Interim Report and Accounts 2008

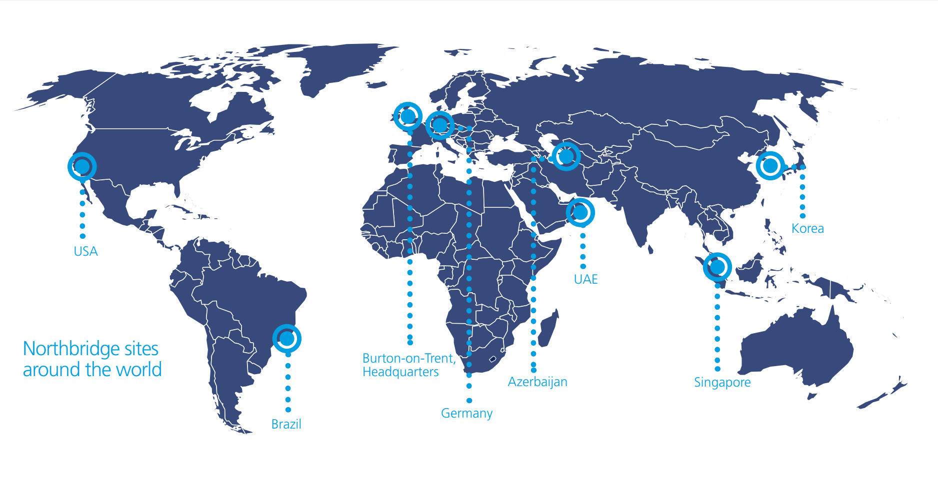
Northbridge Industrial Services plc

NORTHBRIDGE

Northbridge Industrial Services plc

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.

With sales, rentals and agents' offices in the UK, North America, Brazil, Singapore, Germany, UAE, Azerbaijan and Korea, Crestchic (Northbridge's main subsidiary) are the largest loadbank specialists in the world.



Cover image – High voltage cables from an FPSO turbine provide the connection to a Crestchic loadbank package on a barge below.

Highlights

Northbridge Industrial Services plc, the industrial services and rental company today announces its interim results for the six month period ended 30 June 2008.

Financial highlights:

- Group Revenue up 44% to £6.9 million (2007: £4.8 million)
- Profit before tax up 66% to £1.0 million (2007: £0.6 million)
- Basic earnings per share up 71% to 9.9 pence (2007: 5.8 pence) and diluted earnings per share of 9.7 pence (2007: 5.6 pence)
- Operational cash inflow of £0.7 million (2007: outflow £0.2 million)
- 30% increase in the interim dividend to 1.3 pence per ordinary share (2007: 1.0 pence)

Operational highlights

- Crestchic Ltd, the Group's main subsidiary increased its revenues by 25%
- RDS (Technical) Ltd continues to trade at record levels following the acquisition of the remaining 49% in June
- Profitable and encouraging start to Northbridge Middle East's first year, trading from its new premises in Jebel Ali, Dubai
- Further investment into the Group's hire fleet of £0.74 million (2007: £0.26 million)

Eric Hook, Chief Executive Officer, commented

"Trading across the Group has continued to be strong during the first half of the financial year. The Group's sales order intake and enquiries for rental are still at a record level and trading is currently ahead of the market's expectations for the year to 31 December 2008."

Chairman's Statement

I am pleased to report further good progress in the Group's trading for the six months ended 30 June 2008.

Crestchic, the Group's main subsidiary, continues to trade at record levels and both sales and hire revenues are ahead of the corresponding period last year. Loadbank Hire Services which we acquired in March 2007 has been successfully integrated and is now supporting our growing customer base in the South East of England.

Northbridge (Middle East), which was incorporated late last year and now acts as Crestchic's agent in the Middle East, has enjoyed a very good start to the year with rental contracts extending well into the second half of 2008. Following the recent acquisition of trading premises, Northbridge (Middle East) now has an established presence in the Jebel Ali Free Zone area of Dubai.

Our most recent acquisition, RDS (Technical) Ltd ("RDS"), which provides generators and associated equipment to the oil and gas industries in the Caspian Region, continues to enjoy a record year with profits for the full year being attributable to Northbridge.

During this period the Group has added further experienced staff to assist in delivering the growth targets of all the businesses.

Financial results

Northbridge's consolidated revenue for the half year increased by 44% to £6.9 million (2007: £4.8 million) with gross profits of £3.7 million (2007: £2.7 million). Profit before taxation increased by 66% to £1.0 million (2007: £0.6 million). Net assets at 30 June 2008 were £8.7 million (2007: £7.5 million).

Basic earnings per share were up 71% at 9.9 pence (2007: 5.8 pence) and diluted earnings per share were 9.7 pence (2007: 5.6 pence).

Financing and cashflow

During the period Northbridge invested a further £2.4 million in fixed assets. This includes the initial payment for the premises in Dubai and £0.7 million on additional hire fleet assets, principally loadbanks, transformers and generators. In addition the Group purchased the remaining 49% of RDS for £1.1 million. This was achieved through internally generated funds together with an increase in our credit facilities from a working capital facility of £1.0 million to a revolving credit facility of £1.9 million.

Included in these figures was a full six months contribution from RDS. The original controlling stake of 51% was acquired in September 2007 with the remaining 49% acquired at the end of June 2008.

Northbridge had the option to purchase the remaining 49% of RDS for a price based on a multiple of the audited profits for the year ended 31 March 2008. The price was subject to a maximum of £1.8 million for 100% of RDS which would be paid if the profits reached £328,000 or above.

Profits of RDS reached £425,000 in the year to 31 March 2008 and the maximum further consideration of £1.1 million was paid when Northbridge completed the acquisition of the remaining 49% of RDS on 30 June 2008, making the total consideration for the business £1.8 million.

The net assets of RDS at 31 March 2008 were £2.0 million which included £1.1 million of cash balances.

The Group had an operational cash inflow of £714,000 during the period (2007: cash outflow £211,000). The increase in borrowing facilities mentioned above meant that the Group's net gearing rose to 29% (2007: 13%).

Dividend

As a result of the Group's very strong performance during the six months to 30 June 2008 the Board has declared an increased interim dividend of 1.3 pence (2007: 1.0 pence) to be paid on 10 November 2008 to shareholders on the register at 10 October 2008.

Operations

Crestchic

Crestchic achieved a 25% increase in revenues for the six month period including a first time contribution from business generated by Northbridge Middle East from the new facility in Dubai. The current rental contracts from this location extend well into the second half.

The Burton-upon-Trent factory extension which was completed in 2007 has enabled production capacity to keep up with increased demand during 2008. It has also enabled us to deliver additional rental units and plan further increases to our loadbank and transformer hire fleet for the future. During the period Northbridge also completed a transaction to acquire trading premises in the Dubai Jebel Ali Free zone at a total cost of £1.44 million (of which £0.7 million is deferred until June 2009). The acquisition of these premises will help accelerate Northbridge's strategy to grow its oil and gas business in the Middle East and Caspian region through offering a broader range of equipment for sale and hire.

RDS

RDS (Technical) Ltd, which provides generators and associated equipment to the oil and gas industries in the Caspian Region, continues to enjoy a record year with revenue during this period of £0.59 million.

Outlook

Trading across the Group has remained strong during the first half of the financial year. The Group's sales order intake and enquiries for rental are still at a record level and trading is currently ahead of the market's expectations for the year to 31 December 2008.

Since the majority of Northbridge's business activity is related to power reliability and the oil and gas sector, it is our expectation that this level of trading will continue for the rest of 2008 and into 2009.

We look forward to reporting further progress for the year ending 31 December 2008.

Peter Harris
Chairman

Consolidated Interim Income Statement
For the six months ended 30 June 2008

	6 Months ended 30 June 2008 Unaudited £000s	6 Months ended 30 June 2007 Unaudited £000s	Year to 31 December 2007 Audited £000s
Revenue	**6,870**	4,772	11,203
Cost of sales	**(3,152)**	(2,117)	(5,626)
Gross profit	**3,718**	2,655	5,577
Selling and distribution costs	**(1,765)**	(1,127)	(2.385)
Administrative expenses	**(886)**	(908)	(1,484)
Profit from operations	**1,067**	620	1,708
Finance income	**17**	8	23
Finance costs	**(50)**	(27)	(100)
Profit before income tax	**1,034**	601	1,631
Income tax expense	**(286)**	(171)	(477)
Profit for the period attributable to the equity holders of the parent	**748**	430	1,154
Earnings per share			
– basic (pence)	**9.9**	5.8	15.3
– diluted (pence)	**9.7**	5.6	14.9
Dividend per share	**1.3p**	1.0p	2.0p

All revenue and operating profit is derived from continuing operations.

Consolidated Interim Balance Sheet
As at 30 June 2008

	30 June 2008 Unaudited £000s	30 June 2007 Unaudited £000s	31 December 2007 Audited £000s
Assets			
Non-current assets			
Intangible assets	**3,210**	3,224	3,254
Property, plant and equipment	**7,387**	4,534	5,398
Total non-current assets	**10,597**	7,758	8,652
Current assets			
Inventories	**1,477**	1,479	1,136
Trade and other receivables	**4,270**	2,740	3,272
Cash and cash equivalents	**1,209**	–	1,461
Total current assets	**6,956**	4,219	5,869
Total assets	**17,553**	11,977	14,521
Liabilities			
Current liabilities			
Bank overdraft	**(597)**	(351)	(359)
Trade and other payables	**(2,710)**	(2,001)	(1,953)
Financial liabilities	**(316)**	(96)	(173)
Other financial liabilities	**(810)**	(65)	(1,150)
Tax liabilities	**(703)**	(509)	(589)
	(5,136)	(3,022)	(4,224)
Non-current liabilities			
Financial liabilities	**(2,859)**	(502)	(1,342)
Long-term provisions	**(212)**	(265)	(212)
Deferred tax liability	**(604)**	(678)	(604)
	(3,675)	(1,445)	(2,158)
Total liabilities	**(8,811)**	(4,467)	(6,382)
Total net assets	**8,742**	7,510	8,139
Capital and reserves			
Share capital	**763**	761	763
Share premium account	**5,546**	5,527	5,546
Share option reserve	**–**	20	–
Treasury share reserve	**(59)**	–	(59)
Foreign exchange reserve	**(17)**	–	–
Retained earnings	**2,509**	1,202	1,889
Total equity	**8,742**	7,510	8,139

Consolidated Interim Statement of Cash Flows

	6 Months ended 30 June 2008 Unaudited £000s	6 Months ended 30 June 2007 Unaudited £000s	Year to 31 December 2007 Audited £000s
Operating activities			
Net profit from ordinary activities before taxation	**1,034**	601	1,631
Adjustments for:			
Amortisation of intangible fixed assets	**58**	56	126
Amortisation of capitalised debt fee	**10**	11	18
Depreciation of property plant and equipment	**374**	184	444
Decrease in provision for future employment costs	**–**	–	(53)
Loss on disposal of property plant and equipment	**–**	–	22
Finance income	**(16)**	(8)	(23)
Finance costs	**50**	27	100
Share option expense	**25**	10	29
Taxation	**(172)**	(80)	(254)
(Increase) in inventories	**(341)**	(756)	(414)
(Increase) in receivables	**(998)**	(742)	(917)
Increase in payables	**740**	513	745
Cash (used in)/generated from operations	**764**	(184)	1,454
Finance costs	**(50)**	(27)	(100)
Net cash (used in)/from operating activities	**714**	(211)	1,354
Cash flows from investing activities			
Finance income	**16**	8	23
Purchase of operations and trade assets	**–**	(695)	–
Acquisition of subsidiary undertaking (net of cash acquired)	**(1,164)**	–	(983)
Sale of property, plant and equipment	**39**	17	17
Purchase of property, plant and equipment	**(1,592)**	(501)	(904)
Net cash used in investing activities	**(2,701)**	(1,171)	(1,847)
Cash flows from financing activities			
Proceeds from share capital issued	**–**	22	43
Proceeds from bank borrowings	**1,750**	163	1,500
Repayment of bank borrowings	**(50)**	(63)	(715)
Payment of finance lease obligations	**(50)**	(41)	(49)
Purchase of own shares	**–**	–	(59)
Dividends paid to equity shareholders	**(153)**	(149)	(224)
Net cash flow (used in)/from financing activities	**1,497**	(68)	496
Net (decrease)/increase in cash and cash equivalents	**(490)**	(1,450)	3
Cash and cash equivalents at beginning of period	**1,102**	1,099	1,099
Cash and cash equivalents at end of period	**612**	(351)	1,102

Notes to the Unaudited Interim Statements

1. Basis of preparation

This half-yearly financial report has been prepared in accordance with the accounting policies disclosed in the full statutory accounts for the year ended 31 December 2007.

These policies are in accordance with International Financial Reporting Standards, International Accounting Standards and Interpretations (collectively IFRSs) issued by the International Accounting Standards Board as endorsed for use in the European Union, that are expected to be applicable for the year ended 31 December 2008.

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

The financial information presented for the Group does not constitute “statutory accounts” within the meaning of Section 240 of the Companies Act 1985.

The comparatives for the full year ended 31 December 2007 are not the Company’s full statutory accounts for that year. A copy of the statutory accounts for that year has been delivered to the Registrar of Companies. The auditors’ report on those accounts was unqualified, did not include references to any matters to which the auditors drew attention by way of emphasis without qualifying their report and did not contain a statement under section 237(2)-(3) of the Companies Act 1985.

The interim report for the period ended 30 June 2008 was approved by the Board of Directors on 30 September 2008.

2. Acquisitions

During the period, the Group purchased the remaining 49% of RDS for the sum of £1.1 million.

3. Tax on profit on ordinary activities

The anticipated taxation rate on profits is estimated to be approximately 28%.

4. Earnings per share

The earnings per share figure has been calculated by dividing the profit after taxation, £748,000, (2007: £430,000) by the weighted average number of shares in issue, 7,550,149 (2007: 7,455,426). 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.

5. Dividends

An interim dividend of 1.3 pence per share (2007: 1.0 pence) will be paid on 10 November 2008 to shareholders on the register as at 10 October 2008. In accordance with IFRS, no provision for the interim dividend has been made in these financial statements.

6. Interim report

Copies of this 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. This interim release will also be available from the Group’s website at www.northbridgegroup.co.uk.

Directors

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A K Mehta *Finance Director*
J W Gould *Non-executive Director*
M G Dodson *Non-executive Director*
D C Marshall *Non-executive Director*

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