



**Northern Bear plc**

Unaudited Interim Report  
30 September 2011

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## **Advisors**

### ***Auditor***

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110 Quayside  
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NE1 3DX

### ***Bankers***

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### ***Legal advisors***

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### ***Broker***

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### ***Nominated advisor***

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26 Mount Row  
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Station Road  
Chester-le-Street  
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## **Chairman's statement**

### **Introduction**

I am pleased to announce the unaudited interim results for the six months to 30 September 2011, in which the Group performed well, despite a difficult trading environment.

Operating profit from continuing operations grew by 28.8% to £918,000 (2010: £713,000) and profit before tax from continuing operations increased by 52.2% to £685,000 (2010: £450,000)

Basic earnings per share from continuing operations increased by 52.9% to 2.6p per share (2010: 1.7p).

A strong trading period has been accompanied by a further reduction in borrowing and net debt has reduced to £8.3 million from £9.4 million at 30 September 2010 and £8.8 million at 31 March 2011.

The Board has continued to review its existing portfolio of businesses and disposed of two subsidiaries during the period, namely Hastie D Burton Limited and The Roof Truss Company (Northern) Limited. With a reduction in the number of subsidiaries, additional central costs savings have been achieved, the benefit of which will flow into future financial periods.

We announced two specific market opportunities earlier in the year, in the building services sector where we introduced Northern Bear Building Services, which operates in the insurance and reactive maintenance market, and the renewables sector, which led to the creation of Northern Bear Renewables. The Group remains well positioned to take full advantage of these opportunities.

With regards to Northern Bear Renewables, little cost (other than management time) has been incurred to date in developing the Group's position in this sector although we believe that this is not the case at some of our competitors who have made significant changes to their business models in an effort to take advantage of the Government's Feed In Tariff scheme.

Despite the Government's recent decision to reduce the Feed In Tariff, the Group's unique market position should ensure that it is well placed to take advantage of the opportunities which the growing renewables sector continues to offer.

### **Trading**

The trading conditions faced by the Group continue to be challenging. Nevertheless, the Group increased its turnover from continuing operations by 28.0% to £17.2million (2010: £13.4million). Profit before tax from continuing operations increased by 52.2% to £685,000 (2010: £450,000). This is testament to the strength of the operating businesses, which have grown market share despite the current trading environment.

The Board previously made separate announcements regarding the resignation of Graham Forrest as CEO, the cost reduction programme implemented (at both Group and subsidiary levels) over the last twelve months and the disposal of three businesses. Despite the significant changes in Group structure, the strong trading results reflect well on senior management within the Group in maintaining the focus on core business.

Whilst the Board will continue to monitor the situation carefully, it is not currently envisaged that there will be any further significant changes in Group structure in the short term.

### **Cash flow**

The drive to reduce borrowing has continued, with a reduction in net debt to £8.3 million.

The Group's bank has been, and continues to be, supportive. All financial covenants have been satisfied and our capital repayments continue to be made, which again reflects the strong trading performance and cash management during the period.

### **Dividend**

Despite improved trading performance, the Board believe that it would not be prudent to declare an interim dividend.

## **Chairman's statement** *(continued)*

### **Strategy / Outlook**

The businesses which remain have performed in line with the Group's expectations and order books have improved in respect of the coming months.

The downturn in Government spending has not affected profitability during the period. As previously reported, the Group retains a presence in the private housebuilding sector and we are pleased to report a slight upturn in this market.

Given the above comments on order book levels, we are cautiously optimistic of maintaining current levels of trade, although we remain fully aware of the volatile economic climate.

### **People**

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

We are delighted to report that these remain very strong and would like to thank senior management and their staff for their continued efforts and loyalty, which have played a significant part in the result we have delivered.

**Howard Gold**

Non-Executive Chairman

28 November 2011

**Consolidated statement of comprehensive income**  
*for the six month period ended 30 September 2011*

	6 months ended 30 September 2011	6 months ended 30 September 2010	Year ended 31 March 2011
Note	£'000	£'000	£'000
<b>Continuing operations</b>			
<b>Revenue</b>	<b>17,168</b>	13,408	27,160
Cost of sales	<u>(12,941)</u>	<u>(9,371)</u>	<u>(19,286)</u>
<b>Gross profit</b>	<b>4,227</b>	4,037	7,874
Other operating income	8	11	20
Administrative expenses			
Exceptional expenses	(30)	(217)	(309)
Share based payments	-	(30)	178
Other administrative expenses	<u>(3,287)</u>	<u>(3,088)</u>	<u>(6,426)</u>
	<u>(3,317)</u>	<u>(3,335)</u>	<u>(6,557)</u>
<b>Operating profit</b>	<b>918</b>	713	1,337
Finance income	-	-	1
Finance expenses	<u>(233)</u>	<u>(263)</u>	<u>(518)</u>
<b>Profit before income tax</b>	<b>685</b>	450	820
Income tax expense	<u>(202)</u>	<u>(133)</u>	<u>(181)</u>
<b>Profit from continuing operations</b>	<b>483</b>	317	639
<b>Discontinued operations</b>			
Loss from discontinued operations, net of tax	<u>(106)</u>	<u>(59)</u>	<u>(856)</u>
<b>Profit/(loss) for the period</b>	<b>377</b>	258	(217)
<b>Total comprehensive income attributable to equity holders of the parent</b>			
	<u>377</u>	<u>258</u>	<u>(217)</u>
<i>Basic earnings/(loss) per share</i>			
- continuing operations	2.6p	1.7p	3.4p
- discontinued operations	<u>(0.6)p</u>	<u>(0.3)p</u>	<u>(4.6)p</u>
- total operations	<u>2.0p</u>	<u>1.4p</u>	<u>(1.2)p</u>
<i>Adjusted (pre exceptional) earnings/(loss) per share</i>			
- continuing operations	2.8p	2.5p	5.0p
- discontinued operations	-	<u>(0.3)p</u>	<u>(0.8)p</u>
- total operations	<u>2.8p</u>	<u>2.2p</u>	<u>4.2p</u>

## Consolidated statement of changes in equity

for the six month period ended 30 September 2011

	Share capital £'000	Capital redemption reserve £'000	Share premium £'000	Merger reserve £'000	Retained earnings £'000	Total equity £'000
<b>At 1 April 2010</b>	<b>190</b>	-	<b>5,169</b>	<b>12,586</b>	<b>2,029</b>	<b>19,974</b>
<b>Total comprehensive income for the period</b>						
Profit for the period	-	-	-	-	258	258
<b>Transactions with owners, recorded directly in equity</b>						
Buy back of shares	(6)	6	-	(514)	(1,766)	(2,280)
Equity settled share based payment transactions	-	-	-	-	30	30
<b>At 30 September 2010</b>	<b>184</b>	<b>6</b>	<b>5,169</b>	<b>12,072</b>	<b>551</b>	<b>17,982</b>
<b>At 1 April 2010</b>	<b>190</b>	-	<b>5,169</b>	<b>12,586</b>	<b>2,029</b>	<b>19,974</b>
<b>Total comprehensive income for the year</b>						
Loss for the year	-	-	-	-	(217)	(217)
<b>Transactions with owners, recorded directly in equity</b>						
Equity settled share based payment transactions	-	-	-	-	(178)	(178)
Buy back of shares	(6)	6	-	(514)	(1,766)	(2,280)
Transfers in respect of discontinued operations	-	-	-	(1,701)	1,701	-
<b>At 31 March 2011</b>	<b>184</b>	<b>6</b>	<b>5,169</b>	<b>10,371</b>	<b>1,569</b>	<b>17,299</b>
<b>At 1 April 2011</b>	<b>184</b>	<b>6</b>	<b>5,169</b>	<b>10,371</b>	<b>1,569</b>	<b>17,299</b>
<b>Total comprehensive income for the period</b>						
Profit for the period	-	-	-	-	377	377
<b>At 30 September 2011</b>	<b>184</b>	<b>6</b>	<b>5,169</b>	<b>10,371</b>	<b>1,946</b>	<b>17,676</b>

**Consolidated balance sheet**  
at 30 September 2011

	30 September 2011 £'000	30 September 2010 £'000	31 March 2011 £'000
<b>Assets</b>			
Property, plant and equipment	2,271	3,053	2,258
Intangible assets	21,345	21,753	21,348
Other investments	-	11	-
<b>Total non-current assets</b>	<b>23,616</b>	<b>24,817</b>	<b>23,606</b>
Inventories	748	893	851
Trade and other receivables	7,692	6,768	6,028
Prepayments for current assets	376	647	145
Deferred consideration receivable	227	-	-
Cash and cash equivalents	339	253	281
Assets classified as held for sale	-	-	3,517
<b>Total current assets</b>	<b>9,382</b>	<b>8,561</b>	<b>10,822</b>
<b>Total assets</b>	<b>32,998</b>	<b>33,378</b>	<b>34,428</b>
<b>Equity</b>			
Share capital	184	184	184
Capital redemption reserve	6	6	6
Share premium	5,169	5,169	5,169
Merger reserve	10,371	12,072	10,371
Retained earnings	1,946	551	1,569
<b>Total equity attributable to equity holders of the Company</b>	<b>17,676</b>	<b>17,982</b>	<b>17,299</b>
<b>Liabilities</b>			
Loans and borrowings	2,915	3,352	3,561
Deferred tax liabilities	103	57	103
<b>Total non-current liabilities</b>	<b>3,018</b>	<b>3,409</b>	<b>3,664</b>
Bank overdraft	5,032	4,929	4,782
Loans and borrowings	715	1,379	754
Trade and other payables	6,214	5,313	5,016
Current tax payable	343	366	275
Liabilities classified as held for sale	-	-	2,638
<b>Total current liabilities</b>	<b>12,304</b>	<b>11,987</b>	<b>13,465</b>
<b>Total liabilities</b>	<b>15,322</b>	<b>15,396</b>	<b>17,129</b>
<b>Total equity and liabilities</b>	<b>32,998</b>	<b>33,378</b>	<b>34,428</b>

**Consolidated statement of cash flows**  
*for the six month period ended 30 September 2011*

	6 months ended 30 September 2011 £'000	6 months ended 30 September 2010 £'000	Year ended 31 March 2011 £'000
<b>Cash flows from operating activities</b>			
Profit/(loss) for the period	377	258	(217)
<i>Adjustments for:</i>			
Depreciation	241	274	562
Impairment	3	-	530
Finance income	-	-	(1)
Finance expense	233	264	518
Loss on sale of property, plant and equipment	4	2	8
Equity settled share based payment transactions	-	30	(178)
Income tax expense	202	111	158
	<u>1,060</u>	<u>939</u>	<u>1,380</u>
Change in inventories	2	(166)	(318)
Change in trade and other receivables	(1,515)	672	735
Change in prepayments	(232)	(445)	(9)
Change in trade and other payables	1,062	(641)	(281)
	<u>377</u>	<u>359</u>	<u>1,507</u>
Interest received	-	-	1
Interest paid	(233)	(264)	(518)
Tax paid	(133)	(44)	(126)
<b>Net cash from operating activities</b>	<u>11</u>	<u>51</u>	<u>864</u>
<b>Cash flows from investing activities</b>			
Proceeds from the sale of property, plant and equipment	19	27	99
Acquisition of subsidiary, net of cash acquired	-	(50)	(50)
Disposal of subsidiary, net of cash disposed of	639	(9)	(9)
Acquisition of property, plant and equipment	(86)	(79)	(246)
<b>Net cash from investing activities</b>	<u>572</u>	<u>(111)</u>	<u>(206)</u>
<b>Cash flows from financing activities</b>			
Repayment of borrowings	(688)	(532)	(955)
Payment of finance lease liabilities	(87)	(112)	(232)
<b>Net cash from financing activities</b>	<u>(775)</u>	<u>(644)</u>	<u>(1,187)</u>
Net decrease in cash and cash equivalents	(192)	(704)	(529)
Cash and cash equivalents at start of period	(4,501)	(3,972)	(3,972)
<b>Cash and cash equivalents at end of period</b>	<u>(4,693)</u>	<u>(4,676)</u>	<u>(4,501)</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 2011.

These condensed financial statements are unaudited and were approved by the Board of Directors on 23 November 2011.

The information for the year ended 31 March 2011 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 2011, other than as disclosed in note 2.

### 2. Changes in accounting policies

From 1 April 2011 the following standards, amendments and interpretations became effective and were adopted by the Group:

- Revised IAS24; related party disclosure.

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

The Group has disposed of operations, as follows:

- The Roof Truss Company (Northern) Limited – on 26 May 2011;
- Hastie Limited – on 20 April 2011; and
- D J McGough Limited – on 15 September 2010

The comparative statement of comprehensive income has been re-presented to show the discontinued operations separately from continuing operations.

#### **Results from discontinued operations – 6 months ended 30 September 2011**

	D J McGough £000	Hastie £000	Roof Truss £000	Total £000
Revenue	-	-	-	-
Expenses	-	-	-	-
Exceptional expenses	-	-	(106)	(106)
	<hr/>	<hr/>	<hr/>	<hr/>
Loss before income tax	-	-	(106)	(106)
Income tax	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Loss for the period	-	-	(106)	(106)
	<hr/>	<hr/>	<hr/>	<hr/>
Basic loss per share				(0.6)p
				<hr/>
Adjusted (pre-exceptional) loss per share				-
				<hr/>

#### **Results from discontinued operations – 6 months ended 30 September 2010**

	D J McGough £000	Hastie £000	Roof Truss £000	Total £000
Revenue	436	1,576	927	2,939
Expenses	(525)	(1,599)	(896)	(3,020)
Exceptional expenses	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
(Loss)/profit before income tax	(89)	(23)	31	(81)
Income tax	25	6	(9)	22
	<hr/>	<hr/>	<hr/>	<hr/>
(Loss)/profit for the period	(64)	(17)	22	(59)
	<hr/>	<hr/>	<hr/>	<hr/>
Basic loss per share				(0.3)p
				<hr/>
Adjusted (pre-exceptional) loss per share				(0.3)p
				<hr/>

## Notes (continued)

### 3. Discontinued operation (continued)

#### Results from discontinued operations – year ended 31 March 2011

	D J McGough £000	Hastie £000	Roof Truss £000	Total £000
Revenue	479	2,523	1,551	4,553
Expenses	(568)	(2,624)	(1,528)	(4,720)
Exceptional expenses	(50)	(470)	(192)	(712)
	<hr/>	<hr/>	<hr/>	<hr/>
Loss before income tax	(139)	(571)	(169)	(879)
Income tax	26	(2)	(1)	23
	<hr/>	<hr/>	<hr/>	<hr/>
Loss for the year	(113)	(573)	(170)	(856)
	<hr/>	<hr/>	<hr/>	<hr/>
Basic loss per share				(4.6)p
				<hr/>
Adjusted (pre-exceptional) loss per share				(0.8)p
				<hr/>

#### Effect of disposal on financial position of the Group

	D J McGough £000	Hastie £000	Roof Truss £000	Total £000
Property, plant and equipment	89	58	658	805
Investments	-	-	11	11
Inventories	97	10	109	216
Trade and other receivables	398	338	170	906
Prepayments for current assets	31	17	26	74
Cash and cash equivalents	9	-	-	9
Loans and borrowings	(4)	(8)	(16)	(28)
Trade and other payables	(226)	(420)	(76)	(722)
Current tax	21	-	(5)	16
Deferred tax (liabilities)/assets	(5)	5	(11)	(11)
	<hr/>	<hr/>	<hr/>	<hr/>
Net assets and liabilities	410	-	866	1,276
	<hr/>	<hr/>	<hr/>	<hr/>
Consideration received				
- satisfied in cash	-	-	639	639
- deferred	-	-	227	227
Cash disposed of	(9)	-	-	(9)
	<hr/>	<hr/>	<hr/>	<hr/>

## Notes (continued)

### 4. Taxation

The taxation charge for the six months ended 30 September 2011 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/(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:

	<b>6 months ended 30 September 2011</b>	6 months ended 30 September 2010	Year ended 31 March 2011
Profit/(loss) for the period (£000)			
- continuing operations	<b>483</b>	317	639
- discontinued operations	<b>(106)</b>	(59)	(856)
- total	<b>377</b>	258	(217)
Weighted average number of ordinary shares (000)	<b>18,420</b>	18,919	18,663
Earnings/(loss) per share			
- continuing operations	<b>2.6p</b>	1.7p	3.4p
- discontinued operations	<b>(0.6)p</b>	0.3p	(4.6)p
- total	<b>2.0p</b>	1.4p	(1.2)p

The calculation of adjusted earnings/(loss) 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:

	<b>6 months ended 30 September 2011</b>	6 months ended 30 September 2010	Year ended 31 March 2011
Profit for the period (£000) - continuing operations	<b>483</b>	317	639
Exceptional expenses (£000)	<b>30</b>	156	285
Profit for the period before exceptionals (£000)			
- continuing operations	<b>513</b>	473	924
Loss for the year (£000) – discontinued operations	<b>(106)</b>	(59)	(856)
Exceptional expenses (£000)	<b>106</b>	-	712
Loss for the period before exceptionals (£000) - discontinued operations	<b>-</b>	(59)	(144)
Profit/(loss) for the period (£000) - total	<b>377</b>	258	(217)
Exceptional expenses (£000)	<b>136</b>	156	997
Profit for the period before exceptionals (£000) – total	<b>513</b>	414	780
Weighted average number of ordinary shares (000)	<b>18,420</b>	18,919	18,663
Adjusted earnings/(loss) per share			
- continuing operations	<b>2.8p</b>	2.5p	5.0p
- discontinued operations	<b>-</b>	(0.3)p	(0.8)p
- total	<b>2.8p</b>	2.2p	4.2p

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 5 and 6, and 47 to 50 of our Annual Report and Accounts for the year ended 31 March 2011, which are available on our website, [www.northern-bear.com](http://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 2011 and are available on the Company's website, [www.northern-bear.com](http://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 2011, subject to the subsequent resignations of Graham Forrest and Keith Soulsby.

For and on behalf of the Board of Directors

Steven Roberts  
Finance Director

28 November 2011