



Northern Bear plc

Unaudited Interim Results

For the six months to 30 September 2010

Chairman's Statement

Introduction

I am pleased to announce the unaudited interim results for the six months to 30 September 2010, in which the Group delivered a solid set of results, particularly in the context of the current macro-economic climate.

Adjusted profit before tax (before exceptional items and share based payments) grew 6.0% to £705,000 (2009: £665,000), on turnover of £15.9 million, (2009: £15.6 million) a 1.9% increase.

On the same basis, adjusted earnings per share from continuing operations increased by 4.2% to 2.5p per share (2009: 2.4p).

Cash management, one of our key performance indicators, remains particularly strong, with a reduction in net bank debt to £9.1 million (2009: £10.1 million), in spite of suffering a write-off of £165,000 following the administration of Connaught plc.

Throughout the period, our Board has reviewed any under-performing businesses; this has resulted in the disposal of DJ McGough, a loss-making business, in September of this year.

These results give us a firm foundation for future growth. Furthermore, a number of specific opportunities are beginning to present themselves as the terrain shifts following the Comprehensive Spending Review last month and the demise of a number of our competitors.

Trading

The trading environment during the six months to 30 September 2010, while continuing to be challenging, has certainly improved upon the previous year.

Turnover has increased by 1.9% to £15.9 million (2009: £15.6 million) and gross margins have been maintained at 27%.

We continue to manage our cost base, while at the same time remaining focussed on responding to opportunities as they arise.

The disposal of DJ McGough demonstrates that your Board is able to respond and adapt to changing market conditions in a very clear and focussed manner. It also indicates that the Board is prepared to take tough and decisive action in dealing with under-performing businesses.

The portfolio of businesses within the Group continues to be monitored closely by the Board.

Cash Flow

The cash performance of the Group remains very strong, with a reduction in net bank debt to £9.1 million (2009: £10.1 million).

Our main lender continues to be extremely supportive in terms of agreeing covenants and capital repayment scheduling, despite the difficult trading conditions of the past two years.

Our working capital management continues to improve, resulting in our period end trade receivables balance falling to £6.8 million (2009: £8.0 million). This is particularly important in the current environment, as highlighted by one of our largest customers, Connaught plc, falling into administration, as referred to above.

Dividend

At the time of our preliminary results for the year ended 31 March 2010, I indicated a wish to return to the paying of a dividend at the earliest possible opportunity.

While the reinstatement of a dividend remains firmly on the agenda, the timing is still uncertain and is dependent on the macro-economic recovery.

In this regard, we must remain prudent and have therefore decided that there will be no interim dividend paid.

Strategy / Outlook

Throughout the last six months, the Board has implemented a strategy to review any under-performing businesses. As previously stated, this has resulted in the disposal of DJ McGough and may lead to similar action being taken in the future should the situation arise.

Cash management is at the forefront of all Board decisions and the cost base of the business continues to be closely monitored.

Having taken these difficult decisions, there are now a number of very positive opportunities which the Board has begun to investigate.

We are working more closely with regional local authorities and will, over the course of the next few months, be applying for main contractor status, which the Board believes will enable the Group to maximise revenue generating opportunities.

Furthermore, we have been approached on a number of specific projects; currently we are completing an exercise on energy management within social housing.

We look forward to updating shareholders as the Group takes advantage of further opportunities in the coming months.

People

The key relationships in each of our businesses remain fundamental to our continued success.

I am delighted to report that these remain very strong and this, together with the commitment of our senior management, is testament to the robust nature of our business model.

I am very proud of all of our employees, and their continued efforts provide me with optimism for the future.

Howard Gold
Chairman
24 November 2010

Condensed consolidated statement of comprehensive income
for the six month period ended 30 September 2010

	6 months ended 30 September 2010 £'000	6 months ended 30 September 2009 £'000	Year ended 31 March 2010 £'000
Revenue	15,911	15,613	31,712
Cost of sales	<u>(11,545)</u>	<u>(11,384)</u>	<u>(23,076)</u>
Gross profit	4,366	4,229	8,636
Other operating income	11	13	23
Administrative expenses			
Exceptional expenses	(217)	(58)	(2,320)
Share based payments	(30)	(31)	(60)
Other administrative expenses	<u>(3,408)</u>	<u>(3,315)</u>	<u>(6,939)</u>
	<u>(3,655)</u>	<u>(3,404)</u>	<u>(9,319)</u>
Operating profit/(loss)	722	838	(660)
Finance expenses	<u>(264)</u>	<u>(262)</u>	<u>(531)</u>
Profit/(loss) before income tax	458	576	(1,191)
Income tax expense	<u>(136)</u>	<u>(170)</u>	<u>(139)</u>
Profit/(loss) from continuing operations	322	406	(1,330)
(Loss)/profit from discontinued operations, net of tax	<u>(64)</u>	<u>25</u>	<u>(31)</u>
Profit/(loss) for the period	<u>258</u>	<u>431</u>	<u>(1,361)</u>
Total comprehensive income attributable to equity holders of the parent	<u>258</u>	<u>431</u>	<u>(1,361)</u>
<i>Basic earnings/(loss) per share</i>			
From continuing operations	1.7p	2.2p	(7.0)p
From discontinued operations	<u>(0.3)p</u>	<u>0.1p</u>	<u>(0.2)p</u>
From total operations	<u>1.4p</u>	<u>2.3p</u>	<u>(7.2)p</u>
<i>Adjusted (pre exceptional) earnings/(loss) per share</i>			
From continuing operations	2.5p	2.4p	4.6p
From discontinued operations	<u>(0.3)p</u>	<u>0.1p</u>	<u>(0.1)p</u>
From total operations	<u>2.2p</u>	<u>2.5p</u>	<u>4.5p</u>

Condensed consolidated statement of changes in equity
for the six month period ended 30 September 2010

	Share capital £'000	Capital redemption reserve £'000	Share premium £'000	Merger reserve £'000	Retained earnings £'000	Total equity £'000
At 1 April 2009	190	-	5,169	12,586	3,330	21,275
Total comprehensive income for the period						
Profit for the period	-	-	-	-	431	431
Transactions with owners, recorded directly in equity						
Equity settled share based payment transactions	-	-	-	-	31	31
At 30 September 2009	190	-	5,169	12,586	3,792	21,737
At 1 April 2009	190	-	5,169	12,586	3,330	21,275
Total comprehensive income for the 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
At 1 April 2010	190	-	5,169	12,586	2,029	19,974
Total comprehensive income for the period						
Profit for the period	-	-	-	-	258	258
Transactions with owners, recorded directly in equity						
Buy back of shares	(6)	6	-	(514)	(1,766)	(2,280)
Equity settled share based payment transactions	-	-	-	-	30	30
At 30 September 2010	184	6	5,169	12,072	551	17,982

Condensed consolidated balance sheet
at 30 September 2010

	30 September 2010 £'000	30 September 2009 £'000	31 March 2010 £'000
Assets			
Property, plant and equipment	3,053	3,422	3,126
Intangible assets	21,753	25,264	23,623
Other investments	11	11	11
Total non-current assets	24,817	28,697	26,760
Inventories	893	1,000	916
Trade and other receivables	6,768	7,981	7,838
Prepayments for current assets	647	808	233
Cash and cash equivalents	253	358	355
Total current assets	8,561	10,147	9,342
Total assets	33,378	38,844	36,102
Equity			
Share capital	184	190	190
Capital redemption reserve	6	-	-
Share premium	5,169	5,169	5,169
Merger reserve	12,072	12,586	12,586
Retained earnings	551	3,792	2,029
Total equity attributable to equity holders of the company	17,982	21,737	19,974
Liabilities			
Loans and borrowings	3,352	4,593	3,810
Deferred tax liabilities	57	56	62
Total non-current liabilities	3,409	4,649	3,872
Bank overdraft	4,929	4,904	4,327
Loans and borrowings	1,379	1,419	1,425
Trade and other payables	5,313	5,606	6,176
Current tax payable	366	379	278
Deferred consideration	-	150	50
Total current liabilities	11,987	12,458	12,256
Total liabilities	15,396	17,107	16,128
Total equity and liabilities	33,378	38,844	36,102

Condensed consolidated statement of cash flows
for the six month period ended 30 September 2010

	6 months ended 30 September 2010 £'000	6 months ended 30 September 2009 £'000	Year ended 31 March 2010 £'000
Cash flows from operating activities			
Profit/(loss) for the period	258	431	(1,361)
<i>Adjustments for:</i>			
Depreciation	274	297	566
Impairment	-	-	1,806
Finance expense	264	262	531
Loss on sale of property, plant and equipment	2	16	60
Equity settled share based payment transactions	30	31	60
Income tax expense	111	180	251
	<u>939</u>	<u>1,217</u>	<u>1,913</u>
Change in inventories	(166)	24	(67)
Change in trade and other receivables	672	(499)	(356)
Change in prepayments	(445)	(438)	9
Change in trade and other payables	(641)	(635)	(65)
	<u>359</u>	<u>(331)</u>	<u>1,434</u>
Interest paid	(264)	(262)	(531)
Tax paid	(44)	(249)	(415)
Net cash from operating activities	<u>51</u>	<u>(842)</u>	<u>488</u>
Cash flows from investing activities			
Proceeds from the sale of property, plant and equipment	27	-	147
Acquisition of subsidiary, net of cash acquired	(50)	(300)	(400)
Disposal of subsidiary, net of cash disposed of	(9)	-	-
Acquisition of property, plant and equipment	(79)	(17)	(139)
Net cash from investing activities	<u>(111)</u>	<u>(317)</u>	<u>(392)</u>
Cash flows from financing activities			
Repayment of borrowings	(532)	(532)	(1,064)
Payment of finance lease liabilities	(112)	(116)	(265)
Net cash from financing activities	<u>(644)</u>	<u>(648)</u>	<u>(1,329)</u>
Net decrease in cash and cash equivalents	(704)	(1,807)	(1,233)
Cash and cash equivalents at start of period	<u>(3,972)</u>	<u>(2,739)</u>	<u>(2,739)</u>
Cash and cash equivalents at end of period	<u><u>(4,676)</u></u>	<u><u>(4,546)</u></u>	<u><u>(3,972)</u></u>

Notes

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 financial statements of the Group as at and for the year ended 31 March 2010.

These condensed financial statements are unaudited and were approved by the Board of Directors on 23 November 2010.

The information for the year ended 31 March 2010 does not constitute statutory financial statements as defined by section 435 of the Companies Act 2006. 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 498 (2) or (3) of the Companies Act 2006.

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 2010, other than as disclosed in note 2.

2. Changes in accounting policies

From 1 April 2010 the following standards, amendments and interpretations became effective and were adopted by the Group:

- Revised IFRS 3: Business combinations;
- Amendments to IAS 27: Consolidated and separate financial statements.

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

Notes (continued)

3. Discontinued operation

On 15 September 2010, the Group disposed of DJ McGough Limited through a buy back of shares.

Results of the discontinued operation

	6 months ended 30 September 2010 £000	6 months ended 30 September 2009 £000	Year ended 31 March 2010 £000
Revenue	480	1,752	3,272
Expenses	(569)	(1,717)	(3,191)
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(Loss)/profit before tax	(89)	35	81
Tax on (loss)/profit	25	(10)	(112)
	<hr/>	<hr/>	<hr/>
(Loss)/profit for the period	(64)	25	(31)
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Assets disposed of

	£000
Property, plant and equipment	89
Inventories	97
Trade and other receivables	398
Prepayments for current assets	31
Taxation receivable	21
Cash and cash equivalents	9
Loans and borrowings	(4)
Trade and other payables	(226)
Deferred tax	(5)
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Net identifiable assets and liabilities	410
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Consideration received, satisfied in cash	-
Cash disposed of	(9)
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Net cash	(9)
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Notes (continued)

4. Taxation

The taxation charge for the six months ended 30 September 2010 is calculated by applying the Directors' best estimate of the annual effective tax rate to the profit for the period.

5. 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:

	6 months ended 30 September 2010	6 months ended 30 September 2009	Year ended 31 March 2010
Profit/(loss) for the period (£000) – continuing operations	322	406	(1,330)
(Loss)/profit for the period (£000) – discontinued operations	(64)	25	(31)
Profit/(loss) for the period (£000) - total	258	431	(1,361)
Weighted average number of ordinary shares (000)	18,919	18,967	18,967
Earnings/(loss) per share - continuing operations	1.7p	2.2p	(7.0)p
(Loss)/earnings per share - discontinued operations	(0.3)p	0.1p	(0.2)p
Earnings/(loss) per share - total	1.4p	2.3p	(7.2)p

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:

	6 months ended 30 September 2010	6 months ended 30 September 2009	Year ended 31 March 2010
Profit/(loss) for the period (£000) - continuing operations	322	406	(1,330)
Exceptional expenses (£000)	217	58	2,320
Less tax on exceptional expenses (£000)	(61)	(16)	(114)
Profit for the period before exceptionals (£000) - continuing operations	478	448	876
(Loss)/profit for the period before exceptionals (£000) - discontinued operations	(64)	25	(31)
Profit for the period before exceptionals (£000) - total	414	473	845
Weighted average number of ordinary shares (000)	18,919	18,967	18,967
Adjusted earnings per share - continuing operations	2.5p	2.4p	4.6p
Adjusted earnings per share - discontinued operations	(0.3)p	0.1p	(0.1)p
Adjusted earnings per share - total	2.2p	2.5p	4.5p

Share options in issue do not have a dilutive impact on the earnings per share calculation.

Notes (continued)

6. Principal risks and uncertainties

The directors consider that the principal risks and uncertainties which could have a material impact on the Group's performance in the remaining six months of the financial year remain the same as those stated on pages 4, 5, 6 and 45 to 49 of our Annual Report and Accounts for the year ended 31 March 2010, which are available on our website, www.northern-bear.com.

7. Related party transactions

There have been no related party transactions in the first six months of the current financial year which have materially affected the financial position or performance of the Group.

8. Half year report

The condensed financial statements were approved by the Board of Directors on 23 November 2010 and are available on the Company's website, www.northern-bear.com. Copies will be sent to shareholders and are available on application to the Company's registered office.

9. 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 2010.

For and on behalf of the Board of Directors

GRAHAM S L FORREST
Chief Executive Officer

24 November 2010