



# Northern Bear

## Annual Report & Accounts 2009



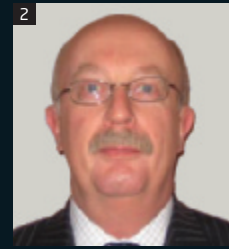
## Board of Directors

1. Howard Gold  
Executive Chairman Northern Bear Plc
2. Graham Forrest  
Chief Executive Officer Northern Bear Plc
3. David Jay  
Finance Director Northern Bear Plc
4. Steve Gray  
Operations Director Northern Bear Plc
5. Keith Soulsby  
Operations Director Northern Bear Plc
6. Graham Jennings  
Operations Director Northern Bear Plc



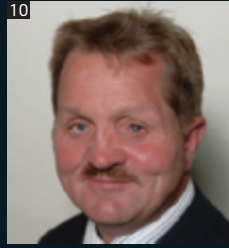
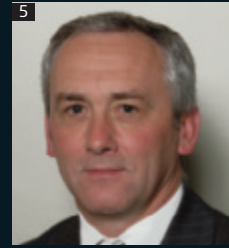
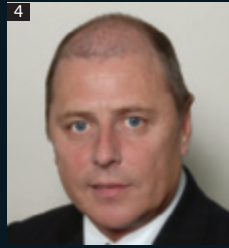
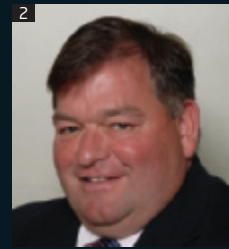
## Non-Executive Directors

1. Steve Roberts  
Non-Executive Director Northern Bear Plc
2. Ian McLean  
Non-Executive Director Northern Bear Plc



## Subsidiaries

1. John Gilstin  
Managing Director Isolier
2. Kevin Gray  
Managing Director Roof Truss and Floor Joist
3. Keith Muldoon  
Managing Director Springs Roofing
4. Ian Young  
Manager Director Wensley Roofing
5. Lance Rainey  
Managing Director MGM
6. Brian Young  
Managing Director MGM
7. David Wales  
Managing Director Chirmarn
8. Steve Rudd  
Managing Director Hastie Burton
9. Martin Briggs  
Managing Director Jennings Roofing, Leeds
10. Graeme Tennick  
Managing Director A1 Trucks
11. Derek Wymes  
Managing Director A1 Trucks
12. David McGough  
Managing Director DJ McGough
13. Eric Holmes  
Managing Director Jennings Roofing Manchester



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## **Advisors**

### ***Auditor***

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

### ***Nominated advisor***

Strand Partners Limited  
26 Mount Row  
London  
W1K 3SQ

### ***Bankers***

Yorkshire Bank  
94 Albion Street  
Leeds  
LS1 6AG

### ***Registered office***

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

### ***Legal advisors***

Mincoff Jacksons LLP  
5 Osborne Terrace  
Jesmond  
Newcastle upon Tyne  
NE2 1SQ

# Chairman's statement

## Introduction

I am delighted to announce that Northern Bear has delivered another year of earnings growth despite the current unprecedented economic conditions.

Income has grown by 30% to £41.8 million and profit before tax by 27% to £2.9 million. Earnings per share has grown by 12% to 11.5 pence per share and interest cover remains healthy at 4.8 times.

The Group continues to be very cash generative, reporting a cash flow from operations of £2.0 million (2008: £0.4m).

These results clearly demonstrate the robust nature and sound defensive qualities of our diversified business model.

We also recently renegotiated and improved our banking terms after the balance sheet date. We have committed bank facilities of £11.0 million, having regard to capital repayments already made, of which £9.3 million was utilised at the year end. Whilst this gives us additional flexibility and provides a platform to take advantage of opportunities as they arise, at the date of this report the Board are currently reviewing the Group's future requirements with our bankers as discussed further in the directors' report.

## Strategy and business review

Our strategy of acquiring mature, cash generative, owner managed businesses and to integrate this with the organic growth of our existing Group businesses, remains unchanged. While we have not completed an acquisition for over 12 months, this still remains a key part of our strategy. We continue to look for quality, owner managed businesses with strong, second tier management to complement our existing 13 operations.

On 13<sup>th</sup> November 2008, we announced the opening of Jennings Roofing Manchester, a sister roofing business to the original business based in Leeds and are delighted at the progress made by this business.

During the period, all of our businesses operated in specific markets that each experienced their own particular challenges. Despite this, many of our businesses have enjoyed strong trading performances, and in some cases, record profitability. These businesses include those in specialist sectors, such as fire protection, asbestos removal and equipment rental. Their performance has helped balance the pressures experienced by some of our other businesses, particularly those with some exposure to the new house build sector. To their enormous credit, those businesses with links to the new house build sector continued to contribute to Group profitability. Given the current tough market environment, this is testament to the quality of our management and the strength of the customer relationships built up over the years.

We continue to win new customers and source new markets, which is partly a result of new members of our team joining us from competitors.

During the period we have actively managed our cost base. Its flexibility allows our individual businesses to minimise the risk of a period of losses. We have found that management have not been afraid, nor slow, to make the tough decisions needed in such uncertain times.

At Group level, there have also been substantial cost saving measures implemented. These include a Group wide pay freeze, cessation of non-contractual cash bonuses, a capital expenditure review, material marketing and entertaining reduction and renegotiation of advisors' fees. Such measures are ongoing as the Board consider it their priority to reduce expenditure wherever possible, while continuing to explore every avenue for new work and opportunities.

## Dividend

Given the ongoing uncertainty in the market, and the obvious need for prudence, the priority for the Board is to conserve cash resources and to continue to repay debt. While our strong cash flow and profitability would have supported a final dividend, we have taken the decision to suspend such a payment. However, should trading conditions improve, we will reinstate our dividend policy at the earliest point at which it is responsible to do so.

## Chairman's statement *(continued)*

### Board of directors / advisors

We were delighted to welcome two new directors to the Board during the year. On 8 April 2008, Graham Jennings joined the Board as an Operations Director, in line with our policy of appointing executive directors, wherever possible, from within the existing Group operating businesses and Ian McLean joined the Board on 14 November 2008 as a non-executive director.

Marcus Yeoman and Jon Pither, two of the Company's directors since flotation, retired from the Board on 30 June 2008 and 21 October 2008 respectively. Jon Pither was the Company's co-founder and was instrumental in its development and flotation. We thank him for his substantial contribution to the growth of the Company.

The Company's retained broker, St Helen's Capital, stood down in June 2009. The Company's NOMAD, Strand Partners Limited, assumed their role at that stage. Rivington Street Corporate Finance was subsequently appointed as sole broker in September 2009.

### Outlook

While the environment continues to be challenging, I am very confident that our executive team will continue to deliver success in the future.

The strength of our businesses is dependent on the quality of our long-term relationships and partnering agreements with the main contractors and blue chip builders involved in both public and private client contracts. The Northern Bear brand continues to strengthen as trade grows with this customer base.

Our strategy of repositioning the businesses away from new house build, which now accounts for only 4% of Group turnover (*2008: 13%*) was taken at a very early stage in the cycle and has helped insulate us from the severe downturn in that sector. We are very mindful however, of maintaining a spread of businesses and consider it essential to retain a presence in the new house build sector for when the inevitable upturn arrives. We are already experiencing a slight upturn in our new house build businesses, even though a significant degree of pricing pressure remains.

With regard to any future acquisitions, it is our intention to fund these with a combination of vendor equity and from the Company's own resources, rather than as previously using vendor equity and bank debt.

We believe that this approach will both help maintain our solid financial base and continue our growth, ensuring we do not jeopardise what we have achieved over the past two and half years. Together with the strong defensive qualities of our business, this will ensure we are best positioned to survive the tough times and prosper and flourish in the good times.

We have proved that our businesses are able to continue to deliver real profits and cash generation in the toughest of trading environments. Opportunities will present themselves over the coming months and I believe we are well placed to capitalise upon these as we emerge from the current downturn.

### People

Since becoming Chairman in October 2008, I have been continually impressed by the skill, enthusiasm and expertise of our management. These qualities, above all else, are our greatest assets and give me confidence for the coming year. I would like to thank all of our employees across the group for their contribution to our excellent results.

Howard Gold  
Chairman

28 September 2009

## Directors' report

The directors present their annual report and financial statements for the year ended 31 March 2009.

### Business review

#### *Principal activities*

The principal activity of the Group is to acquire and 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 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.

#### *Measurement*

The company uses a number of financial and non financial KPI's to measure performance and these are communicated to the Board of Directors through monthly reports. These KPI's include sales information, manufacturing and stock levels; quality costs and a number of health and safety and employee related KPI's. The Board considers that the KPI's used are an effective system tailored specifically to the demands of the sector.

Financially, the primary measurements are income, profit before tax and cash flow from operations, as identified in the Chairman's Statement.

#### *Statement on risks relating to the Group's business*

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

#### *Investment objectives*

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

#### *Economic stability*

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

#### *Key clients*

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

## Directors' report *(continued)*

### Business review *(continued)*

#### *Dependence on personnel*

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

#### **Future outlook**

The directors recognise that the current trading environment continues to be challenging but are confident that the Group's strategy will deliver success.

The directors are currently in discussion with the Group's bankers in order to review the Group's existing term loan and revolving credit facilities amounting to £11 million, of which £9.3 million was utilised at the year end, and to ensure the Group has sufficient and appropriate facilities for the foreseeable future.

As explained further in note 2, the directors have prepared detailed forecasts which indicate that the Group should be able to meet existing loan capital and interest repayment schedules as they fall due, although the margin of cash requirement over facilities is not large and further headroom may be required. Pending negotiations, the bank has waived the covenant tests that would have occurred at 30 September 2009. However, it is uncertain whether the Group will satisfy the quarterly covenant tests linked to forecast earnings and cash/overdrawn balances at the next testing date, 31 December 2009.

Should a breach occur, the terms of the existing bank facilities would result in the amounts becoming repayable on demand. However, the directors are confident that the bank remains supportive. The bank has waived the test that would otherwise have occurred at 30 September 2009 and will continue discussions with the Group in the near future, and certainly before the quarterly covenant test on 31 December 2009, with the intention of establishing revised banking facilities suitable for the Group's projected needs. These revised facilities are expected to include rescheduling of loan capital and interest repayments and covenants suitable to Group's forecasts.

In addition to the plan to agree revised banking facilities, the Directors continue to consider other strategic possibilities that may be available, including the ongoing review of overheads and working capital management and the possible raising of fresh funds, not only to strengthen existing working capital but also to ensure that the Group can continue to take advantage of opportunities as they arise.

#### **Proposed dividend**

The directors do not recommend the payment of a dividend.

#### **Directors**

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

HB Gold	(Chairman)
GSL Forrest	(Chief Executive)
S Gray	
D Jay	(Finance Director)
GR Jennings	(appointed 8 April 2008)
IT McLean	(appointed 14 November 2008)
SM Roberts	
K Soulsby	
JP Pither	(resigned 21 October 2008)
M Yeoman	(resigned 30 June 2008)

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:

## Directors' report (continued)

### Directors (continued)

	Interest at end of year	Interest at beginning of year
GSL Forrest	2,283,489	2,553,014
S Gray	827,282	827,282
GR Jennings	814,569	814,569
SM Roberts	753,300	753,300
D Jay	543,000	543,000
K Soulsby	497,820	497,820
IT McLean	71,428	-
HB Gold	20,000	20,000

In total the directors' interests in the ordinary shares of the Company totalled 5,810,588, representing 31% of allocated shares at the year end.

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	200,000	1,000,000

All the directors benefited from qualifying third party indemnity provisions up to and including the date of this report.

### Significant shareholdings

At 24 September 2009, 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
JP Pither	2,487,914	13.1%
GSL Forrest	1,983,492	10.5%
Pershing Nominees Limited	1,132,247	6.0%
S Gray	827,282	4.4%
GR Jennings	814,569	4.3%
SM Roberts	753,300	4.0%
JJ Lightle	630,432	3.3%
K Gray	615,548	3.2%
Giltspur Nominees Limited	607,028	3.2%
GT Tennick	591,251	3.1%
DM Wymes	591,251	3.1%

### Political and charitable contributions

Neither the Company nor any of its subsidiaries made any political contributions during the year (2008: *Nil*). Charitable donations amounted to £6,516 (2008: *Nil*).

### 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.

## **Directors' report** *(continued)*

### **Corporate governance** *(continued)*

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

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

### **Employees**

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

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

The Group operates a range of schemes to involve employees in the financial performance of the business including profit related and other cash bonus arrangements and 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 Mincoff Jacksons LLP, 5 Osborne Terrace, Jesmond, Newcastle upon Tyne, NE2 1SQ at 10am on 29 October 2009

### **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 489 of the Companies Act 2006, a resolution for the reappointment of KPMG Audit Plc as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

By order of the board

**GSL Forrest**

*Director*

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

28 September 2009

## Statement of directors' responsibilities in respect of the annual report and the financial statements

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare 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 law 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 and IFRSs as adopted by the EU to present fairly the financial position of the Group and the Parent Company and the performance for that period; 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 Parent 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 Company'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 2009 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 annual report and the financial statements 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 are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the directors' report is consistent with the financial statements.

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

We read the other information contained in the annual report and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

#### **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 Group 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 2009 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 as applied in accordance with the provisions of the Companies Act 1985, of the state of the Parent Company's affairs as at 31 March 2009;
- 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.

### Emphasis of matter - going concern

In forming our opinion on the financial statements, which is not qualified, we have considered the adequacy of the disclosures made in note 2 to the financial statements concerning the Company's and the Group's ability to continue as a going concern. This is dependent upon the continued availability of appropriate and sufficient bank facilities, which is dependent, firstly, on the Group achieving profits and net cash flows substantially in line with, or favourable to, projections and, secondly, on the Group successfully agreeing revised bank facilities suitable for its needs, in particular regarding rescheduling of loan capital and interest repayments and bank covenant requirements. These conditions, along with other matters explained in note 2 to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt on the Company's and the Group's ability to continue as a going concern. The financial statements do not include any adjustments that would result if the Company or Group were unable to do so.

**KPMG Audit Plc**  
*Chartered Accountants*  
*Registered Auditor*

28 September 2009

**Consolidated income statement**  
for year ended 31 March 2009

	Note	2009	2008
		£000	£000
<b>Revenue</b>		<b>41,758</b>	<b>32,241</b>
Cost of sales		<b>(29,609)</b>	<b>(22,777)</b>
		<hr/>	<hr/>
<b>Gross profit</b>		<b>12,149</b>	<b>9,464</b>
Other operating income	6	27	46
Administrative expenses			
Exceptional expenses	7	(129)	-
Share based payments		(91)	(196)
Other administrative expenses		(8,339)	(6,106)
		<hr/>	<hr/>
		<b>(8,559)</b>	<b>(6,302)</b>
		<hr/>	<hr/>
<b>Operating profit</b>		<b>3,617</b>	<b>3,208</b>
Finance income	10	25	64
Finance expenses	10		
Exceptional expense		-	(407)
Other finance expense		(785)	(613)
		<hr/>	<hr/>
		<b>(785)</b>	<b>(1,020)</b>
		<hr/>	<hr/>
<b>Profit before income tax</b>		<b>2,857</b>	<b>2,252</b>
Taxation	11	(685)	(694)
		<hr/>	<hr/>
<b>Profit for the period</b>		<b>2,172</b>	<b>1,558</b>
		<hr/>	<hr/>
Basic earnings per share	12	<b>11.5p</b>	10.3p
		<hr/>	<hr/>
Diluted earnings per share	12	<b>11.5p</b>	9.4p
		<hr/>	<hr/>

All results derive from continuing operations.

**Consolidated statement of changes in equity**  
*for year ended 31 March 2009*

	2009 £000	2008 £000
<b>Profit for the period</b>	2,172	1,558
Shares issued	1,819	6,556
Share based payments	91	196
Dividends	(564)	(169)
	<hr/>	<hr/>
<b>Net increase in total equity</b>	3,518	8,141
Total equity at start of period	17,757	9,616
	<hr/>	<hr/>
<b>Total equity at end of period</b>	<u>21,275</u>	<u>17,757</u>

**Company statement of changes in equity**  
*for year ended 31 March 2009*

	2009 £000	2008 £000
<b>Profit/(loss) for the period</b>	2,682	(1,921)
Shares issued	1,819	6,556
Share based payments	91	196
Dividends	(564)	(169)
	<hr/>	<hr/>
<b>Net increase in total equity</b>	4,028	4,662
Total equity at start of period	13,903	9,241
	<hr/>	<hr/>
<b>Total equity at end of period</b>	<u>17,931</u>	<u>13,903</u>

**Consolidated balance sheet**  
at 31 March 2009

	Note	2009 £000	2008 £000
<b>Assets</b>			
Property, plant and equipment	14	3,705	2,177
Intangible assets	15	25,264	20,788
Other investments	16	11	11
Deferred tax assets	17	-	11
<b>Total non-current assets</b>		<b>28,980</b>	<b>22,987</b>
Inventories	18	929	311
Trade and other receivables	19	7,482	8,165
Prepayments for current assets		370	277
Cash and cash equivalents	20	750	714
<b>Total current assets</b>		<b>9,531</b>	<b>9,467</b>
<b>Total assets</b>		<b>38,511</b>	<b>32,454</b>
<b>Equity</b>			
Share capital	24	190	170
Share premium	24	5,169	5,021
Reserves	24	12,586	10,935
Retained earnings	24	3,330	1,631
<b>Total equity attributable to equity holders of the Company</b>		<b>21,275</b>	<b>17,757</b>
<b>Liabilities</b>			
Loans and borrowings	21	4,671	3,400
Deferred tax liabilities	17	48	-
<b>Total non-current liabilities</b>		<b>4,719</b>	<b>3,400</b>
Bank overdraft	20	3,489	2,283
Loans and borrowings	21	1,881	1,501
Trade and other payables	22	6,241	6,044
Current tax payable		456	869
Deferred income		450	600
<b>Total current liabilities</b>		<b>12,517</b>	<b>11,297</b>
<b>Total liabilities</b>		<b>17,236</b>	<b>14,697</b>
<b>Total equity and liabilities</b>		<b>38,511</b>	<b>32,454</b>

These financial statements were approved by the board of directors on 28 September 2009 and were signed on its behalf by:

**GSL Forrest**  
Director

**Company balance sheet**  
at 31 March 2009

	Note	2009 £000	2008 £000
<b>Assets</b>			
Property, plant and equipment	14	21	27
Investments in subsidiaries	16	43,087	35,435
<b>Total non-current assets</b>		<b>43,108</b>	<b>35,462</b>
Trade and other receivables	19	30	1,059
Prepayments for current assets		111	38
Cash and cash equivalents	20	129	-
<b>Total current assets</b>		<b>270</b>	<b>1,097</b>
<b>Total assets</b>		<b>43,378</b>	<b>36,559</b>
<b>Equity</b>			
Share capital	24	190	170
Share premium	24	5,169	5,021
Reserves	24	12,586	10,935
Retained earnings	24	(14)	(2,223)
<b>Total equity attributable to equity holders of the Company</b>		<b>17,931</b>	<b>13,903</b>
<b>Liabilities</b>			
Loans and borrowings	21	4,423	3,185
Amounts owed to group undertakings		13,265	13,601
<b>Total non-current liabilities</b>		<b>17,688</b>	<b>16,786</b>
Bank overdraft	20	5,541	4,006
Loans and borrowings	21	1,536	1,014
Trade and other payables	22	232	250
Deferred income		450	600
<b>Total current liabilities</b>		<b>7,759</b>	<b>5,870</b>
<b>Total liabilities</b>		<b>25,447</b>	<b>22,656</b>
<b>Total equity and liabilities</b>		<b>43,378</b>	<b>36,559</b>

These financial statements were approved by the board of directors on 28 September 2009 and were signed on its behalf by:

**GSL Forrest**  
Director

## Consolidated cash flow statement

for year ended 31 March 2009

	Note	2009 £000	2008 £000
<b>Cash flows from operating activities</b>			
Profit for the year		2,172	1,558
<i>Adjustments for:</i>			
Depreciation	14	670	329
Finance income	10	(25)	(64)
Finance expense	10	785	1,020
(Profit)/loss on sale of property, plant and equipment		(4)	3
Equity settled share-based payment transactions		91	196
Income tax expense	11	685	694
		<hr/> 4,374	<hr/> 3,736
Change in inventories	18	(527)	135
Change in trade and other receivables	19	1,151	(1,273)
Change in prepayments		22	26
Change in trade and other payables	22	(723)	98
Change in deferred income		(150)	199
		<hr/> 4,147	<hr/> 2,921
Interest received		25	64
Interest paid		(785)	(1,020)
Tax paid		(1,352)	(1,555)
		<hr/> 2,035	<hr/> 410
<b>Net cash from operating activities</b>			
<b>Cash flows from investing activities</b>			
Proceeds from sale of property, plant and equipment		74	22
Acquisition of subsidiaries, net of cash acquired	4	(4,072)	(5,535)
Acquisition of property, plant and equipment		(173)	(295)
		<hr/> (4,171)	<hr/> (5,808)
<b>Net cash from investing activities</b>			
<b>Cash flows from financing activities</b>			
Proceeds from the issue of share capital	24	-	3,906
Payment of transaction costs		-	(337)
Proceeds from new borrowings		3,500	4,500
Repayment of borrowings		(1,740)	(3,395)
Payment of finance lease liabilities		(230)	(74)
Dividends paid	13	(564)	(169)
		<hr/> 966	<hr/> 4,431
<b>Net cash from financing activities</b>			
Net decrease in cash and cash equivalents		(1,170)	(967)
Cash and cash equivalents at start of period	20	(1,569)	(602)
		<hr/> (2,739)	<hr/> (1,569)
<b>Cash and cash equivalents at end of period</b>			

**Company cash flow statement**  
for year ended 31 March 2009

	Note	2009 £000	2008 £000
<b>Cash flows from operating activities</b>			
Profit/(loss) for the year		2,682	(1,921)
<i>Adjustments for:</i>			
Depreciation	14	7	3
Finance income		(7)	(50)
Finance expense		753	1,001
Equity settled share-based payment transactions		91	196
Income tax expense		(1)	1
		<hr/> 3,525	<hr/> (770)
Change in trade and other receivables	19	1,029	152
Change in prepayments		(73)	(30)
Change in trade and other payables	22	(199)	1,499
Change in deferred income		(150)	249
		<hr/> 4,132	<hr/> 1,100
Interest received		7	50
Interest paid		(753)	(1,001)
Tax paid		1	(1)
		<hr/> 3,387	<hr/> 148
<b>Cash flows from investing activities</b>			
Acquisition of subsidiaries	4	(5,989)	(8,166)
Acquisition of property, plant and equipment		-	(2)
		<hr/> (5,989)	<hr/> (8,168)
<b>Cash flows from financing activities</b>			
Proceeds from the issue of share capital	24	-	3,906
Payment of transaction costs		-	(337)
Proceeds from new borrowing		3,500	4,500
Repayment of borrowings		(1,740)	(2,521)
Dividends paid	13	(564)	(169)
		<hr/> 1,196	<hr/> 5,379
Net decrease in cash and cash equivalents		(1,406)	(2,641)
Cash and cash equivalents at start of period	20	(4,006)	(1,365)
<b>Cash and cash equivalents at end of period</b>	<b>20</b>	<hr/> <b>(5,412)</b>	<hr/> <b>(4,006)</b>

## Notes

*(forming part of the financial statements)*

### 1. Reporting entity

Northern Bear Plc (the "Company") is a company incorporated in England and Wales.

The Group financial statements consolidate those of the Company and its subsidiaries (together referred to as the "Group"). The Parent Company financial statements present information about the company as a separate entity and not about its Group.

### 2. Basis of preparation

#### **Statement of compliance**

Both the Parent Company financial statements and the Group financial statements have 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.

#### **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.

#### **Going concern**

The financial statements have been prepared on a going concern basis which the directors believe to be appropriate for the reasons set out below.

Whilst the Group remains profitable the trading environment in which it operates continues to be challenging as a result of the uncertainty in the markets in which it operates and the general economic conditions as a whole.

The Group renegotiated and improved its banking terms after the balance sheet date. Under those revised terms, committed bank facilities are £11 million, having regard to capital payments already made, of which £9.3 million was utilised at the year end.

At the date of this report, the directors are currently in further discussion with the Group's bankers in order to review the Group's existing term loan and revolving credit facilities and to ensure the Group has sufficient and appropriate facilities for the foreseeable future.

The directors have prepared detailed projected cash flow information for a period in excess of 12 months from the current date which they believe to be reasonable, based on information available at the time of approval of these financial statements. In addition, the directors have considered how those forecasts should be sensitised to reflect the uncertainties in the current environment. The directors have also considered the other strategic possibilities that may be available, including the ongoing review of overheads and working capital management and the possible raising of fresh funds, not only to strengthen existing working capital but also to ensure that the Group can continue to take advantage of opportunities as they arise.

Based on these forecasts the directors believe that the Group should be able to meet existing loan capital and interest repayment schedules as they fall due, although the margin of cash requirement over facilities is not large and further headroom may be required. Pending negotiations, the bank has waived the covenant tests that would have occurred at 30 September 2009. However, it is uncertain whether the Group will satisfy the quarterly covenant tests linked to forecast earnings and cash/overdrawn balances at the next testing date, 31 December 2009.

## Notes (continued)

### 2. Basis of preparation (continued)

The directors are confident that the bank remains supportive. As noted above, the bank has waived the covenant tests that would otherwise have occurred at 30 September 2009 and will continue discussions with the Group in the near future, and certainly before the quarterly covenant test on 31 December 2009, with the intention of establishing revised banking facilities suitable for the Group's projected needs. These revised facilities are expected to include rescheduling of loan capital and interest repayments and covenants suitable to the Group's forecasts. At the date of approval of these financial statements, discussions with the Group's bankers are proceeding positively.

In advance of the agreement of revised facilities that are suitable to the Group's needs, the directors consider that the above matters represent material uncertainties that may cast significant doubt on the Company's ability to continue as a going concern and therefore the Company may be unable to continue to realise its assets and discharge its liabilities in the normal course of business. These financial statements do not include any adjustments that would result from the going concern basis of preparation being inappropriate. Nevertheless, after making enquiries and considering these issues in detail, the directors have a reasonable expectation that the Company and Group will have adequate resources to continue in operation for the foreseeable future. For these reasons, they continue to adopt the going concern basis in the preparation of the financial statements.

### 3. Significant accounting policies

#### ***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 that control commences until the date that control ceases.

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

#### ***Classification of financial instruments issued by the Group***

Following the adoption of IAS 32, financial instruments issued by the Group are treated as equity only to the extent that they meet the following two conditions:

- a) they include no contractual obligations upon the Group to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Group; and
- b) where the instrument will or may be settled in the Company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Company's own equity instruments or is a derivative that will be settled by the Company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

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

#### ***Non-derivative financial instruments***

Non-derivative financial instruments comprise investments in equity, trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

##### *Trade and other receivables*

Trade and other receivables are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses.

##### *Trade and other payables*

Trade and other payables are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

##### *Investments in equity*

Investments in subsidiaries are carried at cost less impairment in the Parent Company accounts.

##### *Cash and cash equivalents*

## Notes (continued)

### 3. Significant accounting policies (continued)

Cash and cash equivalents comprise cash balances and call deposits. 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 only of the cash flow statement.

#### *Interest-bearing borrowings*

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

#### *Intangible assets and goodwill*

All business combinations are accounted for by applying the purchase method. Goodwill represents amounts arising on acquisition of subsidiaries. Goodwill represents the difference between the cost of the acquisition and the net fair value of the identifiable assets, liabilities and contingent liabilities acquired. Identifiable intangibles are those which can be sold separately or which arise from legal rights regardless of whether those rights are separable.

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units and is not amortised but is tested annually for impairment. In respect of equity accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment in the investee.

#### *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 on a straight line basis 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.

## Notes (continued)

### 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.

## Notes (continued)

### 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.

#### 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:

- IFRS 8 'Operating Segments';
- 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 Group's financial statements.

## Notes (continued)

### 4. Acquisitions

- a) On 1 April 2008 the Company acquired 100% of the issued share capital of A1 Industrial Trucks Limited. The resulting goodwill was calculated and capitalised as follows:

	Book value £000	Fair value adjustment £000	Fair value £000
<b>Fixed assets</b>			
Tangible	1,641	(72)	1,569
<b>Current assets</b>			
Stock	37	-	37
Debtors	212	-	212
Cash	1,441	-	1,441
<b>Current liabilities</b>	(537)	-	(537)
Net assets	2,794	(72)	2,722
Goodwill	2,540	72	2,612
Purchase consideration	5,334	-	5,334
Satisfied by:			
Cash			4,197
Shares			1,137
			5,334

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 2008 for the acquisition of A1 Industrial Trucks Limited as specified in the sale and purchase agreement.

## Notes (continued)

### 4. Acquisitions (continued)

- b) On 1 April 2008 the Company acquired 100% of the issued share capital of DJ McGough Limited. The resulting goodwill was calculated and capitalised as follows:

	Book value £000	Fair value adjustment £000	Fair value £000
<b>Fixed assets</b>			
Tangible	98	-	98
<b>Current assets</b>			
Stock	264	(60)	204
Debtors	371	-	371
Cash	484	-	484
<b>Current liabilities</b>			
Bank overdraft	(8)	-	(8)
Other liabilities	(397)	(304)	(701)
Net assets	812	(364)	448
Goodwill	1,500	364	1,864
Purchase consideration	2,312	-	2,312
Satisfied by:			
Cash			1,792
Shares			520
			2,312

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 2008 for the acquisition of DJ McGough Limited as specified in the sale and purchase agreement.

Prior year financials for acquisitions are summarised below for the period ended 31 March 2008.

	A1 Industrial Trucks Ltd £000	DJ McGough Ltd £000
Income	3,357	2,627
Profit for the period	894	174

### 5. Segmental information

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

## Notes (continued)

### 6. Other operating income

	2009 £000	2008 £000
Rental income	19	25
Management services	8	21
	<u>27</u>	<u>46</u>

### 7. Expenses and auditors' remuneration

#### *Auditors' remuneration:*

	2009 £000	2008 £000
Audit of these financial statements	13	25
Amounts receivable by auditors and their associates in respect of:		
Audit of financial statements of subsidiaries pursuant to legislation	112	94
Other services pursuant to such legislation	-	20
Other services relating to taxation	26	24
Services relating to remuneration	5	4
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
	<u>          </u>	<u>          </u>

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.

Administrative expenses include the following exceptional expenses in relation to redundancy costs:

	2009 £000	2008 £000
Redundancy expenses - exceptional	<u>129</u>	<u>-</u>

## Notes (continued)

### 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	
	2009	2008	2009	2008
Directors	8	8	8	8
Administration	95	57	1	1
Production	378	294	-	-
	<u>481</u>	<u>359</u>	<u>9</u>	<u>9</u>

The aggregate payroll costs of these persons were as follows:

	Group		Company	
	2009 £000	2008 £000	2009 £000	2008 £000
Wages and salaries	12,015	8,359	420	461
Share based payments (see note 23)	91	196	91	196
Social security costs	1,206	765	51	39
Contributions to defined contribution plans	125	80	-	-
	<u>13,437</u>	<u>9,400</u>	<u>562</u>	<u>696</u>

### 9. Directors' remuneration

	2009 £000	2008 £000
Directors' emoluments	578	432
Amounts paid to third parties in respect of directors' services	66	97
	<u>644</u>	<u>529</u>

The emoluments of the highest paid director was £196,704 (2008: £166,000).

	Number of directors	
	2009	2008
Retirement benefits are accruing to the following number of directors under:		
Money purchase schemes	-	-
	<u>-</u>	<u>-</u>

## Notes (continued)

### 10. Finance income and expense

<b>Finance income</b>	<b>2009 £000</b>	<b>2008 £000</b>
Bank interest - finance income	<u>25</u>	<u>64</u>
<b>Finance expense</b>	<b>2009 £000</b>	<b>2008 £000</b>
On bank loans and overdrafts	735	543
Finance charges payable in respect of finance leases and hire purchase contracts	<u>50</u>	<u>70</u>
Exceptional finance expense - refinancing	<u>785</u> -	<u>613</u> 407
Total finance expense	<u><b>785</b></u>	<u><b>1,020</b></u>

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

## Notes (continued)

### 11. Taxation

#### Recognised in the income statement

	2009 £000	2008 £000
<i>Current tax expense</i>		
Current year	863	859
Adjustments for prior years	(238)	(91)
	<hr/>	<hr/>
Current tax expense	625	768
	<hr/>	<hr/>
<i>Deferred tax expense</i>		
Origination and reversal of temporary differences	60	(79)
Reduction in tax rate	-	5
	<hr/>	<hr/>
Deferred tax expense	60	(74)
	<hr/>	<hr/>
Total tax expense	685	694
	<hr/>	<hr/>

#### Reconciliation of effective tax rate

	2009 £000	2008 £000
Profit before tax	2,857	2,252
	<hr/>	<hr/>
Tax using the UK corporation tax rate of 28% (2008: 30%)	800	676
Non-deductible expenses	135	121
Small companies tax rate	(9)	(12)
Over provided in prior years	(238)	(91)
Income not taxable for tax purposes	(3)	-
	<hr/>	<hr/>
Total tax expense	685	694
	<hr/>	<hr/>

## Notes (continued)

### 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:

	2009	2008
Profit for the period (£000)	2,172	1,558
Weighted average number of ordinary shares ('000)	18,814	15,103
Earnings per share	11.5p	10.3p

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:

	2009	2008
Profit for the period (£000)	2,172	1,558
Weighted average number of ordinary shares ('000)	18,814	16,598
Earnings per share	11.5p	9.4p

### 13. Dividends

The aggregate amount of dividends comprises:

	2009 £000	2008 £000
Interim dividends paid in respect of the current year	188	169
Final dividends paid in respect of the prior year	376	-
	<u>564</u>	<u>169</u>

## Notes (continued)

### 14. Property, plant and equipment

Group	Land and buildings £000	Plant and equipment £000	Fixtures and fittings £000	Motor vehicles £000	Total £000
<b>Cost</b>					
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
Balance at 1 April 2008	885	1,025	280	2,119	4,309
Acquisitions through business combinations	72	3,517	37	453	4,079
Other acquisitions	-	611	66	370	1,047
Disposals	-	(386)	(3)	(389)	(778)
Transfers to stock	-	(977)	-	-	(977)
Balance at 31 March 2009	957	3,790	380	2,553	7,680
<b>Depreciation and impairment</b>					
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
Balance at 1 April 2008	49	700	207	1,176	2,132
Depreciation on acquisitions	68	2,139	31	174	2,412
Depreciation charge for the year	8	279	37	346	670
Disposals	-	(230)	(3)	(321)	(554)
Transfers to stock	-	(685)	-	-	(685)
Balance at 31 March 2009	125	2,203	272	1,375	3,975
<b>Net book value</b>					
At 1 April 2007	843	224	40	611	1,718
At 31 March 2008	836	325	73	943	2,177
At 31 March 2009	832	1,587	108	1,178	3,705

## Notes (continued)

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

#### Leased property, plant and equipment

At 31 March 2009 the net carrying amount of plant and equipment held on finance leases was £531,000 (2008: £437,000).

#### Security

Leased equipment secures lease obligations.

Freehold land and buildings at 2a Rainhill Close, Washington secure a £544,000 mortgage loan.

Company	Motor vehicles £000	Fixtures and fittings £000	Total £000
<b>Cost</b>			
Balance at 1 April 2007	-	5	5
Transfer from group undertakings	42	-	42
Other acquisitions	-	2	2
	<hr/>	<hr/>	<hr/>
Balance at 31 March 2008	42	7	49
	<hr/>	<hr/>	<hr/>
Balance at 1 April 2008	42	7	49
Other acquisitions	-	1	1
	<hr/>	<hr/>	<hr/>
Balance at 31 March 2009	42	8	50
	<hr/>	<hr/>	<hr/>
<b>Depreciation and impairment</b>			
Balance at 1 April 2007	-	-	-
Transfer from group undertaking	19	-	19
Depreciation charge for the year	1	2	3
	<hr/>	<hr/>	<hr/>
Balance at 31 March 2008	20	2	22
	<hr/>	<hr/>	<hr/>
Balance at 1 April 2008	20	2	22
Depreciation charge for the year	5	2	7
	<hr/>	<hr/>	<hr/>
Balance at 31 March 2009	25	4	29
	<hr/>	<hr/>	<hr/>
<b>Net book value</b>			
At 1 April 2007	-	5	5
	<hr/>	<hr/>	<hr/>
At 31 March 2008	22	5	27
	<hr/>	<hr/>	<hr/>
<b>At 31 March 2009</b>	<b>17</b>	<b>4</b>	<b>21</b>
	<hr/>	<hr/>	<hr/>

## Notes (continued)

### 15. Intangible assets

#### Group

	<b>Goodwill £000</b>
<b>Cost and net book value</b>	
Balance at 1 April 2007	12,414
Acquisitions through business combinations	8,374
	<hr/>
Balance at 31 March 2008	20,788
	<hr/>
Balance at 1 April 2008	20,788
Acquisitions through business combinations	4,476
	<hr/>
Balance at 31 March 2009	25,264
	<hr/>

#### 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 twenty 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 2% annual growth thereafter. The carrying amount of goodwill is allocated to income generating units based on entities.

### 16. Investments

#### Group

	<b>Other investments £000</b>
<b>Cost and net book value</b>	
At beginning and end of period	11
	<hr/>

#### Company

	<b>Shares in group undertakings £000</b>
<b>Cost and net book value</b>	
At beginning of year	35,435
Acquisitions	7,652
	<hr/>
At end of year	43,087
	<hr/>

## Notes (continued)

### 16. Investments (continued)

The Company has the following investments in subsidiaries:

Company	Country of Incorporation	Class of shares held	Ownership	
			2009	2008
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%	100%
Chirmarn Limited	England and Wales	Ordinary	100%*	100%*
Chirmarn (Surveying) Limited	England and Wales	Ordinary	100%*	100%*
Hastie Limited	England and Wales	Ordinary	100%	100%
Hastie D Burton Limited	England and Wales	Ordinary	100%*	100%*
Jennings Properties Limited	England and Wales	Ordinary	100%	100%
		A Ordinary	100%	100%
		B Ordinary	100%	100%
Jennings Roofing Limited	England and Wales	Ordinary	100%	100%*
A1 Industrial Trucks Limited	England and Wales	Ordinary	100%	Nil
DJ McGough Limited	England and Wales	Ordinary	100%	Nil
Northern Bear Safety Limited	England and Wales	Ordinary	100%	Nil

\*held indirectly.

## Notes (continued)

### 17. Deferred tax assets and liabilities

#### Group

##### Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	2009 £000	2008 £000
Property, plant and equipment	(62)	(48)
Other	14	59
	<u>(48)</u>	<u>11</u>

##### Movement in deferred tax during the year

	1 April 2008 £000	Recognised in income £000	Acquired in business combination £000	31 March 2009 £000
Property, plant and equipment	(48)	(14)	-	(62)
Share-based payments	2	(2)	-	-
Provisions	57	(44)	1	14
	<u>11</u>	<u>(60)</u>	<u>1</u>	<u>(48)</u>

##### Movement in deferred tax during the prior 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
	<u>(52)</u>	<u>74</u>	<u>(11)</u>	<u>11</u>

### 18. Inventories

	Group		Company	
	2009 £000	2008 £000	2009 £000	2008 £000
Raw materials and consumables	<u>929</u>	<u>311</u>	<u>-</u>	<u>-</u>

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

## Notes (continued)

### 19. Trade and other receivables

	Group		Company	
	2009 £000	2008 £000	2009 £000	2008 £000
Trade receivables	7,478	8,157	-	-
Other trade receivables	4	8	30	61
Receivable from group undertakings	-	-	-	998
	<u>7,482</u>	<u>8,165</u>	<u>30</u>	<u>1,059</u>

Included within trade and other receivables is £nil (2008: £998,000) for the Company expected to be recovered in more than 12 months.

At 31 March 2009 trade receivables include retentions of £1,089,331 (2008: £1,095,000) relating to construction contracts in progress.

### 20. Cash and cash equivalents/ bank overdrafts

	Group		Company	
	2009 £000	2008 £000	2009 £000	2008 £000
Cash and cash equivalents per balance sheet	750	714	129	-
Bank overdrafts	(3,489)	(2,283)	(5,541)	(4,006)
Cash and cash equivalents per cash flow statements	<u>(2,739)</u>	<u>(1,569)</u>	<u>(5,412)</u>	<u>(4,006)</u>

## Notes (continued)

### 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.

	<i>Group</i>		<i>Company</i>	
	<i>2009</i>	<i>2008</i>	<i>2009</i>	<i>2008</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
<b><i>Non-current liabilities</i></b>				
Secured bank loans	4,423	3,185	4,423	3,185
Finance lease liabilities	219	181	-	-
Other loans	29	34	-	-
	<u>4,671</u>	<u>3,400</u>	<u>4,423</u>	<u>3,185</u>
<b><i>Current liabilities</i></b>				
Current portion of secured bank loans	1,536	1,014	1,536	1,014
Current portion of finance lease liabilities	168	153	-	-
Shareholder loans	177	330	-	-
Other loans	-	4	-	-
	<u>1,881</u>	<u>1,501</u>	<u>1,536</u>	<u>1,014</u>

#### *Terms and debt repayment schedule*

	<i>Currency</i>	<i>Nominal interest rate</i>	<i>Year of maturity</i>	<i>Face value 2009</i>	<i>Carrying amount 2009</i>	<i>Face value 2008</i>	<i>Carrying amount 2008</i>
				<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
<i>Yorkshire Bank term loan</i>	<i>GBP</i>	<i>Libor + 2%</i>	<i>2012</i>	<i>5,415</i>	<i>5,415</i>	<i>3,591</i>	<i>3,591</i>
<i>Mortgage loan</i>	<i>GBP</i>	<i>Libor + 2%</i>	<i>2017</i>	<i>544</i>	<i>544</i>	<i>608</i>	<i>608</i>
<i>Shareholder loan</i>	<i>GBP</i>	<i>n/a</i>	<i>n/a</i>	<i>177</i>	<i>177</i>	<i>330</i>	<i>330</i>
<i>Revolving credit facility</i>	<i>GBP</i>	<i>Libor + 2%</i>	<i>2010</i>	<i>3,489</i>	<i>3,489</i>	<i>2,283</i>	<i>2,283</i>
<i>Finance lease and hire purchase liabilities</i>	<i>GBP</i>	<i>n/a</i>	<i>Within 5 years</i>	<i>387</i>	<i>387</i>	<i>334</i>	<i>334</i>
<i>Other loans</i>	<i>GBP</i>	<i>n/a</i>		<i>29</i>	<i>29</i>	<i>38</i>	<i>38</i>

## Notes (continued)

### 21. Loans and borrowings (continued)

#### Finance lease liabilities

Finance lease liabilities are payable as follows:

<i>Group</i>	<i>Minimum lease payments</i>	<i>Interest</i>	<i>Principal</i>	<i>Principal</i>
	<i>2009</i>	<i>2009</i>	<i>2009</i>	<i>2008</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Less than one year	190	(22)	168	153
Between one and five years	244	(25)	219	181
	<u>434</u>	<u>(47)</u>	<u>387</u>	<u>334</u>

### 22. Trade and other payables

	<i>Group</i>		<i>Company</i>	
	<i>2009</i>	<i>2008</i>	<i>2009</i>	<i>2008</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Trade payables	4,207	4,384	195	83
Non-trade payables and accrued expenses	2,034	1,660	37	167
	<u>6,241</u>	<u>6,044</u>	<u>232</u>	<u>250</u>

### 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 £125,000 (2008: £80,000).

#### 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:

<i>Grant date</i>	<i>Method of settlement accounting</i>	<i>Number of instruments</i>	<i>Vesting conditions</i>	<i>Contractual life of options</i>
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
30 June 2008	Equity	25,000	3 years of service	June 11 - June 18

## Notes (continued)

### 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 2009	Number of options 2009	Weighted average exercise Price 2008	Number of options 2008
Outstanding at the beginning of the year		1,230,000		1,000,000
Granted during the year	98p	25,000	120p	230,000
Outstanding at the end of the year		<u>1,255,000</u>		<u>1,230,000</u>
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	30 June 2008
Fair value at measurement date	17p	18p	22p	17p
Exercise price	88p	98p	120p	98p
Expected volatility	19.0%	17.8%	18.1%	17%
Option life	5.5 years	5.5 years	5.5 years	5.5 years
Expected dividends	3.0%	3.0%	3.0%	3.0%
Risk-free interest rate (based on national government bonds)	5.0%	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:

	2009 £000	2008 £000
Equity settled share based payment expense	<u>91</u>	<u>196</u>

## Notes (continued)

### 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 equity £000
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	-	-	3,952
Merger reserve arising on acquisition	-	-	2,964	-	2,964
Equity-settled share based payment transactions	-	-	-	196	196
Dividends	-	-	-	(169)	(169)
<b>Balance at 31 March 2008</b>	<b>170</b>	<b>5,021</b>	<b>10,935</b>	<b>1,631</b>	<b>17,757</b>
Balance at 1 April 2008	170	5,021	10,935	1,631	17,757
Total recognised income and expense	-	-	-	2,172	2,172
Issue of shares	20	148	-	-	168
Merger reserve arising on acquisition	-	-	1,651	-	1,651
Equity-settled share based payment transactions	-	-	-	91	91
Dividends	-	-	-	(564)	(564)
<b>Balance at 31 March 2009</b>	<b>190</b>	<b>5,169</b>	<b>12,586</b>	<b>3,330</b>	<b>21,275</b>

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

	Share capital £000	Share premium £000	Merger reserve £000	Retained earnings £000	Total equity £000
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
Dividend	-	-	-	(169)	(169)
<b>Balance at 31 March 2008</b>	<b>170</b>	<b>5,021</b>	<b>10,935</b>	<b>(2,223)</b>	<b>13,903</b>
Balance at 1 April 2008	170	5,021	10,935	(2,223)	13,903
Total recognised income and expense	-	-	-	2,682	2,682
Issue of shares	20	148	-	-	168
Merger reserve arising on acquisition	-	-	1,651	-	1,651
Equity-settled share based payment transactions	-	-	-	91	91
Dividends	-	-	-	(564)	(564)
<b>Balance at 31 March 2009</b>	<b>190</b>	<b>5,169</b>	<b>12,586</b>	<b>(14)</b>	<b>17,931</b>

## Notes (continued)

### 24. Capital and reserves (continued)

#### Share capital

In millions of shares	Ordinary shares	
	2009	2008
On issue at start of period	17	12
Issued for cash	-	3
Issued for acquisitions	2	2
	<hr/>	<hr/>
On issue at end of period - fully paid	19	17
	<hr/>	<hr/>
<i>Authorised</i>	<b>2009</b>	<b>2008</b>
	<b>£000</b>	<b>£000</b>
50,000,000 ordinary shares of 1p each	500	500
50,000 0.1% cumulative redeemable preference shares of £1 each	50	50
	<hr/>	<hr/>
	550	550
	<hr/>	<hr/>
<i>Allotted, called up and fully paid</i>		
18,967,092 (2008: 17,010,437) ordinary shares of 1p each	190	170
	<hr/>	<hr/>
Shares classified in shareholders' funds	190	170
	<hr/>	<hr/>

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:

On 1 April 2008, the company issued 559,868 1p ordinary shares in partial payment for the acquisition of the entire issued share capital of DJ McGough Limited.

On 1 April 2008, the company issued 958,334 1p ordinary shares in partial payment for this acquisition of the entire issued share capital of A1 Industrial Trucks Limited.

On 7 May 2008, the company issued 224,168 1p ordinary shares in partial payment for the acquisition of the entire issued share capital of A1 Industrial Trucks Limited.

On 31 October 2008, the company issued 214,285 1p ordinary shares in partial payment of a loan due to Mr J Pither.

## Notes (continued)

### 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.

#### *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.

## Notes (continued)

### 25. Financial instruments (continued)

#### Trade and other receivables (continued)

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.

#### 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 2009.

#### 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.

	<i>Carrying amount</i>	
	<i>2009</i>	<i>2008</i>
	<i>£000</i>	<i>£000</i>
Trade receivables	7,478	8,157
Cash at bank	750	714
	<u>8,228</u>	<u>8,871</u>

## Notes (continued)

### 25. Financial instruments (continued)

#### 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 £8,228,000 (2008: £8,871,000) being the total of the carrying amount of financial assets.

#### Credit quality of financial assets and impairment losses

Trade receivables consist of the following:

	2009 £000	2008 £000
Sales ledger	7,713	8,391
Bad debt provision	(235)	(234)
Net trade receivables	<u>7,478</u>	<u>8,157</u>

Movements in the bad debt provision are summarised below:

	<i>Bad debt provision £000</i>
At beginning of year	234
Provided in year	171
Write offs and recoveries	(170)
At end of year	<u>235</u>

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.

	2009 Interest rate	Total £000	2008 Interest rate	Total £000
Cash and cash equivalents	Base-1	750	Base-1	714
Bank overdraft	Libor+2	(3,489)	Base+2	(2,283)
Finance lease liabilities	n/a	(387)	n/a	(334)
Bank loan	Libor+2	(5,415)	Base+2	(3,591)
Shareholder loan	n/a	(177)	n/a	(330)
Mortgage	Libor+2	(544)	Base+2	(608)
Other loans	n/a	(29)	n/a	(38)
		<u>(9,291)</u>		<u>(6,470)</u>

## Notes (continued)

### 25. Financial instruments (continued)

#### Credit risk (continued)

A change in 100 basis points in interest would increase or decrease equity by £149,000 over the entire term of the loans.

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.

#### 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.

The following are contractual maturities of financial liabilities, and exclude the impact of netting agreements:

#### 31 March 2009

##### Non-derivative financial instruments

	Carrying amount £000	Contractual cash flow £000	6 months or less £000	6-12 months £000	1-2 years £000	2-5 years £000	More than 5 years £000
Trade and other payables	6,241	(6,241)	(6,241)	-	-	-	-
Bank overdraft	3,489	(3,489)	(1,745)	(1,744)	-	-	-
Finance lease liabilities	387	(431)	(98)	(95)	(238)	-	-
Bank loan	5,415	(5,689)	(803)	(794)	(1,559)	(2,533)	-
Shareholder loan	177	(177)	(177)	-	-	-	-
Mortgage	544	(605)	(39)	(38)	(76)	(217)	(235)
Other loan	29	(29)	-	-	-	-	(29)
	<u>16,282</u>	<u>(16,661)</u>	<u>(9,103)</u>	<u>(2,671)</u>	<u>(1,873)</u>	<u>(2,750)</u>	<u>(264)</u>

Subsequent to the year end the bank facilities were renegotiated, providing the Group with total committed bank facilities of £11m.

### 26. Operating leases

Non-cancellable operating lease rentals are payable as follows:

	Group		Company	
	2009 £000	2008 £000	2009 £000	2008 £000
Less than one year	41	56	-	6
Between one and five years	20	48	-	10
More than five years	101	38	-	-
	<u>162</u>	<u>142</u>	<u>-</u>	<u>16</u>

## Notes (continued)

### 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 31% per cent of the voting shares of the Company.

The remuneration of key management personnel (including the directors) is as follows:

	Group	
	2009	2008
	£000	£000
Key management emoluments excluding social security costs	<u>578</u>	<u>432</u>

Directors' loans existed as follows:

	2008
	£000
<b><i>Loan from GSL Forrest</i></b>	
Balance at start of year	2
Balance at end of year	-
Maximum balance outstanding during the year	<u>2</u>

##### ***Loan from SM Roberts***

Balance at start of year	49
Balance at end of year	49
Maximum balance outstanding during the year	<u>49</u>

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

The following transactions were undertaken with entities which the directors have a vested interest.

	McInnes Corporate Finance LLP £000	Mincoff Jacksons LLP £000	Total £000
Balance as at beginning of period	(9)	-	(9)
Purchases	(257)	(217)	(474)
Settled	186	188	374
Balance as at end of period	<u>(80)</u>	<u>(29)</u>	<u>(109)</u>

SM Roberts, a non-executive director, is a partner of McInnes Corporate Finance LLP, which provided financial advice to the Group throughout the period.

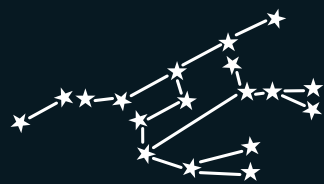
HB Gold, Chairman, is a partner of Mincoff Jacksons LLP. Mincoff Jacksons LLP are the Group's legal advisors and provided legal advice to the Group throughout the period.

The above balances are included within trade creditors.

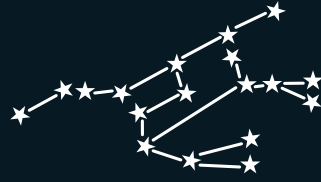




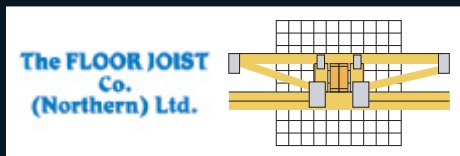
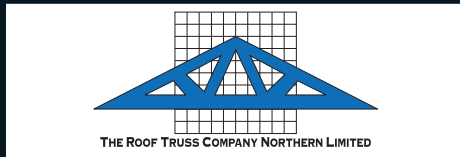




Northern Bear



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