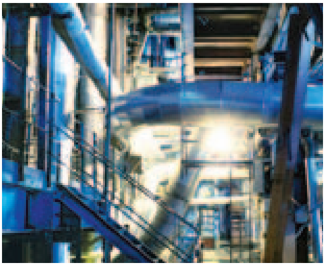
Northbridge Industrial Services plc
Interim report and accounts 2011



NORTHBRIDGE

ABOUT US

Northbridge Industrial Services plc hires and sells specialist industrial equipment to a non-cyclical customer base.

With offices or agents in the UK, US, Dubai, Germany, France, Australia, Singapore, India, Brazil, Korea and Azerbaijan, Northbridge has a global customer base. This includes utility companies, the oil and gas sector, shipping, construction and the public sector. The product range includes loadbanks, transformers, generators, compressors and oil tools.

Northbridge was admitted to AIM in 2006 since when it has recorded increased earnings and dividends based on providing a high level of service, responsiveness and flexibility to customers. It has grown by acquisition of companies in the UK, Dubai, Azerbaijan and Australia and through investing further in those acquired companies to make them more successful. Northbridge continues to seek suitable businesses for acquisition across the world.

Take a look at our new website
www.northbridgegroup.co.uk

FINANCIAL HIGHLIGHTS

- **Group revenue up 45% to £11.4 million** (2010: £7.8 million)
- **Profit before tax up 41% to £2.0 million** (2010: £1.4 million)
- **Gross margin unchanged at 63%** (2010: 63%)
- **Strong cash generation from operations of £2.4 million** (2010: £1.9 million)
- **Net gearing of 17%** (2010: 31%)
- **Interim dividend increased by 13% to 1.75 pence** (2010: 1.55 pence)

OPERATIONAL HIGHLIGHTS

- Investment in start-up operations in USA, France and Singapore
- Integration of Tasman Oil Tools is now fully complete
- 28% improvement in the underlying sales of manufactured units

CHAIRMAN'S STATEMENT

I am pleased to report further good progress in the Group's trading for the six months ended 30 June 2011 which shows an increase in revenue and profit before tax of 45% and 41% respectively and on an underlying basis (excluding Tasman results and the acquisition related amortisation and interest costs and the one off benefit of the terminated Zincox contract in 2010) of 5% and 1% respectively compared to the first six months of 2010.

There is still some ongoing uncertainty in the economic climate, but we have seen a definite increase in the demand for sales of equipment where there has been a 28% improvement in the underlying sales compared to the same period last year. This growth in demand has come from all of our overseas markets.

The Group's higher margin rental businesses are still experiencing good demand and revenue generated from hire activities now represents 60% of overall revenue. This has led to an unchanged gross margin of 63% in the period (2010: 63%) despite the reduced margins on the increased revenues generated from equipment sales.

Our main subsidiary in the Middle East, Northbridge Middle East ("NME"), continues to develop although there has been a slowdown in major projects this year as some of our marine conversion customers have moved to the Far East. Towards the end of the reporting period we were awarded a substantial contract in the Asia-Pacific region with one of these customers and we have taken this opportunity to establish a similar business – Northbridge Asia Pacific ("NAP") – in Singapore. NAP currently shares the equipment with NME but it is our intention to invest substantially in these two regions in the future.

Some of our smaller activities in the Middle East were affected by the ongoing economic situation and the termination of the Jabal Salab Zinc project last year. However there have been signs of improvement in the local economy recently and we expect this to continue in the second half.

RDS (Technical) Ltd ("RDS") in the Caspian is now seeing the benefit from a new round of oil and gas investment in the region and rental revenue is beginning to improve with some new longer term contracts won during the period.

Continuing strong operating cash flow during the six months has enabled the Group to further invest in the hire fleet and to make the first deferred consideration payment following the purchase of Tasman Oil Tools Pty Ltd ("Tasman") out of cash flow without recourse to additional borrowings. It is expected that the second and final deferred payment due in September of this year will also be made from cash generated from our operations in the region.

Financial results

Northbridge's revenue for the half year ended 30 June 2011 totalled £11.4 million (2010: £7.8 million) with gross profits of £7.1 million (2010: £5.0 million). Profit before taxation totalled £2.0 million (2010: £1.4 million). Net assets at 30 June 2011 were £25.8 million (2010: £13.4 million).

Basic earnings per share totalled 10.8 pence (2010: 11.5 pence) and diluted earnings per share totalled to 10.5 pence (2010: 11.3 pence). The average number of shares in issue was 15,322,957 (2010: 8,940,107).

Financing and cash flow

During the period the Group continued to generate cash strongly from operations with £2.4 million (2010: £1.9 million) being generated. Investment into the hire fleet was £0.7 million (2010: £1.5 million) net of financing. Net gearing at the end of the period was 17% (2010: 31%). Deferred consideration payment due on the Tasman acquisition totalled £1.1 million.

Dividends

The Board has declared an interim dividend of 1.75 pence (2010: 1.55 pence), an increase of 13%, to be paid on 4 November 2011 to shareholders on the register as at 14 October 2011.

Operations

Crestchic

Crestchic, our main subsidiary, showed good growth in activity compared to 2010 and the sales revenue generated from manufactured units rose by 52%. Increased levels of production resulted in additional direct labour being recruited during the period and the manufacturing unit at Burton on Trent is now operating at near maximum capacity. UK rental revenues maintained expected levels of activity following two good years of growth despite adverse economic conditions.

NME

NME, which distributes Crestchic products in the Middle East region as well as operating its own hire fleet of industrial equipment, continues to make progress. We have taken steps during the year to support growth by recruiting additional sales and technical management. Two of our customers have begun to relocate some of their larger conversion work to the Far East and China and whilst this will have a short term impact on the rental revenue in the region for 2011, we have relocated some equipment to our new operation in Singapore to continue to support them. The regional shipyards continue to win work and we have gained new rental customers during the period. Additionally, sales of equipment for both oil and gas and power have been very strong.

The purchase of the remaining shares in Tyne Technical Equipment Rental Services LLC ("TTERS") went ahead as planned and it is now fully incorporated into our operations and cost savings have been achieved. TTERS will continue to improve as the local economy strengthens.

RDS, which offers rental services to the oil and gas industry in the Caspian region, has seen activity levels increase recently and new long term rental contracts have been won as a new phase of investment gets underway in the region.

Tasman

Tasman was acquired in July 2010 following the placing of 5,606,000 new shares at £1.25 each. The aggregate consideration for the entire share capital was AUD$16.9 million. This was made up of an initial cash consideration of £7.1 million, a deferred cash consideration of £2.4 million payable in two tranches and 738,045 Northbridge shares issued at the placing price.

Tasman, based in Perth, Western Australia, specialises in the rental of equipment for the onshore and offshore oil industry across Australia and we are pleased to confirm that the integration of Tasman is now fully complete. Tasman is trading in line with expectations and generating good profits and cash flow, which have in turn facilitated the payment of the deferred consideration.

Outlook

The revenue and profitability of the Group continued to improve during the first half of the year despite ongoing global economic uncertainty and we expect this to be maintained during the second half despite the dearth of larger rental projects. The demand for the Group's manufactured loadbanks has been at record levels and we expect it will continue to offset any shortfall in expected rental revenues that may arise although at lower margins. The longer lead time associated with equipment ordering and manufacture will afford the Group more regular cash flows and facilitate more accurate forecasting.

In order to facilitate the routes to market of our products and maximise earnings potential we have terminated the previous distribution agreement with our agent in the USA and replaced it with a non-exclusive arrangement. Now employing our own sales force, we can achieve direct access to the lucrative North American market for all of our products. We have also established our own depots in France and Singapore and following further rental fleet investment will expect these nascent operations to contribute to our profit in the future.

In line with our stated strategy we are still actively looking for further acquisitions to support our worldwide growth and we have both cash and additional borrowing capacity to take advantage of suitable opportunities as they arise.

Peter Harris
Chairman
29 September 2011

INTERIM REVIEW REPORT TO NORTHBRIDGE INDUSTRIAL SERVICES PLC

For the six months ended 30 June 2011

Introduction

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2011 which comprises the Consolidated Statement of Comprehensive Income, Consolidated Balance Sheet, Consolidated Statement of Cash Flows and the related explanatory notes to the unaudited interim accounts.

We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

Directors' responsibilities

The interim report, including the financial information contained therein, is the responsibility of and has been approved by the Directors. The Directors are responsible for preparing the interim report in accordance with the rules of the London Stock Exchange for companies trading securities on AIM which require that the half-yearly report be presented and prepared in a form consistent with that which will be adopted in the Company's annual accounts having regard to the accounting standards applicable to such annual accounts.

Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

Our report has been prepared in accordance with the terms of our engagement to assist the Company in meeting the requirements of the rules of the London Stock Exchange for companies trading securities on AIM and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of our terms of engagement or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity", issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2011 is not prepared, in all material respects, in accordance with the rules of the London Stock Exchange for companies trading securities on the Alternative Investment Market.

BDO LLP
Chartered accountants and registered auditors
Birmingham
29 September 2011

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2011

	Notes	Six months ended 30 June 2011 Unaudited £'000	Six months ended 30 June 2010 Unaudited £'000	Year ended 31 December 2010 Audited £'000
Revenue		**11,380**	7,828	19,327
Cost of sales		**(4,268)**	(2,872)	(7,264)
Gross profit		**7,112**	4,956	12,063
Selling and distribution costs		**(2,392)**	(1,735)	(3,848)
Administrative expenses				
Excluding exceptional items		**(2,585)**	(1,710)	(4,123)
Exceptional items – acquisition related expenses		**–**	–	(195)
Total administrative expenses		**(2,585)**	(1,710)	(4,318)
Profit from operations		**2,135**	1,511	3,897
Finance income		**12**	–	8
Finance costs		**(139)**	(85)	(226)
Profit before income tax		**2,008**	1,426	3,679
Income tax expense		**(352)**	(402)	(643)
Profit for the period attributable to the equity holders of the parent		**1,656**	1,024	3,036
Other comprehensive income				
Exchange differences on translating foreign operations		**(183)**	220	1,802
Other comprehensive income for the period, net of tax		**(183)**	220	1,802
Total comprehensive income for the period attributable to equity holders of the parent		**1,473**	1,244	4,838
Earnings per share attributable to the equity holders of the parent	2			
– basic (pence)		**10.8**	11.5	25.8
– diluted (pence)		**10.5**	11.3	25.5
Dividend per share (pence)	3	**1.75**	1.55	4.60

All amounts relate to continuing operations.

CONSOLIDATED BALANCE SHEET

As at 30 June 2011

	30 June 2011 Unaudited £'000	30 June 2010 Unaudited £'000	31 December 2010 Audited £'000
ASSETS			
Non-current assets			
Intangible assets	**9,484**	3,241	9,755
Property, plant and equipment	**19,854**	14,409	20,504
	29,338	17,650	30,259
Current assets			
Inventories	**1,858**	1,107	1,010
Trade and other receivables	**6,669**	4,303	6,215
Cash and cash equivalents	**1,364**	346	2,588
	9,891	5,756	9,813
Total assets	**39,229**	23,406	40,072
LIABILITIES			
Current liabilities			
Trade and other payables	**3,812**	3,310	3,424
Financial liabilities	**1,923**	2,547	1,703
Other financial liabilities	**1,192**	153	2,310
Provisions	**–**	–	71
Current tax liabilities	**580**	832	1,098
	7,507	6,842	8,606
Non-current liabilities			
Financial liabilities	**3,775**	1,918	4,382
Long-term provisions	**–**	106	–
Deferred tax liabilities	**2,159**	1,091	2,584
	5,934	3,115	6,966
Total liabilities	**13,441**	9,957	15,572
Total net assets	**25,788**	13,449	24,500
Equity attributable to equity holders of the parent			
Share capital	**1,550**	909	1,547
Share premium	**13,189**	6,966	13,153
Merger reserve	**849**	–	849
Treasury share reserve	**(201)**	(201)	(201)
Foreign exchange reserve	**1,461**	62	1,644
Retained earnings	**8,940**	5,712	7,508
Total equity	**25,788**	13,449	24,500

CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2011

	Six months ended 30 June 2011 Unaudited £'000	Six months ended 30 June 2010 Unaudited £'000	Year ended 31 December 2010 Audited £'000
Cash flows from operating activities			
Net profit from ordinary activities before taxation	2,008	1,426	3,679
Adjustments for:			
– amortisation and impairment of intangible fixed assets	320	74	376
– amortisation of capitalised debt fee	10	–	18
– depreciation of property, plant and equipment	1,079	742	1,605
– (profit)/loss on disposal of property, plant and equipment	(95)	2	1
– decrease in provision for future employment costs	(71)	(35)	(70)
– finance income	(12)	–	(7)
– finance costs	139	85	226
– share option expense	22	21	42
	3,400	2,315	5,870
(Increase)/decrease in inventories	(845)	159	490
(Increase)/decrease in receivables	(478)	(1,066)	506
Increase/(decrease) in payables	356	454	(901)
Cash generated from operations	2,433	1,862	5,965
Finance costs	(139)	(85)	(226)
Taxation	(1,073)	(587)	(1,188)
Hire fleet expenditure	(664)	(1,477)	(4,361)
Sale of assets with hire fleet	360	–	387
Net cash from/(used in) operating activities	917	(287)	577
Cash flows from investing activities			
Finance income	12	–	8
Acquisition of subsidiary undertaking (net of cash acquired)	(1,076)	–	(6,509)
Sale of property, plant and equipment	21	92	28
Purchase of property, plant and equipment	(263)	(62)	(252)
Net cash (used in)/from investing activities	(1,306)	30	(6,725)
Cash flows from financing activities			
Proceeds from share capital issued	39	–	6,748
Proceeds from bank borrowings	315	–	4,241
Repayment of bank and other borrowings	(441)	(83)	(2,111)
Payment of finance lease creditors	(271)	(261)	(529)
Dividends paid in the year	(468)	(241)	(478)
Net cash (used in)/from financing activities	(826)	(585)	7,871
Net (decrease)/increase in cash and cash equivalents	(1,215)	(842)	1,723
Cash and cash equivalents at beginning of period	2,588	776	776
Exchange (losses)/gains on cash and cash equivalents	(9)	12	89
Cash and cash equivalents at end of period	1,364	(54)	2,588

NOTES TO THE UNAUDITED INTERIM STATEMENTS

For the six months ended 30 June 2011

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 2010.

These policies are in accordance with International Financial Reporting Standards, 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 2011.

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 2011 and the six months ended 30 June 2010 has not been audited, but has been reviewed, pursuant to guidance issued by the Auditing Practices Board.

The financial information for the year ended 31 December 2010 does not constitute the full statutory accounts for that period. The Annual Report and Financial Statements for 2010 has been filed with the Registrar of Companies.

The Independent Auditors' Report on the Annual Report and Financial Statement for 2010 was unqualified, did not draw attention to any matters by way of emphasis, and did not contain a statement under 498(2) or 498(3) of the Companies Act 2006.

The interim report for the period ended 30 June 2011 was approved by the Board of Directors on 29 September 2011.

2. Earnings per share

The earnings per share figure has been calculated by dividing the profit after taxation, £1,656,000 (2010: £1,024,000), by the weighted average number of shares in issue, 15,322,957 (2010: 8,940,107).

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 380,399 (2010: 87,454). At the end of the period, the Company had in issue Nil (2010: 469,340) share options which has 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.

3. Dividends

An interim dividend of 1.75 pence per share (2010: 1.55 pence) will be paid on 4 November 2011 to shareholders on the register as at 14 October 2011. In accordance with IFRS, no provision for the interim dividend has been made in these financial statements.

4. 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
P R Harris
Non-executive Chairman

E W Hook
Chief Executive

C W Robinson
Finance Director

A K Mehta
Non-executive Director

J W Gould
Non-executive Director

M G Dodson
Non-executive Director
(independent)

D C Marshall
Non-executive Director
(independent)

Secretary
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