



NORTHBRIDGE

Northbridge Industrial Services plc
Interim report and accounts 2013



About us

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.

Highlights

- Group revenue up 31% to £18.6 million (2012: £14.2 million)
- Gross profit up 25% to £9.9 million (2012: £8.0 million)
- Operating profit up 70% to £2.8 million (2012: £1.7 million)
- Strong cash generation from operations of £5.2 million (2012: £4.7 million)
- Significant reduction in net gearing to 37% (2012: 47%)
- Significant increase in revenue from Middle East and Asia-Pacific businesses
- Expansion of transformer rental activity into the Middle East and Asia-Pacific regions
- EPS up 88% to 12.6 pence per share (2012: 6.7 pence)
- Interim dividend increased by 8% to 2.0 pence (2012: 1.85 pence)

Acquisition and placing

- Acquisition of Crestchic Asia-Pacific PTE Limited (“CAP”) by Northbridge’s wholly owned subsidiary Northbridge Industrial Services Pte Ltd and placing of 1,561,700 new ordinary shares in Northbridge to raise approximately £6.17 million before expenses, announced 13 September
- CAP, an independent distributor of Crestchic loadbank products, builds on Northbridge’s presence in Asia-Pacific and complements the existing portfolio

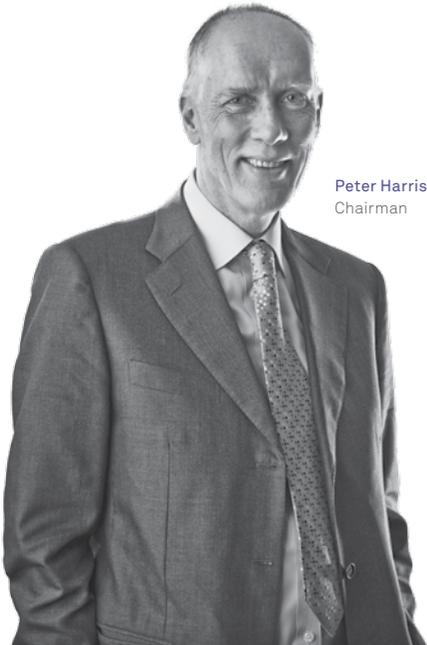
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Chairman's statement

The underlying performance of all our major activities has improved since the first half of last year and it is encouraging to report a significant increase in revenues from our Middle East and Asia-Pacific businesses.

I am pleased to be able to report further progress in Group trading for the six months ended 30 June 2013. Group revenue was up by 31% to £18.6 million (2012: £14.2 million), which, as previously indicated, was assisted by the extension of a number of hire contracts which overran from the second half of 2012. The resultant change of revenue mix to 64% rental was very favourable compared to 2012 (54%) and this enabled us to report an increase in Group profits before tax of 82% to £2.6 million (2012: £1.4 million). We expect the mix of revenue in the second half of 2013 to remain biased towards rental, but at a slightly lower level.



Peter Harris
Chairman

Trading conditions have improved since 2012, but remain challenging, particularly in Europe, with contract start dates continuing to be delayed. The underlying performance of all our major activities has improved since the first half of last year and it is encouraging to report a significant increase in revenues from our Middle East and Asia-Pacific businesses. Our start-up businesses in Singapore and France continue to make progress and will contribute to profits in the longer term.

Northbridge Transformers, established following an acquisition in December 2011, also had a good start to the year despite a weak European economy. Following substantial investment in additional transformers for its hire fleet, we have now rolled out the business into our Middle East and Far East depots.

The sale of manufactured units based at our Burton on Trent premises has continued to increase following the relocation of the rental business to nearby premises. A second containerised production facility will be completed during the second half of 2013; this will have an upgraded crane and will enable us to manufacture heavier equipment required for both our rental fleet and outside customers.

Financial results

Northbridge's revenue for the half year ended 30 June 2013 totalled £18.6 million (2012: £14.2 million) with gross profits of £9.9 million (2012: £8.0 million). Profits before tax totalled £2.6 million (2012: £1.4 million). Net assets as at 30 June 2013 were £30.3 million (2012: £26.8 million).

Basic earnings per share totalled 12.6 pence (2012: 6.7 pence) and diluted earnings per share was 12.2 pence (2012: 6.6 pence).

During the period the Group continued to see cash flow improving, with £5.2 million (2012: £4.7 million) being generated from operations.

Financing and cash flow

During the period the Group continued to see cash flow improving, with £5.2 million (2012: £4.7 million) being generated from operations. A further £2.4 million was invested into the hire fleet, and the excess cash flow enabled net gearing at the end of the period to reduce to 36.8% (2012:46.9%). The comparable figure for hire fleet investment in 2012 was £4.9 million plus a further £1.8 million relating to investments in new property. A higher level of capital investment is expected in the second half of 2013.

Dividends

The Board has declared a dividend of 2.00 pence (2012: 1.85 pence), an increase of 8.1%, to be paid on 28 October 2013 to shareholders on the register on 27 September 2013.

Operations

Crestchic Loadbanks

Crestchic, our main UK subsidiary, again showed growth both in outright sales and rental and, although our rental activity remained slow in certain areas, rentals outside Western Europe were stronger. Sales of manufactured units were up by 8.5% and we are now able to dedicate the entire facility to manufacturing following the relocation of the rental activity to new premises last year. A further new production facility for containerised equipment is being established in the area formerly occupied by the rental business. This will incorporate a higher capacity overhead crane and enable us to assemble much heavier loadbanks and transformers than previously manufactured.

Tasman Oil Tools

Tasman, our oil tools business based in Perth, Western Australia, enjoyed the greatest benefit from overrunning 2012 contracts, with revenue up by 33.7% compared to the same period last year. All the major contracts won last year, which required additional capital expenditure, have now ended successfully and the additional equipment acquired is now available for hire elsewhere.

Our hire fleet now has a substantial presence in the Australian market and we can increase the benefit of "spot hire" with our local availability. Larger offshore contracts are usually linked to the availability of rigs in Australasia and further tenders are expected to become available as the rig count increases.

Following the recruitment of a local sales resource we have been able to increase revenue from the coal bed methane ("CBM") area of Queensland and we are hopeful this will become a strong market for Tasman.

Northbridge Middle East

Northbridge Middle East ("NME") distributes Crestchic products in the Middle East region as well as operating its own hire fleet. Since the acquisition of DSG Rental in December 2011, NME has also been able to offer transformer hire as part of its portfolio of equipment. This has been a successful venture and during the period revenue and profits from the region have rebounded to pre-financial crisis levels, aided by both power testing and transformer rental. The contract that suffered from a delayed start in 2012 is now underway and will continue into 2014.

Group revenue

Gross profit

£18.6m **£9.9m**

2012: £14.2m

2012: £8.0m

Outlook

We remain optimistic about the future of the business, and with the economy improving in many parts of the world, we believe we can grow our core business further. In addition we are still looking for potential acquisition targets and the strength of our cash flow and our balance sheet will help us capitalise on a recovery.

The last twelve months have seen us enjoy good growth in key markets of the Middle East and Asia-Pacific in particular. This has been aided by judicious investment and the transfer of assets from less buoyant areas. We expect that this process will continue and plan further investment in our worldwide hire fleet.

The acquisition of CAP in Singapore, signed on 12 September 2013, will give us additional size and the momentum to benefit from the significant opportunities for our services in the Asia-Pacific region. It is also the final step in bringing the distribution rights of our Crestchic loadbanks back in-house.

Peter Harris

Chairman

13 September 2013

Interim review report to Northbridge Industrial Services plc

For the six months ended 30 June 2013

Introduction

We have been engaged by the Company to review the interim set of financial statements in the half-yearly financial report for the six months ended 30 June 2013 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 interim 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 interim 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 interim set of financial statements in the half-yearly financial report for the six months ended 30 June 2013 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

13 September 2013

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 2013

| | Notes | Six months ended 30 June 2013 Unaudited £'000 | Six months ended 30 June 2012 Unaudited £'000 | Year ended 31 December 2012 Audited £'000 |
|---|-------|--|--|--|
| Revenue | | 18,611 | 14,188 | 30,813 |
| Cost of sales | | (8,699) | (6,231) | (13,247) |
| Gross profit | | 9,912 | 7,957 | 17,566 |
| Selling and distribution costs | | (3,812) | (3,168) | (6,653) |
| Administrative expenses | | (3,291) | (3,138) | (5,454) |
| Profit from operations | | 2,809 | 1,651 | 5,459 |
| Finance income | | 26 | 32 | 30 |
| Finance costs | | (269) | (273) | (609) |
| Profit before income tax | | 2,566 | 1,410 | 4,880 |
| Income tax expense | | (617) | (383) | (1,173) |
| Profit for the period attributable to the equity holders of the parent | | 1,949 | 1,027 | 3,707 |
| Other comprehensive income | | | | |
| Exchange differences on translating foreign operations | | (331) | (274) | (583) |
| Other comprehensive income for the period, net of tax | | (331) | (274) | (583) |
| Total comprehensive income for the period attributable to equity holders of the parent | | 1,618 | 753 | 3,124 |
| Earnings per share attributable to the equity holders of the parent | 2 | | | |
| – basic (pence) | | 12.6 | 6.7 | 24.0 |
| – diluted (pence) | | 12.2 | 6.6 | 23.8 |
| Dividend per share (pence) | 3 | 2.00 | 1.85 | 5.425 |

All amounts relate to continuing operations.

Consolidated balance sheet

As at 30 June 2013

| | 30 June 2013 Unaudited £'000 | 30 June 2012 Unaudited £'000 | 31 December 2012 Audited £'000 |
|--|---------------------------------------|---------------------------------------|---|
| ASSETS | | | |
| Non-current assets | | | |
| Intangible assets | 9,671 | 10,658 | 10,267 |
| Property, plant and equipment | 28,400 | 26,920 | 28,006 |
| | 38,071 | 37,578 | 38,273 |
| Current assets | | | |
| Inventories | 2,596 | 2,813 | 2,652 |
| Trade and other receivables | 9,464 | 9,809 | 9,080 |
| Cash and cash equivalents | 2,077 | 451 | 459 |
| | 14,137 | 13,073 | 12,191 |
| Total assets | 52,208 | 50,651 | 50,464 |
| LIABILITIES | | | |
| Current liabilities | | | |
| Trade and other payables | 5,319 | 6,308 | 3,689 |
| Financial liabilities | 4,699 | 5,380 | 4,174 |
| Other financial liabilities | — | 564 | 834 |
| Current tax liabilities | 1,098 | 511 | 1,093 |
| | 11,116 | 12,763 | 9,790 |
| Non-current liabilities | | | |
| Financial liabilities | 8,538 | 7,649 | 9,029 |
| Other financial liabilities | — | 733 | 234 |
| Deferred tax liabilities | 2,266 | 2,723 | 2,601 |
| | 10,804 | 11,105 | 11,864 |
| Total liabilities | 21,920 | 23,868 | 21,654 |
| Total net assets | 30,288 | 26,783 | 28,810 |
| Equity attributable to equity holders of the parent | | | |
| Share capital | 1,579 | 1,562 | 1,562 |
| Share premium | 13,561 | 13,367 | 13,367 |
| Merger reserve | 849 | 849 | 849 |
| Treasury share reserve | (201) | (201) | (201) |
| Foreign exchange reserve | 674 | 1,314 | 1,005 |
| Retained earnings | 13,826 | 9,892 | 12,228 |
| Total equity | 30,288 | 26,783 | 28,810 |

Consolidated cash flow statement

For the six months ended 30 June 2013

| | Six months ended 30 June 2013 Unaudited £'000 | Six months ended 30 June 2012 Unaudited £'000 | Year ended 31 December 2012 Audited £'000 |
|---|--|--|--|
| Cash flows from operating activities | | | |
| Net profit from ordinary activities before taxation | 2,566 | 1,410 | 4,880 |
| Adjustments for: | | | |
| – amortisation of intangible fixed assets | 328 | 360 | 698 |
| – amortisation of capitalised debt fee | 28 | 27 | 60 |
| – depreciation of property, plant and equipment | 1,785 | 1,439 | 3,117 |
| – profit on disposal of property, plant and equipment | (229) | (85) | (221) |
| – movement in contingent consideration | — | — | (260) |
| – investment income | (26) | (32) | (30) |
| – finance costs | 269 | 273 | 609 |
| – share option expense | 48 | 24 | 48 |
| | 4,769 | 3,416 | 8,901 |
| (Increase)/decrease in inventories | (488) | 57 | 330 |
| Increase in receivables | (572) | (1,450) | (840) |
| Increase in payables | 1,489 | 2,675 | 16 |
| Cash generated from operations | 5,198 | 4,698 | 8,407 |
| Finance costs | (269) | (273) | (577) |
| Taxation | (700) | (350) | (723) |
| Hire fleet expenditure | (2,403) | (4,922) | (5,731) |
| Sale of assets within hire fleet | 395 | 1,166 | 1,552 |
| Net cash from operating activities | 2,221 | 319 | 2,928 |
| Cash flows from investing activities | | | |
| Finance income | 26 | 32 | 30 |
| Payment of deferred consideration | — | (490) | (581) |
| Sale of property, plant and equipment | 85 | 29 | 33 |
| Purchase of property, plant and equipment | (97) | (1,762) | (2,079) |
| Net cash used in investing activities | 14 | (2,191) | (2,597) |
| Cash flows from financing activities | | | |
| Proceeds from share capital issued | 211 | 174 | 175 |
| Proceeds from bank and other borrowings | 1,132 | 3,084 | 2,501 |
| Repayment of bank and other borrowings | (1,312) | (761) | (1,690) |
| Payment of finance lease creditors | (609) | (548) | (944) |
| Dividends paid in the year | (559) | (500) | (786) |
| Net cash (used in)/from financing activities | (1,137) | 1,449 | (744) |
| Net decrease in cash and cash equivalents | 1,098 | (423) | (413) |
| Cash and cash equivalents at beginning of period | 459 | 878 | 878 |
| Exchange losses on cash and cash equivalents | 51 | (4) | (6) |
| Cash and cash equivalents at end of period* | 1,608 | 451 | 459 |

* Cash and cash equivalents as at 30 June 2013 includes cash balances of £2,077,000 and an overdraft balance held within current financial liabilities of £469,000.

Notes to the unaudited interim statements

For the six months ended 30 June 2013

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 2012.

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 2013.

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 2013 and the six months ended 30 June 2012 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 2012 does not constitute the full statutory accounts for that period. The annual report and financial statements for 2012 has been filed with the Registrar of Companies.

The Independent Auditors' Report on the annual report and financial statement for 2012 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 2013 was approved by the Board of Directors on 13 September 2013.

2. Earnings per share

The earnings per share figure has been calculated by dividing the profit after taxation, £1,949,000 (2012: £1,027,000), by the weighted average number of shares in issue, 15,529,252 (2012: 15,379,744).

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 386,624 (2012: 230,737). At the end of the period, the Company had in issue 193,400 (2012: 227,000) 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.

3. Dividends

An interim dividend of 2.00 pence per share (2012: 1.85 pence) will be paid on 28 October 2013 to shareholders on the register as at 27 September 2013. 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

I C Phillips

Company number

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Registered office

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Country of incorporation of parent company

England and Wales

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Independent auditors

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