NORTHBRIDGE

Northbridge Industrial Services plc
Interim report and accounts 2017

Creating a fully integrated, global industrial equipment group.

Northbridge Industrial Services plc hires and sells specialist industrial equipment to a non-cyclical customer base and has grown organically and by the acquisition of companies in the UK and abroad and through investing in those companies to make them more successful.

Contents

Key points

- Group revenue higher at £12.0 million (2016: £11.8 million)
- EBITDA (pre-exceptional), £1.4 million (2016: £1.6 million)
- No exceptional charges (2016: £0.6 million)
- Positive cash generation from operations of £0.6 million (2016: £1.7 million)
- Reduced operating loss of £2.0 million (2016: £2.4 million)
- Net debt £9.5 million (£8.4 million at 30 June 2016; £9.5 million at 31 December 2016)
- Gradually improving conditions within elements of both divisions
  - Factory order intake in Crestchic substantially up from H2 2016
  - Manufacturing gross margins benefiting from improved efficiency
  - Improvement in Tasman Oil Tools; rental revenue up 18% in constant currency terms
  - New oil tool rental joint venture established in Malaysia to commence trading 1 October 2017

Chairman's statement

Having taken the necessary steps to right size the business we continue to be focused on managing the businesses into a stronger recovery.

We are pleased to present our interim results for the six-month period to 30 June 2017.

As stated in the trading update issued on 2 August 2017, sentiment in the oil and gas industry has continued its gradual improvement since the last quarter of 2016, and a degree of pricing stability in crude oil is evident, but the pace of recovery remains slow. Investment in exploration, production and distribution still lags behind this sentiment and, despite reductions in supply, surplus oil stocks are still at a high level. As a result, whilst we have benefited from a modest improvement in oil tool revenues from the record lows of 2016, the larger power related projects continue to be affected by delays and cancellations.

Having taken the necessary steps to right size the business and with the Group continuing to generate cash, we continue to be focused on managing the businesses into a stronger recovery. A substantial proportion of our businesses are still influenced by the fortunes of the oil and gas industries; however, we also have an important and growing interest in renewable power generation, where we have had some notable successes and see attractive longer-term potential.

Northbridge now has two core activities, Crestchic Loadbanks and Tasman Oil Tools, having rationalised the Group significantly over the last two years.

Crestchic is a specialist provider of electrical equipment which is used primarily to commission, test and service independent power plants. It has a strong position in the power reliability market, particularly in Western economies. In addition, it also provides loadbanks and transformers for testing large power projects in the rest of the world, typically shipyards, oil refineries and mines. Crestchic has a manufacturing base in Burton-on-Trent in the UK, and sells, services and rents its equipment from its depots in the UK, Europe, the Middle East, Singapore, China and the US.

Tasman Oil Tools is a "down hole" tool rental specialist which rents equipment to the Oil & Gas and Geothermal industries from its depots in Australia, New Zealand and the Middle East, and, from the 1 October 2017 onwards, through a new joint venture with Olio Resources in Malaysia.

Financial results

Northbridge's revenue for the half year ended 30 June 2017 totalled £12.0 million (2016: £11.8 million) with gross profits of £4.5 million (2016: £4.8 million). Oil tool revenues and gross profit was £2.6 million and £0.1 million respectively (2016: £2.2 million and £0.2 million). Group losses before tax were reduced to £2.4 million (2016: £2.7 million).

There were no exceptional charges in the first six-month period of 2017 (2016: £0.6 million).

Net assets at 30 June 2017 were £39.0 million (30 June 2016: £43.6 million). The basic and diluted loss per share ("LPS") was 8.9 pence (2016: 11.3 pence). Net assets per share were £1.51 (2016: £1.68) and EBITDA per share was 5.5 pence for the period (2016: 6.3 pence).

Foreign exchange

The weakening of Sterling at the end of the first half of 2016 impacted the Group's revenues and losses. On a constant currency basis (rebasing the 2016 results using the 2017 average exchange rates) revenue would have decreased by 4.3% from £12.6 million in 2016 to £12.0 million in 2017 rather than increase by 1.7% as shown in the Consolidated Statement of Comprehensive Income. Operating costs would have decreased by 9.0% from £7.2 million in 2016 to £6.5 million in 2017 rather than the decrease of 1.1% shown in the Consolidated Statement of Comprehensive Income.

The result of the comparatively inflated revenue and costs in 2017 is that on a constant currency basis the pre-exceptional loss before tax would have narrowed from £2.5 million in 2016 to £2.4 million in 2017.

Chairman's statement continued

Financing and cash flow

Cash flow during the period continued to be positive, despite the continuing depressed market conditions. Cash flow from operating activities (before movements in working capital) was £1.4 million (2016: £1.0 million), and net cash from operating activities was £0.6 million (2016: £1.7 million). The uplift in factory orders compared with the previous period resulted in an increase in working capital during the period of £0.8 million (2016: decrease of £0.7 million).

Capital expenditure on the hire fleet remained unchanged at £0.2 million (2016: £0.2 million).

Earnings before interest, taxation, depreciation and amortisation ("EBITDA") and before exceptional costs in the first six months of 2017 were £1.4 million (2016: £1.7 million). Depreciation and amortisation in the period totalled £3.5 million (2016: £3.4 million), of which depreciation alone was £3.1 million (2016: £3.1 million).

Debt repayments

During the period, scheduled capital repayments under finance leases of £0.5 million were paid (2016: £0.5 million) and, in addition, the scheduled repayments due under the senior debt facility of £0.9 million (2016: £0.9 million) were also paid. Additional funds of £0.6 million were drawn down to support the current working capital increase.

The Group's bank facilities are provided by RBS Bank and KBC Bank and are due for renewal in 2019. At 30 June 2017, the Group had £1.25 million of undrawn funds available on its revolving credit facility.

Dividends

No interim dividend is being declared for 2017 (2016: £nil).

Operations

Crestchic loadbanks and transformers

The electrical equipment business of Northbridge manufactures, sells and rents loadbanks and transformers, and supplies two main markets. Firstly, the developed world, where it is focused on supporting the power reliability and power security markets, and secondly, emerging markets ("EM"), where it is mostly focused on resources, typically shipyards, oil and gas facilities and mines.

Total turnover during the period was £9.5 million (2016: £9.6 million) and gross profit was £4.5 million (2016: £4.7 million). Underlying this performance was a change in mix, with a recovery in the lower margin sales activity to £4.3 million (2016: £3.8 million) and a continuation of the decline in demand from emerging markets in both rental and sales. We believe that these traditional markets for our products will return to growth over the medium term.

Rental in the UK and Western Europe continues to perform well, and the new rental market being developed in the US will provide a long-term growth opportunity for Crestchic. Following an encouraging start to our North American rental operation in 2016, we have consolidated on this early success and now have a wider range of customers, including utilities and defence contractors alongside our other industry partners. We now intend to strengthen our position in the market by relocating a further 25MW of loadbanks from the Far East, where utilisation is currently low. This will double our fleet size at minimal cost and, in conjunction with this, we have added a modest sales resource. These units are expected to be available for rental in the North American market towards the end of 2017.

The continuing growth in data centres throughout Western Europe has given Northbridge two additional opportunities, firstly, in heat load management, by using loadbanks to simulate the heat from computer servers,

> In 2018 we have high hopes of growing our North American business, our balancing services for the UK power grid and the JV in Malaysia."

Peter Harris
Chairman

Eric Hook
Chief Executive

and then managing and proving the backup power sources. Investments in this type of "big data" are likely to grow for many years to come.

The more recent growth in renewable power generation in advanced economies is continuing to gather pace, and has created new markets for our equipment and services. This has already provided profitable contracts for us in support of the National Grid's Balancing Services. This also represents another long-term growth opportunity for the Company and we are currently supporting this growth through the further technical development of our products.

Tasman Oil Tools and loadcells
Our oil tool rental operations in Australia, New Zealand and the Middle East suffered badly during the severe downturn affecting the Oil & Gas industries worldwide during 2015 and 2016. However, we have now seen a plateau in our rental revenue, followed by a modest improvement in the last few months. Revenue for the first six months of 2017 was £2.6 million (2016: £2.2 million) for both rental and sales. Underlying this, rental on its own during the period was £2.1 million (2016: £1.5 million). On a constant currency basis, this represents an 18% improvement on the same period last year. Currently volumes are still too low overall to make a material difference, but we are pleased that these are moving in the right direction. The relative stability in crude oil prices currently being experienced by the industry will, in the longer term, encourage further exploration and production. By maintaining our infrastructure and hire fleet whilst cutting costs, we have put the Company in an advantageous position for when market demand begins to recover more significantly.

We are also very pleased to report on the formation of our joint venture ("JV") in Malaysia with our local partner, Olio Resources SDN BHD. The new company, called Olio Tasman Oil Tools SDN BHD ("OTOT") will be 51% owned by Olio and 49% owned by Northbridge and will service the oil tool rental market in Malaysia, Myanmar, Brunei, Indonesia, Cambodia, Laos, Thailand and Singapore. It will begin trading on 1 October 2017 from two newly established locations in Labuan Island and Kemaman, Malaysia. Both JV partners will provide equipment for the rental fleet and OTOT will also have access to the substantial hire fleet of the Tasman Group. Olio Resources, a wholly owned Malaysian group which was established in 1994, has a strong position as an integrated solution provider in Southeast Asia and already holds key contracts for the provision of oil tools to the oil majors in Malaysia. The trading levels for the rest of 2017 are not expected to be material to the Group's second half results.

However, initial orders have exceeded management's expectations and 2018 will benefit from a full year of the JV. Revenues are then expected to build into the future, particularly as the Oil & Gas industry recovers and more investment is directed towards exploration and production in the region.

Outlook
The recovery in the Oil & Gas industry remains challenging and its recovery is unlikely to be linear, and therefore our expectations for the second half reflect this, and are likely to show only modest improvements over the next 18 months. Despite the prolonged downturn in Oil & Gas, other parts of the business will begin to pick up some of the slack and in 2018 we have high hopes of growing our North American business, our balancing services for the UK power grid and the JV in Malaysia.

Peter Harris
Chairman
28 September 2017

Consolidated statement of comprehensive income

For the six months ended 30 June 2017

	Notes	**Six months ended 30 June 2017 Unaudited £'000**	Six months ended 30 June 2016 Unaudited £'000	Year ended 31 December 2016 Audited £'000
Revenue		**12,046**	11,847	23,786
Cost of sales		**(7,559)**	(7,026)	(14,653)
Gross profit		**4,487**	4,821	9,133
Operating costs				
Excluding exceptional costs		**(6,533)**	(6,607)	(12,688)
Exceptional costs	2	**—**	(649)	(1,358)
Total operating costs		**(6,533)**	(7,256)	(14,046)
Loss from operations		**(2,046)**	(2,435)	(4,913)
Finance income		**—**	3	—
Finance costs		**(312)**	(315)	(591)
Loss before taxation excluding exceptional costs		**(2,358)**	(2,098)	(4,146)
Exceptional costs		**—**	(649)	(1,358)
Loss before taxation		**(2,358)**	(2,747)	(5,504)
Income tax credit/(charge)		**50**	409	(794)
Loss for the period attributable to the equity holders of the parent		**(2,308)**	(2,338)	(6,298)
Other comprehensive (loss)/income				
Exchange differences on translating foreign operations		**(539)**	4,757	6,846
Other comprehensive (loss)/income for the period, net of tax		**(539)**	4,757	6,846
Total comprehensive (loss)/income for the period attributable to equity holders of the parent		**(2,847)**	2,419	548
Loss per share attributable to the equity holders of the parent	3			
– basic (pence)		**(8.9)**	(11.3)	(26.2)
– diluted (pence)		**(8.9)**	(11.3)	(26.2)

All amounts relate to continuing operations.

Consolidated balance sheet

As at 30 June 2017

	30 June 2017 Unaudited £'000	30 June 2016 Unaudited £'000	31 December 2016 Audited £'000
ASSETS			
Non-current assets			
Intangible assets	**13,757**	14,141	14,094
Property, plant and equipment	**32,242**	36,647	35,623
Deferred tax asset	**—**	355	—
	45,999	51,143	49,717
Current assets			
Inventories	**3,758**	4,158	3,515
Trade and other receivables	**8,798**	8,082	9,008
Cash and cash equivalents	**1,198**	4,060	3,704
	13,754	16,300	16,227
Total assets	**59,753**	67,443	65,944
LIABILITIES			
Current liabilities			
Trade and other payables	**4,927**	6,452	5,571
Financial liabilities	**2,810**	3,321	4,367
Other financial liabilities	**1,126**	1,327	1,123
Current tax liabilities	**488**	85	673
	9,351	11,185	11,734
Non-current liabilities			
Financial liabilities	**7,932**	9,161	8,804
Deferred tax liabilities	**3,484**	3,483	3,621
	11,416	12,644	12,425
Total liabilities	**20,767**	23,829	24,159
Total net assets	**38,986**	43,614	41,785
Equity attributable to equity holders of the parent			
Share capital	**2,611**	2,611	2,611
Share premium	**27,779**	27,786	27,779
Merger reserve	**2,810**	2,810	2,810
Treasury share reserve	**(451)**	(451)	(451)
Foreign exchange reserve	**3,990**	2,440	4,529
Retained earnings	**2,247**	8,418	4,507
Total equity	**38,986**	43,614	41,785

Consolidated cash flow statement

For the six months ended 30 June 2017

	Six months ended 30 June 2017 Unaudited £'000	Six months ended 30 June 2016 Unaudited £'000	Year ended 31 December 2016 Audited £'000
Cash flows from operating activities			
Net loss from ordinary activities before taxation	**(2,358)**	(2,747)	(5,504)
Adjustments for:			
– amortisation and impairment of intangible fixed assets	**383**	358	749
– amortisation of capitalised debt fee	**69**	66	117
– depreciation of property, plant and equipment	**3,093**	3,064	6,201
– profit on disposal of property, plant and equipment	**(121)**	(143)	(242)
– investment income	**—**	(3)	—
– finance costs	**312**	315	591
– share option expense	**48**	48	96
	1,426	958	2,008
(Increase)/decrease in inventories	**(260)**	(570)	135
Decrease in receivables	**12**	2,538	1,903
Decrease in payables	**(566)**	(1,234)	(2,283)
Cash generated from operations	**612**	1,692	1,763
Finance costs	**(312)**	(315)	(591)
Taxation	**(251)**	(199)	(351)
Hire fleet expenditure	**(180)**	(198)	(826)
Sale of assets within hire fleet	**175**	371	784
Net cash from operating activities	**44**	1,351	779
Cash flows from investing activities			
Finance income	**—**	3	—
Payment of deferred consideration	**—**	(974)	(1,252)
Sale of property, plant and equipment	**2**	197	86
Purchase of property, plant and equipment	**(26)**	(71)	(163)
Net cash used in investing activities	**(24)**	(845)	(1,329)
Cash flows from financing activities			
Proceeds from share capital issued (net of issue costs)	**—**	5,267	5,260
Proceeds from bank and other borrowings	**599**	—	—
Repayment of bank and other borrowings	**(1,089)**	(3,653)	(4,078)
Payment of finance lease creditors	**(472)**	(520)	(1,053)
Net cash (used in)/from financing activities	**(962)**	1,094	129
Net (decrease)/increase in cash and cash equivalents	**(942)**	1,600	(421)
Cash and cash equivalents at beginning of period	**2,146**	2,175	2,175
Exchange (losses)/gains on cash and cash equivalents	**(6)**	285	392
Cash and cash equivalents at end of period	**1,198**	4,060	2,146

Notes to the unaudited interim statements

For the six months ended 30 June 2017

1. Basis of preparation

This interim report has been prepared in accordance with the accounting policies disclosed in the full statutory accounts for the year ended 31 December 2016.

These policies are in accordance with International Financial Reporting Standards and International Accounting Standards and Interpretations (collectively "IFRS") issued by the International Accounting Standards Board, as endorsed for use in the European Union, that are expected to be applicable for the year ending 31 December 2017.

The Group has chosen not to adopt IAS 34 "Interim Financial Statements" in preparing the interim consolidated financial information.

The financial information in this statement relating to the six months ended 30 June 2017 and the six months ended 30 June 2016 has not been audited.

The financial information for the year ended 31 December 2016 does not constitute the full statutory accounts for that period. The annual report and financial statements for 2016 has been filed with the Registrar of Companies.

The Independent Auditor's Report on the annual report and financial statement for 2016 was unqualified, did not draw attention to any matters by way of emphasis and did not contain a statement under Section 498(2) or 498(3) of the Companies Act 2006.

The interim report for the period ended 30 June 2017 was approved by the Board of Directors on 28 September 2017.

2. Exceptional costs

The 2016 exceptional costs include £0.3 million of costs incurred in closing down businesses and £0.3 million of redundancy costs relating to continuing entities.

3. Earnings per share

The earnings per share figure has been calculated by dividing the loss after taxation, £2,308,000 (2016: £2,338,000), by the weighted average number of shares in issue, 25,899,602 (2016: 20,758,801).

The diluted earnings per share assumes all share options are exercised at the start of the period or, if later, the date of issue of the share options. This increased the weighted average number of shares in issue by 63,973 (2016: nil). At the end of the period, the Company had in issue 1,000,942 (2016: 1,407,601) share options which have not been included in the calculation of the diluted earnings per share because their effects are anti-dilutive, although these share options could be dilutive in the future.

4. Dividends

No interim dividend (2016: nil) will be paid to shareholders.

5. Interim report

Copies of the interim report are being sent to all shareholders and are available to the public from the offices of Northbridge Industrial Services plc at Second Avenue, Centrum 100, Burton-on-Trent, Staffordshire DE14 2WF. The interim report and the interim announcement will also be available from the Group's website at www.northbridgegroup.co.uk.

Directors and advisors

Directors

Peter Harris
Non-executive Chairman

Eric Hook
Chief Executive

Ian Gardner
Divisional Managing Director

Iwan Phillips
Finance Director

Ash Mehta
Non-executive Director (independent)

David Marshall
Non-executive Director (independent)

Nitin Kaul
Non-executive Director (independent)

Secretary
Iwan Phillips

Company number
05326580

Registered office
Second Avenue
Centrum 100
Burton-on-Trent DE14 2WF
+44 (0)1283 531 645
www.northbridgegroup.co.uk

Country of incorporation of parent company
England and Wales

Legal form
Public limited company

Independent auditor

BDO LLP
Two Snowhill
Birmingham B4 6GA

Bankers

Royal Bank of Scotland Group
Cumberland Place
Nottingham NG1 7ZS

Solicitors

Freeths LLP
1 Heddon Street
Mayfair
London W1B 4BD

Nominated advisors and brokers

Stockdale Securities Limited
Beaufort House
15 St. Botolph Street
London EC3A 7BB

Registrars

Capita Asset Services
40 Dukes Place
London EC3A 7NH

Produced by

designportfolio

NORTHBRIDGE

Northbridge Industrial Services plc
Second Avenue
Centrum 100
Burton-on-Trent DE14 2WF

+44 (0)1283 531 645
www.northbridgegroup.co.uk