



Northbridge Industrial Services plc
Interim report and accounts 2010



NORTHBRIDGE

About us

Northbridge Industrial Services was incorporated for the purpose of acquiring companies that hire and sell specialist industrial equipment, supplying a non-cyclical customer base including utility companies, the public sector and the oil and gas industries. In particular it will seek to acquire specialist businesses that have the potential for expansion into complete outsourcing providers.

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Highlights

Financial highlights

- ▶ Group revenue up 28% to £7.8 million (2009: £6.1 million)
- ▶ Profit before tax up 27% to £1.4 million (2009: £1.1 million)
- ▶ Basic earnings per share up 7% to 11.5 pence (2009: 10.7 pence) and diluted earnings per share of 11.3 pence (2009: 10.6 pence)
- ▶ Gross margin stable at 63.3% (2009: 64.0%)
- ▶ Strong cash generation from operations of £1.9 million (2009: £2.7 million)
- ▶ Interim dividend increased by 11% to 1.55 pence (2009: 1.40 pence)

Operational highlights

- ▶ Continued strong growth in the Middle East region
- ▶ Large contracts won with new customers in South Korea and Syria
- ▶ Further investment in the Group's hire fleet of £1.5 million (2009: £3.1 million)
- ▶ Acquisition of Tasman Oil Tools in July 2010

Chairman's statement

I am pleased to report further good progress in the Group's trading for the six months ended 30 June 2010 which shows an increase in revenue and profit before tax of 28.0% and 27.4% respectively compared to the first six months of 2009. Whilst there is still some ongoing uncertainty in the economic environment we are now seeing tangible evidence of a return to growth in some areas of the business compared with last year.

The Group's higher margin rental businesses are still experiencing increased demand and there has been a modest improvement in the sales of manufactured units. The rental mix within revenues continues to grow and now represents 57.0% of overall revenue even allowing for a large one-off sale of equipment to Syria. This led to a gross margin of 63.3% in the period (2009: 64.0%).

Our main subsidiary in the Middle East, Northbridge Middle East ("NME"), continues to grow strongly and its trading performance so far this year has been at record levels.

Some of our smaller activities in the Middle East, the Caspian and the UK continue to experience lower volumes; Tyne Technical Equipment Rental Services ("TTERS") for example, has been affected by the ongoing financial issues in Dubai. However there have been signs of improvement recently and we expect some recovery 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.

As previously announced in June 2010, the contract for the supply of power generation equipment to the Jabal Salab Zinc project, which has suffered delays since September 2009 due to funding problems with the project, has now been terminated by the customer. The Group is currently in discussion regarding rental payments due for the minimum service period under the contract, and has already started the redeployment of resources that had been allocated to this contract.

Strong cash flow during the six months has enabled the Group to continue to invest, and a further £1.5 million of additional hire fleet has been purchased.

We were also very pleased to have completed our acquisition of Tasman Oil Tools in Perth, Western Australia, just after the end of the period under review. The funds were raised through a combination of new shares and new bank debt. The share placing was strongly supported by both new and existing shareholders. We believe this underlines the support for our business and our strategy for the Group's future development.

Financial results

Northbridge's revenue for the half year ended 30 June 2010 was £7.8 million (2009: £6.1 million) with gross profits of £5.0 million (2009: £3.9 million). Profit before taxation was £1.4 million (2009: £1.1 million). Net assets at 30 June 2010 were £13.4 million (2009: £11.9 million).

Basic earnings per share increased 7.5% at 11.5 pence (2009: 10.7 pence) and diluted earnings per share increased to 11.3 pence (2009: 10.6 pence).

Financing and cash flow

During the period the Group continued to generate cash strongly from operations with £1.9 million (2009: £2.7 million) being generated. Investment into the hire fleet was £1.5 million (2009: £1.9 million) net of financing. Net gearing at the end of the period was 31% (2009: 24%) as cash balances were used to fund investment into the hire fleet and also used for working capital due to the increased activity levels.

Dividends

The Board has declared an interim dividend of 1.55 pence (2009: 1.40 pence), an increase of 10.7%, to be paid on 5 November 2010 to shareholders on the register as at 8 October 2010.

Operations Crestchic

Crestchic, our main subsidiary, showed some growth in activity compared to 2009 and the sales of manufactured units rose by 7% in the first half. Rental activity also maintained its volume following the good growth of last year. This part of the business has shown a great deal of resilience in the UK despite the economic conditions. Enquiries and quotes for both rental and sales have improved from last year.

NME

NME, which distributes Crestchic products in the Middle East region as well as operating its own hire fleet of industrial equipment, continued to show very good growth following its inauguration in 2007 with rental revenue up by 38% and strong sales principally to a new customer in Syria. Its new subsidiary, TTERS, acquired in the first half of last year has fared less well due to the downturn in general commercial activity in Dubai itself. However, we expect this position to improve when it becomes wholly-owned by NME early next year and we are able to effect changes to its operations.

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

Yemen contract

As previously announced, the contract for the supply of power generation equipment to the Jabal Salab Zinc project, which was won in April 2009 and had been due to start in September 2009, suffered numerous delays due to funding problems with the project and has now been terminated by the customer. The Group is currently in ongoing discussion regarding rental payments due for the minimum service period.

Placing of new shares and the acquisition of Tasman Oil Tools

We were very pleased to complete the acquisition of Tasman Oil Tools Pty Ltd ("Tasman") in July 2010 following the placing of 5,606,000 new shares at £1.25 each which was announced in June. The aggregate consideration for the entire share capital was AUD\$16.9 million (£9.7 million) subject to certain adjustments. This was made up of an initial cash consideration of £7.1 million, a deferred cash consideration of £1.7 million payable in two tranches in December 2010 and September 2011 and 738,045 Northbridge shares issued at the placing price. The consideration shares are subject to a "lock in" period of 18 months following completion.

Tasman, based in Perth, Western Australia, specialises in the rental of equipment for the onshore and offshore oil industry across Australia. Audited turnover for the year ended June 2009 was AUD\$11.2 million (£6.5 million). Based on previous audits, pro forma profits before interest and tax for the year ended 30 June 2010 are expected to be in the region of AUD\$3.5 million (£2.0 million).

The initial cash consideration comprised proceeds from the placing and a new bank facility of £3.0 million provided by Lloyds Banking Group. The success of the placing and the raising of further debt financing from our lenders demonstrates the confidence our shareholders and new investors have in our strategy going forward.

Outlook

Trading improved in the majority of our activities during the first half of the year despite the continued economic uncertainty around the world and we expect this to continue for the second half. We will also benefit from the acquisition of Tasman from 1 August 2010 and this is expected to be immediately earnings enhancing. As the proportion of our revenue relating to hire continues to increase, it has a corresponding impact on our cash flow which in turn enables us to contemplate further expansion of our hire fleet and further acquisitions. We look forward to reporting more progress in our development in due course.

Peter Harris

Chairman

Interim review report to Northbridge Industrial Services plc

For the six months ended 30 June 2010

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 2010 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 2010 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 2010

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 2010

	Notes	Six months ended 30 June 2010 Unaudited £'000	Six months ended 30 June 2009 Unaudited £'000	Year ended 31 December 2009 Audited £'000
Revenue		7,828	6,101	12,719
Cost of sales		(2,872)	(2,195)	(5,207)
Gross profit		4,956	3,906	7,512
Selling and distribution costs		(1,735)	(1,596)	(2,789)
Administrative expenses		(1,710)	(1,113)	(2,340)
Profit from operations		1,511	1,197	2,383
Finance income		–	–	1
Finance costs		(85)	(78)	(173)
Profit before income tax		1,426	1,119	2,211
Income tax expense	2	(402)	(313)	(640)
Profit for the period attributable to the equity holders of the parent		1,024	806	1,571
Other comprehensive income				
Exchange differences on translating foreign operations		220	(200)	(336)
Other comprehensive income for the period, net of tax		220	(200)	(336)
Total comprehensive income for the period attributable to equity holders of the parent		1,244	606	1,235
Earnings per share attributable to the equity holders of the parent	4			
- basic (pence)		11.5	10.7	19.1
- diluted (pence)		11.3	10.6	18.9
Dividend per share (pence)	5	1.55	1.40	4.10

All revenue and operating profit is derived from continuing operations.

Consolidated balance sheet

As at 30 June 2010

	30 June 2010 Unaudited £'000	30 June 2009 Unaudited £'000	31 December 2009 Audited £'000
ASSETS			
Non-current assets			
Intangible assets	3,241	3,526	3,315
Property, plant and equipment	14,409	11,332	13,505
	17,650	14,858	16,820
Current assets			
Inventories	1,107	1,290	1,266
Trade and other receivables	4,303	3,547	3,156
Cash and cash equivalents	346	1,885	776
	5,756	6,722	5,198
Total assets	23,406	21,580	22,018
LIABILITIES			
Current liabilities			
Bank overdraft	400	–	–
Trade and other payables	3,310	2,555	2,775
Financial liabilities	2,147	603	2,240
Other financial liabilities	153	1,941	52
Tax liabilities	832	1,135	1,038
	6,842	6,234	6,105
Non-current liabilities			
Financial liabilities	1,918	2,420	2,256
Long-term provisions	106	347	141
Deferred tax liability	1,091	683	1,091
	3,115	3,450	3,488
Total liabilities	9,957	9,684	9,593
Total net assets	13,449	11,896	12,425
Equity attributable to equity holders of the parent			
Share capital	909	909	909
Share premium account	6,966	6,966	6,967
Treasury share reserve	(201)	(201)	(201)
Foreign exchange reserve	62	(22)	(158)
Retained earnings	5,712	4,244	4,908
Total equity	13,449	11,896	12,425

Consolidated cash flow statement

For the six months ended 30 June 2010

	Six months ended 30 June 2010 Unaudited £'000	Restated Six months ended 30 June 2009 Unaudited £'000	Year ended 31 December 2009 Audited £'000
Cash flows from operating activities			
Net profit from ordinary activities before taxation	1,426	1,119	2,211
Adjustments for:			
Amortisation of intangible fixed assets	74	63	131
Amortisation of capitalised debt fee	–	1	1
Depreciation of property, plant and equipment	742	399	1,048
Profit on disposal of property, plant and equipment	2	10	8
Decrease in provision for future employment costs	(35)	–	(71)
Finance income	–	–	(1)
Finance costs	85	78	173
Share option expense	21	30	54
	2,315	1,700	3,554
Decrease/(increase) in inventories	159	(187)	(170)
Increase/(decrease) in receivables	(1,066)	1,022	1,149
Increase/(decrease) in payables	454	118	(55)
Cash generated from operations	1,862	2,653	4,478
Finance costs	(85)	(78)	(173)
Taxation	(587)	(565)	(615)
Hire fleet expenditure	(1,477)	(1,850)	(5,188)
Net cash (used in)/from operating activities	(287)	160	(1,498)
Cash flows from investing activities			
Finance income	–	–	1
Acquisition of subsidiary undertaking (net of cash acquired)	–	(1,061)	(73)
Sale of property, plant and equipment	92	45	63
Purchase of property, plant and equipment (Note 4)	(62)	(97)	(167)
Net cash from/(used in) investing activities	30	(1,113)	(176)
Cash flows from financing activities			
Proceeds from share capital issued	–	1,459	1,459
Repayment of bank and other borrowings	(83)	(41)	(89)
Payment of finance lease obligations	(261)	(178)	(460)
Purchase of own shares	–	(85)	(84)
Dividends paid to equity shareholders	(241)	(194)	(319)
Net cash (used in)/from financing activities	(585)	961	507
Net (decrease)/increase in cash and cash equivalents	(842)	8	(1,167)
Cash and cash equivalents at beginning of period	776	2,078	2,078
Exchange differences on cash and cash equivalents	12	(201)	(135)
Cash and cash equivalents at end of period	(54)	1,885	776

Notes to the unaudited interim statements

For the six months ended 30 June 2010

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 2009.

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 2010.

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 2010 and the six months ended 30 June 2009 has not been audited, but has been reviewed, pursuant to guidance issued by the Auditing Practices Board. The comparative figures for the year ended 31 December 2009 do not amount to full statutory accounts within the meaning of Section 435 of the Companies Act 2006. Those accounts have been reported on by the Group's auditors and delivered to the Registrar of Companies. The Independent Auditors' Report was unqualified, did not include references to matters to which the auditors drew attention by way of emphasis without qualifying their report and did not contain a statement under Section 498(2) or (3) of the Companies Act 2006.

For the six months ended 30 June 2009 an amount of £1,850,000 has been reclassified in the Consolidated Statement of Cash Flows from purchase of property, plant and equipment to hire fleet expenditure as per the requirements of IAS 7.

The interim report for the period ended 30 June 2010 was approved by the Board of Directors on 29 September 2010.

2. Tax on profit on ordinary activities

The anticipated tax rate on profits is estimated to be approximately 28% (2009: 28%).

3. Property, plant and equipment

During the period the Group acquired property, plant and equipment with an aggregate cost of £1,552,000 (2009: £3,186,000) of which £13,000 (2009: £1,239,000) was acquired by means of finance leases. Total additions included £1,477,000 (2009: £3,089,000) of hire fleet additions.

Cash payments of £1,539,000 (2009: £1,947,000) were made to purchase property, plant and equipment.

4. Earnings per share

The earnings per share figure has been calculated by dividing the profit after taxation, £1,024,000 (2009: £806,000), by the weighted average number of shares in issue, 8,940,107 (2009: 7,527,908).

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 87,454 (2009: 71,197). At the end of the period, the Company had in issue 469,340 (2009: 469,229) share options which have not been included in the calculation of the diluted earnings per share because their effects are anti-dilutive. These share options could be dilutive in the future.

5. Dividends

An interim dividend of 1.55 pence per share (2009: 1.40 pence) will be paid on 5 November 2010 to shareholders on the register as at 8 October 2010. In accordance with IFRS, no provision for the interim dividend has been made in these financial statements.

6. 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

A K Mehta

Finance Director

J W Gould

Non-executive director

M G Dodson

Non-executive director
(independent)

D C Marshall

Non-executive director
(independent)

Registered office

Second Avenue
Centrum 100
Burton on Trent DE14 2WF
+44 (0)1283 531 645

Company Secretary

City Group PLC
30 City Road
London EC1 2AG

Company number

05326580

Independent auditors

BDO LLP

125 Colmore Row
Birmingham B3 3SD

Bankers

Lloyds Banking Group

Butt Dyke House
33 Park Row
Nottingham NG1 6GY

Nominated advisors

Smith & Williamson Corporate Finance Limited

25 Moorgate
London EC2R 6AY

Broker

Arbutnot Securities Limited

20 Ropemaker Street
London EC2Y 9AR

Registrars

Capita Registrars plc

The Registry
34 Beckenham Road
Beckenham
Kent BR3 4TU
+44 (0)871 664 0300



NORTHBRIDGE

**NORTHBRIDGE INDUSTRIAL
SERVICES PLC**

Second Avenue

Centrum 100

Burton on Trent DE14 2WF

+44 (0)1283 531 645

www.northbridgegroup.co.uk