | (24) |
| Net trade receivables | **8,157** | 3,060 |

Movements in the bad debt provision are summarised below:

| | *Bad debt provision £000* |
|---|---|
| At beginning of year | 24 |
| Provided in year | 232 |
| Write offs | (22) |
| At end of year | 234 |

The allowance account for trade receivables is used to record impairment losses unless the Group is satisfied that no recovery of the amount owing is possible; at that point the amounts considered irrecoverable are written off against the trade receivables directly.

***Effective interest rates***

In respect of income-earning financial assets and interest-bearing financial liabilities, the following table indicates their effective interest rates at the balance sheet date and the periods in which they mature.

***Credit risk***

The Group's credit risk policy is to manage its trade receivables by taking credit references and requesting payment in advance should this be considered necessary.

| | **2008 Interest rate %** | **Total £000** | 2007 Interest rate % | Total £000 |
|---|---|---|---|---|
| Cash and cash equivalents | **Base-1** | **714** | Base-1 | 494 |
| Bank overdraft | **Base+2** | **(2,283)** | Base+2 | (1,096) |
| Finance lease liabilities | **n/a** | **(334)** | n/a | (305) |
| Bank loan | **Base+2** | **(3,591)** | Base+2 | (2,220) |
| Shareholder loan | **n/a** | **(330)** | n/a | (1,198) |
| Mortgage | **Base+2** | **(608)** | Base+2 | - |
| Other loans | **n/a** | **(38)** | n/a | (44) |
| | | **(6,470)** | | (4,369) |

Both cash and cash equivalents and bank overdraft pay interest on a floating rate basis, they reprice continuously. The fair value of the financial assets liabilities is substantially the same as their carrying value.

## 25. Financial instruments *(continued)*

***Liquidity risks***

The Group's policy on liquidity risk has been to maintain sufficient cash balances and undrawn facilities to provide flexibility in the management of the Group's liquidity.

## 26. Operating leases

Non-cancellable operating lease rentals are payable as follows:

| | *Group* | | *Company* | |
|---|---|---|---|---|
| | ***2008*** | *2007* | ***2008*** | *2007* |
| | ***£000*** | *£000* | ***£000*** | *£000* |
| Less than one year | **56** | - | **6** | - |
| Between one and five years | **48** | 29 | **10** | - |
| More than five years | **38** | 10 | **-** | - |
| | **142** | 39 | **16** | - |

## 27. Related parties

**Group**

*Identity of related parties with which the Group has transacted*

The Group is controlled by its shareholders.

The Company had a related party relationship with its subsidiaries and with its Directors and executive officers.

*Transactions with key management personnel*

Directors of the Company and their immediate relatives control 41 per cent of the voting shares of the Company.

The compensation of key management personnel (including the Directors) is as follows:

| | **Group** | |
|---|---|---|
| | **2008** | 2007 |
| | **£000** | £000 |
| Key management emoluments excluding social security costs | **471** | 147 |

## 27. Related parties *(continued)*

Directors' loans existed as follows:

| | 2008 £000 |
|---|---|
| ***Loan from GSL Forrest*** | |
| Balance at start of year | 168 |
| Balance at end of year | 2 |
| Maximum balance outstanding during the year | 168 |
| ***Loan from JP Pither*** | |
| Balance at start of year | 931 |
| Balance at end of year | 278 |
| Maximum balance outstanding during the year | 931 |
| ***Loan from SM Roberts*** | |
| Balance at start of year | 49 |
| Balance at end of year | 49 |
| Maximum balance outstanding during the year | 49 |
| ***Loan from K Soulsby*** | |
| Balance at start of year | 50 |
| Balance at end of year | - |
| 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.

The Company made several acquisitions during the year. 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:

| | Chirmarn Holdings Limited | Jennings Properties Limited |
|---|---|---|
| D Jay | 540,000 | - |
| GR Jennings | - | 814,569 |

In addition the following transactions were undertaken with entities 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 | (3) | - | (21) | (24) |
| Purchases | (219) | (162) | (15) | (396) |
| Settled | 213 | 162 | 36 | 411 |
| Balance as at end of period | (9) | - | - | (9) |

### 27. Related parties *(continued)*

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

HB Gold, a Non-Executive Director, is a member 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 Captial PLC, who were retained as the Group's Brokers during the period.

The above balances are included within trade creditors.

### 28. Subsequent events

On 1 April 2008 the Company acquired the entire issued share capital of DJ McGough Limited and A1 Industrial Trucks Limited for a combined consideration of £7.2 million.

### 29. Explanation of transition to Adopted IFRSs

As stated in note 2, these are the Group's first consolidated financial statements prepared in accordance with Adopted IFRS.

The accounting policies set out in note 3 have been applied in preparing the financial statements for the year ended 31 March 2008 and the comparative information presented in those financial statements.

In preparing its comparative information, the Group has adjusted amounts reported previously in financial statements prepared in accordance with its old basis of accounting (UK GAAP). An explanation of how the transition from UK GAAP to Adopted IFRSs has affected the Group's financial position and performance is set out in the following tables and the notes that accompany them.

## 29. Explanation of transition to Adopted IFRS *(continued)*

***Reconciliation of Consolidated Income Statement for the period ended 31 March 2007***

| | UK GAAP | IFRS adjustments goodwill amortisation (a) | Adopted IFRS |
|---|---|---|---|
| | £000 | £000 | £000 |
| **Revenue** | 4,751 | - | 4,751 |
| Cost of sales | (3,459) | - | (3,459) |
| **Gross profit** | 1,292 | - | 1,292 |
| Other operating income | 9 | - | 9 |
| Administrative expenses | (1,196) | 148 | (1,048) |
| **Operating profit** | 105 | 148 | 253 |
| Finance income | 14 | - | 14 |
| Finance expenses | (184) | - | (184) |
| **Profit before income tax** | (65) | 148 | 83 |
| Income tax expense | (65) | - | (65) |
| **Profit for the period** | (130) | 148 | 18 |

***IFRS 3 - Business combinations***

Under UK GAAP, the Group amortised the cost of goodwill arising on the acquisition of subsidiaries acquired over its useful life. Under IFRS 3, goodwill on acquisition is no longer amortised, but is held at its carrying value at the acquisition date and is then subject to impairment review at each reporting date.

The Group has restated the value of goodwill in its balance sheet to that at the acquisition date and has carried out an impairment review as at 31 March 2007. The impact has been to increase reported profit by £148,000 in the period from incorporation to 31 March 2007, which relates to the reversal of goodwill amortisation.

**Notes** *(continued)*

## 29. Explanation of transition to Adopted IFRSs *(continued)*

***Reconciliation of consolidated balance sheet at 31 March 2007***

| | UK GAAP | IFRS adjustments goodwill amortisation (a) | Adopted IFRS |
|---|---|---|---|
| | £000 | £000 | £000 |
| **Assets** | | | |
| Property, plant and equipment | 1,718 | - | 1,718 |
| Intangible assets | 12,266 | 148 | 12,414 |
| Other investments | 11 | - | 11 |
| **Total non-current assets** | 13,995 | 148 | 14,143 |
| Inventories | 197 | - | 197 |
| Trade and other receivables | 3,990 | - | 3,990 |
| Prepayments | 185 | - | 185 |
| Cash and cash equivalents | 494 | - | 494 |
| **Total current assets** | 4,866 | - | 4,866 |
| **Total assets** | 18,861 | 148 | 19,009 |
| **Equity** | | | |
| Share capital | 120 | - | 120 |
| Share premium | 1,479 | - | 1,479 |
| Merger reserve | 7,971 | - | 7,971 |
| Retained earnings | (102) | 148 | 46 |
| **Total equity attributable to equity holders of the parent** | 9,468 | 148 | 9,616 |
| **Liabilities** | | | |
| Loans and borrowings | 3,090 | - | 3,090 |
| Deferred income | 50 | - | 50 |
| Deferred tax liabilities | 52 | - | 52 |
| **Total non-current liabilities** | 3,192 | - | 3,192 |
| Bank overdraft | 1,096 | - | 1,096 |
| Loans and borrowings | 677 | - | 677 |
| Trade and other payables | 2,885 | - | 2,885 |
| Current tax payable | 952 | - | 952 |
| Deferred consideration | 591 | - | 591 |
| **Total current liabilities** | 6,201 | - | 6,201 |
| **Total liabilities** | 9,393 | - | 9,393 |
| **Total liabilities and equity** | 18,861 | 148 | 19,009 |

# Northern Bear

ISOLER
SPECIALIST FIRE PROTECTION CONTRACTORS

chirmarn LIMITED

THE ROOF TRUSS COMPANY NORTHERN LIMITED

ASBESTOS SURVEYORS
chirmarn (SURVEYING) LIMITED

Springs Roofing Ltd

Hastie D. Burton Ltd.

WENSLEY
ROOFING LIMITED

JENNINGS
ROOFING

The FLOOR JOIST Co. (Northern) Ltd.

D.J. McGough
CORGI REG

MGM

industrial trucks Ltd
Established Since 1983

Northern Bear

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