

Northern Bear

Annual Report & Accounts 2010



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Advisors

Auditor

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Newcastle upon Tyne
NE1 3DX

Broker

Seymour Pierce Limited
20 Old Bailey
London
EC4M 7EN

Bankers

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4 Victoria Place
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Leeds
LS11 5AE

Financial public relations

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14 Kinnerton Place South
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SW1X 8EH

Legal advisors

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

Registered office

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County Durham
DH3 3DU

Nominated advisor

Strand Hanson Limited
26 Mount Row
London
W1K 3SQ

Chairman's statement

Introduction

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

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

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

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

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

After deducting net exceptional expenses of £2.2m (2009: £0.1m) the loss for the year was £1.4m (2009: profit £2.2m) and a basic loss per share of 7.2p (2009: earnings 11.5p).

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

Trading

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

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

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

The new financial year has started well and shows a substantial improvement compared to the same period in 2009.

Cash flow

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

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

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

Chairman's statement *(continued)*

Risk management

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

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

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

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

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

Dividend

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

Board of directors and advisors

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

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

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

Outlook

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

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

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

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

People

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

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

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

Howard Gold
Non-Executive Chairman

26 August 2010

Directors' report

The directors present their annual report and financial statements for the year ended 31 March 2010.

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 cashflows 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; detailed operational 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, operating profit and cash flow from operations, as identified in the Chairman's Statement. The main non financial KPI's relate to health and safety measures, including our accident incident rate (AIR) and the number of notifiable accidents, 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.

Identification of acquisitions

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

Sector demand

The Group currently consists of 14 businesses which all operate in three main segments of the building services sector of the economy. The Group is therefore exposed to varying activity levels within these diverse industries. Whilst the exposure of the Group to the new house build sector is less than 10% of Group turnover, our exposure to public sector markets is far greater. Consequently, any material reduction in Government expenditure programmes, particularly in social housing, will have an adverse effect on the financial position of the Group.

Directors' report *(continued)*

Business review *(continued)*

Competition

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

Key clients

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

Dependence on personnel

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

Future outlook

The future outlook for the business is included in the Chairman's Statement on page 4.

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	(Non-Executive Chairman)
GSL Forrest	(Chief Executive Officer)
SM Roberts	(Finance Director)
S Gray	
K Soulsby	
GR Jennings	
IT McLean	(Non-Executive)
D Jay	(resigned 29 January 2010)

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	1,983,492	2,283,489
S Gray	827,282	827,282
GR Jennings	814,569	814,569
SM Roberts	753,300	753,300
K Soulsby	497,820	497,820
IT McLean	71,428	71,428
HB Gold	20,000	20,000

In total the Directors' interests in the ordinary shares of the Company totalled 4,967,891 shares, representing 26% of allotted 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	200,000

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

Significant shareholdings

At 11 June 2010, 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%
Octopus Investments	1,253,182	6.6%
Williams de Broe	1,083,814	5.7%
S Gray	827,282	4.4%
GR Jennings	814,569	4.3%
SM Roberts	753,300	4.0%
K Gray	615,548	3.2%
GJ Tennick	591,251	3.1%
DM Wymes	591,251	3.1%
Bank of New York Nominees Limited	565,143	3.0%

Political and charitable contributions

Neither the Company nor any of its subsidiaries made any political contributions during the year (2009: *Nil*). Charitable donations amounted to £9,809 (2009: £6,516).

Directors' report *(continued)*

Corporate governance

The directors recognise the value of the revised Combined Code issued in June 2008.

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

The Board has established an audit committee and a remuneration committee, each of which comprises the non-executive directors with formally delegated duties and responsibilities.

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

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

Employees

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

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

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

Annual general meeting

The business of the AGM is set out in the accompanying circular to shareholders. The AGM is to be held at Mincoffs Solicitors LLP, 5 Osborne Terrace, Jesmond, Newcastle upon Tyne, NE2 1SQ at 10am on 24 September 2010.

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

Chief Executive Officer

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

26 August 2010

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 Group and Parent Company 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.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Parent Company and of their profit or loss for that period.

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 adequate accounting records that are sufficient to show and explain the Parent Company's transactions and 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 2006. 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 financial statements of Northern Bear plc for the year ended 31 March 2010 set out on pages 12 to 52. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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 auditors' 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

As explained more fully in the Directors' Responsibilities Statement set out on page 9, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's web-site at www.frc.org.uk/apb/scope/UKNP.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 March 2010 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the EU;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the EU and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

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

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

MR Thompson (Senior Statutory Auditor)

for and on behalf of KPMG Audit Plc, Statutory Auditor

26 August 2010

Chartered Accountants

Quayside House

110 Quayside

Newcastle upon Tyne

NE1 3DX

Consolidated statement of comprehensive income
for year ended 31 March 2010

	Note	2010			2009		
		Before exceptional items £000	Exceptional items £000	Total £000	Before exceptional items £000	Exceptional items £000	Total £000
Revenue	5	34,984	-	34,984	41,758	-	41,758
Cost of sales		(25,589)	-	(25,589)	(29,609)	-	(29,609)
Gross profit		9,395	-	9,395	12,149	-	12,149
Other operating income	6	23	-	23	27	-	27
Administrative expenses							
Impairment charges		-	(1,806)	(1,806)	-	-	-
Share based payments		(60)	-	(60)	(91)	-	(91)
Other administrative expenses		(7,617)	(514)	(8,131)	(8,339)	(129)	(8,468)
Operating profit/(loss)	5	1,741	(2,320)	(579)	3,746	(129)	3,617
Finance income	10	-	-	-	25	-	25
Finance expenses	10	(531)	-	(531)	(785)	-	(785)
Profit/(loss) before income tax		1,210	(2,320)	(1,110)	2,986	(129)	2,857
Income tax expense	11	(365)	114	(251)	(685)	-	(685)
Profit/(loss) for the year	24	845	(2,206)	(1,361)	2,301	(129)	2,172
Total comprehensive income attributable to equity holders of the parent				(1,361)			2,172
Basic (loss)/earnings per share	12			(7.2p)			11.5p
Diluted (loss)/earnings per share	12			(7.2p)			11.5p
Adjusted (pre-exceptional) earnings per share	12			4.5p			12.2p

All results derive from continuing operations.

Consolidated statement of changes in equity

for year ended 31 March 2010

	Share capital £000	Share premium £000	Merger reserve £000	Retained earnings £000	Total equity £000
At 1 April 2008	170	5,021	10,935	1,631	17,757
Total comprehensive income for year					
Profit for the year	-	-	-	2,172	2,172
Transactions with owners, recorded directly in equity					
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)
	20	148	1,651	(473)	1,346
At 31 March 2009	190	5,169	12,586	3,330	21,275
At 1 April 2009	190	5,169	12,586	3,330	21,275
Total comprehensive income for year					
Loss for the year	-	-	-	(1,361)	(1,361)
Transactions with owners, recorded directly in equity					
Equity settled share based payment transactions	-	-	-	60	60
At 31 March 2010	190	5,169	12,586	2,029	19,974

Company statement of changes in equity

for year ended 31 March 2010

	Share capital £000	Share premium £000	Merger reserve £000	Retained earnings £000	Total equity £000
At 1 April 2008	170	5,021	10,935	(2,223)	13,903
Total comprehensive income for the year					
Profit for the year	-	-	-	2,682	2,682
Transactions with owners, recorded directly in equity					
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)
	20	148	1,651	(473)	1,346
At 31 March 2009	190	5,169	12,586	(14)	17,931
At 1 April 2009	190	5,169	12,586	(14)	17,931
Total comprehensive income for the year					
Loss for the year	-	-	-	(1,671)	(1,671)
Transactions with owners, recorded directly in equity					
Equity settled share based payment transactions	-	-	-	60	60
At 31 March 2010	190	5,169	12,586	(1,625)	16,320

Consolidated balance sheet
at 31 March 2010

	Note	2010 £000	2009 £000
Assets			
Property, plant and equipment	14	3,126	3,705
Intangible assets	15	23,623	25,264
Other investments	16	11	11
Total non-current assets		26,760	28,980
Inventories	18	916	929
Trade and other receivables	19	7,838	7,482
Prepayments for current assets		233	370
Cash and cash equivalents	20	355	750
Total current assets		9,342	9,531
Total assets		36,102	38,511
Equity			
Share capital	24	190	190
Share premium	24	5,169	5,169
Merger reserve	24	12,586	12,586
Retained earnings	24	2,029	3,330
Total equity attributable to equity holders of the Company		19,974	21,275
Liabilities			
Loans and borrowings	21	3,810	4,671
Deferred tax liabilities	17	62	48
Total non-current liabilities		3,872	4,719
Bank overdraft	20	4,327	3,489
Loans and borrowings	21	1,425	1,881
Trade and other payables	22	6,176	6,241
Current tax payable		278	456
Deferred consideration		50	450
Total current liabilities		12,256	12,517
Total liabilities		16,128	17,236
Total equity and liabilities		36,102	38,511

The line item 'deferred income' has been reclassified as 'deferred consideration' to reflect the nature of the liability. As the balance sheet figures are unaffected by this reclassification a third balance sheet is not presented.

These financial statements were approved by the board of directors on 26 August 2010 and were signed on its behalf by:

SM Roberts
Finance Director

Company registered number: 05780581

Company balance sheet at 31 March 2010

	Note	2010 £000	2009 £000
Assets			
Property, plant and equipment	14	5	21
Investments in subsidiaries	16	43,087	43,087
Total non-current assets		43,092	43,108
Trade and other receivables	19	277	30
Prepayments for current assets		13	111
Cash and cash equivalents	20	129	129
Total current assets		419	270
Total assets		43,511	43,378
Equity			
Share capital	24	190	190
Share premium	24	5,169	5,169
Merger reserve	24	12,586	12,586
Retained earnings	24	(1,625)	(14)
Total equity attributable to equity holders of the Company		16,320	17,931
Liabilities			
Loans and borrowings	21	3,644	4,423
Amounts owed to group undertakings		17,338	13,265
Total non-current liabilities		20,982	17,688
Bank overdraft	20	4,879	5,541
Loans and borrowings	21	1,128	1,536
Trade and other payables	22	152	232
Deferred consideration		50	450
Total current liabilities		6,209	7,759
Total liabilities		27,191	25,447
Total equity and liabilities		43,511	43,378

The line item 'deferred income' has been reclassified as 'deferred consideration' to reflect the nature of the liability. As the balance sheet figures are unaffected by this reclassification a third balance sheet is not presented.

These financial statements were approved by the board of directors on 26 August 2010 and were signed on its behalf by:

SM Roberts
Finance Director

Company registered number: 05780581

Consolidated statement of cash flows
for year ended 31 March 2010

	<i>Note</i>	2010	2009
		£000	(as restated) £000
Cash flows from operating activities			
(Loss)/profit for the year		(1,361)	2,172
<i>Adjustments for:</i>			
Depreciation	14	566	670
Impairment		1,806	-
Finance income	10	-	(25)
Finance expense	10	531	785
Loss/(profit) on sale of property, plant and equipment	14	60	(4)
Equity settled share-based payment expenses	23	60	91
Income tax expense	11	251	685
		1,913	4,374
Change in inventories	18	(67)	(527)
Change in trade and other receivables	19	(356)	1,151
Change in prepayments		9	22
Change in trade and other payables	22	(65)	(723)
		1,434	4,297
Interest received		-	25
Interest paid		(531)	(785)
Tax paid		(415)	(1,352)
Net cash from operating activities		488	2,185
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment	14	147	74
Acquisition of subsidiary, net of cash acquired		(400)	(4,222)
Acquisition of property, plant and equipment	14	(139)	(173)
Net cash from investing activities		(392)	(4,321)
Cash flows from financing activities			
Proceeds from new borrowings		-	3,500
Repayment of borrowings		(1,064)	(1,740)
Payment of finance lease liabilities		(265)	(230)
Dividends paid	13	-	(564)
Net cash from financing activities		(1,329)	966
Net decrease in cash and cash equivalents		(1,233)	(1,170)
Cash and cash equivalents at start of year	20	(2,739)	(1,569)
Cash and cash equivalents at end of year	20	(3,972)	(2,739)

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

Company cash flow statement

for year ended 31 March 2010

	Note	2010 £000	2009 (as restated) £000
Cash flows from operating activities			
Loss/(profit) for the year		(1,671)	2,682
<i>Adjustments for:</i>			
Depreciation	14	1	7
Finance income		-	(7)
Finance expense		500	753
Loss on sale of property, plant and equipment		5	-
Equity settled share-based payment expenses		60	91
Income tax expense		-	(1)
		<u>(1,105)</u>	<u>3,525</u>
Change in trade and other receivables	19	(247)	1,029
Change in prepayments		98	(73)
Change in trade and other payables	22	3,992	(199)
		<u>2,738</u>	<u>4,282</u>
Interest received		-	7
Interest paid		(500)	(753)
Tax paid		-	1
		<u>2,238</u>	<u>3,537</u>
Net cash from operating activities			
Cash flows from investing activities			
Acquisition of subsidiary		(400)	(6,139)
Proceeds from sale of property, plant and equipment		12	-
Acquisition of property, plant and equipment		(2)	-
		<u>(390)</u>	<u>(6,139)</u>
Net cash from investing activities			
Cash flows from financing activities			
Payment of transaction costs		-	-
Proceeds from new borrowing		-	3,500
Repayment of borrowings		(1,186)	(1,740)
Dividends paid	13	-	(564)
		<u>(1,186)</u>	<u>1,196</u>
Net cash from financing activities			
Net increase/(decrease) in cash and cash equivalents		662	(1,406)
Cash and cash equivalents at start of year	20	(5,412)	(4,006)
Cash and cash equivalents at end of year	20	<u><u>(4,750)</u></u>	<u><u>(5,412)</u></u>

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

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").

On publishing the Parent Company financial statements here together with the Group financial statements the Company is taking advantage of the exemption in s408 of the Companies Act 2006 not to present its individual statement of comprehensive income and related notes that form a part of these approved financial statements.

Standards and Interpretations applied for the first time

In these financial statements the following Adopted IFRSs, which became effective for the first time, were adopted by the Group:

- IFRS 8 'Operating Segments';
- Revised IAS 23 'Borrowing Costs';
- Revised IAS 1 'Presentation of Financial Statements';
- Improvements to IFRSs (issued May 2008);
- Amended IFRS 1 and IAS 27 'Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate';
- Amendments to IFRS 2 'Share based payment - Vesting Conditions and Cancellations';
- IFRIC 11 'IFRS 2 - Group and Treasury Share Transactions' (mandatory for the year commencing on or after 1 March 2009); and
- Amendments to IFRS 7 'Improving disclosures about Financial Instruments'.

Amendments to IAS 1 'Presentation of Financial Instruments' requires the presentation of a statement of changes in equity and a statement of comprehensive income as primary statements.

IFRS 8 'Operating segments' requires segments to be reported on the same basis as the internal information reported to the chief operating decision maker ('CODM'). This disclosure is provided in note 5.

The adoption of the other standards and interpretations has not had a significant impact on the Group's results for the year or equity.

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.

Notes (continued)

2. Basis of preparation (continued)

Use of estimates and judgements

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

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.

Judgements and estimates made by management in the application of Adopted IFRSs that have a significant impact on the consolidated financial statements with a significant risk of material adjustment in the next year are described in note 28.

Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Business Review on pages 5 and 6. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Chairman's statement on pages 3 and 4. In addition, note 25 to the financial statements includes the Group's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and its exposures to credit risk and liquidity risk.

During the year the Group renegotiated its banking terms to include rescheduling of loan capital and interest repayments and covenants suitable to the Group's forecasts. The revised covenants have been met throughout the period and are forecast to continue to be met for the foreseeable future. Under the revised terms committed bank facilities are £10m, having regard to capital payments already made, of which £9.0m was utilised at the year end. In addition the Group had cash of £0.4m at the balance sheet date.

The Group meets its day to day working capital requirements through the above overdraft and loan facilities. The overdraft element of the facilities is due for routine review and renewal on 30 September 2010. Whilst the current economic conditions create uncertainty particularly over the level of demand for the Group's products in the foreseeable future, the Group's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Group should be able to operate within the level of its current facilities. The directors' discussions with the Group's bankers about the renewal of its existing working capital facilities are at an advanced stage and no matters have been drawn to their attention to suggest that renewal will not be forthcoming on acceptable terms.

Taking all of the above into account, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

3. Significant accounting policies

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

Basis of consolidation

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

Notes (continued)

3. Significant accounting policies (continued)

Classification of financial instruments issued by the Group

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

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.

Research

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

Notes (continued)

3. Significant accounting policies (continued)

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.

Leases in which the Group assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. Where land and buildings are held under leases the accounting treatment of the land is considered separately from that of the buildings. Leased assets acquired by way of finance lease are stated at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation and less accumulated impairment losses. Lease payments are accounted for as described below.

Transfers between PPE and inventory in relation to fork lift trucks reflect changes in the method of recovering value, with those available for sale held in inventory and those leased to customers held in PPE. Movements between these classifications reflect previously leased items being made available for sale and items previously available for sale being leased. Transfers occur at net book value with no profit or loss.

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.

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 and Company 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.

In relation to key revenue streams (other than construction contracts which are discussed below) this policy is applied as follows:

- Building services - revenue is recognised based on agreed valuations certified by a quantity surveyor;
- Roofing - revenue is recognised based on agreed valuations certified by a quantity surveyor;
- Materials handling - for product sales revenue is recognised on delivery to the customer (when significant risks and rewards of ownership are transferred);
- for assets leased to customers revenue is recognised on a straight line basis over the hire term.

Notes (continued)

3. Significant accounting policies (continued)

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 proportion of contract costs incurred for the work performed to date in relation to total estimated contract costs. 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.

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.

v) Exceptional expenses

Exceptional items are defined as items of expenditure which are material and unusual in nature and which are considered to be of such significance that they require separate disclosure on the face of the statement of comprehensive income, in accordance with IAS 1.

Income tax

Income tax on the profit or loss for the period comprises both current and deferred tax. Income tax is recognised in the statement of comprehensive income 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.

Notes (continued)

3. Significant accounting policies (continued)

Income tax (continued)

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.

Segment reporting

Segmental information is provided based on internal reports regularly reviewed by the Chief Operating Decision Maker, which is deemed to be the Board of Directors.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that are allocated on a reasonable basis. Segment capital expenditure is the total cost incurred during the period to acquire segment assets that are not expected to be used for more than one segment.

Standards and Interpretations in use but not applied

The following standards and interpretations, which have not been applied in these financial statements, were endorsed by the European Union but not yet effective:

- Revised IFRS 3 'Business Combinations' (mandatory for the year commencing on or after 1 July 2009);
- Amendments to IAS 27 'Consolidated and Separate Financial Statements' (mandatory for the year commencing on or after 1 July 2009);
- Amendments to IAS 39 'Reclassification of Financial Assets: Effective Date and Transition' (mandatory for year commencing on or after 1 July 2009);
- Amendments to IAS 32 'Financial Instruments: Presentation - Classification of rights issue' (mandatory for year commencing on or after 1 February 2010);
- Amendments to IFRS 2 'Group Cash-Settled Share-based payments transactions' (mandatory for year commencing on or after 1 January 2010);
- Improvements to IFRSs (issued 16 April 2009) (adoption dates varies but certain improvements are mandatory for the year commencing on or after 1 January 2010);
- Revised IAS 24 'Related Party Disclosure' (mandatory for year commencing on or after 1 January 2011).

The directors anticipate that the adoption of 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
Fixed assets			
Tangible	1,641	(72)	1,569
Current assets			
Stock	37	-	37
Debtors	212	-	212
Cash	1,441	-	1,441
Current liabilities	(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
Fixed assets			
Tangible	98	-	98
Current assets			
Stock	264	(60)	204
Debtors	371	-	371
Cash	484	-	484
Current liabilities			
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

Cash flow statement

Movements in deferred consideration in relation to past acquisitions are summarised below:

	2010 £000	2009 £000
Balance at start of year	450	600
Cash paid	(400)	(150)
Balance at end of year	50	450

Notes (continued)

5. Segmental analysis

The introduction of IFRS 8 *Operating segments*, which is effective for accounting periods beginning on or after 1 January 2009, has required a reassessment of the reportable segments within the Group. The analysis by segments below is presented in accordance with IFRS 8 on the basis of those segments whose operating results are regularly reviewed by the Board of Directors (the Chief Operating Decision Maker as defined by IFRS 8) to assess performance and allocate resources.

- Roofing activities - companies providing a comprehensive range of roofing services including slating, tiling, leadwork, felting, refurbishment and maintenance for domestic, commercial and public sector properties;
- Materials handling activities - supply, service and maintenance of fork lift trucks and warehouse equipment both on hire and for sale;
- Building services activities - aggregation of other specialist building services companies providing services including fire protection and asbestos removal; and
- Corporate and other activities - the provision of head office activity and consolidation items.

2010	Roofing activities £000	Materials handling activities £000	Building services activities £000	Corporate and other activities £000	Total £000
Revenue					
Total segment revenue	14,673	2,442	18,696	-	35,811
Inter-segment revenue	(400)	(24)	(403)	-	(827)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
External revenue	14,273	2,418	18,293	-	34,984
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Operating profit/(loss) before exceptional items and impairment	1,070	506	1,030	(865)	1,741
Exceptional items	(200)	-	(8)	(306)	(514)
Impairment charges	-	-	(165)	(1,641)	(1,806)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Operating profit/(loss)	870	506	857	(2,812)	(579)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Finance expenses					(531)
Income tax expense					(251)
					<hr/>
Loss for the financial year					(1,361)
					<hr/>
Segment assets	15,213	4,316	14,296	2,277	36,102
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Segment liabilities	4,375	580	4,434	6,739	16,128
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Impairment losses	-	-	165	1,641	1,806
Depreciation charge	131	225	207	2	565
Capital expenditure	83	63	122	-	268
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

Notes (continued)

5. Segmental analysis (continued)

2009	Roofing activities £000	Materials handling activities £000	Building services activities £000	Corporate and other activities £000	Total £000
Revenue					
Total segment revenue	17,040	3,030	22,234	-	42,304
Inter-segment revenue	(292)	(3)	(251)	-	(546)
External revenue	16,748	3,027	21,983	-	41,758
Operating profit/(loss) before exceptional items	1,726	965	2,182	(1,127)	3,746
Exceptional items	(55)	-	(4)	(70)	(129)
Operating profit/(loss)	<u>1,671</u>	<u>965</u>	<u>2,178</u>	<u>(1,197)</u>	<u>3,617</u>
Finance income					25
Finance expenses					(785)
Income tax expense					(685)
Profit for financial year					<u>2,172</u>
Segment assets	<u>12,817</u>	<u>3,530</u>	<u>13,294</u>	<u>8,870</u>	<u>38,511</u>
Segment liabilities	<u>2,794</u>	<u>257</u>	<u>4,193</u>	<u>9,992</u>	<u>17,236</u>
Depreciation charge	144	282	236	8	670
Capital expenditure	214	14	223	-	451

As the Board of Directors receives segment revenue and operating profit/(loss) on the same basis as for the statutory financial statements no further reconciliation is considered to be necessary.

Revenue

Further analysis of significant categories of gross revenue is provided below:

	2010 £000	2009 £000
Roofing - services	14,673	17,040
Materials handling - sales	1,351	1,693
- leasing	1,091	1,337
Building services - services	17,355	20,451
- manufactured product	1,209	1,129
- construction contracts	132	654
	<u>35,811</u>	<u>42,304</u>

All revenue is derived from the UK, with no single customer contributing 10% or more of the Group's revenue.

Notes (continued)

6. Other operating income

	2010 £000	2009 £000
Rental income	22	19
Management services	1	8
	<u>23</u>	<u>27</u>

7. Expenses and auditors' remuneration

Auditors' remuneration:

	2010 £000	2009 £000
Audit of these financial statements	16	13
Amounts receivable by auditors and their associates in respect of:		
Audit of financial statements of subsidiaries pursuant to legislation	102	112
Other services relating to taxation	26	26
Services relating to remuneration	-	5
	<u>-</u>	<u>5</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:

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

Impairments of goodwill and property relate to assets in The Roof Truss Company (Northern) Limited following a review of the future expected earnings of that company. The impairments represent total impairment losses recognised during the year and did not include any revalued assets. There were no reversals of impairment losses during the year.

Restructuring costs include redundancy expenses and the costs, including professional fees, associated with the renewal of the Group's banking facilities during the year.

Trade receivable provisions relate to a one off expense in relation to a customer at Jennings Roofing Limited.

Aborted transaction costs represent fees incurred on potential business acquisitions which aborted in the year.

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	
	2010	2009
Directors	8	8
Administration	91	95
Production	337	378
	<hr/>	<hr/>
	436	481
	<hr/>	<hr/>

The aggregate payroll costs of these persons were as follows:

	2010	2009
	£000	£000
Wages and salaries	10,210	12,015
Share based payments (see note 23)	60	91
Social security costs	1,007	1,206
Contributions to defined contribution plans	123	125
	<hr/>	<hr/>
	11,400	13,437
	<hr/>	<hr/>

9. Directors' remuneration

	2010	2009
	£000	£000
Directors' emoluments	539	578
Amounts paid to third parties in respect of directors' services	25	66
	<hr/>	<hr/>

The emoluments of the highest paid director were £160,000 (2009: £196,704).

	Number of directors	
	2010	2009
Retirement benefits are accruing to the following number of directors under:		
Money purchase schemes	-	-
	<hr/>	<hr/>

Notes (continued)

10. Finance income and expense

<i>Finance income</i>	2010 £000	2009 £000
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Bank interest - finance income	-	25
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<i>Finance expense</i>	2010 £000	2009 £000
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On bank loans and overdrafts	491	735
Finance charges payable in respect of finance leases and hire purchase contracts	40	50

Total finance expense	531	785
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11. Taxation

Recognised in the income statement

	2010 £000	2009 £000
Current tax expense		
Current year	270	863
Adjustments for prior years	(33)	(238)

Current tax expense	237	625
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Deferred tax expense		
Origination and reversal of temporary differences	17	60
Adjustments for prior years	(3)	-

Deferred tax expense	14	60
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Total tax expense	251	685
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Reconciliation of effective tax rate

	2010 £000	2009 £000
(Loss)/profit before tax	(1,110)	2,857
Tax using the UK corporation tax rate of 28% (2009: 28%)	(311)	800
Non-deductible expenses	629	135
Small companies tax rate	(11)	(9)
Over provided in prior years	(36)	(238)
Income not taxable for tax purposes	(20)	(3)

Total tax expense	251	685
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Factors that may affect future tax expenses

On 28 July 2010 a change in the rate of corporation tax was substantively enacted, with corporation tax reduced from 28% to 27% with effect from 1 April 2011. As this change was after the balance sheet date, deferred tax balances have not been calculated based on the new rate. The directors do not consider the change will have a material impact in future.

Notes (continued)

12. Earnings/(loss) per share

Basic (loss)/earnings per share

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

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

Diluted (loss)/earnings per share

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

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

Share options in issue during the current year do not have a dilutive impact on the loss per share calculation.

Adjusted earnings per share

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

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

13. Dividends

The aggregate amount of dividends comprises:

	2010 £000	2009 £000
Interim dividends paid in respect of the current year	-	188
Final dividends paid in respect of the prior year	-	376
	-	564

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
Cost					
Balance at 1 April 2008	885	1,025	280	2,119	4,309
Acquisitions through business combinations	72	3,517	37	453	4,079
Transfers from stock	-	596	-	-	596
Other acquisitions	-	15	66	370	451
Disposals	-	(386)	(3)	(389)	(778)
Transfers to stock	-	(977)	-	-	(977)
Balance at 31 March 2009	957	3,790	380	2,553	7,680
Balance at 1 April 2009	957	3,790	380	2,553	7,680
Transfers from stock	-	496	-	-	496
Other acquisitions	-	27	41	200	268
Disposals	-	(18)	(30)	(621)	(669)
Transfers to stock	-	(956)	-	-	(956)
Balance at 31 March 2010	957	3,339	391	2,132	6,819
Depreciation and impairment					
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
Balance at 1 April 2009	125	2,203	272	1,375	3,975
Depreciation charge for the year	2	248	29	286	565
Impairment losses	165	-	-	-	165
Disposals	-	(10)	(30)	(423)	(463)
Transfers to stock	-	(549)	-	-	(549)
Balance at 31 March 2010	292	1,892	271	1,238	3,693
Net book value					
At 1 April 2008	836	325	73	943	2,177
At 31 March 2009	832	1,587	108	1,178	3,705
At 31 March 2010	665	1,447	120	894	3,126

Impairment loss

During 2010 the Group conducted a review of the net book value of its properties in light of the deterioration in the UK property market. Where the net book value was less than its carrying value within the balance sheet the Group has impaired the property recoverable amount. Impairment losses on properties amounted to £165,000 (2009: £nil), arising in 'building services activities' operating segment.

Notes (continued)

14. Property, plant and equipment (continued)

Leased property, plant and equipment

At 31 March 2010 the net carrying amount of plant and equipment held on finance leases was £382,653 (2009: £531,000).

Security

Leased equipment secures lease obligations.

Freehold land and buildings at 2a Rainhill Close, Washington secure a £480,000 mortgage loan.

Company	Motor vehicles £000	Fixtures and fittings £000	Total £000
Cost			
Balance at 1 April 2008	42	7	49
Other acquisitions	-	1	1
Balance at 31 March 2009	42	8	50
Balance at 1 April 2009	42	8	50
Disposals	(42)	-	(42)
Other acquisitions	-	2	2
Balance at 31 March 2010	-	10	10
Depreciation and impairment			
Balance at 1 April 2008	20	2	22
Depreciation charge for the year	5	2	7
Balance at 31 March 2009	25	4	29
Balance at 1 April 2009	25	4	29
Depreciation charge for the year	-	1	1
Disposals	(25)	-	(25)
Balance at 31 March 2010	-	5	5
Net book value			
At 1 April 2008	22	5	27
At 31 March 2009	17	4	21
At 31 March 2010	-	5	5

Notes (continued)

15. Intangible assets

Group	Goodwill £000
Cost	
Balance at 1 April 2008	20,788
Acquisitions through business combinations	4,476
	<hr/>
Balance at 31 March 2009 and 31 March 2010	25,264
	<hr/>
Amortisation and impairment	
Balance at 1 April 2008 and 31 March 2009	-
	<hr/>
Balance at 1 April 2009	-
Impairment charge	1,641
	<hr/>
Balance at 31 March 2010	1,641
	<hr/>
Net book value	
At 1 April 2008	20,788
	<hr/> <hr/>
At 31 March 2009	25,264
	<hr/> <hr/>
At 31 March 2010	23,623
	<hr/> <hr/>

Goodwill is allocated to the Group's cash generating units ("CGUs"), which have been identified on a company basis. A summary of the carrying value presented at CGU basis is shown below:

	2010 £000	2009 £000
Ron Gone Limited	1,526	1,526
Dudley Wilson Limited	-	1,641
Maximuse Limited	3,126	3,126
Kelmax Roofing Limited	4,522	4,522
MGM Limited	1,599	1,599
Chirmarn Holdings Limited	3,891	3,891
Hastie Limited	396	396
Jennings Properties Limited	4,087	4,087
A1 Industrial Trucks Limited	2,612	2,612
DJ McGough Limited	1,864	1,864
	<hr/>	<hr/>
	23,623	25,264
	<hr/> <hr/>	<hr/> <hr/>

Notes (continued)

15. Intangible assets (continued)

Impairment testing

Goodwill is tested annually for impairment, or more frequently if there are indications the goodwill may be impaired. All recoverable amounts are based on value in use and the key assumptions applied in the value in use calculations are as follows:

- Cash flow projections - cash flow projections cover a 20 year period based on detailed approved budget forecasts for the next year, directors' projections of profits for years two to five and an assumption of 2% annual growth in profits thereafter.
- Growth rate - taking into account the current economic climate, management have made a prudent assumption that the long term growth rate in each of the CGUs from year five onwards will be 2% per annum when extrapolating future cash flows.
- Discount rate - management have applied a discount rate of 9% (2009: 8%) to the cash flow forecasts, which represents their best estimate of the Group's weighted average cost of capital. The calculation is based on the split of equity and debt funding at the balance sheet date and estimated long term costs for debt and equity. Management believe the market risk associated with each CGU is similar and have applied the average rate across the business. The increase in the discount rate applied compared to the prior year reflects the continued difficult trading conditions and economic environment, and is comparable to rates used by other groups operating in similar segments.

Sensitivity analysis

The key sensitivities in assessing the value in use of goodwill are forecast cash flows and the discount rate applied:

- a 1% reduction in growth rate in forecast cash flows would have no impact on carrying values; and
- a 1% increase in the discount rate applied would have no impact on carrying values.

Impairment losses

The recoverable amount of the Dudley Wilson Limited CGU was determined to be lower than its carrying amount and an impairment loss of £1,641,000 (2009: £nil) was recognised. The impairment loss was allocated fully to goodwill and is included in exceptional administrative expenses in the 'corporate and other activities' operating segment'.

The forecast cash flows for the business were recalculated based on a revised budget for 2011 and directors' assessments for the following four years, based on detailed projections given continued losses in the business against original forecasts in prior years. Long term growth rates of 2% and a discount rate of 9% were retained for the calculation. Based on the discount cash flow forecasts and terminal value estimate management have prudently recognised losses against the carrying value.

16. Investments

Group

Other
investments
£000

Cost and net book value

At beginning and end of period

11

Notes (continued)

16. Investments in subsidiaries (continued)

Company	Shares in group undertakings £000
Cost and net book value	
At beginning and end of year	43,087

The Company has the following investments in subsidiaries:

Company	Country of Incorporation	Class of shares held	Ownership	
			2010	2009
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%	100%
DJ McGough Limited	England and Wales	Ordinary	100%	100%
Northern Bear Safety Limited	England and Wales	Ordinary	100%	100%

*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:

	2010 £000	2009 £000
Property, plant and equipment	(108)	(62)
Other	46	14
	<hr/>	<hr/>
Net tax (liability)/assets	(62)	(48)
	<hr/> <hr/>	<hr/> <hr/>

Movement in deferred tax during the year

	1 April 2009 £000	Recognised in income £000	Acquired in business combination £000	31 March 2010 £000
Property, plant and equipment	(62)	(46)	-	(108)
Provisions	14	32	-	46
	<hr/>	<hr/>	<hr/>	<hr/>
	(48)	(14)	-	(62)
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Movement in deferred tax during the prior 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
	<hr/>	<hr/>	<hr/>	<hr/>
	11	(60)	1	(48)
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

18. Inventories

	Group		Company	
	2010 £000	2009 £000	2010 £000	2009 £000
Raw materials and consumables	916	929	-	-
	<hr/>	<hr/>	<hr/>	<hr/>

All inventory is expected to be recovered in less than 12 months. There were no write downs in the year.

Notes (continued)

19. Trade and other receivables

	Group		Company	
	2010 £000	2009 £000	2010 £000	2009 £000
Trade receivables	7,838	7,478	19	-
Other trade receivables	-	4	258	30
	<u>7,838</u>	<u>7,482</u>	<u>277</u>	<u>30</u>

At 31 March 2010 trade receivables include retentions of £950,000 (2009: £1,089,000) relating to construction contracts in progress.

The aggregate amount of costs incurred and recognised profits for contracts in progress at the balance sheet date are £nil (2009: £654,000) and £nil (2009: £nil) respectively. No advances have been received on such contracts.

20. Cash and cash equivalents/ bank overdrafts

	Group		Company	
	2010 £000	2009 £000	2010 £000	2009 £000
Cash and cash equivalents per balance sheet	355	750	129	129
Bank overdrafts	(4,327)	(3,489)	(4,879)	(5,541)
	<u>(3,972)</u>	<u>(2,739)</u>	<u>(4,750)</u>	<u>(5,412)</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.

	Group		Company	
	2010 £000	2009 £000	2010 £000	2009 £000
Non-current liabilities				
Secured bank loans	3,644	4,423	3,644	4,423
Finance lease liabilities	143	219	-	-
Other loans	23	29	-	-
	<u>3,810</u>	<u>4,671</u>	<u>3,644</u>	<u>4,423</u>
Current liabilities				
Current portion of secured bank loans	1,128	1,536	1,128	1,536
Current portion of finance lease liabilities	120	168	-	-
Shareholder loans	177	177	-	-
	<u>1,425</u>	<u>1,881</u>	<u>1,128</u>	<u>1,536</u>

Terms and debt repayment schedule

	Currency	Nominal interest rate	Year of maturity	Face value 2010 £000	Carrying amount 2010 £000	Face value 2009 £000	Carrying amount 2009 £000
Yorkshire Bank term loan A	GBP	Libor + 3.75	2012	4,292	4,292	5,415	5,415
Mortgage loan	GBP	Libor + 3.50	2017	480	480	544	544
Shareholder loan	GBP	n/a	n/a	177	177	177	177
Revolving credit facility	GBP	Libor + 4.25	2010	4,327	4,327	3,489	3,489
Finance lease and hire purchase liabilities	GBP	n/a	Within 5 years	263	263	387	387
Other loans	GBP	n/a	n/a	23	23	29	29

The mortgage of £480,000 (of which £64,000 is due within one year) is secured on the land and buildings at 2a Rainhill Close.

The term loan of £4,292,000 (of which £1,064,000 is due within one year) is secured on a floating charge over current assets (including inventories and trade receivables) of the Group, and a fixed charge over land and buildings at 2a Rainhill Close.

Notes (continued)

21. Loans and borrowings (continued)

Finance lease liabilities

Finance lease liabilities are payable as follows:

Group	Minimum lease	Interest	Principal	Principal
	payments	2010	2010	2009
	2010	2010	2010	2009
	£000	£000	£000	£000
Less than one year	135	(15)	120	168
Between one and five years	159	(16)	143	219
	<u>294</u>	<u>(31)</u>	<u>263</u>	<u>387</u>

22. Trade and other payables

	Group		Company	
	2010	2009	2010	2009
	£000	£000	£000	£000
Trade payables	4,649	4,207	64	195
Non-trade payables and accrued expenses	1,527	2,034	88	37
	<u>6,176</u>	<u>6,241</u>	<u>152</u>	<u>232</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 £123,000 (2009: £125,000).

Share-based payments

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

The terms and conditions of the grants are as follows:

Grant date	Method of settlement accounting	Number of instruments	Vesting conditions	Contractual life of options
18 December 2006	Equity	700,000	3 years of service	Dec 07 - Dec 16
1 March 2007	Equity	300,000	3 years of service	Mar 10 - Mar 17
17 December 2007	Equity	230,000	3 years of service	Dec 10 - Dec 17
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	Number of options	Weighted average exercise price	Number of options
	2010	2010	2009	2009
Outstanding at the beginning of the year	96p	1,255,000	96p	1,230,000
Granted during the year	-	-	98p	25,000
Outstanding at the end of the year	<u>96p</u>	<u>1,255,000</u>	<u>96p</u>	<u>1,255,000</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%	17.0%
Option life from inception	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:

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

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 2008	170	5,021	10,935	(2,223)	13,903
Profit for the year and total comprehensive income for the year	-	-	-	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
Dividend	-	-	-	(564)	(564)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 31 March 2009	190	5,169	12,586	(14)	17,931
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 1 April 2009	190	5,169	12,586	(14)	17,931
Loss for the year and total comprehensive income for the year	-	-	-	(1,671)	(1,671)
Equity-settled share based payment transactions	-	-	-	60	60
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 31 March 2010	190	5,169	12,586	(1,625)	16,320

Notes (continued)

24. Capital and reserves (continued)

Share capital

In millions of shares	Ordinary shares	
	2010	2009
In issue at start of period	19	17
Issued for acquisitions	-	2
	<hr/>	<hr/>
In issue at end of period - fully paid	19	19
	<hr/> <hr/>	<hr/> <hr/>
	2010	2009
	£000	£000
<i>Authorised</i>		
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/>	<hr/> <hr/>
<i>Allotted, called up and fully paid</i>		
18,967,092 (2009: 18,967,092) ordinary shares of 1p each	190	190
	<hr/> <hr/>	<hr/> <hr/>
Shares classified in shareholders' funds	190	190
	<hr/> <hr/>	<hr/> <hr/>

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

During the comparative period the Company issued the following shares:

- 1 April 2008 - 559,868 1p ordinary shares in partial payment for the acquisition of the entire issued share capital of DJ McGough Limited;
- 1 April 2008 - 958,334 1p ordinary shares in partial payment for the acquisition of the entire issued share capital of A1 Industrial Trucks Limited;
- 7 May 2008 - 224,168 1p ordinary shares in partial payment for the acquisition of the entire issued share capital of A1 Industrial Trucks Limited; and
- 31 October 2008 - 214,285 1p ordinary shares in partial payment of a loan due to Mr JP 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

The Group's policy is to maintain a strong capital base with a view to ensuring that entities within the Group will be able to continue as going concerns. To achieve this objective, the Group aims to maintain a prudent mix of debt and equity financing and considers the current capital structure to be appropriate.

Equity funding comprises issued share capital, reserves and retained earnings as disclosed in note 24 to the financial statements. Debt funding comprises bank facilities as described below.

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 2010.

Fair values

The fair value of the Group's financial assets and liabilities is not materially different from their carrying values. As the Group has no financial instruments carried at fair value the Group is not required to disclose a fair value hierarchy.

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.

Notes (continued)

25. Financial instruments (continued)

Financial risk management (continued)

Carrying amount	Group		Company	
	2010 £000	2009 £000	2010 £000	2009 £000
Trade receivables	7,838	7,478	19	-
Cash at bank	355	750	129	129
	<u>8,193</u>	<u>8,228</u>	<u>148</u>	<u>129</u>

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 for the Group was £8,193,000 (2009: £8,228,000) and for the Company was £148,000 (2009: £129,000) being the total of the carrying amount of financial assets.

Credit quality of financial assets and impairment losses

Trade receivables consist of the following:

	Group		Company	
	2010 £000	2009 £000	2010 £000	2009 £000
Sales ledger	8,167	7,713	19	-
Bad debt provision	(329)	(235)	-	-
Net trade receivables	<u>7,838</u>	<u>7,478</u>	<u>19</u>	<u>-</u>

Movements in the bad debt provision are summarised below:

	Bad debt provision £000
At beginning of year	235
Provided in year - exceptional	161
- other	56
Write offs and recoveries	(123)
At end of year	<u>329</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.

Interest 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.

Notes (continued)

25. Financial instruments (continued)

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.

	2010		2009	
	Interest rate	Total	Interest rate	Total
Cash and cash equivalents	Base-1	Base-1	Base-1	Base-1
Bank overdraft	Libor+4.25	Libor+4.25	Base+2	Base+2
Finance lease liabilities	n/a	n/a	n/a	n/a
Bank loan	Libor+3.75	Libor+3.75	Base+2	Base+2
Shareholder loan	n/a	n/a	n/a	n/a
Mortgage	Libor+3.50	Libor+3.50	Base+2	Base+2
Other loans	n/a	n/a	n/a	n/a

A change in 100 basis points in interest would increase or decrease equity by £160,000.

Both cash and cash equivalents and bank overdraft pay interest on a floating rate basis. 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 2010

Non-derivative financial instruments

Group	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	6,176	(6,176)	(6,176)	-	-	-	-
Bank overdraft	4,327	(4,327)	(2,164)	(2,163)	-	-	-
Finance lease liabilities	263	(294)	(68)	(67)	(159)	-	-
Bank loan	4,292	(4,593)	(569)	(569)	(1,138)	(2,317)	-
Shareholder loan	177	(177)	(177)	-	-	-	-
Mortgage	480	(528)	(38)	(38)	(76)	(228)	(148)
Other loan	23	(23)	-	-	-	-	(23)
	<u>15,738</u>	<u>(16,118)</u>	<u>(9,192)</u>	<u>(2,837)</u>	<u>(1,373)</u>	<u>(2,545)</u>	<u>(171)</u>
Company	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	152	(152)	(152)	-	-	-	-
Bank overdraft	4,879	(4,879)	(2,440)	(2,439)	-	-	-
Bank loan	4,292	(4,593)	(569)	(569)	(1,138)	(2,317)	-
Mortgage	480	(528)	(38)	(38)	(76)	(228)	(148)
	<u>9,803</u>	<u>(10,152)</u>	<u>(3,199)</u>	<u>(3,046)</u>	<u>(1,214)</u>	<u>(2,545)</u>	<u>(148)</u>

Notes (continued)

26. Operating leases

Operating leases in which Group is a lessee

Non-cancellable operating lease rentals are payable as follows:

	2010 £000	Group	2009 £000
Less than one year	203		203
Between one and five years	694		694
More than five years	317		520
	<u>1,214</u>		<u>1,417</u>

Operating leases in which the Group operates as lessee comprise properties on both short and long term rental agreements.

The Company has no operating lease commitments.

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 26% of the voting shares of the Company.

Notes (continued)

27. Related parties (continued)

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

	Group	
	2010 £000	2009 £000
Key management emoluments excluding social security costs	539	578

Directors' loans existed as follows:

	2009 £000
<i>Loan from GSL Forrest</i>	
Balance at start of year	2
Balance at end of year	-
Maximum balance outstanding during the year	2
<i>Loan from SM Roberts</i>	
Balance at start of year	49
Balance at end of year	49
Maximum balance outstanding during the year	49

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

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

	Mclnnes Corporate Finance LLP £000	Mincoffs Solicitors LLP £000	Total £000
Balance as at beginning of period	(80)	(29)	(109)
Purchases	(63)	(77)	(140)
Settled	143	106	249
Balance as at end of period	-	-	-

SM Roberts, Finance Director, is a partner of BTG Mclnnes Corporate Finance LLP, which provided financial advice to the Group throughout the period.

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

The above balances are included within trade creditors.

Trading transactions with subsidiaries - Parent Company

The Group operates a cash pooling arrangement. Other than this, and dividend streams, there were no transactions between the Company and its subsidiaries during the year.

Notes (continued)

28. Accounting estimates and judgments

The key areas requiring the use of estimates and judgements which may significantly affect the financial statements are considered to be:

Measurements of the recoverable amounts of cash generating units containing goodwill

This requires the identification of appropriate cash generating units and the allocation of goodwill to these units. Details of the estimation techniques used are set out in note 15 to the financial statements.

Measurement of the net book value of property, plant and equipment

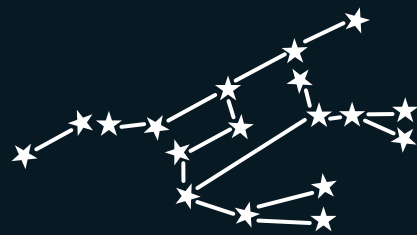
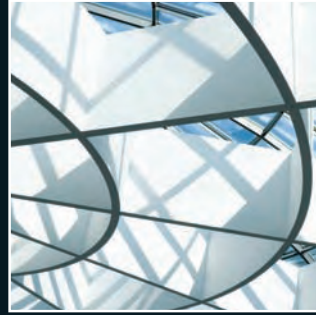
This requires the identification of recoverable value, being the higher of value in use and fair value less costs to sell. In light of the deterioration in the UK property market and losses made in specific businesses, the estimation of recoverable value of Group properties was revised in the year. Fair value less costs to sell was assessed based on third party value estimations, with value in use calculations based on estimation techniques as above. The resulting recognition of impairment losses for a property is set out in note 14.

Revenue and profit recognition on contracting activities

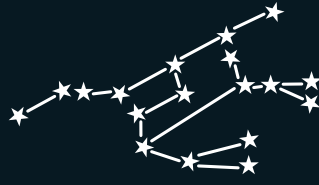
The principal estimation technique used by the Group in attributing profit on contracts to a particular period is the preparation of forecasts on a contract by contract basis. These focus on revenue and costs to complete and enable an assessment to be made on the final out turn on each contract. Variations during the course of contracts are taken into account but invariably are only finalised at completion. This can lead to previous estimates being amended which may have an impact on the final profit to be recognised on the contract.

29. Off balance sheet arrangements

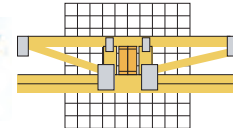
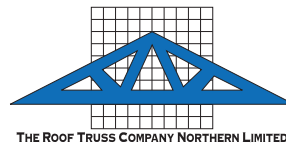
There are no parties with whom the Group or Company has contractual or other arrangements that are considered material to the Group or Company's financial position other than those arrangements disclosed in the financial statements.



Northern Bear



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