

Northern Bear

Interim Report

30 September 2009



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Advisers

Independent Auditor

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Newcastle upon Tyne NE1 3DX

Bankers

Yorkshire Bank,
4 Victoria Place, Manor Road,
Leeds LS11 5AE

Legal Advisers

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Nominated Adviser

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Broker

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Financial Public Relations

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Registered Office

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County Durham DH3 3DU

Chairman's statement

Introduction

I am pleased to announce the unaudited interim results for the Group for the six months ended 30 September 2009.

The trading environment in which the Group operates has been very challenging over this period. It is testament to the robustness of the Group's business model, the quality and diversity of our trading businesses and the depth of experience in our management team that we have been able to weather the storm and remain profitable in such conditions.

All of our companies have successfully operated through the last severe recession in the early 1990's and this experience of managing through an economic downturn has been invaluable in meeting the challenges we currently face, as well as preparing for future economic recovery.

Group revenue in the period was £17.4 million (2008: £23.4 million), a fall of 26 per cent. The Group achieved an operating profit (before share based payments, finance costs and exceptional items) of £1.0 million (2008: £2.6 million) and a profit before tax (before exceptional items) of £0.7 million (2008: £2.1 million).

Basic earnings per share were 2.3p (2008: 8.1p) and diluted earnings per share were 2.3p (2008: 7.8p)

Board Changes

On 13 October 2009, it was announced that David Jay had stepped down as Finance Director but was to remain on the Board as a Non-Executive Director. David was replaced as Finance Director by Steve Roberts. Steve was previously a Non-Executive Director of the Company (and was the Finance Director at the time that Northern Bear's shares were admitted to trading on AIM). We are delighted that Steve has agreed to take this position, and we feel that his appointment injects new thinking to the Company at Board level, whilst ensuring continuity.

Business Review

Trading

The trading environment during the six months to 30 September 2009 was extremely challenging.

On 13 October 2009, we published a trading update with details of a number of new contracts awarded. I am delighted to be able to confirm that this improvement in activity has continued.

We do continue, however, to experience margin pressure, with the gross margin across the Group falling to 26.6 per cent, compared to 28.1 per cent in the second half of the previous financial year. The effects of this margin pressure have been mitigated by the actions taken to reduce overheads, which are some 20 per cent lower than in the first six months of the previous financial year. Such actions were taken at an early stage in the current recession and included a Group-wide pay freeze, reductions in non-direct head count, a substantial reduction in marketing costs, the renegotiation of supplier rebates and professional fees, and a reduction in Directors' remuneration.

Cash Flows

Whilst the net debt position of the Group in the six months to September 2009 increased by £1.3 million, there has been a significant reduction in the two months since the period end. This is partly due to expected working capital movements, but has also been influenced by the stronger trading over the late summer and autumn months, which has now converted into cash. Added to this, the recently awarded contracts in the public sector have been negotiated on better payment terms than can ordinarily be achieved in the private sector.

In addition, our working capital management has been strengthened by new systems and controls initiated by Steve Roberts and his team. Strong working capital management remains a cornerstone of our business.

Banking Terms

On 29 September 2009, we confirmed that discussions with the Group's bankers, to renegotiate the banking terms in existence at that time, were ongoing.

On 16 December 2009, we announced that those discussions had been successfully concluded.

This confirmation of continued support from our bank is tremendous news and confirms the resilient nature of our business model.

The agreement of new terms provides us with a solid financial foundation in these uncertain times.

Chairman's statement *(continued)*

Acquisitions

Acquisitions remain a key element of our growth strategy. We continue to look for quality businesses, which have strong management teams and sustainable earnings.

While it is now twenty months since our last acquisition, we are hopeful that we will be able to complete an acquisition in the coming months. Margins across our sector continue to be tight. Uncertainties relating to levels of future Government expenditure will, the Directors believe, result in depressed valuations being applied to businesses with exposure in these markets. Nevertheless, extreme caution will continue to be exercised by us in our acquisition process, and we will ensure that any businesses that the Group acquires exhibit the necessary qualities required to maintain future levels of profitability.

As previously stated, it is our intention to fund any future acquisitions from a combination of new equity and vendor equity, without reliance on bank funding. Furthermore, we would look to structure the consideration with a performance related element in order to ensure that we protect the Group from any shortfall in future profitability.

Dividend

While the recent upturn in trading conditions has been encouraging, the Directors consider they must continue to be prudent in the current financial climate. The Directors have therefore decided that there will be no interim dividend paid.

The Directors will however, review the level of future dividends in the light of the prevailing economic conditions and the performance of the business, with the intention of returning to the payment of dividends as soon as possible.

Outlook

The successful agreement and completion of new banking terms has provided us with a firm financial foundation allowing us to view the future with more confidence than at any time over the past eighteen months.

While the economic environment continues to be challenging, we have experienced a significant increase in activity in recent months and are cautiously optimistic that this upturn is sustainable.

Those of our businesses which operate in the new house build sector have shown an increase of 20 per cent in activity over the past three months, compared to the corresponding period last year.

The order book is currently strong, which in spite of continued margin pressure, allows us to enter the New Year with cautious optimism.

Our businesses have proved their strengths and defensive qualities in the challenging environment of the past eighteen months. I am confident that they will benefit from any further upturn in activity in the future.

Employees

I continue to be proud of, and impressed with, the resilience and loyalty of all of our employees during these difficult times, which have been the most challenging in recent memory. The positive approach of our staff has helped the Group's position and will continue to be the mainstay of the Group in the future.

Howard Gold

Non Executive Chairman
17 December 2009

Condensed consolidated income statement
for the six month period ended 30 September 2009

	<i>Unaudited</i>	<i>Unaudited</i>	<i>Audited</i>
	<i>6 months ended</i>	<i>6 months ended</i>	<i>Year ended</i>
<i>Note</i>	<i>30 September 2009</i>	<i>30 September 2008</i>	<i>31 March 2009</i>
	£000	£000	£000
Revenue	17,365	23,444	41,758
Cost of sales	(12,746)	(16,445)	(29,609)
Gross profit	4,619	6,999	12,149
Other operating income	13	12	27
Administrative expenses			
Exceptional expenses	(58)	-	(129)
Share based payments	(31)	(52)	(91)
Other administrative expenses	(3,670)	(4,450)	(8,339)
	(3,759)	(4,502)	(8,559)
Results from operating activities	873	2,509	3,617
Finance income	-	20	25
Finance expenses	(262)	(406)	(785)
Profit before income tax	611	2,123	2,857
Income tax expense	(180)	(609)	(685)
Profit for the period	431	1,514	2,172
Basic earnings per share	4 2.3p	8.1p	11.5p
Diluted earnings per share	4 2.3p	7.8p	11.5p

Condensed consolidated statement of changes in equity

for the six month period ended 30 September 2009

	<i>Share capital</i> £000	<i>Share premium</i> £000	<i>Merger reserve</i> £000	<i>Retained earnings</i> £000	<i>Total equity</i> £000
At 1 April 2008	170	5,021	10,935	1,631	17,757
Total recognised income and expense	-	-	-	1,514	1,514
Issue of shares	18	-	-	-	18
Merger reserve arising on acquisition	-	-	1,654	-	1,654
Equity settled share based payment transactions	-	-	-	52	52
Dividends	-	-	-	(376)	(376)
At 30 September 2008	188	5,021	12,589	2,821	20,619
At 1 April 2008	170	5,021	10,935	1,631	17,757
Total recognised income and expense	-	-	-	2,172	2,172
Issue of shares	20	148	-	-	168
Merger reserve arising on acquisition	-	-	1,651	-	1,651
Equity settled share based payment transactions	-	-	-	91	91
Dividends	-	-	-	(564)	(564)
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 recognised income and expense	-	-	-	431	431
Equity settled share based payment transactions	-	-	-	31	31
At 30 September 2009	190	5,169	12,586	3,792	21,737

Condensed consolidated balance sheet
at 30 September 2009

	<i>Unaudited</i> 30 September 2009	<i>Unaudited</i> 30 September 2008	<i>Audited</i> 31 March 2009
	£000	£000	£000
Assets			
Property, plant and equipment	3,422	3,955	3,705
Intangible assets	25,264	24,828	25,264
Other investments	11	11	11
Deferred tax assets	-	11	-
	<hr/>	<hr/>	<hr/>
Total non-current assets	28,697	28,805	28,980
	<hr/>	<hr/>	<hr/>
Inventories	1,000	810	929
Trade and other receivables	7,981	10,218	7,482
Prepayments for current assets	808	747	370
Cash and cash equivalents	358	292	750
	<hr/>	<hr/>	<hr/>
Total current assets	10,147	12,067	9,531
	<hr/>	<hr/>	<hr/>
Total assets	38,844	40,872	38,511
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Equity			
Share capital	190	188	190
Share premium	5,169	5,021	5,169
Reserves	12,586	12,589	12,586
Retained earnings	3,792	2,821	3,330
	<hr/>	<hr/>	<hr/>
Total equity attributable to equity holders of the company	21,737	20,619	21,275
	<hr/>	<hr/>	<hr/>
Liabilities			
Loans and borrowings	4,593	5,485	4,671
Deferred tax liabilities	56	-	48
	<hr/>	<hr/>	<hr/>
Total non-current liabilities	4,649	5,485	4,719
	<hr/>	<hr/>	<hr/>
Bank overdraft	4,904	3,390	3,489
Loans and borrowings	1,419	1,994	1,881
Trade and other payables	5,606	7,318	6,241
Current tax payable	379	1,566	456
Deferred consideration	150	500	450
	<hr/>	<hr/>	<hr/>
Total current liabilities	12,458	14,768	12,517
	<hr/>	<hr/>	<hr/>
Total liabilities	17,107	20,253	17,236
	<hr/>	<hr/>	<hr/>
Total equity and liabilities	38,844	40,872	38,511
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Condensed consolidated statement of cash flows
for the six month period ended 30 September 2009

	<i>Unaudited</i> <i>6 months ended</i> <i>30 September 2009</i> £000	<i>Unaudited</i> <i>6 months ended</i> <i>30 September 2008</i> £000	<i>Audited</i> <i>Year ended</i> <i>31 March 2009</i> £000
Cash flows from operating activities			
Profit for the period	431	1,514	2,172
Adjustments for:			
Depreciation	297	332	670
Finance income	-	(20)	(25)
Finance expense	262	406	785
Loss on sale of property, plant and equipment	16	4	(4)
Equity settled share-based payment transactions	31	52	91
Income tax expense	180	609	685
	<hr/> 1,217	<hr/> 2,897	<hr/> 4,374
Change in inventories	24	(198)	(527)
Change in trade and other receivables	(499)	(1,585)	1,151
Change in prepayments	(438)	(355)	22
Change in trade and other payables	(635)	651	(723)
Change in deferred consideration	(300)	(100)	(150)
	<hr/> (631)	<hr/> 1,310	<hr/> 4,147
Interest received	-	20	25
Interest paid	(262)	(406)	(785)
Tax paid	(249)	(225)	(1,352)
	<hr/> (1,142)	<hr/> 699	<hr/> 2,035
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment	-	145	74
Acquisition of subsidiary, net of cash acquired	-	(4,057)	(4,072)
Acquisition of property, plant and equipment	(17)	(335)	(173)
	<hr/> (17)	<hr/> (4,247)	<hr/> (4,171)
Cash flows from financing activities			
Proceeds from new borrowings	-	3,500	3,500
Repayment of borrowings	(532)	(988)	(1,740)
Payment of finance lease liabilities	(116)	(117)	(230)
Dividends paid	-	(376)	(564)
	<hr/> (648)	<hr/> 2,019	<hr/> 966
Net decrease in cash and cash equivalents	(1,807)	(1,529)	(1,170)
Cash and cash equivalents at start of period	(2,739)	(1,569)	(1,569)
	<hr/> (4,546)	<hr/> (3,098)	<hr/> (2,739)
Cash and cash equivalents at end of period	<hr/> <hr/> (4,546)	<hr/> <hr/> (3,098)	<hr/> <hr/> (2,739)

Notes

(forming part of the financial statements)

1 Basis of preparation

These condensed financial statements have been prepared in accordance with IAS 34 'Interim financial reporting' as adopted by the EU. They do not include all the information required for the full annual financial statements, and should be read in conjunction with the financial statements of the Group as at and for the year ended 31 March 2009.

These condensed financial statements are unaudited and were approved by the Board of Directors on 17 December 2009.

The information for the year ended 31 March 2009 does not constitute statutory financial statements as delivered by Section 240 of the Companies Act 1985. Those financial statements have been reported on by the Group's auditors and delivered to the Registrar of Companies. The report of the auditors was unqualified and did not contain statements under Section 237 (2) or (3) or the Companies Act 1985.

The accounting policies applied in preparing these condensed financial statements are the same as those applied in the preparation of the annual financial statements for the year ended 31 March 2009, other than as disclosed in note 2.

2 Changes in accounting policies

From 1 April 2009 the following standards, amendments and interpretations became effective and were adopted by the Group:

- IFRS 8: Operating segments
- Amendments to IAS 23: Borrowing costs
- Amendments to IAS 1: Presentation of financial statements

The adoption of the above has not had a significant impact on the Group's profit for the period or equity.

3 Operating segment

The Board has reviewed the requirements of IFRS 8 'Operating Segments', including consideration of what results it reviews regularly to assess performance and make decisions about how resources are allocated. The Board has concluded that, as under IAS 14, the Group has one operating and reporting segment.

Notes (continued)

4 Earnings per share

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

	<i>Unaudited</i> <i>6 months ended</i> <i>30 September 2009</i>	<i>Unaudited</i> <i>6 months ended</i> <i>30 September 2008</i>	<i>Audited</i> <i>Year ended</i> <i>31 March 2009</i>
Profit for the period (£000)	431	1,514	2,172
Weighted average number of ordinary shares ('000)	18,967	18,709	18,814
Basic earnings per share	<u>2.3p</u>	<u>8.1p</u>	<u>11.5p</u>

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

	<i>Unaudited</i> <i>6 months ended</i> <i>30 September 2009</i>	<i>Unaudited</i> <i>6 months ended</i> <i>30 September 2008</i>	<i>Audited</i> <i>Year ended</i> <i>31 March 2009</i>
Profit for the period (£000)	431	1,514	2,172
Weighted average number of ordinary shares ('000)	18,967	19,393	18,814
Diluted earnings per share	<u>2.3p</u>	<u>7.8p</u>	<u>11.5p</u>

Notes (continued)

5 Dividends

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

Dividend declared	<i>Unaudited</i> 6 months ended 30 September 2009 Pence per share	<i>Unaudited</i> 6 months ended 30 September 2008 Pence per share	<i>Audited</i> Year ended 31 March 2009 Pence per share
2008 interim dividend	-	-	-
2008 final dividend	-	2.0p	2.0p
2009 interim dividend	-	-	1.0p
	-----	-----	-----
	-	2.0p	3.0p
	=====	=====	=====
Total dividend payable	<i>Unaudited</i> 6 months ended 30 September 2009 £000	<i>Unaudited</i> 6 months ended 30 September 2008 £000	<i>Audited</i> Year ended 31 March 2009 £000
2008 interim dividend	-	-	-
2008 final dividend	-	376	376
2009 interim dividend	-	-	188
	-----	-----	-----
	-	376	564
	=====	=====	=====
Dividend proposed at period end and not included as a liability in the accounts	<i>Unaudited</i> 6 months ended 30 September 2009 £000	<i>Unaudited</i> 6 months ended 30 September 2008 £000	<i>Audited</i> Year ended 31 March 2009 £000
2008 interim dividend (1.0p per share)	-	-	-
2008 final dividend (2.0p per share)	-	-	-
2009 interim dividend (1.0p per share)	-	188	-
	-----	-----	-----
	-	188	-
	=====	=====	=====

6 Half year report

The condensed financial statements were approved by the Board of Directors on 17 December 2009 and are available on the Company's website, www.northernbear.plc.uk. Copies will be sent to shareholders and are available on application to the Company's registered office.

Notes *(continued)*

7 Principal risks and uncertainties

The Directors consider that, except as detailed below, the principal risks and uncertainties which could have a material impact on the Group's performance for the remaining six months of the financial year remain the same as those stated on pages 41 to 44 of our Annual Report and Financial Statements for the year ended 31 March 2009, which are available on our website, www.northernbear.plc.uk. As articulated in the Chairman's statement, current trading conditions and the economic environment remains a key risk for Northern Bear.

8 Statement of directors' responsibilities

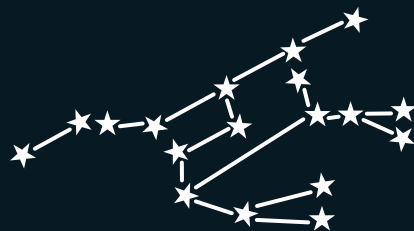
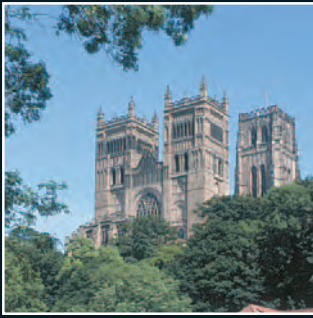
The directors named below confirm on behalf of the Board of Directors that to the best of their knowledge:

- The condensed set of financial statements has been prepared in accordance with IAS 34 'Interim Financial Reporting' as adopted by the EU; and
- The interim management report includes a fair review of the information required by:
 - DTR4.2.7R of the Disclosure and Transparency Rules, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements; and a description of the principal risks and uncertainties for the remaining six months of the year; and
 - DTR4.2.8R of the Disclosure and Transparency Rules, being related party transactions that have taken place in the first six months of the financial year and that have materially affected the financial position or performance of the Group during the period; and any changes in the related party transactions described in the last annual report that could do so.

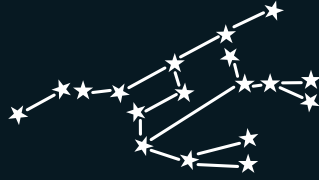
The Directors of Northern Bear Plc are listed in the Annual Report and Financial Statements for the year ended 31 March 2009.

For and on behalf of the Board of Directors

17 December 2009
Graham SL Forrest
Chief Executive Officer



Northern Bear



Northern Bear

AL industrial
trucks Ltd
Established Since 1983

**JENNINGS ROOFING LTD Manchester**

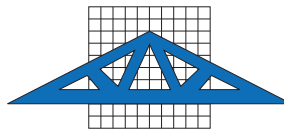
chirmarn LIMITED

MGM SPECIALIST CONSTRUCTION SERVICES

chirmarn (SURVEYING) LIMITED

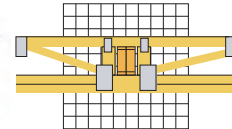

Northern Bear
Safety Ltd

D. J. McGough
LTD


THE ROOF TRUSS COMPANY NORTHERN LIMITED

Hartie D. Burton Ltd.

The FLOOR JOIST
Co.
(Northern) Ltd.



ISOLER
building integrity services

Springs Roofing Ltd

**JENNINGS ROOFING LTD Leeds**

WENSLEY
ROOFING LIMITED

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Registered in England & Wales No: 05780581