NORTHBRIDGE

Northbridge Industrial Services plc ANNUAL REPORT AND ACCOUNTS 2007

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www.northbridgegroup.co.uk

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 and Korea, Crestchic (Northbridge's main subsidiary) are the largest loadbank specialists in the world.

Highlights

- Consolidated revenue up 62% to £11.2 million (2006: £6.9 million)
- Pre-tax profits up 53% to £1.6 million (2006: £1.1 million)
- Sales order book and enquiries at the beginning of 2008 at record levels
- Acquisition of Loadbank Hire Services in March 2007
- Formation of Northbridge (Middle East) FZE in the Jebel Ali Free Zone, Dubai and the acquisition of 51% of RDS (Technical) Ltd with an option to purchase the remaining 49%
- Strong operating cash generation and year end cash balance of £1.1 million
- Basic earnings per share up 20% to 15.3 pence (2006: 12.8 pence)
- Proposed final dividend payment of 2.0p per share raising the total dividend for the year to 3.0p per share (2006: 2.0p per share)

Contents

Subsidiaries

RDS and Crestchic equipment used for testing power on an oil platform in Azerbaijan

Standby and backup power systems are essential for City institutions and require regular testing

Crestchic the world's leading loadbank specialist

Crestchic are reliably testing power supplies every day in locations and climates from temperate to jungle, desert to snow, off shore to high altitude.

Crestchic can design and build a loadbank to any size at any voltage and frequency to meet their customers' specific requirements, who can choose from the range of standard size resistive and reactive loadbanks.

Delivering technical innovation and engineering excellence.

RDS (Technical) Ltd.

RDS is a Jersey registered company which conducts the majority of its activities through a branch office in Baku, Azerbaijan. Its principal business is to provide generators and associated equipment by way of hire, sale and service to the oil and gas industry in the Caspian region. It was formed in 1994 following the break up of the former Soviet Union and the establishment of the independent state of Azerbaijan. Prior to acquisition it had been the agent for Crestchic in the area since 2001.

Northbridge (Middle East) FZE

NME was incorporated in 2007 and has been established in the Jebel Ali Free Zone in Dubai, UAE. NME will establish an oil and gas business in the Middle East and Central Asia with a broad range of equipment available for hire and sale.

Typical test used for proving power on an oil production platform

RESISTIVE AND REACTIVE LOADBANKS 2KW – 6000KW

Crestchic manufacture a wide range of resistive loadbanks in standard frame sizes, from 2kW to 6000kW, to specified voltages and frequencies. A wide range of fixed or variable power factor reactive loadbanks are also supplied in an extensive range of standard frame sizes, from 250kVA to 6000kVA, at customer specified voltages and frequencies.

A tailor-made service is offered which will design and build a loadbank to any size at any voltage and frequency.

Loadbanks are delivered according to the customers' choice, from our wide range of alternative control systems, allowing them to operate locally or remotely, on manual or automatic. The loadbanks are designed to operate at 3 phase, lagging power factor, 50 or 60Hz with variable load with 1kVA resolution provided by wire wound, iron cored reactors and totally enclosed fan-cooled tubular stainless steel resistor elements switched by contactors. They are supplied in either folded sheet steel enclosures or ISO type containers – both providing IP55 protection suitable for outdoor use.

LOADBANK RENTAL

Crestchic's rental division has a fleet of loadbanks and transformers and a range of support services.

CONTROLS AND MONITORING

Regardless of type, all loadbanks need a control system which suits the applications for which it is being used. The loadbanks are switched by contactors controlled by any one of a wide range of standard control systems, from simple manual control to programmable microprocessor based systems.

AIRCRAFT GROUND POWER AND MILITARY LOADBANKS

Crestchic manufacture a range of loadbanks for testing aircraft ground power units, with features and specialised functions for this specific application. They all come with instructions and standard ground power connectors.

DC LOADBANKS

The DC loadbanks are specifically designed to provide a load for the controlled discharge of batteries. The standard range starts at a nominal 24V/100A up to 440V/450A, with a wide range of intermediate voltages and currents. Dual and multiple voltage are available on some units.

TRANSFORMERS

To complement loadbanks, Crestchic manufacture a range of packaged transformers, from 2.9MVA to 5.8MVA, for stepping voltage up or down. These transformers are multi-tap and can operate at voltages from 600V to 15kV.

Chairman's and Chief Executive's review

We are delighted to present our review of the first full year of trading since the admission to AIM of Northbridge in March 2006.

Crestchic Limited, our main subsidiary continues strongly and has traded at a record level in 2007. Total sales were up 26% compared with the previous year. This excellent performance was spread across the whole of the company's activities.

Crestchic designs, manufactures, sells and hires load bank equipment which is primarily used for the commissioning and maintenance of independent power sources such as diesel generators and gas turbines. The need to continually test and maintain standby and independent power systems, and the increasing reliance on power critical technology used within the banking, medical, marine and defence industries, has all resulted in a strong demand for Crestchic's range of services. Additionally Crestchic is benefiting from a background of an increasingly unavailable power infrastructure.

In March 2007 we were able to strengthen Crestchic's market position by the acquisition of the trade and assets of Loadbank Hire Services, a competitor in the London area, for a total cost of £909,000. The additional equipment, staff and premises have given us better access to our customers and markets in the south east of England.

During the year Northbridge (Middle East) FZE ("NME") was incorporated in the Jebel Ali Free Zone of Dubai. This wholly owned subsidiary will focus on the needs of the oil and gas industries of the Middle East and Caspian regions. In September NME acquired a 51% shareholding in RDS (Technical) Ltd ("RDS") for £650,000. RDS is a Jersey registered company with a branch office in Azerbaijan whose principal business is to provide generators and associated equipment to the oil and gas industries in the Caspian Region.

Both of our acquisitions in 2007 have made a positive contribution towards profits this year and are expected to make good contributions over the full year in 2008.

FINANCIAL PERFORMANCE

Northbridge's consolidated revenue for the year to 31 December 2007 was up over 62% £11.2 million (2006: £6.9 million), gross profit and net profit before tax were both up strongly at £5.6 million (2006: £3.3 million) and £1.6 million (2006: £1.1 million) respectively. Operating cash flow for the year was £1.3 million (2006: £0.9 million). The comparative figures were for a nine month period of trading only as the Group's first subsidiary was acquired on 26 March 2006, concurrent with the company being traded on AIM. Net Assets at 31 December 2007 were £8.3 million (2006: £7.2 million) and the Group had gearing, defined as the ratio of all short- and long-term borrowings and other financial liabilities to net assets, of 23% (2006: 12%) at the year end. The net cash balance at the year end was £1.1 million (2006: £1.1 million).

Fixed asset investment in expanding the hire fleet was £0.6 million (2006: £0.6 million) and the acquisitions of LHS and RDS added a further £1.1 million to hire fleet assets.

The underlying performance at Crestchic Limited for the whole year showed an improvement in sales of 26% to £10.9 million (2006: £8.7 million). The contribution from Loadbank Hire Services since acquisition in March 2007 has been included in these figures as its trade and assets are no longer distinguishable from those of Crestchic itself.

RDS contributed total revenue of £319,000 in the three month period since acquisition together with an operating profit of £121,000. The Net Assets of RDS at 31 December 2007 were £1.8 million including £1.0 million of cash.

Based on this performance, the Board is pleased to propose the payment of a final dividend for 2007 of 2.0 pence per share (2006: 2.0 pence) resulting in total dividends for the year of 3.0 pence (2006: 2.0 pence) per share, a 50% increase The final dividend will be paid on 27 May 2008 to shareholders on the register on the 21 April 2008, subject to shareholder approval at the Annual General Meeting to be held at 12 noon on 14 May 2008 at the offices of Buchanan Communications, 45 Moorfields, London EC2Y 9AE.

BUSINESS REVIEW

During the year the company continued to experience strong sales demand from two of its main overseas markets, the United States and South East Asia. Rental demand was also strong and large projects were successfully completed in South America, The Caspian Region and Europe.

The previously outlined factory extension and the mezzanine floor completed in the first half of the year have added to our production capacity. We have been able to take advantage of this to increase sales during the second half and build additional units for our hire fleet.

Crestchic equipment is used for a variety of testing and power proving exercises throughout industry and commerce

Chairman's and Chief Executive's review continued

The Marine industry is one of the main users of Crestchic loadbanks

The acquisition of Loadbank Hire Services ("LHS") in March has also enhanced our hire fleet and strengthens our position in the London area. LHS was a division of TGC International Ltd and offers similar services to those of Crestchic Ltd. Pro-forma unaudited turnover and profit before interest and taxation for the year ended 31 March 2006 were approximately £635,000 and £155,000 respectively. Consideration for the trade and assets of the business was £909,000.

Since acquiring the business we have relocated it to new larger premises in Rochester. This acquisition not only provides additional scale but also provides significant operational benefits by enabling us to service South East clients from these premises. The addition of experienced staff and delivery vehicles will also allow us to offer a better service to our existing customer base.

Demand for our services has been strengthened by the continued development of the oil and gas industry around the world. Over the past six years Crestchic has successfully performed a number of projects in the Caspian region for large oil consortia. In September we acquired a controlling 51% shareholding in RDS (Technical) Ltd ("RDS"), a Jersey registered company which conducts the majority of its activities through a branch office in Baku, Azerbaijan. RDS has been Crestchic's agent in the area since 2001. The principal business of RDS is to provide generators and associated equipment by way of hire, sale and service to the oil and gas industry in the Caspian region.

The total consideration for our initial 51% was £650,000. In the unaudited accounts to 31 March 2006, RDS had a turnover of £1.1 million, profit on ordinary activities before UK taxation of £279,000 and net assets (including cash balances of £567,000) were £1.3 million.

Northbridge has a call option to purchase, and the vendor of RDS has a put option to sell, the remaining 49% of RDS on 31 March 2008. The price will be determined on a multiple of the audited profits before taxation of RDS for the year ending 31 March 2008, subject to a maximum price to be paid for 100% of RDS of £1.8 million. This level will be achieved if the profits before taxation of RDS are £328,000 or more in the year ending 31 March 2008. Net assets at 31 December of RDS were £1.8 million including £1.0 million of cash.

Our acquisitions and other investments in 2007 have been made out of the Group's existing banking facilities. These were renegotiated during the year and comprise a mortgage against the freehold premises of £1.5 million, with a term of 15 years and an interest rate of 1.25% above base rate, and a multi-option working capital facility of £1.0 million.

STRATEGY

Northbridge's strategy is set out in the placing document in 2006. This is to acquire and consolidate specialist industrial equipment businesses. The criteria that these potential targets will possess are:

- Potential for expansion into complete outsourcing providers.
- Supplying, or capable of supplying a non-cyclical customer base including utility companies, the public sector and the oil and gas sector.
- Incorporating a strong element of service work.
- Turnover between approximately £1 million to £10 million.

By consolidating a number of such companies Northbridge can add significant value through organic expansion into new geographical or industry markets and through complementary acquisitions, increase the Company's product offering to its customer base. In delivering such a strategy we will be able to capitalise on the market opportunity to become a significant industrial services business serving an international market. The Board actively continue to search for suitable acquisitions.

STAFF

We would like to take the opportunity to thank the employees of the Group for their contribution in delivering this excellent set of results. We would also like to welcome the new employees who have joined the Group through recent acquisitions and thank them for the smooth transition to new ownership.

OUTLOOK

The sales order book and enquiries at the beginning of 2008 are at record levels and we are planning substantial further investment in our hire fleet. Both of our acquisitions in 2007 have made a positive contribution towards profits this year and are expected to make a good contribution to earnings over the full year in 2008.

We are continuing to trade in buoyant markets worldwide where the increased investment in energy infrastructures has created an ongoing demand for our products and services.

Early indications are that RDS will continue to trade strongly and that the option over the remaining 49% will be exercised on 31 March 2008.

Trading at our new operation in the Middle East has got off to a good start and we are hoping to complete the acquisition of new premises during the year to further capitalise on the opportunities in the region.

We are confident that we will continue to make good progress in growing the Group over the coming year.

P R HARRIS
Chairman

E W HOOK
Chief Executive

Finance Director's report

Ash Mehta
Finance Director

INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)
Whilst the Group accounts have been prepared under IFRS, the Board has elected to continue to prepare the accounts of the subsidiary companies and the parent company under UK GAAP, to enable eventual use of the distributable reserves of those companies prior to conversion to IFRS.

INTEREST RATE RISK
The Group is cash positive and places its balances on short-term deposit with Bank of Scotland. The Board manages its interest rate policy centrally, bearing rates of interest in relation to Bank of Scotland base rates on all Group borrowings and overdrafts.

FOREIGN CURRENCY-EXCHANGE RISK
Part of the cash at bank is held in Euro and US Dollar accounts. There are also trade balances and investments in these currencies. The Board manages this risk by converting all non functional currency into Sterling at the first opportunity, after allowing for similar functional currency outlays. The Group's foreign exchange risk is not considered to significant and any resulting gains or losses are recognised in the profit and loss account.

CREDIT RISK
The Group manages its credit risk by assessing all new customers entering into contracts with them, setting credit ratings which are factored into credit decisions. The Company's subsidiaries record of debt collection is very positive and the Group has only £136,000 (2006: £26,000) outstanding over three months old at 31 December 2007.

EARNINGS PER SHARE
The earnings per share figure of 15.3 pence (2006: 12.8 pence) and diluted earnings per share of 14.5 pence (2006: 12.0 pence) have been calculated by dividing the profit after taxation by the weighted number of shares in issue.

BALANCE SHEET
The balance sheet shows a significant increase in property, plant and equipment arising from our acquisitions during the year but also our investment into the business of £1.0 million. Our inventories and receivables have grown in line with the business to £1.1 million and £3.2 million respectively. We monitor inventory closely and this increase is partly due to buying inventories in advance of large manufacturing orders in the early part of this year. Trade and other receivables, whilst high, present little risk and we continue to have a low figure for old debts from customers.

CASH FLOW
During the year, the operational cash flow of Northbridge was derived largely from Crestchic Ltd. The acquisitions made some contribution but this was partially offset by our investment in setting up Northbridge Middle East.

PROPOSED DIVIDEND
The Board has proposed, subject to shareholder approval a final dividend of 2.0 pence (2006: 2.0 pence) per Ordinary share in addition to the interim dividend of 1.0 pence (2006: nil) during the year. The dividend for the full year of 3.0 pence (2006: 2.0 pence) is covered 5.8 times by the earnings per share of 17.6 pence, and will be paid on 27 May 2008 to shareholders on the register on the 25 April 2008.

A K MEHTA
Finance Director

Crestchic provide equipment for testing power sources on FPSOs (Floating Production Storage and Offloading tankers)

Board of Directors

1. PETER HARRIS
NON-EXECUTIVE CHAIRMAN
Peter Harris, aged 56, qualified as a Chartered Accountant having studied at Sheffield University. After a number of years in the accountancy profession he joined Borden Inc., a multinational food packaging and industrial product company, where he spent 13 years in a variety of senior financial roles.

In 1994 Peter was appointed as Finance Director of RAC plc (formerly Lex Service plc), a leading automotive services provider. In 1999 he became a Group Managing Director of RAC plc heading a number of business including Lex Transfleet, Lex Multipart, Lex Commercials, Lex Defence and RAC Software Solutions.

In April 2006, following the acquisition of RAC plc by Aviva plc, Peter was appointed Chief Executive of Dawson Holdings plc the media supply chain business. Peter is also Chairman of Coworth-Flexlands School Ltd. He is a member of the Remuneration and Audit Committees of the Company.

2. ERIC HOOK
CHIEF EXECUTIVE OFFICER
Eric Hook, aged 54, qualified as a Chartered Certified Accountant (FCCA) in 1983 and spent many years in financial roles, culminating in the appointment as Finance Director of Harvey Plant Ltd, a subsidiary of Lex Service Plc.

In 1994 Eric was appointed Chief Executive of Andrews Sykes Group Plc, the listed support services company where he led the turnaround of the loss making group. Eric left Andrews Sykes in 1999 to lead the Longville Group, a Private Equity backed consolidation of three industrial hire businesses. He expanded Longville organically and by acquisition to gain a market leading position in pumps, fluid chillers and diesel generators.

Eric left the Longville Group to establish Northbridge Industrial Services in 2003.

3. ASH MEHTA
FINANCE DIRECTOR
Ash Mehta, aged 42, who is a qualified Chartered Accountant, took over the Finance Director role from 1 April 2007. Since qualifying in 1992 with KPMG Ash has held a number of senior financial roles in full listed and AIM companies including Ultrasis plc and Raft International and has experience in IPO type fundraisings and acquisitions. More recently Ash has founded Orchard Growth Partners, a professional services firm offering flexible finance director services to SMEs. Ash remains Chief Executive of Orchard Growth Partners. Ash also sits on the Executive Committee of the Quoted Companies Alliance

COMPANY INFORMATION

DIRECTORS
P R Harris
E W Hook
A K Mehta
(appointed 01/04/07)
B E Connolly
(resigned 01/04/07)
J W Gould
M G Dodson
D C Marshall

SECRETARY
City Group P.L.C.

COMPANY NUMBER
05326580

REGISTERED OFFICE
Second Avenue
Centrum 100
Burton on Trent
Staffordshire DE14 2WF

COUNTRY OF INCORPORATION OF PARENT COMPANY
England and Wales

LEGAL FORM
Public limited company

AUDITORS
BDO Stoy Hayward LLP
125 Colmore Row
Birmingham B3 3SD

BANKERS
Bank of Scotland
56 Temple Row
Birmingham B2 5LS

SOLICITORS
Freeth Cartwright
Cardinal Square
2nd Floor, West Point
10 Nottingham Road
Derby DE1 3QT

NOMINATED ADVISER AND BROKER
Charles Stanley Securities
25 Luke Street
London EC4 4AR

REGISTRARS
Capita Registrars plc
The Registry
34 Beckenham Road
Beckenham
Kent BR3 4TU
Tel: 020 8639 2157

(QCA) and is a director of the Non-Executive Directors Association.

4. JIM GOULD
NON- EXECUTIVE DIRECTOR
Jim Gould, aged 73, founded the main subsidiary Crestchic Limited in 1983. As a qualified electrical engineer he has been at the forefront of developing the technology for testing and proving the performance of power plant. Since founding Crestchic, Jim has built the business into its world leading position and continues to be its General Manager. Jim has also served as a local magistrate in Burton-on-Trent.

5. DAVID MARSHALL
NON-EXECUTIVE DIRECTOR (INDEPENDENT)
David Marshall, aged 63, is chairman of a number of public listed companies, including Western Selection P.L.C., which is a substantial shareholder of Northbridge Industrial Services plc. In recent years he has taken a leading role in the reorganisation and development of a number of medium-sized listed companies in the UK and overseas. He is a member of the Remuneration and Audit Committees of the Company.

6. MICHAEL DODSON
NON- EXECUTIVE DIRECTOR (INDEPENDENT)
Michael Dodson, aged 60, is a Fellow of the Institution of Chemical and Electrical Engineers and a Chartered Engineer. He has a first degree in Chemical Engineering from Imperial College plus a Masters degree from the London Business School. He has held directorships in over twenty companies ranging from large utilities, through MOD agencies to high-tech start ups. He is a member of the Remuneration and Audit Committees of the Company.

Directors' report

For the year ended 31 December 2007

The Directors present their report and the financial statements for the year ended 31 December 2007.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

DIRECTORS' RESPONSIBILITIES

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group, for safeguarding the assets of the Company, for taking reasonable steps for the prevention and detection of fraud and other irregularities and for the preparation of a Directors' Report which complies with the requirements of the Companies Act 1985.

The Directors are responsible for preparing the annual report and the financial statements in accordance with the Companies Act 1985. The Directors are also required to prepare financial statements for the Group in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and the rules of the London Stock Exchange for companies trading securities on the Alternative Investment Market. The Directors have chosen to prepare financial statements for the Company in accordance with UK Generally Accepted Accounting Practice.

GROUP FINANCIAL STATEMENTS

International Accounting Standard 1 requires that financial statements present fairly for each financial year the group's financial position, financial performance and cash flows. This requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board's " Framework for the preparation and presentation of financial statements'. In virtually all circumstances, a fair presentation will be achieved by compliance with all applicable IFRS. A fair presentation also requires the Directors to:

- consistently select and apply appropriate accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information; and
- provide additional disclosures when compliance with the specific requirements in IFRS is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance.

PARENT COMPANY FINANCIAL STATEMENTS

Company law requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business;
- make judgements and estimates that are reasonable and prudent; and
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements.

Financial statements are published on the Group's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Group's website is the responsibility of the Directors. The Directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

PRINCIPAL ACTIVITIES

The Company was incorporated for the purpose of acquiring companies that manufacture, hire and sell specialist industrial equipment.

In particular it seeks to acquire specialist niche businesses that have the potential for expansion into complete outsourcing providers; capable of supplying a non-cyclical customer base including utility companies, the public sector and the oil and gas industries.

The principal activities of the subsidiary companies are as follows;

Crestchic – the design, manufacture, sale and hire of load bank equipment which is primarily used for the commissioning and maintenance of independent power sources such as diesel generators and gas turbines.

RDS (Technical) Ltd ("RDS") – the hire of generators and associated equipment to the oil and gas industries in the Caspian Region.

Northbridge (Middle East) FZE ("NME") – to build a business focused on the needs of the oil and gas industries of the Middle East and Caspian regions.

BUSINESS REVIEW

The Chairman's and Chief Executive's review on pages 4 to 7, the Finance Director's Report on page 8, and the notes to the accounts provide detailed information relating to the Group, the operation and development of the business and the results and financial position for the year ended 31 December 2007.

PROFIT

The profit for the year, after taxation, amounted to £1,155,000 (2006: £731,000).

The directors are proposing a final dividend of 2.0 pence (2006: 2.0 pence) per share totaling £152,603 (2006: £147,770), resulting in dividends for the whole year of 3.0 pence (2006: 2.0 pence) per share. Subject to shareholder approval the dividend will be paid on 27 May 2008 to those shareholders on the register of members on 25 April 2008.

DIRECTORS AND THEIR INTERESTS

The present Directors are detailed on pages 10 to 11 together with brief biographies.

- Mr B E Connolly retired as Finance Director from the Board on 1 April 2007.
- Mr A K Mehta was appointed to the Board as Finance Director on 1 April 2007.
- Mr J Gould retires in accordance with the Company's articles of association and, being eligible, offers himself for re-election.
- Mr P Harris retires in accordance with the Company's articles of association and, being eligible, offers himself for re-election.

The Directors who served during the year and their interests in the Company's issued share capital were:

	Ordinary shares of 10p each		Share options	
	31/12/07	01/01/07	**31/12/07**	01/01/07
P R Harris	**383,000**	339,000	**108,000**	108,000
E W Hook	**200,000**	167,000	**300,000**	200,000
A K Mehta (appointed 01/04/07)	**8,870**	–	**18,000**	–
B E Connolly (resigned 01/04/07)	**–**	31,000	**–**	40,000
J W Gould	**183,000**	158,000	**–**	–
M G Dodson	**215,000**	190,000	**–**	–
D C Marshall	**–**	–**	**–**	–

** Mr D C Marshall is a director of Western Selection P.L.C. a substantial shareholder in the Company, which held 1,500,000 Ordinary shares at 31 December 2007 and at the date of this report.

Between 1 January 2008 and the date of this report there have been no changes to the above shareholdings or options. Further details on Directors' share options can be found in note 23.

Qualifying third party indemnity insurance is in place, for the benefit of the Directors, during the year and at the date of this report.

SUBSTANTIAL SHAREHOLDINGS

The Company has been notified that the following investors held interests in 3% or more of the Company's issued share capital at 31 December 2007.

	Number	%
Western Selection P.L.C.	1,500,000	19.66
Unicorn Asset Management	490,000	6.42
New Star Asset Management Group Plc	475,000	6.23
Hargreave Hale Nominees	400,000	5.24
P R Harris	383,000	5.02
J M Finn & Co	355,900	4.66
Genarali Portfolio Management UK Ltd	302,000	3.96

Since 31 December 2007 the Directors have not been notified of any changes to the above shareholdings.

PURCHASE OF OWN SHARES

During the year the Company purchased 40,000 (2006: nil) Ordinary 10 pence shares in the Company at a price of 145.0 pence per share. This represents approximately 0.52% of the issued share capital of the Company. The shares have been purchased to be held in treasury.

POLICY ON PAYMENT OF CREDITORS

The group's policy is to settle the terms of payment with suppliers when agreeing the terms of each transaction, and to ensure that suppliers are made aware of the terms of payment and abide by them provided the supplier complies with all relevant terms and conditions. The Group does not follow any code or standard on payment practice. Individual operating businesses within the Group are responsible for establishing appropriate policies with regard to the payment of their suppliers. The Group's number of days' purchases outstanding for payment at the year end was 63 (2006: 61)

SPECIAL BUSINESS TO BE TRANSACTED AT THE ANNUAL GENERAL MEETING

In addition to the ordinary business referred to in resolutions 1 to 5 of the Notice of Meeting, the Directors propose certain special business set out in resolutions 6 to 8 of the Notice of Meeting.

Directors' report continued

For the year ended 31 December 2007

Resolution 6 will renew the powers of the Board to allot, pursuant to section 80 of the Companies Act, the unissued Ordinary shares of the Company. The authority sought by this resolution will replace the existing powers of the Directors which expire on the date of the Annual General Meeting and will provide the Directors with the flexibility to issue further Ordinary shares if they deem it appropriate to do so.

Resolution 7 is a special resolution that dis-applies shareholders' pre-emption rights and grants authority to the Directors, without the need for further specific shareholder approval, to make allotments of equity securities for cash by way of rights issues, where practical considerations such as fractions and foreign securities laws make this desirable, and other issues up to an aggregate nominal amount equal to 5% of the issued share capital of the Company.

Resolution 8, if passed, will authorise the Company to continue to buy its own shares subject to the constraints set out in the resolution. The Board exercised this existing power during the year and in future will exercise it only if it were satisfied that it was in the interests of the shareholders as a whole to do so and that it was likely to result in an increase in earnings per share.

BOARD OF DIRECTORS

The Board meets regularly to monitor the current state of business and to determine its future strategic direction. During the year the Board comprised of a Non-Executive Chairman, two Executive Directors and three Non-Executive Directors. Two of the Non-Executive Directors are independent of executive management and do not participate in share option or other executive remuneration schemes; nor do they qualify for pension benefits.

BOARD COMMITTEES

The principal committees established by the Directors are:

AUDIT COMMITTEE

This committee is comprised of the three Non-Executive Directors and is chaired by D C Marshall (pictured). The Finance Director and other Executive Directors may also attend meetings as appropriate to the business in hand but are not members of the committee.

The committee meets at least twice a year and examines any matters relating to the financial affairs of the Group including the review of annual and interim results, internal control procedures and accounting practices. The audit committee meets with the auditors periodically and as necessary.

REMUNERATION COMMITTEE

This committee is comprised of the three Non-Executive Directors and is chaired by M G Dodson (pictured). Executive Directors may also attend meetings as appropriate to the business in hand but are not members of the committee. None of the Executive Directors were present at meetings of the committee during consideration of their own remuneration.

No advice has been provided to the committee by external advisors or consultants.

RELATIONS WITH SHAREHOLDERS

The Company holds meetings from time to time with institutional shareholders to discuss the Company's strategy and financial performance. The Annual General Meeting is used to communicate with private and institutional investors.

FINANCIAL INSTRUMENTS

Details of the use of financial instruments by the Group are contained in note 27 of the financial statements.

AUDITOR'S INDEPENDENCE

Except for their work on the acquisition of Loadbank Hire Services and RDS (Technical) Limited, the non-audit work undertaken in the year by the group auditors BDO Stoy Hayward LLP was restricted to advice on tax matters for the Group.

AUDITORS

The auditors, BDO Stoy Hayward LLP, will be proposed for reappointment in accordance with section 385 of the Companies Act 1985.

In the case of each of the persons who are Directors of the Company at the date when this report was approved so far as each of the Directors is aware, there is no relevant audit information of which the Company's auditors are unaware, and each of the directors has taken all of the steps that he ought to have taken as a Director to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

This report was approved by the Board on 12 March 2008 and signed by order of the Board by the Company Secretary.

CITY GROUP P.L.C.
Company Secretary
12 March 2008

Independent Auditor's report

To the Shareholders of Northbridge Industrial Services plc

We have audited the group and parent company financial statements (the "financial statements") of Northbridge Industrial Services PLC for the year ended 31 December 2007 which comprise the Consolidated income statement, the Consolidated and Parent company balance sheets, the Consolidated cash flow statement, the Consolidated statement of changes in equity and the related notes. These financial statements have been prepared in accordance with the accounting policies set out therein.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The Directors' responsibilities for preparing the Annual Report and the Group financial statements in accordance with applicable law and International Financial Reporting Standards (IFRS) as adopted by the European Union, and for preparing the parent company financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985 and whether the information given in the Directors' Report is consistent with the financial statements. We also report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. The other information comprises only the Chairman's and Chief Executive's Review, Finance Director's Report and the Directors' Report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Our report has been prepared pursuant to the requirements of the Companies Act 1985 and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely on this report by virtue of and for the purposes of the Companies Act 1985 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.

BASIS OF AUDIT OPINION

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group's and Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

OPINION

In our opinion:

- the Group financial statements give a true and fair view, in accordance with IFRS as adopted by the European Union, of the state of the group's affairs as at 31 December 2007 and its profit for the year then ended;
- the Parent Company financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Parent Company's affairs as at 31 December 2007;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

BDO STOY HAYWARD LLP
Chartered Accountants and
Registered Auditors
Birmingham

12 March 2008

Consolidated income statement

For the year ended 31 December 2007

	Note	**2007 £'000**	2006 £'000
Revenue	1,2	**11,203**	6,933
Cost of sales		**(5,626)**	(3,673)
Gross profit		**5,577**	3,260
Selling and distribution costs		**(2,385)**	(1,202)
Administrative expenses		**(1,484)**	(941)
Profit from operations	3	**1,708**	1,117
Finance income		**23**	14
Finance costs	7	**(100)**	(43)
Profit before income tax		**1,631**	1,088
Income tax expense	8	**(477)**	(357)
Profit for the year attributable to the equity holders of the parent	19	**1,154**	731
Earnings per share			
– basic (p)		**15.3**	12.8
– diluted (p)		**14.5**	12.0

All amounts relate to continuing operations.

The notes on pages 20 to 45 form part of these financial statements.

Consolidated statement of changes in equity

For the year ended 31 December 2007

	Share Capital £'000	Share Premium £'000	Share Option Reserve £'000	Treasury Share Reserve £'000	Retained Earnings £'000	Total £'000
Changes in equity						
Balance at 31 December 2006	739	5,527	209	–	721	7,196
Retained profit for the financial year	–	–	–	–	1,154	1,154
Total recognised income and expense for the year	–	–	–	–	1,154	1,154
Issue of share capital	24	19	–	–	–	43
Share options exercised during year	–	–	(200)	–	200	–
Share option expense	–	–	29	–	–	29
Dividends paid	–	–	–	–	(224)	(224)
Transfer to retained profit	–	–	(38)	–	38	–
Purchase of Ordinary shares for holding in treasury	–	–	–	(59)	–	(59)
Balance at 31 December 2007	**763**	**5,546**	**–**	**(59)**	**1,889**	**8,139**

FOR THE YEAR ENDED 31 DECEMBER 2006

	Share Capital £'000	Share Premium £'000	Share Option Reserve £'000	Retained Earnings £'000	Total £'000
Changes in equity					
Balance at 31 December 2005	26	236	–	(10)	252
Retained profit for the financial year	–	–	–	731	731
Total recognised income and expense for the year	–	–	–	731	731
Issue of share capital	704	6,334	–	–	7,038
Bonus issue of shares	9	(9)	–	–	–
Equity share options granted in respect of capital raising expenses	–	(200)	200	–	–
Share option expense	–	–	9	–	9
Capital raising expenses	–	(834)	–	–	(834)
	713	5,291	209	731	6,944
Balance at 31 December 2006	**739**	**5,527**	**209**	**721**	**7,196**

Consolidated balance sheet

As at 31 December 2007

		2007		2006	
	Note	£'000	£'000	£'000	£'000
Assets					
Non-current assets					
Intangible assets	10		**3,254**		2,596
Property, plant and equipment	11		**5,398**		3,797
			8,652		6,393
Current assets					
Inventories	12	**1,136**		722	
Trade and other receivables	13	**3,272**		1,998	
Cash and cash equivalents		**1,461**		1,288	
			5,869		4,008
Total assets			**14,521**		10,401
Liabilities					
Current liabilities					
Bank overdraft		**359**		189	
Trade and other payables	14	**1,953**		1,108	
Financial liabilities	15	**173**		166	
Other financial liabilities	15	**1,150**		–	
Current tax liabilities		**589**		451	
			4,224		1,914
Non-current liabilities					
Financial liabilities	15	**1,342**		526	
Long term provisions	16	**212**		265	
Deferred tax liabilities	17	**604**		500	
			2,158		1,291
Total liabilities			**6,382**		3,205
Total net assets			**8,139**		7,196
Capital and reserves attributable to equity holders of the company					
Share capital	18		**763**		739
Share premium	19		**5,546**		5,527
Share option reserve	19		**–**		209
Treasury share reserve	19		**(59)**		–
Retained earnings	19		**1,889**		721
Total equity			**8,139**		7,196

The notes on pages 20 to 45 form part of these financial statements.

The financial statements were approved and authorised for issue by the Board and were signed on its behalf on 12 March 2008.

E W HOOK
Director

A K MEHTA
Director

Consolidated cash flow statement

For the year ended 31 December 2007

	Note	2007 £'000	2006 £'000
Operating activities			
Net profit from ordinary activities before taxation		**1,631**	1,088
Adjustments for:			
Amortisation of intangible fixed assets	10	**126**	78
Amortisation of capitalised debt fee		**18**	16
Depreciation of property, plant and equipment		**444**	225
Loss on disposal of property, plant and equipment		**22**	–
Decrease in provision for future employment costs		**(53)**	–
Investment income		**(23)**	(14)
Taxation		**(254)**	(334)
Finance costs	7	**100**	43
Share option expense	23	**29**	9
		2,040	1,111
Increase in inventories		**(414)**	(122)
Increase in receivables		**(917)**	(96)
Increase in payables		**745**	42
Cash generated from operations		**1,454**	935
Finance costs	7	**(100)**	(43)
Net cash from operating activities		**1,354**	892
Cash flows from investing activities			
Finance income		**23**	14
Acquisition of subsidiary undertaking (net of cash acquired)	24	**(983)**	(5,411)
Purchase of property, plant and equipment		**(904)**	(589)
Sale of property, plant and equipment		**17**	–
Expenditure on research and development		**–**	(4)
Net cash used in investing activities		**(1,847)**	(5,990)
Cash flows from financing activities			
Proceeds from share capital issued		**43**	6,438
Costs of share capital issued		**–**	(834)
Proceeds from bank borrowings		**1,500**	750
Repayment of bank borrowings		**(715)**	(293)
Cost of raising bank borrowings		**–**	(128)
Repayment of finance lease creditors		**(49)**	–
Repurchase of own shares		**(59)**	–
Dividends paid in the year		**(224)**	–
Net cash flow from financing activities		**496**	5,933
Net increase in cash and cash equivalents		**3**	835
Cash and cash equivalents at beginning of period		**1,099**	264
Cash and cash equivalents at end of period	25	**1,102**	1,099

During the period the Group acquired property, plant and equipment with an aggregate cost of £984,000 (2006: £648,000) of which £80,000 (2006: £59,000) was acquired by means of finance leases. Cash payments of £904,000 (2006: £589,000) were made to purchase property, plant and equipment.

Notes to the financial statements

For the year ended 31 December 2007

1. ACCOUNTING POLICIES

1.1 BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The principal accounting policies adopted in the preparation of the financial statements are set out below. The policies have been consistently applied to all the years presented, unless otherwise stated.

The Group financial statements have been prepared in accordance with International Financial Reporting Standards, International Accounting Standards and Interpretations (collectively "IFRS") issued by the International Accounting Standards Board ("IASB") as adopted by European Union ("adopted IFRS") and with those parts of the Companies Act 1985 applicable to companies preparing financial statements in accordance with IFRS.

1.2 BASIS OF CONSOLIDATION

The financial statements consolidate the accounts of Northbridge Industrial Services plc and its subsidiary undertakings.

The results of the businesses acquired during the year are included from the effective date of acquisition.

Intercompany transactions and balances between companies are eliminated in full.

1.3 REVENUE

Revenue comprises the fair value of the consideration receivable by the Group in respect of goods and services supplied, exclusive of Value Added Tax and trade discounts.

Sales are recognised when the goods are dispatched being when the risks and rewards are substantially transferred to the customer. Hire sales are recognised over the period of hire.

1.4 INTANGIBLE FIXED ASSETS AND AMORTISATION

DEVELOPMENT PRODUCTS

Expenditure on internally developed products is capitalised if it can be demonstrated that:

- it is technically feasible to develop the product for it to be sold;
- adequate resources are available to complete the development;
- there is an intention to complete and sell the product;
- the group is able to sell the product;
- sale of the product will generate future economic benefits; and
- expenditure on the project can be measured reliably.

Capitalised development costs are amortised over seven years. The amortisation expense is included within the selling and distribution cost line in the income statement.

Development expenditure not satisfying the above criteria and expenditure on the research phase of internal projects is recognised in the income statement under cost of sales.

CUSTOMER RELATIONSHIPS

Customer relationships in acquired companies are valued by an independent expert valuer and amortised over their expected useful life under administrative expenses. Current experience has shown this to be between five and 10 years.

CUSTOMER ORDERS

Customer orders in acquired companies are valued by an independent expert valuer and amortised over their expected useful life under administrative expenses. Current experience has shown this to be less than one year.

1.5 GOODWILL

Goodwill represents the excess of the cost of a business combination over the interest in the fair value of the identifiable assets, liabilities and contingent liabilities acquired. Cost comprises the fair value of assets given, liabilities assumed and equity instruments issued, plus any direct cost of acquisition.

Goodwill is capitalised as an intangible asset with any impairment in carrying value being charged to the income statement.

Where the fair value of identifiable assets, liabilities and contingent liabilities exceeds the fair value of consideration paid, the excess is credited in full to the income statement.

Impairment tests on goodwill are undertaken annually on 31 December. The Company carries out an impairment review through the process of evaluation, review and discussion, relating the acquired goodwill to the current trading performance of the subsidiary.

1.6 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment is stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost of property plant and equipment, excluding freehold land, less their estimated residual value, over their expected useful lives on the following bases:

Freehold buildings	– 2%	Straight line
Plant & machinery	– 10%	Reducing balance
Motor vehicles	– 25%	Reducing balance
Furniture & fittings	– 10-33%	Reducing balance and straight line
Hire equipment	– 10%	Straight line

The cost of hire equipment includes capitalised labour costs.

1.7 LEASING AND HIRE PURCHASE

Where substantially all of the risks and rewards incidental to ownership of a leased asset have been transferred to the Group (a "finance lease"), the asset is treated as if it had been purchased outright. The amount initially recognised as an asset is the fair value or, if lower, the present value of the minimum lease payments payable over the term of the lease. The corresponding lease commitment is shown as a liability. Lease payments are analysed between capital and interest. The interest element is charged to the income statement over the period of the lease and is calculated so that it represents a constant proportion of the lease liability. The capital element reduces the balance owed to the lessor.

Where substantially all of the risks and rewards incidental to ownership are retained by the lessor (an "operating lease"), the total rentals payable under the lease are charged to the income statement on a straight-line basis over the lease term.

1.8 INVENTORIES

Inventories are valued at the lower of cost and net realisable value after making due allowance for obsolete and slow-moving items. Cost includes all direct costs and an appropriate proportion of fixed and variable overheads.

1.9 CURRENT AND DEFERRED TAXATION

Deferred tax assets and liabilities are recognised where the carrying amount of an asset or liability in the balance sheet differs to its tax base, except for differences arising on:

- the initial recognition of goodwill;
- goodwill for which amortisation is not tax deductible; and
- investments in subsidiaries where the Company is able to control the timing of the reversal of the difference and it is probable that the difference will not reverse in the foreseeable future.

Recognition of deferred tax assets is restricted to those instances where it is probable that taxable profit will be available against which the difference can be utilised.

The amount of the asset or liability is determined using tax rates that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the deferred tax liabilities/(assets) are settled/(recovered).

Deferred tax assets and liabilities are offset when the group has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority on either:

- The same taxable group company: or
- Different group entities which intend either to settle current tax assets and liabilities on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax assets or liabilities are expected to be settled or recovered.

Income tax is provided using current rates.

Notes to the financial statements continued

For the year ended 31 December 2007

1. ACCOUNTING POLICIES CONTINUED

1.10 FOREIGN CURRENCIES

Transactions entered into by Group entities in a currency other than the currency of the primary economic environment in which they operate (their "functional currency") are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the balance sheet date. Exchange differences arising on the retranslation of unsettled monetary assets and liabilities are recognised immediately in the consolidated income statement.

On consolidation, the results of overseas operations are translated into Sterling at rates approximating to those ruling when the transactions took place. All assets and liabilities of overseas operations, including goodwill arising on the acquisition of those operations, are translated at the rate ruling at the balance sheet date. Exchange differences arising on translating the opening net assets at opening rate and the results of overseas operations at actual rate are recognised directly in equity (the "foreign exchange reserve").

1.11 PENSIONS

Contributions to defined contribution pension schemes are charged to the income statement in the year to which they relate.

1.12 FINANCIAL INSTRUMENTS

(A) FINANCIAL ASSETS

The Group's financial assets fall into the categories discussed below, with the allocation depending to an extent on the purpose for which the asset was acquired. The Group has not classified any of its financial assets as held to maturity.

Unless otherwise indicated, the carrying amounts of the Group's financial assets are a reasonable approximation of their fair values.

LOANS AND RECEIVABLES

These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (e.g. trade receivables) and deposits held at banks, but may also incorporate other types of contractual monetary asset. They are initially recognised at fair value plus transaction costs that are directly attributable to the acquisition or issue and subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.

The effect of discounting on these financial instruments is not considered to be material.

Impairment provisions are recognised when there is objective evidence (such as significant financial difficulties on the part of the counterparty or default or significant delay in payment) that the Group will be unable to collect all of the amounts due under the terms receivable, the amount of such a provision being the difference between the net carrying amount and the present value of the future expected cash flows associated with the impaired receivable. For trade receivables, such provisions are recorded in a separate allowance account with the loss being recognised within administrative expenses in the income statement. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.

(B) FINANCIAL LIABILITIES

The Group classifies its financial liabilities into one of two categories, depending on the purpose for which the asset was acquired. Although the Group uses derivative financial instruments in economic hedges of currency risk, it does not hedge account for these transactions. Unless otherwise indicated, the carrying amounts of the Group's financial liabilities are a reasonable approximation of their fair values.

Other financial liabilities include the following items:

- Trade payables and other short-term monetary liabilities, which are initially recognised at fair value and subsequently carried at amortised cost using the effective interest method.
- Bank borrowings and loan notes are initially recognised at fair value net of any transaction costs directly attributable to the issue of the instrument. Such interest bearing liabilities are subsequently measured at amortised cost using the effective interest rate method, which ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried in the balance sheet. Interest expense in this context includes initial transaction costs and any premium payable on redemption, as well as any interest or coupon payable while the liability is outstanding. Interest is recognised as a finance expense in the income statement.

Fair value is calculated discounting estimated future cash flows using a market rate of interest.

Financial instruments are recognised when the Group becomes party to the contractual terms of the instrument and derecognised on expiry of the contractual terms or conditions attaching to the instrument.

(C) SHARE CAPITAL

The Group's Ordinary shares are classified as equity instruments. The Group is not subject to any externally imposed capital requirements. Share capital includes the nominal value of the shares and any share premium attaching to the shares.

(D) OPTION TO PURCHASE MINORITY INTEREST IN SUBSIDIARY

The Company values such options on a fair value basis. Where the consideration for the acquisition of the minority interest is dependent upon the profitability of the subsidiary company, fair value is calculated on the basis of the most likely outcome of the results of the subsidiary.

1.13 SHARE BASED PAYMENTS

Where share options are awarded to employees, the fair value of the options at the date of grant is charged to the income statement over the vesting period. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each balance sheet date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether the market vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

Where the terms and conditions of the options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to the income statement over the vesting period.

Share options granted in respect of external services have been measured by reference to the fair value of the service received. Where these costs relate to the issue of new shares then the expense is accounted for in accordance with the accounting policy below.

1.14 TREASURY SHARES

Consideration paid for the purchase of treasury shares is recognised directly in equity. The cost of treasury shares held is presented as a separate reserve (the "Treasury share reserve"). Any excess of the consideration received on the sale of treasury shares over the weighted average cost of the shares sold is credited to the share premium account.

1.15 NEW STANDARDS AND INTERPRETATIONS

In preparing the Group financial statements, the following interpretation has been adopted early.

IFRIC 11, GROUP AND TREASURY SHARE TRANSACTIONS

IFRIC 11 deals with share-based payment involving an entity's own equity instruments in which the entity chooses or is required to buy its own equity instruments (treasury shares) to settle the share-based payment obligation. The adoption of this IFRIC has had no impact on the Group's results.

In preparing the Group financial statements, the following new standards and interpretations have became effective in these financial statements.

IFRIC 9, RE-ASSESSMENT OF EMBEDDED DERIVATIVES

IFRIC 9 clarifies that an entity should assess whether an embedded derivative is required to be separated from the host contract and accounted for as a derivative when the entity first becomes a party to the contract. Subsequent reassessment is prohibited unless there is a change in the contract terms, in which case re-assessment is required. The adoption of this IFRIC has had no impact on the Group's results.

IFRIC 10, INTERIM FINANCIAL REPORTING AND IMPAIRMENT

IFRIC 10 prohibits impairment losses recognised in an interim period on goodwill and investments in equity instruments and on financial assets carried at cost to be reversed at a subsequent balance sheet date. The adoption of this IFRIC had no impact on the Group's results.

IAS 1, PRESENTATION OF FINANCIAL STATEMENTS – CAPITAL DISCLOSURES

The Group also adopted an amendment to IAS 1: Presentation of financial statements – capital disclosures. This amendment introduces disclosure about the level and the management of capital.

IFRS 7, FINANCIAL INSTRUMENTS DISCLOSURE

The Group has adopted IFRS 7 Financial Instruments: Disclosures which replaces the disclosure requirements of IAS 32 Financial Instruments Disclosure and Presentation. IFRS 7 introduces new requirements aimed at improving disclosure of qualitative and quantitative information about the exposure and risks arising from financial instruments.

Notes to the financial statements continued

For the year ended 31 December 2007

1. ACCOUNTING POLICIES CONTINUED

The following interpretations became effective but was not relevant to the Group's operations.

IFRIC 7, APPLYING THE RESTATEMENT APPROACH UNDER IAS 29, FINANCIAL REPORTING IN HYPERINFLATIONARY ECONOMIES

IFRIC 7 is not relevant to the Group as none of the group companies have a functional currency which is a currency of a hyperinflationary economy.

The following new standards, amendments and interpretations have been issued but are not yet effective and have not been adopted early by the Group:

IAS 1, PRESENTATION OF FINANCIAL STATEMENTS (REVISED 2007)

IAS 1 (Revised 2007) is mandatory for accounts periods beginning on or after 1 January 2009, but is not as yet endorsed for use in the European Union.

This revision of IAS 1 will require a change to how the Consolidated income statement is presented by the inclusion of a Statement of Comprehensive Income which includes items taken directly to equity (with the exception of transactions with the shareholders of the Group).

This new presentation will either be in terms of one single Statement of Comprehensive Income, or as two separate statements comprising a Group income statement, which is currently presented, and a further Statement of Comprehensive Income which incorporates only those items to be taken directly to equity.

Management are currently reviewing the impact of IAS 1 (Revised 2007) on the presentation of the Group financial statements.

IAS 23, BORROWING COSTS (REVISED)

IAS 23 (Revised) is mandatory for accounts periods beginning on or after 1 January 2009, but is not as yet endorsed for use in the European Union.

The main change from the previous version is the removal of the option of immediately recognising as an expense borrowing costs that relate to qualifying assets, broadly being assets that take a substantial amount of time to get ready for use or sale.

Management are currently assessing the impact of this revision on the financial statements.

AMENDMENTS TO IAS 32: FINANCIAL INSTRUMENTS: PRESENTATION (PUTTABLE INSTRUMENTS AND OBLIGATIONS ARISING ON A LIQUIDATION) AND DISCLOSURE AMENDMENTS TO IAS 1

The current version of IAS 32 requires that puttable financial instruments that have characteristics similar to Ordinary shares are classified as financial liabilities. The amendments provide an exemption to the principles otherwise applied in IAS 32 for the classification of some puttable financial instruments as equity. The amendments to IAS 32 are not considered to have a material impact on the Group at present on the basis that the Ordinary shares in issue entitle the holders to a pro-rata share of net assets only on liquidation.

The amendments to IAS 32 and the related disclosure amendments IAS 1 is mandatory for accounts periods beginning on or after 1 January 2009. All such amendments are not as yet endorsed for use in the European Union.

AMENDMENT TO IFRS 2, SHARE-BASED PAYMENTS: VESTING CONDITIONS AND CANCELLATIONS

The amendment to IFRS 2 is mandatory for accounts periods beginning on or after 1 January 2009, but is not as yet endorsed for use in the European Union. Management is currently assessing the impact of the amendment on the accounts.

IFRS 3: BUSINESS COMBINATIONS (REVISED 2008) AND COMPLEMENTARY AMENDMENTS TO IAS 27: CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

IFRS 3 (revised 2008) and the complementary amendment to IAS 27 are both mandatory for accounting periods beginning on or after 1 July 2009, but is not as yet endorsed for use in the European Union.

There are certain significant changes to the requirements of IFRS, and options available, if accounting for business combinations. Management are currently assessing the impact of IFRS 3 (revised 2008) and amendments to IAS 27 on the Group financial statements.

IFRS 8, OPERATING SEGMENTS

IFRS 8 is mandatory for accounts periods beginning on or after 1 January 2009.

This standard will replace IAS 14. IFRS 8 will require an entity to adopt a " management approach" to report on the financial performance of its operating segments, and also about the entity's products and services, the geographical areas in which it operates, and its major customers.

The information to be reported would be what management uses internally for allocating resources to operating segments. As it is a disclosure standard, IFRS 8 is not expected to affect reported net assets or results of the Group.

The following new standards, amendments and interpretations have been issued but are not yet effective and are not expected to be relevant to the Group's operations:

IFRIC 12, SERVICE CONCESSION ARRANGEMENTS
IFRIC 12, which is effective for accounting periods beginning on or after 1 January 2008, and is awaiting endorsement for use in the European Union, gives guidance on the accounting by operators for public-to-private service concession arrangements.

IFRIC 12 is not relevant to the Group's operations due to the absence of such arrangements.

IFRIC 13, CUSTOMER LOYALTY PROGRAMMES
IFRIC 13, which is effective for accounting periods beginning on or after 1 July 2008, and is awaiting endorsement for use in the European Union, addresses sales transactions in which entities grant their customers award credits that, subject to meeting any further qualifying conditions, the customers can redeem in future for free or discounted goods or services.
The Group currently does not enter into such transactions with customers.

IFRIC 14, IAS 19 – THE LIMIT ON A DEFINED BENEFIT ASSET, MINIMUM FUNDING REQUIREMENTS AND THEIR INTERACTION
IFRIC 14, which is effective for accounting periods beginning on or after 1 January 2008, and is awaiting endorsement for use in the European Union is not relevant to the Group's operations as the Group does not operate any defined benefit pension schemes.

1.16 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS
The preparation of consolidated financial statements under IFRS requires the Group to make estimates and assumptions that affect the application of policies and reported amounts. Estimates and judgements are continually evaluated and are based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year are discussed below:

ESTIMATED IMPAIRMENT OF GOODWILL
The Group is required to test whether goodwill has suffered any impairment. The recoverable amounts of cash generating units have been determined based on value-in-use estimations. The use of this method requires the estimation of future cash flows expected to arise from the continuing operation of the cash generating unit. Actual outcomes could vary significantly from these estimates.

IMPAIRMENT OF ASSETS
Property, plant and equipment are reviewed for impairment if events or changes in circumstances indicate that the carrying amount may not be recoverable. When a review for impairment is conducted, the recoverable amount of an asset or a cash generating unit is determined based on value-in-use calculations prepared on the basis of management's assumptions and estimates.

PROVISIONS
Provisions have been made for employment costs. These provisions are estimates and the actual costs and timings of future cash flows are dependent upon future events. Any difference between expectations and the actual future liability will be accounted for in the period when such determination is made.

INCOME TAXES
The Group recognises expected liabilities for tax based on an estimation of the likely taxes due, which requires significant judgement as to the ultimate tax determination of certain items. Where the actual liability arising from these issues differs from these estimates, such differences will have an impact on income tax and deferred tax provisions in the period when such determination is made.

OPTION TO PURCHASE MINORITY INTEREST IN SUBSIDIARY
The Company has an option to purchase the 49% of the equity shares of a subsidiary company that it doesn't own. As described in note 1.12, the Company values such options on a fair value basis. The consideration for the acquisition of the minority interest is dependent upon the profitability of the subsidiary company and fair value has been calculated by an independent valuer on the basis of the most likely outcome of the results of the subsidiary.

Notes to the financial statements continued

For the year ended 31 December 2007

2. SEGMENT INFORMATION

The principal activity of the Group is the manufacture, hire and sale of specialist industrial equipment.

The entire turnover arises from the Group's continuing principal activity, which the Directors believe to be the only class of business carried out by the Group. Whilst the Group is involved in both the hire and sale of industrial equipment, the business' organisational structure and its internal financial reporting system is such that there is one business segment. The Group's primary reporting format for reporting segment information is geographical segments.

	UK £'000	**Germany £'000**	**Middle East £'000**	**2007 Total £'000**	UK £'000	Germany £'000	Middle East £'000	2006 Total £'000
Revenue	**10,376**	**508**	**319**	**11,203**	6,776	157	–	6,933
Profit before taxation	**1,142**	**362**	**127**	**1,631**	1,065	23	–	1,088
Balance sheet								
Assets	**11,129**	**451**	**2,941**	**14,521**	10,247	154	–	10,401
Liabilities	**(5,497)**	**(51)**	**(834)**	**(6,382)**	(3,201)	(4)	–	(3,205)
	5,632	**400**	**2,107**	**8,139**	7,046	150	–	7,196
Other								
Capital expenditure	**2,573**	**16**	**209**	**2,798**	588	1	–	589
Depreciation	**401**	**17**	**26**	**444**	216	6	–	222
Amortisation	**124**	**2**	**–**	**126**	78	–	–	78
Share option charge	**29**	**–**	**–**	**29**	9	–	–	9

EXTERNAL REVENUE

by customer location

	2007 £'000	2006 £'000
UK	**3,435**	2,143
USA	**1,094**	2,416
Middle East	**1,205**	196
Far East	**2,803**	1,366
Other	**2,666**	812
	11,203	6,933

3. PROFIT FROM OPERATIONS

The operating profit is stated after charging:

	2007 £'000	2006 £'000
Amortisation – intangible fixed assets	**105**	62
Depreciation of property, plant and equipment:		
– owned by the company	**402**	206
– held under finance leases	**42**	18
Operating lease rentals:		
other operating leases	**38**	20
Cost of inventories recognised as an expense during the year	**2,706**	2,584
Write-down of inventories recognised as an expense	**–**	44
Difference on foreign exchange	**3**	44
Amortisation of deferred research and development expenditure	**21**	16
Share-based payment remuneration	**29**	9

See note 6 for auditors' fees.

4. STAFF COSTS

Staff costs, including Directors' remuneration, were as follows:

	2007 £'000	2006 £'000
Wages and salaries	**2,014**	1,393
Social security costs	**194**	115
Other pension costs	**58**	41
	2,266	1,549

The average monthly number of employees, including the Directors, during the year was as follows:

	2007 Number	2006 Number
Technical and production	**45**	37
Sales	**5**	3
Administration	**14**	7
	64	47

5. DIRECTORS' REMUNERATION

	Salary £'000	Bonus £'000	Benefits £'000	Gain on exercise of share options £'000	2007 Total £'000	2006 Total £'000
P R Harris	**20**	**–**	**–**	**–**	**20**	15
E W Hook	**72**	**54**	**1**	**–**	**127**	94
A K Mehta	**26**	**6**	**–**	**–**	**32**	–
B E Connolly	**3**	**11**	**–**	**14**	**28**	22
J W Gould	**60**	**30**	**11**	**–**	**101**	60
M G Dodson	**5**	**–**	**–**	**–**	**5**	4
D C Marshall	**5**	**–**	**–**	**–**	**5**	4
	191	**101**	**12**	**14**	**318**	199

There were no Directors to whom pension contributions were accruing at the year end.

Notes to the financial statements continued

For the year ended 31 December 2007

6. AUDITORS' REMUNERATION

	2007 £'000	2006 £'000
Fees payable to the Company's auditor for the audit of the Company's annual accounts	**21**	9
Fees payable to the Company's auditor in respect of:		
Audit of the Company's subsidiaries	**18**	15
Tax services	**4**	6
Corporate finance services	**42**	222
Fees related to the raising of equity charged to share premium	**–**	(75)
Fees related to the acquisitions included in acquisition costs	**(42)**	(146)

7. FINANCE COSTS

	2007 £'000	2006 £'000
On bank loans and overdrafts	**91**	41
On finance leases and hire purchase contracts	**9**	2
	100	43

8. INCOME TAX EXPENSE

	2007 £'000	2006 £'000
Current tax expense	**392**	343
Deferred tax expense resulting from the origination and reversal of temporary differences	**85**	14
Tax on profit on ordinary activities	**477**	357

FACTORS AFFECTING TAX CHARGE FOR THE YEAR

The tax assessed for the year is lower than the standard rate of corporation tax in the UK (30%). The differences are explained below:

	2007 £'000	2006 £'000
Profit on ordinary activities before tax	**1,631**	1,088
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2006: 30%)	**490**	327
Effects of:		
Expenses not allowable for tax purposes	**60**	27
Income not taxable for tax purposes	**(34)**	–
Other differences	**9**	3
Overprovision in prior period	**(48)**	–
Total tax charge for the year (see note above)	**477**	357

FACTORS THAT MAY AFFECT FUTURE TAX CHARGE

There are no factors that may affect future tax charges

9. EARNINGS PER SHARE

	2007 £'000	2006 £'000
Numerator		
Earnings used in basic and diluted EPS	**1,154**	731

	Number	Number
Denominator		
Weighted average number of shares used in basic EPS	**7,532,163**	5,711,064
Effects of share options	**433,630**	378,058
Weighted average number of shares used in diluted EPS	**7,965,793**	6,089,122

10. INTANGIBLE ASSETS

	Customer relationships £'000	Order backlog £'000	Development £'000	Goodwill £'000	Total £'000
Cost					
At 1 January 2007	616	16	152	1,890	2,674
Acquired through business combinations – LHS	285	–	–	374	659
Acquired through business combinations – RDS	41	–	–	156	197
Effect of reversal of deferred tax on intangibles	–	–	–	(72)	(72)
Disposals	–	(16)	–	–	(16)
At 31 December 2007	942	–	152	2,348	3,442
Amortisation					
At 1 January 2007	46	16	16	–	78
Charge for the year	105	–	21	–	126
Disposals	–	(16)	–	–	(16)
At 31 December 2007	151	–	37	–	188
Net book value					
At 31 December 2007	791	–	115	2,348	3,254
At 31 December 2006	570	–	136	1,890	2,596

Notes to the financial statements continued

For the year ended 31 December 2007

10. INTANGIBLE ASSETS CONTINUED

	Customer relationships £'000	Order backlog £'000	Development £'000	Goodwill £'000	Total £'000
Cost					
At 1 January 2006	–	–	–	–	–
Acquired through business combinations	616	16	152	1,890	2,674
At 31 December 2006	616	16	152	1,890	2,674
Amortisation					
At 1 January 2006	–	–	–	–	–
Charge for the year	46	16	16	–	78
At 31 December 2006	46	16	16	–	78
Net book value					
At 31 December 2006	570	–	136	1,890	2,596
At 31 December 2005	–	–	–	–	–

The goodwill and other intangible assets arising during the year arose on the acquisition of Loadbank Hire Services and RDS (Technical) Limited. See note 24.

The customer relationships, order backlog and internally generated capitalised development costs were valued by Globalview Advisors Limited at the dates of the acquisition to which they relate.

The remaining amortisation periods for intangible assets are as shown below:

	Customer relationships	Development
Crestchic	8.25 years	5.25 years
LHS	9.25 years	–
RDS	9.75 years	–

IMPAIRMENT OF GOODWILL

Crestchic Limited was acquired by the Group in March 2006 giving rise to goodwill of £1,890,000. The goodwill arising on the acquisition of the trade and assets of LHS in March 2007 was £304,000. LHS has been integrated into Crestchic Limited such that the two businesses now operate as a single cash generating unit ("CGU"). The goodwill allocated to this CGU being £2,194,000 (2006: £1,890,000). The recoverable amount of the CGU has been determined from value in use calculations based on cash flow projections covering a five year period to 31 December 2012.

The discount rate used to measure the CGU's value in use was 12%. Other major assumptions are as follows. The growth rate used applies only to the period beyond the formal budgeted period with the value in use calculation based on an extrapolation of the budgeted cash flows for year five.

	CGU 2007
Discount rate	12%
Operating margin (gross)	55%
Growth rate	5%
Wage inflation	5%
Market share	No change

Operating margins have been based on past experience and future expectations in the light of anticipated economic and market conditions. Discount rates are based on the Group's beta adjusted to reflect management's assessment of specific risks related to the cash generating unit. Growth rates and wage inflation have been based on prior year experience and expected future economic conditions. Market share assumptions are based on the Group's current market share.

The recoverable amount for the CGU exceeds its carrying amount by £5,872,000 (2006: £7,630,000). Given the level of the excess noted, the Directors do not consider the impairment calculation to be sensitive to movements in the above assumptions.

The remaining goodwill of £154,000 (2006: £nil) relates to the acquisition of RDS and is not considered to be significant.

11. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings £'000	Plant and machinery £'000	Motor vehicles £'000	Furniture and fittings £'000	Hire fleet £'000	Total £'000
Cost						
At 1 January 2007	1,683	73	300	74	1,889	4,019
On Acquisition – LHS	–	–	–	–	440	440
On Acquisition – RDS	–	–	9	6	644	659
Additions	193	23	81	51	637	985
Disposals	–	–	(141)	–	–	(141)
At 31 December 2007	1,876	96	249	131	3,610	5,962
Depreciation						
At 1 January 2007	19	6	37	11	149	222
Charge for the year	29	8	71	20	316	444
On disposals	–	–	(102)	–	–	(102)
At 31 December 2007	48	14	6	31	465	564
Net book value						
At 31 December 2007	1,828	82	243	100	3,145	5,398
At 31 December 2006	1,664	67	263	63	1,740	3,797

	Land and buildings £'000	Plant and machinery £'000	Motor vehicles £'000	Furniture and fittings £'000	Hire fleet £'000	Total £'000
Cost						
At 1 January 2006	–	–	–	–	–	–
On Acquisition	1,641	73	189	31	1,439	3,373
Additions	42	–	111	43	453	649
Disposals	–	–	–	–	(3)	(3)
At 31 December 2006	1,683	73	300	74	1,889	4,019
Depreciation						
At 1 January 2006	–	–	–	–	–	–
Charge for the year	19	6	37	11	151	224
On disposals	–	–	–	–	(2)	(2)
At 31 December 2006	19	6	37	11	149	222
Net book value						
At 31 December 2006	1,664	67	263	63	1,740	3,797
At 31 December 2005	–	–	–	–	–	–

Notes to the financial statements continued

For the year ended 31 December 2007

11. PROPERTY, PLANT AND EQUIPMENT CONTINUED

Bank borrowings are secured on the Group's assets, including freehold land and buildings (see note 15).

The net book value of assets under the course of construction included in Land and Buildings at the balance sheet date was £nil (2006: £38,000).

The net book value of assets held under finance leases or hire purchase contracts, included above, are as follows:

	2007 £'000	2006 £'000
Motor vehicles	**135**	169
Other	**76**	–

12. INVENTORIES

	2007 £'000	2006 £'000
Raw materials	**672**	510
Work in progress	**464**	212
	1,136	722

13. TRADE AND OTHER RECEIVABLES

	2007 £'000	2006 £'000
Due within one year		
Trade receivables	**3,072**	1,758
Other receivables	**87**	92
Prepayments	**113**	148
	3,272	1,998

The carrying value of the Group's trade and other receivables are denominated in the following currencies:

	2007 £ '000	2006 £ '000
Pound Sterling	**2,217**	1,705
Euro	**796**	58
US Dollar	**146**	87
	3,159	1,850

At 31 December 2007 trade receivables of £637,000 (2006: £58,000) were past due but not impaired. They relate to customers with no default history. The ageing of these receivables is as follows:

	2007 £ '000	2006 £ '000
Up to 3 months	**501**	32
3 to 6 months	**37**	–
6 to 12 months	**–**	13
Greater than 12 months	**99**	13
	637	58

Since the year end £413,000 of the £637,000 has been received from customers.

At 31 December 2007 trade receivables of £4,000 (2006: £12,000) were past due and impaired. The amount of the provision at 31 December 2007 was £4,000 (2006: £12,000). The receivables relate to trade debtors. The ageing of these receivables is as follows:

	2007 £ '000	2006 £ '000
Greater than 12 months	**4**	12

The Group records impairment losses on its trade receivables separately from gross receivables. The movements on this allowance account during the year are summarised below:

	2007 £ '000	2006 £ '000
Opening balance	**12**	51
Increases in provisions	**–**	12
Written off against provisions	**–**	(51)
Recovered amounts reversed	**(8)**	–
Closing balance	**4**	12

The maximum exposure to credit risk at 31 December 2007 is £3,159,000 (2006: £1,850,000).

14. CURRENT LIABILITIES

TRADE AND OTHER PAYABLES – CURRENT

	2007 £'000	2006 £'000
Trade payables	**1,420**	667
Social security and other taxes	**149**	62
Other creditors	**4**	5
Accruals and deferred income	**380**	374
	1,953	1,108

15. FINANCIAL LIABILITIES:

– CURRENT

	2007 £'000	2006 £'000
Bank loans – secured	**101**	115
Capitalised debt fees	**(22)**	(19)
Total	**79**	96

	2007 £'000	2006 £'000
Net obligations under finance leases and hire purchase agreements	**94**	70

The fair value of the Group's Bank loans at the balance sheet date was £1.37 million (2006: £0.69 million). For the Group's other loans and borrowings, the carrying amounts are a reasonable approximation of the financial instruments' fair value.

The debt fees related to the loans were capitalised on the acquisition of Crestchic Limited and on the renewal of the loan and are amortised over the term of the loan.

Notes to the financial statements continued

For the year ended 31 December 2007

15. FINANCIAL LIABILITIES CONTINUED

The bank loan is secured by:

- a first and legal charge over the property;
- a first and only debenture from each Group company
- a composite guarantee by each group company (as guarantor) in favour of Bank of Scotland on account of each Group company (as principal); and
- an assignment in security of Keyman policies on E W Hook and D Robinson.

The Group has a multi-option banking facility that allows the Group to utilise a maximum of £1 million which includes an overdraft facility of £775,000. The facility is renewable on 20 May 2008. The interest rate is fixed at 2.0% over the bank's base rate. The bank overdraft facility of £775,000 when used charges interest at 2.0% over the bank's base rate, is repayable on demand and is covered by cross-guarantees within the Group. Interest accrues on a daily basis and increases the balance outstanding on the overdraft.

The Group has committed borrowing facilities drawn at 31 December which are repayable as follows:

	2007 Floating Rate £'000	**2007 Fair Value £'000**	2006 Floating Rate £'000	2006 Fair Value £'000
Expiry within one year	**101**	**101**	115	115
More than one year less than two years	**101**	**101**	115	115
More than two years less than five years	**303**	**303**	345	345
More than five years	**970**	**970**	115	115
Total	**1,475**	**1,475**	690	690

Fair value has been established at the market rate prevailing as at 31 December 2007.

The Group has undrawn, uncommitted borrowing facilities at 31 December which are repayable as follows:

	2007 Floating Rate £'000	**2007 Fair Value £'000**	2006 Floating Rate £'000	2006 Fair Value £'000
Expiry within one year	**–**	**–**	112	112
More than one year less than two years	**–**	**–**	340	340
More than two years less than five years	–	**–**	1,358	1,358
More than five years	**–**	**–**	–	–
Total	**–**	**–**	1,810	1,810

Fair value has been established at the market rate prevailing as at 31 December 2007.

OTHER FINANCIAL LIABILITIES

	2007 £'000	2006 £'000
Deferred consideration for purchase of subsidiary	**1,150**	–

As described in note 24, during the year the group acquired, through its subsidiary Northbridge (Middle East) FZE, 51% of the issued share capital of RDS (Technical) Ltd. ("RDS") for a total consideration of £650,000. The Group has the option to purchase the remaining 49% of RDS on the 31 March 2008. The price will be determined on a multiple of the audited profits before taxation of RDS for the year ending 31 March 2008, subject to a maximum price to be paid for 100% of RDS of £1,800,000. The remaining consideration has been subject to independent valuation using a Monte Carlo simulation of expected profit and consequent consideration which produced a range between £824,000 and £1,150,000. Based on the performance of RDS since acquisition, the Board is of the opinion that the Company will need to pay the maximum price of £1,150,000 for the remaining 49%.

15. FINANCIAL LIABILITIES CONTINUED

FINANCIAL LIABILITIES:

– NON CURRENT

	2007 £'000	2006 £'000
Bank loans – secured	**1,374**	575
Capitalised debt fees	**(83)**	(93)
Total	**1,291**	482
Net obligations under finance leases and hire purchase agreements	**51**	44
	1,342	526

Obligations under finance leases and hire purchase contracts can be analysed as follows:

2007	**Minimum lease payments £'000**	**Present Interest £'000**	**Value £'000**
Not later than one year	**103**	**9**	**94**
Between one and five years	**57**	**6**	**51**
	160	**15**	**145**

2006	Minimum lease payments £'000	Present Interest £'000	Value £'000
Not later than one year	75	5	70
Between one and five years	48	4	44
	123	9	114

16. PROVISIONS

Provision for employment costs	**2007 £'000**	2006 £'000
At 1 January	**265**	–
On acquisition	**–**	265
Released during the year	**(53)**	–
	212	265

The exact amount payable in respect of employment costs is yet to be determined and, as a consequence, the timing of payment is uncertain.

Notes to the financial statements continued

For the year ended 31 December 2007

17. DEFERRED TAXATION

	2007 £'000	2006 £'000
Opening provision	**500**	–
Movement on intangible assets	**(60)**	–
On acquisition	**91**	486
On revaluation of land and buildings	**(12)**	–
Taken to income statement in current year	**85**	14
Closing provision	**604**	500

The provision for deferred taxation is made up as follows:

	2007 £'000	2006 £'000
Accelerated capital allowances	**330**	286
Revalued element of land and buildings	**137**	149
Fair value of intangibles on acquisition	**221**	190
Other timing differences	**(84)**	(125)
	604	500

18. SHARE CAPITAL

	2007 £'000	2006 £'000
Authorised		
30,000,000 Ordinary shares of 10p each (2006 : 30,000,000 Ordinary shares of 10p each)	**3,000**	3,000
Allotted, called up and fully paid		
7,630,149 Ordinary shares of 10p each (2006 : 7,388,495 Ordinary shares of 10p each)	**763**	739

	2007 Number	2007 £'000	2006 Number	2006 £'000
Ordinary shares of 10p each				
At beginning of year	**7,388,495**	**739**	263,510	26
Exercise of share options	**241,654**	**24**	–	–
Bonus issue	**–**	**–**	87,485	9
Other issues for cash during the year	**–**	**–**	7,037,500	704
At end of year	**7,630,149**	**763**	7,388,495	739

	2007 Number	2006 Number
Treasury shares held by the Company	40,000	–

CAPITAL MANAGEMENT

As described in the share capital accounting policy note, the Group considers its capital to comprise its ordinary share capital, share premium and accumulated retained earnings. In managing its capital, the Group's primary objective is to ensure its continued ability to provide a consistent return for its equity shareholders through a combination of capital growth and distributions.

In order to achieve this objective, the Group monitors its gearing to balance risks and returns at an acceptable level and also to maintain a sufficient funding base to enable the Group to meet its working capital and strategic investment needs. In making decisions to adjust its capital structure to achieve these aims, either through altering its dividend policy, new share issues, or the reduction of debt, the Group considers not only its short-term position but also its long-term operational and strategic objectives.

19. RESERVES

Group	Share premium account £'000	Treasury share reserve £'000	Share option reserve £'000	Profit and loss account £'000
At 1 January 2007	5,527	–	209	721
Increase in share premium	19	–	–	–
Profit retained for the year	–	–	–	1,154
Share option reserve reversal for options exercised	–	–	(200)	200
Dividends paid during the year	–	–	–	(224)
Share option expense for the year	–	–	29	–
Transfer to Retained profits	–	–	(38)	38
Purchase of Ordinary shares for holding in treasury	–	(59)	–	–
At 31 December 2007	**5,546**	**(59)**	**–**	**1,889**

Group	Share premium account £'000	Share option reserve £'000	Profit and loss account £'000
At 1 January 2006	236	–	(10)
Increase in share premium	5,291	–	–
Profit retained for the year	–	–	731
Share option reserve	–	209	–
At 31 December 2006	5,527	209	721

The following describes the nature and purpose of each reserve within owners' equity:

Reserve	Description and purpose
Share premium account	Amount subscribed for share capital in excess of nominal value.
Treasury share reserve	Amount used to purchase Ordinary shares for holding in treasury.
Share option reserve	Amount provided to meet fair value of options issued.
Profit and loss account	Cumulative net gains and losses recognised in the consolidated income statement.

20. PENSION COMMITMENTS

The Group operates a defined contributions pension scheme. The assets of the scheme are held separately from those of the Company in an independently administered fund. The pension cost charge represents contributions payable by the Group to the fund and amounted to £56,000 (2006: £41,000).

Notes to the financial statements continued

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21. OPERATING LEASE COMMITMENTS

At 31 December 2007 the total future of minimum lease payments are due as follows:

Property	2007 £'000	2006 £'000
Not later than one year	**50**	–
Later than one year and not later than five years	**63**	–
	113	–

Other assets	2007 £'000	2006 £'000
Not later than one year	**40**	27
Later than one year and not later than five years	**9**	36
Later than five years	**–**	–
	49	63

The Group leases motor vehicles under operating leases of three years duration. The Group also leases properties in its locations, other than the head office in Burton-on-Trent.

22. PRINCIPAL SUBSIDIARIES

Company name	Country of incorporation	Percentage Shareholding
Crestchic Limited	United Kingdom	100%
Northbridge (Middle East) FZE	United Arab Emirates	100%
RDS Technical Limited *	United Kingdom	51%**
RDS Trading Limited*	United Kingdom	51%**

* These subsidiaries have been consolidated as if they were owned as 100% subsidiaries at the year end for the reasons detailed in note 24.
** These subsidiaries are indirectly held by the Company.

23. SHARE-BASED PAYMENTS

The Company operates three equity settled share based remuneration schemes, an Inland Revenue approved scheme, an unapproved scheme and a non-executive and consultant share option scheme.

	2007 Weighted average exercise price (pence)	2007 Number	2006 Weighted average exercise price (pence)	2006 Number
Outstanding at the beginning of the year		**569,654**	–	–
Granted during the year	**123**	**190,000**	225	569,654
Forfeited during the year		**–**	–	–
Exercised during the year		**(241,654)**	–	–
Lapsed during the year		**(4,000)**	–	–
Outstanding at the end of the year	**123**	**514,000**	225	569,654

The exercise price of options outstanding at the end of the year ranged between 103.5p and 173.5p (2006: 103.5p and 103.5p) and their weighted average contractual life was 1 year 10 months (2006: 2 years 7 months). The weighted average exercise price of the options is 122.8p.

Of the total number of options outstanding at the end of the year, 20,000 (2006: 221,654) had vested and were exercisable at the end of the year.

The schemes have been valued using the Black Scholes pricing model.

Details of the share options issued during the year are shown below.

	April 2007
Options granted during the year	186,000
Date of grant	2 April 2007
Fair value per option at measurement date	151p
Share price	151p
Exercise price	151p
Weighted average exercise price	151p
Weighted average exercise life	2 years 3 months
Expected volatility	30%
Earliest exercisable point	3 years
Option life	10 years
Risk free interest rate	5.25%

	September 2007
Options granted during the year	40,000
Date of grant	27 September 2007
Fair value per option at measurement date	173.5p
Share price	173.5p
Exercise price	173.5p
Weighted average exercise price	173.5p
Weighted average exercise life	2 years 9 months
Expected volatility	30%
Earliest exercisable point	3 years
Option life	10 years
Risk free interest rate	5.75%

	2006
Options granted during the year	569,654
Date of grant	30 May 2006
Fair value per option at measurement date	103.5p
Share price	103.5p
Exercise price	£1.50 – £3.00
Weighted average exercise price	£2.25
Weighted average exercise life	2 years 7 months
Expected volatility	25%
Earliest exercisable point	3 years
Option life	10 years
Risk free interest rate	4.5%

The volatility rate is based on the average share price movement during the year to 31 December 2007 and in 2006 during the period from flotation until 31 December 2006.

The share based remuneration expense for the year is £29,000 (2006: £9,000) of which £25,000 (2006: £9,000) relates to key management personnel.

Notes to the financial statements continued

For the year ended 31 December 2007

23. SHARE-BASED PAYMENTS CONTINUED

The following share options were outstanding at 31 December 2007:

Type of scheme	Date of grant	**Number of shares 2007**	Number of shares 2006
Non-executive and consultant share option	21 March 2006	**–**	221,654
Unapproved share option	30 May 2006	**171,000**	171,000
Approved share option	30 May 2006	**25,000**	29,000
Non-executive and consultant share option	30 May 2006	**128,000**	148,000
Non-executive and consultant share option	2 April 2007	**18,000**	–
Unapproved share option	2 April 2007	**100,000**	–
Approved share option	2 April 2007	**32,000**	–
Unapproved share option	27 September 2007	**40,000**	–
		514,000	569,654

DIRECTORS' SHARE OPTIONS

	Date of grant	Number of shares	Price	Normal exercise period	Scheme type
P R Harris	30 May 2006	108,000	103.5p	30/05/2009-30/05/2016	Non-Executive/Consultants
E W Hook	30 May 2006	29,000	103.5p	30/05/2009-30/05/2016	Approved
E W Hook	30 May 2006	171,000	103.5p	30/05/2009-30/05/2016	Unapproved
E W Hook	2 April 2007	100,000	151.0p	02/04/2010-02/04/2017	Unapproved
A K Mehta	2 April 2007	18,000	151.0p	02/04/2010-02/04/2017	Non-Executive/Consultants

Options are exercisable subject to a share price performance condition, 50% are exercisable at a share price of £1.50 and the remainder are exercisable between £1.50 and £3.00 on a pro-rata basis. Options are normally exercisable from the third anniversary from the date of grant.

On 21 March 2006 the Company issued 221,654 share options to MacArthur and May (Investments) Limited, a fully owned subsidiary of MacArthur and Co. Ltd, the Company's financial advisors, being the fair value of services provided by them in relation to the acquisition of Crestchic Limited. The options were granted at the nominal value of the Ordinary shares of 10p per share. The fair value of the service provided of £200,000 was charged to the share premium account at the time. The options were exercised during the year and the charge of £200,000 has been transferred from the share premium account to the Profit and Loss reserve during the year.

24. ACQUISITIONS DURING THE YEAR

LOADBANK HIRE SERVICES

On 28 March 2007 the Group acquired the trade and assets of Loadbank Hire Services ("LHS"), a division of TGC International Limited for a consideration of £900,000. LHS's principal activity is the hire of loadbanks from a depot in Rochester, Kent.

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	440	
Non-contractual customer lists and relationships (recognised on acquisition)	285	
Other payables	(72)	
Deferred tax liability	(80)	
		573
Consideration paid		
Cash	909	
Costs of acquisition	38	
		947
Goodwill		374

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

	£'000
Cash paid as consideration	909
Cash paid as acquisition expenses	38
Less cash acquired on acquisition	–
Net cash movement	947

The main factors leading to the recognition of goodwill are the presence of certain intangible assets, such as 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 non-contractual customer lists and relationships) of LHS immediately prior to acquisition as the business did not prepare accounts under IFRS. It is not possible to determine the profit of LHS since acquisition included in the income statement as the business has been integrated into the business of Crestchic Limited.

For the same reason, it is not possible to state what the revenue and profit before tax of the Company for the year ended 31 December 2007, would have been had LHS been part of the Company for the whole year.

RDS (TECHNICAL) LTD

On 18 September 2007 the group acquired, through its subsidiary Northbridge (Middle East) FZE, 51% of the issued share capital of RDS (Technical) Ltd. ("RDS") for a total consideration of £650,000.

RDS is a Jersey registered company which conducts the majority of its activities through a branch office in Baku, Azerbaijan. Its principal business is to provide generators and associated equipment by way of hire, sale and service to the oil and gas industry in the Caspian region. It has been the agent for Crestchic in the area since 2001.

The Group has a call option to purchase, and the vendors have a put option to sell, the remaining 49% of RDS on the 31 March 2008. The price will be determined on a multiple of the audited profits before taxation of RDS for the year ending 31 March 2008, subject to a maximum price to be paid for 100% of RDS of £1,800,000. This level will be achieved if the profits before taxation of RDS are £328,000 in the year ending 31 March 2008.

The Company has the option to purchase the remaining 49% of RDS on the 31 March 2008. The price will be determined on a multiple of the audited profits before taxation of RDS for the year ending 31 March 2008, subject to a maximum price to be paid for 100% of RDS of £1.8 million.

Notes to the financial statements continued

For the year ended 31 December 2007

24. ACQUISITIONS DURING THE YEAR CONTINUED

The Company expects to acquire the remaining 49% of RDS and consequently RDS has been consolidated on a 100% basis into the results for the Group and no minority interest is shown for the 49% that the Company does not currently own. Once this is complete the year end date for RDS will be amended to be 31 December to be in line with other group companies.

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
Fixed assets	659	
Current assets	1,079	
Customer relationships	41	
Lease payments	(15)	
Deferred tax liability	(11)	
		1,753
Consideration paid		
Cash consideration for 51% of the equity of RDS	650	
Expected consideration for 49% of the equity of RDS	1,150	
Costs of acquisition	109	
		1,909
Goodwill		156

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

	£'000
Cash paid as consideration	650
Cash paid as acquisition expenses	108
Less cash acquired on acquisition	(722)
Net cash paid	36

The main factors leading to the recognition of goodwill are the presence of certain intangible assets, such as 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 non-contractual customer lists and relationships) of RDS immediately prior to acquisition as the business did not prepare accounts under IFRS. The profit for the year of RDS since acquisition, included in the income statement is £127,000. If the acquisition of RDS had occurred on 1 January 2007, Group turnover would have been £12.3 million and Group profit for the year would have been £1.76 million.

25. NOTE SUPPORTING CASH FLOW STATEMENT

	2007 £'000	2006 £'000
Cash and cash equivalents comprises:		
Cash available on demand	**1,461**	1,288
Overdrafts	**(359)**	(189)
	1,102	1,099

26. CAPITAL COMMITMENTS

The Company had entered into a capital commitment at the balance sheet date in respect of building works of £nil (2006: £195,000).

27. FINANCIAL INSTRUMENTS

FINANCIAL INSTRUMENT RISK EXPOSURE AND MANAGEMENT

In common with all other businesses, the Group is exposed to risks that arise from its use of financial instruments. This note describes the Group's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.

There have been no substantive changes in the Group's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous periods unless otherwise stated in this note.

PRINCIPAL FINANCIAL INSTRUMENTS

The principal financial instruments used by the Group, from which financial instrument risk arises, are as follows:

- trade receivables
- cash at bank
- bank overdrafts
- trade and other payables
- bank loans

GENERAL OBJECTIVES, POLICIES AND PROCESSES

The Board has overall responsibility for the determination of the Group's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the Group's finance function. The Board receives monthly reports through which it reviews the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets.

The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Group's competitiveness and flexibility. Further details regarding these policies are set out below:

CATEGORIES OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

	Loans and receivables	
	2007	2006
	£'000	£'000
Current financial assets		
Trade and other receivables	**3,072**	1,850
Cash and cash equivalents	**1,461**	1,288
Total current financial assets	**4,533**	3,138

	Contingent consideration		Financial liabilities measured at amortised cost	
	2007	2006	**2007**	2006
	£'000	£'000	**£'000**	£'000
Current financial liabilities				
Trade and other payables	**–**	–	**1,422**	672
Loans and borrowings	**1,150**	–	**78**	189
Total current financial liabilities	**1,150**	–	**1,500**	861
Non-current financial liabilities				
Loans and borrowings	**–**	–	**1,290**	526
Total non-current financial liabilities	**–**	–	**1,290**	526
Total financial liabilities	**1,150**	**–**	**2,790**	1,387

Notes to the financial statements continued

For the year ended 31 December 2007

27. FINANCIAL INSTRUMENTS

CREDIT RISK

Credit risk arises principally from the Group's trade receivables. It is the risk that the counterparty fails to discharge its obligation in respect of the instrument. Credit risk also arises from cash and cash equivalents and deposits with banks, where only independently rated parties with a minimum rating of AAA are accepted.

TRADE RECEIVABLES

Credit risk is managed locally by the management of each division. Prior to accepting new customers, a credit assessment is made using trade industry knowledge and credit scoring database services as appropriate.

Based on this information, credit limits and payment terms are established, although for some large customers and contracts credit risk is not considered to be high risk, and credit limits can sometimes be exceeded. These exceeded accounts are closely monitored and if there is a concern over recoverability, accounts are put on stop and no further goods will be sold before receiving payment. Pro-forma invoicing is sometimes used for new customers, or customers with a poor payment history until creditworthiness can be proven or re-established.

Management teams at each subsidiary receive monthly ageing reports, and these are used to chase relevant customers for outstanding balances. The Board receives periodic reports analysed by trade receivable balance and ageing profile of each of the key customers individually.

No major renegotiation of terms has taken place during the year. There are no customers with restricted accounts.

LIQUIDITY RISK

Liquidity risk arises from the Group's management of working capital and the finance charges and principal repayments on its debt instruments. It is the risk that the Group will encounter difficulty in meeting its financial obligations as they fall due. The Group's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities when they become due.

To achieve this aim, it seeks to maintain cash balances or agreed facilities to meet expected requirements for a period of at least 12 months. The cash position is continuously monitored and the multi-option facility is utilised at the appropriate time to ensure that there is sufficient cash and that the optimum interest rate is obtained.

The Board monitors annual cash budgets against actual cash position on a monthly basis. At the balance sheet date, these projections indicated that the Group expected to have sufficient liquid resources to meet its obligations under all reasonably expected circumstances.

MARKET RISK

Market risk arises from the Group's use of interest bearing, tradable and foreign currency financial instruments. It is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in interest rates (interest rate risk), foreign exchange rates (currency risk) or other market factors (other price risk).

INTEREST RATE RISK

The Group has a centrally managed policy. All Group borrowings and overdrafts attract variable interest rates. Although the Board accepts that this policy of not fixing interest rates neither protects the Group entirely from the risk of paying rates in excess of current market rates nor eliminates fully cash flow risk associated with interest payments, it considers that it achieves an appropriate balance of exposure to these risks.

The interest rate is variable on bank loans at 1.25% above bank base rate. The bank overdraft accrues a variable rate of interest at a rate of 2% above the bank's base rate.

The annualised effect of a 0.5% decrease in the interest rate at the balance sheet date on the variable rate bank loan carried at that date would, all other variables held constant, have resulted in an increase in post-tax profit for the year of £7,000 (2006: £3,000). A 0.5% increase in the interest rate would, on the same basis, have decreased post-tax profit by the same amount.

The annualised effect of a 0.5% decrease in the interest rate at the balance sheet date on the variable rate overdraft facility carried at that date would, all other variables held constant, have resulted in an increase in post-tax profit for the year of £4,000 (2006: £3,000). A 0.5% increase in the interest rate would, on the same basis, have decreased post-tax profit by the same amount.

CURRENCY RISK

Foreign exchange risk arises when individual Group operations enter into transactions denominated in a currency other than their functional currency. It is the Group's policy to convert all non functional currency to Sterling at the first opportunity after allowing for similar functional currency outlays. It does not consider that the use of hedging facilities would significantly minimise this risk. This has not been a material risk in the current or previous period.

The cash and cash equivalents at 31 December were as follows:

	2007 £'000 Floating rate	2006 £'000 Floating rate
Pound Sterling	**999**	1,091
Euro	**296**	133
US Dollar	**119**	64
Other	**47**	–
	1,461	1,288

Bank overdrafts at 31 December were as follows:

	2007 £'000 Floating rate	2006 £'000 Floating rate
Pound Sterling	**359**	189

28. RELATED PARTIES

As at 31 December 2006 MacArthur May (Investments) Limited, a fully owned subsidiary of MacArthur & Co. Limited, who were previously the Company's financial advisors, held options over 221,654 Ordinary shares of 10p each. These options were exercised during the year and MacArthur no longer has any interest in the shares of the Company.

The remuneration of key management personnel is disclosed in note 5 to the financial statements.

29. DIVIDENDS

	2007 £'000	2006 £'000
Final dividend of 2.0 pence (2006: nil) per ordinary share proposed and paid during the year relating to the previous year's results	**148**	–
Interim dividend of 1.0 pence (2006: nil) per ordinary share paid during the year	**76**	–
	224	–

The directors are proposing a final dividend of 2.0 pence (2006: 2.0 pence) per share totalling £152,000 (2006: £148,000), resulting in dividends for the whole year of 3.0 pence (2006: 2.0 pence) per share. The dividend has not been accrued at the balance sheet date.

Parent company balance sheet

as at 31 December 2007

	Note	2007 £'000	2007 £'000	2006 £'000	2006 £'000
Fixed assets					
Fixed asset investments	5		**7,278**		7,139
Current assets					
Debtors	6	**1,309**		699	
Cash at bank and in hand		**–**		–	
		1,309		699	
Creditors: amounts falling due within one year	7	**(689)**		(399)	
Net current assets			**620**		300
Total assets less current liabilities			**7,898**		7,439
Creditors: amounts falling due after more than one year	8		**(1,291)**		(483)
Net assets			**6,607**		6,956
Capital and reserves					
Called up share capital	11		**763**		739
Share premium account	12		**5,546**		5,527
Share option reserve	12		**–**		209
Treasury share reserve	12		**(59)**		–
Profit and loss account	12		**357**		481
Shareholders' funds	13		**6,607**		6,956

The notes on pages 47 to 54 form part of these financial statements.

The financial statements were approved and authorised for issue by the Board and were signed on its behalf on 12 March 2008.

A MEHTA
Director

E W HOOK
Director

Notes to the parent company financial statements

For the year ended 31 December 2007

The Directors' report is on pages 6 to 10 of the Annual Report and Accounts.

1. ACCOUNTING POLICIES

1.1 BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The financial statements have been prepared under the historical cost convention and in accordance with applicable UK Accounting Standards and the Companies Act 1985.

1.2 INVESTMENTS

Investments in subsidiaries are stated at cost less provision for impairment.

1.3 DEFERRED TAXATION

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date except that:

- The recognition of deferred tax assets is limited to the extent that the Company anticipates making sufficient taxable profits in the future to absorb the reversal of the underlying timing differences.

Deferred tax balances arising from the underlying timing differences in respect of tax allowances on industrial buildings are reversed if and when all the conditions for retaining those allowances have been met.

Deferred tax balances are not discounted.

1.4 SHARE OPTIONS

Where share options are awarded to employees, the fair value of the options at the date of the grant is charged to the income statement over the vesting period. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each balance sheet date so that, ultimately the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether the market vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

Where the terms and conditions of the options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to the income statement over the vesting period.

Where options have been granted in relation to the raising of share capital, the share premium account has been reduced by the fair value of the options issued.

1.5 FINANCE COSTS

Finance costs are charged to the profit and loss account over the term of the debt so that the amount charged is at a constant rate on the carrying amount. Finance costs include issue costs, which are initially recognised as a reduction in the proceeds of the associated capital instrument.

2. COMPANY PROFIT AND LOSS ACCOUNT

Northbridge Industrial Services Plc has taken advantage of section 230(3) of the Companies Act 1985 and has not included its own profit and loss account in these financial statements. The Company's loss after tax was £138,000 (2006: £491,000 - loss).

3. STAFF COSTS

Staff costs, including Directors' remuneration, were as follows:

	2007 £'000	2006 £'000
Wages and salaries	**268**	149
Social security costs	**20**	16
Share based remuneration	**27**	9
	315	174

Notes to the parent company financial statements continued

For the year ended 31 December 2007

The average monthly number of employees, including the Directors, during the year was as follows:

3. STAFF COSTS CONTINUED

	2007 Number	2006 Number
Administration	**5**	5

4. DIRECTORS' REMUNERATION

	2007 £'000	2006 £'000
Emoluments	**268**	149

Further details, including that of the highest paid director, are set out in note 5 to the consolidated financial statements.

5. FIXED ASSET INVESTMENTS

	Shares in group undertakings £'000
Cost or valuation	
At 31 December 2006	7,139
Additions	139
At 31 December 2007	7,278

SUBSIDIARY UNDERTAKINGS

The following are subsidiary undertakings of the Company:

Company name	Country of incorporation	Percentage Shareholding
Crestchic Limited	United Kingdom	100%
Northbridge (Middle East) FZE	United Arab Emirates	100%
RDS Technical Limited	United Kingdom	51%**
RDS Trading Limited	United Kingdom	51%**

** These subsidiaries are indirectly held by the Company.

6. DEBTORS

	2007 £'000	2006 £'000
Amounts owed by group undertakings	**1,288**	594
Other debtors	**21**	105
	1,309	699

7. CREDITORS:
AMOUNTS FALLING DUE WITHIN ONE YEAR

	2007 £'000	2006 £'000
Bank loan and overdraft	**359**	285
Trade creditors	**206**	114
Financial liabilities	**57**	–
Amounts payable to Group undertakings	**67**	–
	689	399

Bank securities are detailed in note 9.

8. CREDITORS:
AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2007 £'000	2006 £'000
Bank loan net of capitalised debt fees	**1,291**	483

Creditors include amounts not wholly repayable within five years as follows:

	2007 £'000	2006 £'000
Bank loan net of debt fees, repayable by instalments	**950**	96

The bank loan is secured by:

- a first and only debenture from each Group company;
- a first and legal charge over the property;
- a composite guarantee by each Group company (as guarantor) in favour of Bank of Scotland on account of each Group company (as principal); and
- an assignment of the Keyman policies on E W Hook and D Robinson.

Issue costs of £128,000 were deducted from the proceeds of the bank loans and are being amortised over the term of the debt in accordance with the Company's accounting policy.

9. FINANCIAL INSTRUMENTS
INTEREST RATE RISK

The Company has a centrally managed policy. All Group borrowings and overdrafts attract variable interest rates. Although the Board accepts that this policy of not fixing interest rates neither protects the Company entirely from the risk of paying rates in excess of current market rates nor eliminates fully cash flow risk associated with interest payments, it considers that it achieves an appropriate balance of exposure to these risks.

The interest rate is variable on bank loans at 1.25% above bank base rate. The bank overdraft accrues a variable rate of interest at a rate of 2% above the banks base rate.

Although the Board accepts that this policy neither protects the Group entirely from the risk of paying rates in excess of current market rates nor eliminates fully cash flow risk associated with interest payments, it considers that it achieves an appropriate balance of exposure to these risks.

FOREIGN CURRENCY AND CREDIT RISK

The Board does not consider that the Company is exposed to either foreign currency or credit risk.

Notes to the parent company financial statements continued

For the year ended 31 December 2007

9. FINANCIAL INSTRUMENTS CONTINUED

FINANCIAL ASSETS AND LIABILITIES – NUMERICAL INFORMATION.

BORROWING FACILITIES

The Company has committed borrowing facilities drawn at 31 December which are repayable as follows:

	2007 Floating Rate £'000	**2007 Fair Value £'000**	2006 Floating Rate £'000	2006 Fair Value £'000
Expiry within one year	**101**	**101**	115	115
More than one year less than two years	**101**	**101**	115	115
More than two years less than five years	**303**	**303**	345	345
More than five years	**970**	**970**	115	115
Total	**1,475**	**1,475**	690	690

Fair value has been established at the market rate prevailing as at 31 December 2007.

The Company has undrawn, uncommitted borrowing facilities at 31 December which are repayable as follows:

	2007 Floating Rate £'000	**2007 Fair Value £'000**	2006 Floating Rate £'000	2006 Fair Value £'000
Expiry within one year	**–**	**–**	112	112
More than one year less than two years	**–**	**–**	340	340
More than two years less than five years	**–**	**–**	1,358	1,358
More than five years	**–**	**–**	–	–
Total	**–**	**–**	1,810	1,810

Fair value has been established at the market rate prevailing as at 31 December 2007.

Cash flow interest rate risk

The cash and cash equivalents as at 31 December were as follows:

Pound Sterling	**2007 £'000 Floating rate**	2006 £'000 Floating rate
	–	–
	–	–

Bank overdrafts as at 31 December were as follows:

Pound Sterling	**2007 £'000**	2006 £'000
	359	189
	359	189

Fair value has been established at the market rate prevailing at 31 December 2007 as is equivalent to book value.

10. SHARE BASED PAYMENTS

The Company operates three equity settled share based remuneration schemes, an Inland Revenue approved scheme, an unapproved scheme and a non-executive and consultant share option scheme.

	2007 Weighted average exercise price (pence)	**2007 Number**	2006 Weighted average exercise price (pence)	2006 Number
Outstanding at the beginning of the year		**569,654**	–	–
Granted during the year	**123**	**190,000**	225	569,654
Forfeited during the year		**–**	–	–
Exercised during the year		**(241,654)**	–	–
Lapsed during the year		**(4,000)**	–	–
Outstanding at the end of the year	**123**	**514,000**	225	569,654

The exercise price of options outstanding at the end of the year ranged between 103.5p and 173.5p (2006 – 103.5p and 103.5p) and their weighted average contractual life was 1 year 10 months (2006: 2 years 7 months). The weighted average exercise price of the options is £2.25. Of the total number of options outstanding at the end of the year, 20,000 (2006: 221,654) had vested and were exercisable at the end of the year. The schemes have been valued using the Black Scholes pricing model. Details of the share options issued during the year are shown below.

	April 2007
Options granted during the year	186,000
Date of grant	02 April 2007
Fair value per option at measurement date	151p
Share price	151p
Exercise price	£1.50 – £3.00
Weighted average exercise price	£2.25
Weighted average exercise life	2 years 3 months
Expected volatility	30%
Earliest exercisable point	3 years
Option life	10 years
Risk free interest rate	5.25%

	September 2007
Options granted during the year	40,000
Date of grant	27 September 2007
Fair value per option at measurement date	173.5p
Share price	173.5p
Exercise price	£1.50 – £3.00
Weighted average exercise price	£2.25
Weighted average exercise life	2 years 9 months
Expected volatility	30%
Earliest exercisable point	3 years
Option life	10 years
Risk free interest rate	5.75%

Notes to the parent company financial statements continued

For the year ended 31 December 2007

10. SHARE BASED PAYMENTS CONTINUED

	2006
Options granted during the year	569,654
Date of grant	30 May 2006
Fair value per option at measurement date	103.5p
Share price	103.5p
Exercise price	£1.50–£3.00
Weighted average exercise price	£2.25
Weighted average exercise life	2 years 7 months
Expected volatility	25%
Earliest exercisable point	3 years
Option life	10 years
Risk free interest rate	4.5%

The volatility rate is based on the average share price movement during the year to 31 December 2007 and in 2006 during the period from flotation until 31 December 2006.

The share based remuneration expense for the year is £25,000 (2006: £9,000).

The following share options were outstanding at 31 December 2007:

Type of scheme	Date of grant	**Number of shares 2007**	Number of shares 2006
Non-executive and consultant share option	21 March 2006	**–**	221,654
Unapproved share option	30 May 2006	**171,000**	171,000
Approved share option	30 May 2006	**29,000**	29,000
Non-executive and consultant share option	30 May 2006	**128,000**	148,000
Non-executive and consultant share option	2 April 2007	**18,000**	–
Unapproved share option	2 April 2007	**100,000**	–
Unapproved share option	27 September 2007	**40,000**	–
		486,000	569,654

DIRECTORS' SHARE OPTIONS

	Date of grant	Number of shares	Exercise price	Normal exercise period	Scheme type
P R Harris	30 May 2006	108,000	103.5p	30/05/2009-30/05/2016	Non-Executive/Consultants
E W Hook	30 May 2006	29,000	103.5p	30/05/2009-30/05/2016	Approved
E W Hook	30 May 2006	171,000	103.5p	30/05/2009-30/05/2016	Unapproved
E W Hook	2 April 2007	100,000	151.0p	02/04/2010-02/04/2017	Unapproved
A K Mehta	2 April 2007	18,000	151.0p	02/04/2010-02/04/2017	Non-Executive/Consultants

Options are exercisable subject to a share price performance condition, 50% are exercisable at a share price of £1.50 and the remainder are exercisable between £1.50 and £3.00 on a pro-rata basis. Options are normally exercisable from the third anniversary from the date of grant. On 21 March 2006 the Company issued 221,654 share options to MacArthur and May (Investments) Limited, a fully owned subsidiary of MacArthur and Co. Ltd, the Company's financial advisors, being the fair value of services provided by them in relation to the acquisition of Crestchic Limited. The options were granted at the nominal value of the Ordinary shares of 10p per share. The fair value of the service provided of £200,000 was charged to the share premium account at the time. The options were exercised during the year and the charge of £200,000 has been transferred from the share premium account to the Profit and Loss reserve during the year.

11. SHARE CAPITAL

	2007 £'000	2006 £'000
Authorised		
30,000,000 Ordinary shares of 10p each (2006 : 30,000,000 Ordinary shares of 10p each)	**3,000**	3,000
Allotted, called up and fully paid		
7,630,149 Ordinary shares of 10p each (2006 : 7,388,495 Ordinary shares of 10p each)	**763**	739

	2007 Number	2007 £'000	2006 Number	2006 £'000
Ordinary shares of 10p each				
At beginning of year	**7,388,495**	**739**	263,510	26
Exercise of share options	**241,654**	**24**	–	–
Bonus issue	**–**	**–**	87,485	9
Other issues for cash during the year	**–**	**–**	7,037,500	704
At end of year	**7,630,149**	**763**	7,388,495	739

	2007 Number	2006 Number
Treasury shares held by the Company	**40,000**	–

As described in the share capital accounting policy note, the Company considers its capital to comprise its ordinary share capital, share premium and accumulated retained earnings. In managing its capital, the Company's primary objective is to ensure its continued ability to provide a consistent return for its equity shareholders through a combination of capital growth and distributions.

In order to achieve this objective, the Company monitors its gearing to balance risks and returns at an acceptable level and also to maintain a sufficient funding base to enable the Group to meet its working capital and strategic investment needs. In making decisions to adjust its capital structure to achieve these aims, either through altering its dividend policy, new share issues, or the reduction of debt, the Company considers not only its short-term position but also its long-term operational and strategic objectives.

12. RESERVES

	Share premium account £'000	Treasury share reserve £'000	Share option reserve £'000	Profit and loss account £'000
At 1 January 2007	5,527	–	209	481
Increase in share premium	19	–	–	–
Loss retained for the year	–	–	–	(488)
Share option reserve reversal for options exercised	–	–	(200)	200
Dividends received during the year	–	–	–	350
Dividends paid during the year	–	–	–	(224)
Transfer to Retained profits	–	–	(38)	38
Share option expense for the year	–	–	29	–
Purchase of Ordinary shares for holding in treasury	–	(59)	–	–
At 31 December 2007	5,546	(59)	–	357

The movement on the share premium is shown in note 13.

Notes to the parent company financial statements continued

For the year ended 31 December 2007

13. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	2007 £'000	2006 £'000
Opening shareholders' funds	**6,956**	252
(Loss)/profit for the year	**(488)**	491
Dividends paid during the year	**(224)**	–
Dividends received during the year	**350**	–
Shares issued during the year	**24**	713
Shares repurchased and held in Treasury share reserve	**(59)**	–
Share premium on shares issued (see table below)	**19**	5,291
Share option reserve movements	**29**	209
Closing shareholders' funds	**6,607**	6,956

The movement on share premium can be analysed as follows:

	Share premium £'000
Share premium on shares issued	19
Total	19

14. RELATED PARTIES

As at 31 December 2006 MacArthur May (Investments) Limited, a fully owned subsidiary of MacArthur & Co. Limited, who were previously the Company's financial advisors, held options over 221,654 Ordinary shares of 10p each. These options were exercised during the year and MacArthur no longer has any interest in the shares of the Company.

The remuneration of key management personnel is disclosed in note 4 to the financial statements.

15. DIVIDENDS

	2007 £'000	2006 £'000
Final dividend of 2.0 pence (2006: nil) per ordinary share proposed and paid during the year relating to the previous year's results	**148**	–
Interim dividend of 1.0 pence (2006: nil) per ordinary share paid during the year	**76**	–
	224	–

The Directors are proposing a final dividend of 2.0 pence (2006: 2.0 pence) per share totaling £152,000 (2006: £148,000), resulting in dividends for the whole year of 3.0 pence (2006: 2.0 pence) per share. The dividend has not been accrued at the balance sheet date.

Notice of Annual General Meeting

Notice is hereby given that the second Annual General Meeting of Northbridge Industrial Services PLC will be held at the offices of Buchanan Communications, 45 Moorfields, London EC2Y 9AE on 14 May 2008, commencing at 12 noon for the following purposes:

ORDINARY BUSINESS

1. To receive and adopt the financial statements for the year ended 31st December 2007 together with the Directors' Report and the Independent Auditors' Report.

2. To declare a final dividend of 2.0 pence per share for the year.

3. To re-elect as a Director Mr James Gould who retires by rotation in accordance with the Company's Articles of Association.

4. To re-elect as a Director Mr Peter Harris who retires by rotation in accordance with the Company's Articles of Association.

5. To re-appoint BDO Stoy Hayward LLP as auditors to the Company to hold office until the next General Meeting at which accounts are laid before the Company and to authorise the Directors to determine their remuneration.

SPECIAL BUSINESS

6. To consider the following Ordinary Resolution:

   That the Directors be generally and are unconditionally authorised pursuant to section 80 (1) of the Companies Act 1985 (the "Act"), to exercise all powers of the Company, to allot, make offers or agreements to allot or grant rights to subscribe for or convert other securities into, relevant securities (within the meaning of section 80 (2) of the Act) provided that:

   1) such authority shall be limited to an aggregate nominal amount of £2,236,985;

   2) this authority shall expire at the sooner of the close of the following Annual General Meeting or the expiry of 15 months from the date of passing of this Resolution; and

   3) the Company may before such expiry date make an offer or agreement which would or might require relevant securities to be allotted after such expiry.

7. To consider the following Special Resolution:

   That the Directors be and are generally empowered (in substitution for any specific of authority conferred upon the Directors pursuant to section 95 of the Act) to allot equity securities pursuant to section 95 of the Act wholly for cash pursuant to the authority referred to in Resolution 6 as if Section 89 (1) of the Act did not apply to any such allotment provided that such power shall be limited to the allotment of equity securities:

   1) in connection with a rights issue; and

   2) the allotment (otherwise than pursuant to sub-paragraph 1) above of equity securities up to an aggregate nominal amount of £38,150 representing five per cent of the issued share capital; and

   3) such authority shall expire on the earlier of the conclusion of the next Annual General Meeting of the Company or the date falling 15 months after the date of the passing of this Resolution.

8. To consider the following Special Resolution:

   THAT subject to the Company's Articles of Association and section 166 of the Companies Act 1985, the Company be and is hereby generally and unconditionally authorised to make one or more market purchases (within the meaning of section 163 (3) of that Act) of its own ordinary shares on such terms and in such manner as the directors of the Company shall determine, provided that:

   1) the maximum aggregate number of ordinary shares hereby authorised to be acquired is 10% of the present issued share capital of the Company;

   2) the maximum price which may be paid for each ordinary share is no more than 5% above the average of the price of the ordinary shares of the Company (derived from the London Stock Exchange Daily Official List) for the five business days prior to the date of purchase and the minimum price per ordinary share is the nominal value thereof in each case exclusive of any expenses payable by the Company;

Notice of Annual General Meeting

3) the authority hereby given shall expire at the conclusion of the next Annual General Meeting of the Company save that the Company may make a purchase of ordinary shares after expiry of such authority in execution of a contract of purchase that was made under and before the expiry of such authority; and.

4) any shares purchased will be held in Treasury and may be resold at any time.

By Order of the Board

CITY GROUP P.L.C.
Secretaries
30 City Road
London EC1Y 2AG
12 March 2008

NOTES

A member entitled to attend and vote at the meeting may appoint one or more proxies to attend and, on a poll, to vote on his behalf. A proxy need not be a member of the company.

A form of proxy is enclosed. To be valid it should be completed and returned so as to reach the registered office of the Company's registrar not less than 48 hours before the time fixed for the meeting. Completion of a form of proxy does not preclude a member from subsequently attending and voting in person.

The register of directors' interests will be available, for inspection by members, at the registered office of the company during usual business hours on any weekday (Saturday and public holidays excepted), from the date of this notice until the date of the Annual General Meeting and at the place of the meeting, from 11.15a.m. until the conclusion thereof. The Executive Directors' service contracts and the Non-Executive Directors' terms and conditions of appointment will also be available for inspection at those times.

Designed and produced by **Emperor Design Consultants Ltd**
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