

Northern Bear plc

Interim Report
30 September 2008

Dated: 14 November 2008

Chairman's statement

I am delighted to announce the unaudited results for the Group for the six months ended 30 September 2008.

These represent the fourth set of figures published by the Group since listing on AIM in December 2006, and once again, record results are reported.

This report is presented against a background of severe and uncertain economic pressures and problems in the world financial, commercial and trading markets and we have to recognise that all businesses are, or may be, affected by these circumstances. Nevertheless, we remain committed and focussed on continued growth in earnings, whilst ensuring that our robust defensive qualities help to insulate us from the extremes suffered by certain sectors in the economy.

Turnover for the period was £23.4 million (2007 £13.7 million), with profit before tax of £2.1 million (2007 £1.0 million). The results include contributions from A1 Industrial Trucks Ltd and D J McGough Ltd, which were the two companies acquired at the beginning of the period under review.

Basic earnings per share were 8.1p (2007 5.1p) and diluted earnings per share were 7.8p (2007 4.9p). The Board has decided to declare an interim dividend of 1p per share (2007 1p per share) payable on 19 December 2008 to shareholders on the register on 28 November 2008.

The interim dividend was covered 8 times and interest cover was 6 times at the half year.

Business review

On 2 April 2008, we announced the acquisitions of D J McGough Ltd and A1 Industrial Trucks Ltd. These two acquisitions are in line with our existing strategy of acquiring mature, cash generative, consistently profitable businesses, where the experienced incumbent management team remain in place to run these businesses. Following acquisition, we make no attempt to over-centralise or rebrand businesses; they are already well respected in the local community and benefit from substantial customer goodwill. However, we are always able to achieve economies of scale with all acquisitions.

Our existing businesses have collectively delivered record results once again and each and every one of our management teams are to be applauded for this outstanding result.

The maintenance of our margins in such testing times results from the emphasis we place on winning good quality contracts; we do not chase turnover for turnover's sake. Furthermore, the nature of our client base limits our exposure to potential bad debts.

Over the past two years, we have seen our policy of reducing our reliance on the new house build sector yield benefits. Whilst we are very keen to retain our presence in this sector, only 10% of our turnover in the last six months was generated from new house build. This move away from new house build has not been an accident; we first reported our intention as early as December 2006, at the time of our flotation. Conditions in our two new house build businesses continue to be challenging. It is however, greatly to their credit that they continue to operate on a profitable basis. We have responded to market conditions by reducing overheads and, in the case of Wensley Roofing, by aligning it more closely with our social housing businesses, to focus on regeneration and affordable housing opportunities.

The experience of our managers in changing market conditions has been pivotal in the continued growth of our public funded work. Their guidance continues to be crucial as we focus on shareholder value and sustainable growth in these more difficult times.

Outlook

Our pipeline of acquisitions remains strong, and we have the continued support of our funders to grow through acquisition. However, in the current climate, the case for making an acquisition would have to be very strong and the sustainability of underlying profits of any target solid.

Any slowdown in acquisition activity would provide a useful opportunity to further reduce our debt position and take advantage of further reduced interest margins as a result of a low debt / EBITDA ratio.

We recently renewed our overdraft facility with Yorkshire Bank on identical terms, albeit that this is currently unused due to strong cash flow across the Group.

Chairman's statement *(continued)*

Outlook *(continued)*

We continue to grow our family of businesses not only by acquisition, but also by organic growth. In this regard we announced, on 13 November 2008, the opening of Jennings Roofing Manchester, a sister roofing business to the original business based in Leeds. This has been set up at a nominal net cost and is already contributing to Group profitability.

We continue to search diligently for similar opportunities. They are likely to be built around existing, long standing, customer relationships in the geographical region in which we seek to set up operations

Board changes

On 30 June 2008, Marcus Yeoman resigned as a non-executive director. Marcus had been on the Board since flotation, his guidance and wise advice were very valuable during the Company's formative period.

On 21 October 2008, Jon Pither, the co-founder and Chairman, resigned to avoid any potential conflict of interest with his other business concerns. Jon served the Board with great distinction; his influence, experience and knowledge will be greatly missed by us all. Jon continues to be a great friend and shareholder of the Company and we wish him every success in the future.

I considered it a great honour to be asked to chair this Company and accordingly I agreed to replace Jon as Chairman.

Following the departures of Jon and Marcus, we still have a very experienced Board, on which Steve Roberts and I serve as non-executive directors. We are delighted to announce that the Board will be further strengthened by today's appointment of Ian McLean as a third non-executive director.

Ian, who was part of the broking team which originally helped the Company to obtain its listing on AIM, has substantial experience in the City. He has worked in the broking and research community his entire career and, since 2002, has also sat on the board of Quayle Munro Holdings PLC, the AIM listed Edinburgh and London based merchant bank.

I feel the next six months will be very important in the shaping of Northern Bear's future, and whilst the current economic climate continues, we will focus our attentions on organic growth and I am sure that, with the talents we have across our operating businesses, we will emerge very strong from these difficult times. I am confident that our broad sector exposure will help us to continue to prosper.

Howard Gold
Chairman

14 November 2008

Consolidated income statement
for the six month period ended 30 September 2008

	Unaudited	Unaudited	Audited
	6 months ended	6 months ended	Year ended
<i>Note</i>	30 September 2008	30 September 2007	31 March 2008
	£000	£000	£000
Continuing operations			
Revenue	23,444	13,705	32,241
Cost of sales	(16,445)	(9,804)	(22,777)
	<hr/>	<hr/>	<hr/>
Gross profit	6,999	3,901	9,464
Other operating income	12	19	46
Administrative expenses	(4,502)	(2,656)	(6,302)
	<hr/>	<hr/>	<hr/>
Results from operating activities	2,509	1,264	3,208
Finance income	20	24	64
Finance expenses	(406)	(280)	(1,020)
	<hr/>	<hr/>	<hr/>
Profit before income tax	2,123	1,008	2,252
Income tax expense	(609)	(313)	(694)
	<hr/>	<hr/>	<hr/>
Profit for the period	1,514	695	1,558
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Basic earnings per share	8.1p	5.1p	10.3p
	<hr/>	<hr/>	<hr/>
Diluted earnings per share	7.8p	4.9p	9.4p
	<hr/>	<hr/>	<hr/>

Consolidated statement of changes in equity
for the six month period ended 30 September 2008

	Unaudited 6 months ended 30 September 2008 £000	Unaudited 6 months ended 30 September 2007 £000	Audited Year ended 31 March 2008 £000
Profit for the period	1,514	695	1,558
Shares issued	1,672	5,261	6,556
Share based payments	52	112	196
Dividends	(376)	-	(169)
	<hr/>	<hr/>	<hr/>
Net increase in total equity	2,862	6,068	8,141
Total equity at start of period	17,757	9,616	9,616
	<hr/>	<hr/>	<hr/>
Total equity at end of period	20,619	15,684	17,757
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Consolidated balance sheet
at 30 September 2008

	Unaudited 30 September 2008 £000	Unaudited 30 September 2007 £000	Audited 31 March 2008 £000
Assets			
Property, plant and equipment	3,955	1,965	2,177
Intangible assets	24,828	16,749	20,788
Other investments	11	11	11
Deferred tax assets	11	-	11
Total non-current assets	28,805	18,725	22,987
Inventories	810	2,018	311
Trade and other receivables	10,218	4,483	8,165
Prepayments for current assets	747	443	277
Cash and cash equivalents	292	3,049	714
Total current assets	12,067	9,993	9,467
Total assets	40,872	28,718	32,454
Equity			
Share capital	188	159	170
Share premium	5,021	5,075	5,021
Reserves	12,589	9,597	10,935
Retained earnings	2,821	853	1,631
Total equity attributable to equity holders of the company	20,619	15,684	17,757
Liabilities			
Loans and borrowings	5,485	4,097	3,400
Deferred tax liabilities	-	67	-
Total non-current liabilities	5,485	4,164	3,400
Bank overdraft	3,390	2,383	2,283
Loans and borrowings	1,994	929	1,501
Trade and other payables	7,318	4,373	6,044
Current tax payable	1,566	1,185	869
Deferred consideration	500	-	600
Total current liabilities	14,768	8,870	11,297
Total liabilities	20,253	13,034	14,697
Total equity and liabilities	40,872	28,718	32,454

Consolidated statement of cash flows
for the six month period ended 30 September 2008

	Unaudited 6 months ended 30 September 2008 £000	Unaudited 6 months ended 30 September 2007 £000	Audited Year ended 31 March 2008 £000
Cash flows from operating activities			
Profit for the period	1,514	695	1,558
<i>Adjustments for:</i>			
Depreciation	332	146	329
Finance income	(20)	(24)	(64)
Finance expense	406	280	1,020
Loss on sale of property, plant and equipment	4	1	3
Equity settled share-based payment transactions	52	112	196
Income tax expense	609	313	694
	<hr/> 2,897	<hr/> 1,523	<hr/> 3,736
Change in inventories	(198)	(1,607)	135
Change in trade and other receivables	(1,585)	958	(1,273)
Change in prepayments	(355)	(213)	26
Change in trade and other payables	651	(495)	98
Change in deferred consideration	(100)	-	199
	<hr/> 1,310	<hr/> 166	<hr/> 2,921
Interest received	20	24	64
Interest paid	(406)	(280)	(1,020)
Tax paid	(225)	(65)	(1,555)
	<hr/> 699	<hr/> (155)	<hr/> 410
Net cash from operating activities	<hr/> 699	<hr/> (155)	<hr/> 410
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment	145	-	22
Acquisition of subsidiary, net of cash acquired	(4,057)	(2,502)	(5,535)
Acquisition of property, plant and equipment	(335)	(119)	(295)
	<hr/> (4,247)	<hr/> (2,621)	<hr/> (5,808)
Net cash from investing activities	<hr/> (4,247)	<hr/> (2,621)	<hr/> (5,808)
Cash flows from financing activities			
Proceeds from issue of share capital	-	3,924	3,906
Payment of transaction costs	-	(289)	(337)
Proceeds from new borrowings	3,500	1,850	4,500
Repayment of borrowings	(988)	(1,354)	(3,395)
Payment of finance lease liabilities	(117)	(87)	(74)
Dividends paid	(376)	-	(169)
	<hr/> 2,019	<hr/> 4,044	<hr/> 4,431
Net cash from financing activities	<hr/> 2,019	<hr/> 4,044	<hr/> 4,431
Net increase / (decrease) in cash and cash equivalents	(1,529)	1,268	(967)
Cash and cash equivalents at start of period	(1,569)	(602)	(602)
	<hr/> <hr/> (3,098)	<hr/> <hr/> 666	<hr/> <hr/> (1,569)
Cash and cash equivalents at end of period	<hr/> <hr/> (3,098)	<hr/> <hr/> 666	<hr/> <hr/> (1,569)

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 full annual financial statements, and should be read in conjunction with the Group financial statements for the year ended 31 March 2008.

These condensed financial statements are unaudited and were approved by the Board of Directors on 14 November 2008.

The information for the year ended 31 March 2008 does not constitute statutory financial statements as defined 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) of the Companies Act 1985.

The accounting policies applied by the Group in these condensed financial statements are the same as those applied by the Group in its consolidated financial statements for the year ended 31 March 2008.

2 Changes in accounting policies

There are no significant changes to accounting policies which are expected to be effective in the current financial year and therefore there is no impact on these condensed financial statements.

3 Segment analysis

Business sector is the basis of the Group's primary segmentation. The Group operates in one business segment being building services. As a result no additional business segment information is provided. The Group's secondary segment is geography. It operates in one geographic segment, the United Kingdom, as the Group has no material operations outside the UK, and therefore, no additional geographic segment information is required to be provided.

4 Acquisitions

- a) On 2 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:

	£000
Fixed assets	
Tangible	1,641
Current assets	
Stock	37
Debtors	212
Cash	1,441
Current liabilities	(537)
	<hr/>
Net assets	2,794
Goodwill	2,540
	<hr/>
Purchase consideration	5,334
	<hr/> <hr/>
Satisfied by:	
Cash	4,197
Shares	1,137
	<hr/> <hr/>
	5,334
	<hr/> <hr/>

Notes (continued)

4 Acquisitions (continued)

- b) On 2 April 2008 the company acquired 100% of the issued share capital of DJ McGough Limited.
 . The resulting goodwill was calculated and capitalised as follows:

	£000
Fixed assets	
Tangible	98
Current assets	
Stock	264
Debtors	371
Cash	484
Current liabilities	
Bank overdraft	(8)
Other liabilities	(397)
	<hr/>
Net assets	812
Goodwill	1,500
	<hr/>
Purchase consideration	2,312
	<hr/> <hr/>
Satisfied by:	
Cash	1,777
Shares	535
	<hr/>
	2,312
	<hr/> <hr/>

5 Earnings per share

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

	Unaudited 6 months ended 30 September 2008	Unaudited 6 months ended 30 September 2007	Audited Year ended 31 March 2008
Profit for the period (£000)	1,514	695	1,558
Weighted average number of ordinary shares ('000)	18,709	13,548	15,103
Earnings per share	8.1p	5.1p	10.3p
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

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:

	Unaudited 6 months ended 30 September 2008	Unaudited 6 months ended 30 September 2007	Audited Year ended 31 March 2008
Profit for the period (£000)	1,514	695	1,558
Weighted average number of ordinary shares ('000)	19,393	14,321	16,598
Earnings per share	7.8p	4.9p	9.4p
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Notes (continued)

6 Dividends

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

Dividend declared	Unaudited 6 months ended 30 September 2008 Pence per share	Unaudited 6 months ended 30 September 2007 Pence per share	Audited Year ended 31 March 2008 Pence per share
2008 interim dividend	-	-	1.0p
2008 final dividend	2.0p	-	-
	<hr/>	<hr/>	<hr/>
	2.0p	-	1.0p
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Total dividend payable	Unaudited 6 months ended 30 September 2008 £000	Unaudited 6 months ended 30 September 2007 £000	Audited Year ended 31 March 2008 £000
2008 interim dividend	-	-	169
2008 final dividend	376	-	-
	<hr/>	<hr/>	<hr/>
	376	-	169
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Dividend proposed at period end and not included as a liability in the accounts	Unaudited 6 months ended 30 September 2008 £000	Unaudited 6 months ended 30 September 2007 £000	Audited Year ended 31 March 2008 £000
2008 interim dividend (1.0p per share)	-	169	-
2008 final dividend (2.0p per share)	-	-	376
2009 interim dividend (1.0p per share)	188	-	-
	<hr/>	<hr/>	<hr/>
	188	169	376
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7 Interim results

These results were approved by the Board of Directors on 14 November 2008.

Copies of the interim statement will be sent to shareholders. Further copies will be available from the Company's registered office and are also available on our website at www.northern-bear.co.uk.