NORTHBRIDGE

Northbridge Industrial Services plc

Interim report and accounts 2009

AT A GLANCE

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.

NORTHBRIDGE AROUND THE WORLD

WITH SALES, RENTALS AND AGENTS' OFFICES IN THE UK, GERMANY, UAE, NORTH AMERICA, BRAZIL, SINGAPORE, INDIA AND KOREA, NORTHBRIDGE'S OPERATIONS NOW COVER MOST MAJOR MARKETS IN THE WORLD.

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HIGHLIGHTS

Financial highlights

- **Profit before tax up 8.3%** to £1.1 million (2008: £1.0 million)
- **Basic earnings per share up 8.1%** to 10.7 pence (2008: 9.9 pence) and diluted earnings per share of 10.6 pence (2008: 9.7 pence)
- **Gross margin up by 9.9%** to 64.0% (2008: 54.1%)
- **Group revenue down 11.2%** to £6.1 million (2008: £6.9 million)
- **Strong cash position** with net operational cash inflow of £2.0 million (2008: £0.7 million)
- **Successful open offer to shareholders** raising £1.5 million after costs
- **Interim dividend increased by 7.7%** to 1.4 pence (2008: 1.3 pence)

Operational highlights

- **Strong growth in higher margin rental revenues**, up 38% compared with first half of 2008
- **Continuing good performance** from Northbridge Middle East and RDS
- **Significant contract win** by Northbridge Middle East
- **Acquisition of a controlling interest** in Tyne Technical Equipment Rental in Dubai
- **Further investment in the Group's hire fleet** of £2.9 million (2008: £0.74 million), including acquisition of a high-pressure/high-capacity compressor rental fleet from Sullair for £1.2 million
- **Established sales capability in India** following encouraging enquiry levels

CHAIRMAN'S STATEMENT

I am pleased to report a period of further good progress in the Group's trading for the six months ended 30 June 2009 and strategic objectives being achieved.

Against a background of continued economic uncertainty the Group's businesses have held up well.

The Group's higher margin rental business is still experiencing good growth and the proportion of rental in the overall revenue mix is now well over 50%, leading to a substantial increase in the Group's gross margin. We are reaping the benefits of our ongoing investment in the Group's hire fleet over previous years. This level of expansion has continued into 2009 with a further investment of £1.7 million together with the £1.2 million acquisition of compressors which added to our portfolio of products.

Although sales of manufactured units by Crestchic, our largest subsidiary, are as expected lower than last year's record levels, we are still receiving an encouraging level of sales enquiries.

Northbridge Middle East ("NME"), which started trading in 2007, continues to grow rapidly and in April 2009 won a substantial rental contract to provide generators, transformers and associated equipment to the Jabali Salab zinc mine in Yemen. This contract will commence fully in January 2010 and is due to increase to the maximum level during 2010. It includes a minimum service period which has recently been increased from twelve months to 36 months. In April 2009, NME also acquired Tyne Technical Equipment Rental Services ("TTERS"), a Dubai registered company whose principal business is the rental of generators and the sale of associated services to the infrastructure and oil and gas industries in the United Arab Emirates.

RDS (Technical) Ltd ("RDS"), which supplies generators and associated equipment to the oil and gas industry in the Caspian Region, continued to perform well. A new phase of investment planned to start in 2010 will benefit the Company next year and beyond.

The Group's cash flow has been very strong in the first half, helped by the growth in rental activities. Opportunities for further rental growth are encouraging, particularly overseas, and to help fund this potential the Group raised additional capital via an open offer of new ordinary shares to existing shareholders in June 2009 raising £1.52 million before costs. During the period the Group purchased an existing specialist compressor hire fleet from Sullair at a cost of £1.2 million, 90% of which was financed by a five-year hire purchase agreement with Lloyds Banking Group.

FINANCIAL RESULTS

Northbridge's revenue for the half year was £6.1 million (2008: £6.9 million) with gross profits of £3.9 million (2008: £3.7 million). Profit before taxation was £1.1 million (2008: £1.0 million). Net assets at 30 June 2009 were £11.9 million (2008: £8.7 million).

Basic earnings per share increased 8.1% at 10.7 pence (2008: 9.9 pence) and diluted earnings per share increased to 10.6 pence (2008: 9.7 pence).

FINANCING AND CASH FLOW

During the period, cash generated from operations amounted to £2.7 million (2008 £0.9 million) and a further £1.5 million was raised through the open offer. £2.9 million was invested in the hire fleet and a final payment of £0.9 million was made for the Group's business premises in Dubai. Net gearing at the end of the period was 24.0% (2008: 29.3%).

DIVIDENDS

The Board has declared an increased interim dividend of 1.4 pence (2008: 1.3 pence); an increase of 7.7%, to be paid on 13 November 2009 to shareholders on the register as at 16 October 2009.

OPERATIONS

CRESTCHIC

Crestchic, Northbridge's main subsidiary, saw rental demand continue to grow and rental revenue increased by 31% compared with last year. This benefited the rental/sales mix in total Group revenue and resulted in the Group's gross margins increasing by 9.9% to 64.0%. Crestchic experienced a reduction in the sale of manufactured units compared with the record level of last year. This was largely down to the current economic environment which has reduced demand in some overseas markets, principally South East Asia. The additional production capacity released by the fall in sales has been utilised by building more units for the hire fleet from which we expect a long-term benefit.

RDS

RDS, which provides generators and associated equipment to the oil and gas industry in the Caspian region, continues to trade well. A new phase of investment is about to start in the region from which RDS is well placed to benefit. During the period the holding company, which was previously a Jersey registered company, has been transferred to Dubai under the control of NME. At the same time a trading branch of RDS was established in the Jebel Ali Free Zone.

NME

NME now acts as an agent for Crestchic products and since its formation at the end of 2007 has experienced good growth, with revenue in the first six months of 2009 increasing significantly. The final payment of £0.9 million has been made on the premises in the Jebel Ali Free zone which is now shared with RDS. The portfolio of products offered by Northbridge has been enhanced by the acquisition of a 66.7% shareholding in TTERS for a consideration of £170,000, which was satisfied by £62,000 in cash and the issue of 80,000 Northbridge shares at 135 pence per share.

TTERS, which is also based in Dubai, rents generators and associated equipment to the infrastructure and oil and gas industries in the United Arab Emirates. Northbridge will acquire the remaining 33.3% of the shares for a multiple of net profit in the year ending March 2011 subject to a maximum cost of £680,000 giving a total maximum consideration of £850,000. Based on an assessment at 30 June 2009, £135,000 has been included as the expected fair value of the contingent consideration. In the year ended December 2008 the unaudited revenue and net profits of TTERS were £600,000 and £57,000 respectively. As part of the transaction RDS has provided an intercompany loan of £250,000 for further investment in the hire fleet. In order for the maximum consideration to be payable TTERS will need to generate pre tax profits of £250,000 in the year to March 2011.

CHAIRMAN'S STATEMENT CONTINUED

OPERATIONS CONTINUED

NME CONTINUED

In April 2009 the new branch of RDS won a significant contract for the supply of generators, transformers and associated equipment together with a maintenance agreement to the Jabali Zinc Project in Yemen, which is controlled by Zincox Resources plc, an AIM-quoted company. The contract is due to start later this year and will increase to the maximum capacity in 2010. There is a minimum service period, at the maximum capacity, of twelve months with a value of US $2.9 million p.a. In September 2009, the contract was extended for a further 24 months.

REST OF THE WORLD

As well as having sales agents and salespeople in North America, South America, Continental Europe and the Far East, the Group has recently employed a sales representative in India. This follows a number of successful conferences and exhibitions held in India over the last few months. Based on those events we believe that India offers interesting opportunities for the Group.

OUTLOOK

Trading has remained stable in all our activities during the first half of 2009 and our enquiry level remains high despite the global economic uncertainty. Higher margin rental continues to grow and the extra investment made this year will show early returns in 2010 and beyond. We look forward to reporting further progress in the Group's activities for the year ending 31 December 2009 and, based on sales enquiries and our order book, we already expect a strong 2010.

PETER HARRIS
Chairman

INTERIM REVIEW REPORT TO NORTHBRIDGE INDUSTRIAL SERVICES PLC FOR THE SIX MONTHS ENDED 30 JUNE 2009

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 2009 which comprises 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 the Alternative Investment Market 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 the Alternative Investment Market 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 2009 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 STOY HAYWARD LLP
Chartered Accountants and Registered Auditors
Birmingham
29 September 2009

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 JUNE 2009

	Six months ended 30 June 2009 Unaudited £'000	Six months ended 30 June 2008 Unaudited £'000	Year ended 31 December 2008 Audited £'000
Revenue	**6,101**	6,870	15,734
Cost of sales	**(2,195)**	(3,152)	(7,711)
Gross profit	**3,906**	3,718	8,023
Selling and distribution costs	**(1,596)**	(1,765)	(2,747)
Administrative expenses	**(1,113)**	(886)	(2,129)
Profit from operations	**1,197**	1,067	3,147
Finance income	**–**	17	23
Finance costs	**(78)**	(50)	(203)
Profit before income tax	**1,119**	1,034	2,967
Income tax expense (Note 3)	**(313)**	(286)	(1,049)
Profit for the period attributable to the equity holders of the parent	**806**	748	1,918
Other comprehensive income:			
Exchange differences on translating foreign operations	**(200)**	–	178
Other comprehensive income for the period, net of tax	**(200)**	–	178
Total comprehensive income for the period attributable to equity holders of the parent	**606**	748	2,096
Earnings per share (Note 5)			
- basic (pence)	**10.7**	9.9	25.3
- diluted (pence)	**10.6**	9.7	25.0
Dividend per share (pence)	**1.4**	1.3	2.6

All revenue and operating profit is derived from continuing operations.

CONSOLIDATED BALANCE SHEET
AS AT 30 JUNE 2009

	30 June 2009 Unaudited £'000	30 June 2008 Unaudited £'000	31 December 2008 Audited £'000
Assets			
Non-current assets			
Intangible assets	**3,526**	3,210	3,159
Property plant and equipment	**11,332**	7,387	8,675
Total non-current assets	**14,858**	10,597	11,834
Current assets			
Inventories	**1,290**	1,477	1,096
Trade and other receivables	**3,547**	4,270	4,085
Cash and cash equivalents	**1,885**	1,209	2,078
Total current assets	**6,722**	6,956	7,259
Total assets	**21,580**	17,553	19,093
Liabilities			
Current liabilities			
Bank overdraft	**–**	(597)	–
Trade and other payables	**(2,555)**	(2,710)	(2,384)
Financial liabilities	**(603)**	(316)	(1,966)
Other financial liabilities	**(1,941)**	(810)	(988)
Tax liabilities	**(1,135)**	(703)	(1,386)
Total current liabilities	**(6,234)**	(5,136)	(6,724)
Non-current liabilities			
Financial liabilities	**(2,420)**	(2,859)	(1,502)
Long-term provisions	**(347)**	(212)	(212)
Deferred tax liability	**(683)**	(604)	(683)
Total non-current liabilities	**(3,450)**	(3,675)	(2,397)
Total liabilities	**(9,684)**	(8,811)	(9,121)
Total net assets	**11,896**	8,742	9,972
Equity attributable to equity holders of the parent			
Share capital	**909**	763	763
Share premium account	**6,966**	5,546	5,546
Treasury share reserve	**(201)**	(59)	(117)
Foreign exchange reserve	**(22)**	(17)	178
Retained earnings	**4,244**	2,509	3,602
Total equity	**11,896**	8,742	9,972

CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 30 JUNE 2009

	Six months ended 30 June 2009 Unaudited £'000	Six months ended 30 June 2008 Unaudited £'000	Year to 31 December 2008 Audited £'000
Cash flows from operating activities			
Net profit from ordinary activities before taxation	**1,119**	1,034	2,967
Adjustments for:			
Foreign exchange gains	**28**	–	(620)
Amortisation of intangible fixed assets	**63**	58	95
Amortisation of capitalised debt fee	**1**	10	92
Depreciation of property plant and equipment	**399**	374	715
Profit/(loss) on disposal of property plant and equipment	**10**	–	(54)
Finance income	**–**	(16)	(23)
Finance costs	**78**	50	203
Share option expense	**30**	25	45
	1,728	1,535	3,420
(Increase)/decrease in inventories	**(187)**	(341)	40
Decrease/(increase) in receivables	**1,022**	(998)	(424)
Increase in payables	**90**	740	385
Cash generated from operations	**2,653**	936	3,421
Finance costs	**(78)**	(50)	(203)
Taxation	**(565)**	(172)	(173)
Net cash from operating activities	**2,010**	714	3,045
Cash flows from investing activities			
Finance income	**–**	16	23
Acquisition of subsidiary undertaking (net of cash acquired)	**(1,061)**	(1,164)	(1,150)
Sale of property, plant and equipment	**45**	39	480
Purchase of property, plant and equipment (Note 4)	**(1,947)**	(1,592)	(2,925)
Net cash used in investing activities	**(2,963)**	(2,701)	(3,572)
Cash flows from financing activities			
Proceeds from share capital issued	**1,459**	–	–
Proceeds from bank borrowings	**–**	1,750	1,626
Repayment of bank borrowings	**(41)**	(50)	(64)
Payment of finance lease obligations	**(178)**	(50)	(196)
Purchase of own shares	**(85)**	–	(58)
Dividends paid to equity shareholders	**(194)**	(153)	(250)
Net cash flow from financing activities	**961**	1,497	1,058
Net (decrease)/increase in cash and cash equivalents	**8**	(490)	531
Cash and cash equivalents at beginning of period	**2,078**	1,102	1,102
Exchange differences on cash and cash equivalents	**(201)**	–	445
Cash and cash equivalents at end of period	**1,885**	612	2,078

NOTES TO THE UNAUDITED INTERIM STATEMENTS

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 2008.

These policies are in accordance with International Financial Reporting Standards, International Accounting Standards and Interpretations (collectively "IFRS"s) 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 2009.

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

The comparatives for the full year ended 31 December 2008 are not the Group'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 2009 was approved by the Board of Directors on 29 September 2009.

2. ACQUISITIONS

TYNE TECHNICAL EQUIPMENT RENTAL SERVICES

During the period, the Group purchased 66.67% of the interests of TTERS. TTERS is a Dubai registered company whose principal business is the rental of generators and the sale of associated services to the infrastructure and the oil and gas industries in the United Arab Emirates. The total consideration was £170,000, which was satisfied by £62,000 in cash and by the issue of 80,000 new ordinary shares at a price of 135 pence per ordinary share. Additionally, Northbridge will acquire the remaining 33.33% of the shares in the Company on 13 April 2011 for a price based on a multiple of net profits in the preceding twelve months, subject to a maximum cost of £680,000 (and a total maximum cost of £850,000). At this level of consideration the profit before taxation of TTERS would be £250,000. Based on an assessment at 30 June 2009, £135,000 has been included as the expected fair value of the contingent consideration. The shares issued to the vendors as consideration are to be held for a minimum period of 24 months.

2. ACQUISITIONS CONTINUED

TYNE TECHNICAL EQUIPMENT RENTAL SERVICES CONTINUED

Details of the fair value of identifiable assets and liabilities acquired, purchase consideration and goodwill are as follows:

Fair value of assets acquired	£'000	£'000
Property, plant and equipment	297	
Current assets	108	
Contract and customer related intangible assets (recognised on acquisition)	124	
Other payables	(340)	
Deferred tax liability	(35)	
		154
Consideration paid		
Cash	62	
Shares	108	
Fair value of contingent consideration	135	
Costs of acquisition	12	
		317
Goodwill		163

The net cash sum expended on the acquisition was as follows:

	£'000
Cash paid as consideration	62
Cash paid as acquisition expenses	12
Less cash acquired on acquisition	(1)
Net cash movement	73

The main factors leading to the recognition of goodwill are the presence of certain intangible assets in the acquired entity, such as trading licenses required to operate in Dubai, and the assembled work force of the acquired entity which do not qualify for separate recognition.

It is impractical to determine the IFRS carrying amounts of the assets and liabilities (other than the contracts and customer lists) of TTERS immediately prior to acquisition as the business did not prepare accounts under IFRS.

3. TAX ON PROFIT ON ORDINARY ACTIVITIES

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

4. PROPERTY, PLANT AND EQUIPMENT

During the period the Group acquired property, plant and equipment with an aggregate cost of £3,186,000 (2008: £2,402,000) of which £1,239,000 (2008: £810,000) was acquired by means of finance leases. Cash payments of £1,947,000 (2008: £1,592,000) were made to purchase property, plant and equipment.

5. EARNINGS PER SHARE

The earnings per share figure has been calculated by dividing the profit after taxation, £806,000 (2008: £748,000), by the weighted average number of shares in issue, 7,527,908 (2008: 7,550,149). 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. At the end of the period, the Company had in issue 469,229 (2008: 40,000) 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.

6. DIVIDENDS

An interim dividend of 1.4 pence per share (2008: 1.3 pence) will be paid on 13 November 2009 to shareholders on the register as at 16 October 2009. In accordance with IFRS, no provision for the interim dividend has been made in these financial statements.

7. 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
Tel: +44 (0)1283 531 645

COMPANY SECRETARY

City Group PLC
30 City Road
London EC1 2AG

COMPANY NUMBER

05326580

INDEPENDENT AUDITORS

BDO Stoy Hayward LLP
125 Colmore Row
Birmingham B3 3SD

BANKERS

Bank of Scotland
55 Temple Row
Birmingham B2 5LS

NOMINATED ADVISOR

Smith & Williamson Corporate Finance Limited
25 Moorgate
London EC2R 6AY

BROKER

Arbuthnot Securities Limited
20 Ropemaker Street
London EC2Y 9AR

REGISTRARS

Capita Registrars plc
The Registry
34 Beckenham Road
Beckenham
Kent BR3 4TU
Tel: 0871 664 0300

designed and produced by
the design portfolio
marketing services.
www.design-portfolio.co.uk

NORTHBRIDGE

NORTHBRIDGE INDUSTRIAL SERVICES PLC
Second Avenue
Centrum 100
Burton on Trent
DE14 2WF

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