NORTHBRIDGE

Northbridge Industrial Services plc

Annual report and accounts 2008

AT A GLANCE

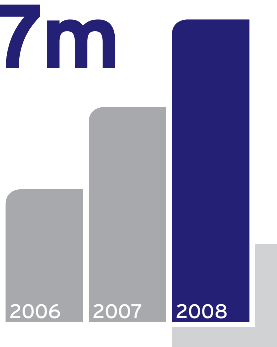
NORTHBRIDGE INDUSTRIAL SERVICES WAS INCORPORATED FOR THE PURPOSE OF ACQUIRING COMPANIES THAT HIRE AND SELL SPECIALIST INDUSTRIAL EQUIPMENT SUPPLYING A NON-CYCLICAL CUSTOMER BASE INCLUDING UTILITY COMPANIES, THE PUBLIC SECTOR AND THE OIL AND GAS INDUSTRIES. IN PARTICULAR IT WILL SEEK TO ACQUIRE SPECIALIST BUSINESSES THAT HAVE THE POTENTIAL FOR EXPANSION INTO COMPLETE OUTSOURCING PROVIDERS.

CONTENTS

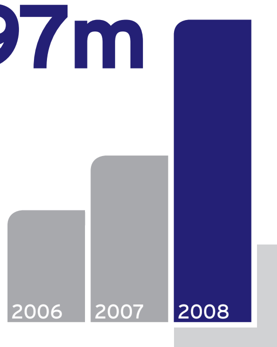
HIGHLIGHTS

- Consolidated revenue **up 40%** to £15.7 million (2007: £11.2 million)
- Pre-tax profit **up 82%** to £2.97 million (2007: £1.63 million)
- Crestchic **trading at record levels,** benefiting from established presence in Middle East
- Northbridge Middle East FZE **acquired new premises** in June 2008 accelerating growth
- Acquisition of remaining 49% of RDS in June 2008 following **robust profitability**
- Further **investment of £1.9 million** in hire fleet during the year
- **Strong operating cash generation** and a year end cash and cash equivalents balance of £2.1 million (2007: £1.1 million) with net debt of £1.4 million (2007: £0.4 million)
- Basic earnings per share **up 65%** to 25.3 pence (2007: 15.3 pence)
- **30% increase** in proposed final dividend payment to 2.6 pence per share, raising the total dividend for the year to 3.9 pence per share (2007: 3.0 pence per share)

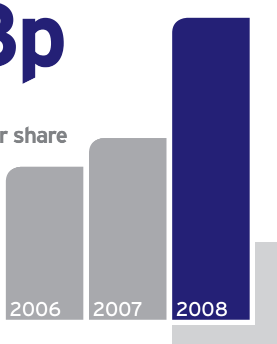
£15.7m
+40%
revenue
2007: **£11.2m**
2006: **£6.9m**



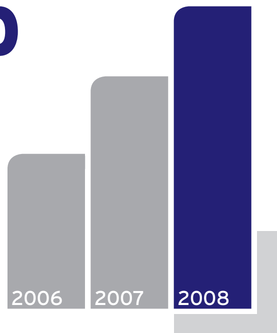
£2.97m
+82%
pre-tax profit
2007: **£1.63m**
2006: **£1.10m**



25.3p
+65%
basic earnings per share
2007: **15.3p**
2006: **12.8p**



3.9p
+30%
total dividend
2007: **3.0p**
2006: **2.0p**



AT A GLANCE

NORTHBRIDGE INDUSTRIAL SERVICES WAS INCORPORATED FOR THE PURPOSE OF ACQUIRING COMPANIES THAT HIRE AND SELL SPECIALIST INDUSTRIAL EQUIPMENT SUPPLYING A NON-CYCLICAL CUSTOMER BASE.

NORTHBRIDGE AROUND THE WORLD

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

CRESTCHIC

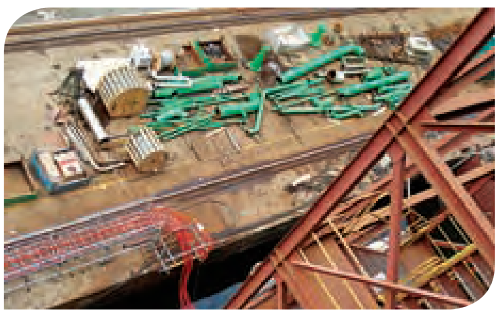
CRESTCHIC DESIGNS, ASSEMBLES, SELLS AND RENTS SPECIALIST LOADBANK EQUIPMENT. IT HAS DEVELOPED TECHNOLOGICAL EXPERTISE AND ENJOYS ACCESS TO A GLOBAL LOADBANK FLEET THROUGH ITS DISTRIBUTOR ARRANGEMENTS.

CRESTCHIC CAN DESIGN AND BUILD A LOADBANK TO ANY SIZE AT ANY VOLTAGE AND FREQUENCY TO OUR CUSTOMERS' SPECIFIC REQUIREMENTS, WHO CAN CHOOSE FROM THE RANGE OF STANDARD SIZE RESISTIVE AND REACTIVE LOADBANKS.

1983
established

£13.2m*
revenue for 2008

61
headcount



*includes £0.9 million of intra-group trading

RDS (AZERBAIJAN)

RDS'S PRINCIPAL BUSINESS IS TO PROVIDE GENERATORS AND OTHER EQUIPMENT BY WAY OF HIRE, SALE AND SERVICE TO THE OIL AND GAS INDUSTRY IN THE CASPIAN REGION AND CENTRAL ASIA.

RDS WAS FORMED 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.

1994 established

£1.0m revenue for 2008

7 headcount

NORTHBRIDGE (MIDDLE EAST)

NME WAS FOUNDED IN THE JEBEL ALI FREE ZONE OF DUBAI TO EXPLOIT OPPORTUNITIES IN THE MIDDLE EAST.

IT PROMOTES THE SALES AND RENTAL OF CRESTCHIC'S PRODUCTS AND RDS'S GENERATORS, AND HAS HAD A STRONG FIRST YEAR. IT IS ALSO EXPECTED TO WIN CONTRACTS IN NEW PRODUCT AREAS IN THE FUTURE.

2007 established

£2.4m revenue for 2008

7 headcount

CHAIRMAN AND CHIEF EXECUTIVE'S REVIEW

DURING THIS PERIOD ALL OF OUR MAIN SUBSIDIARIES PERFORMED AHEAD OF OUR EXPECTATIONS AND WERE PROFITABLE AND CASH GENERATIVE.

HIGHLIGHTS OF THE CHAIRMAN AND CHIEF EXECUTIVE'S REVIEW

- Group consolidated revenue up over 40% to £15.7 million (2007: £11.2 million)
- Gross and net profit before tax were £8.0 million (2007: £5.6 million) and £2.97 million (2007: £1.63 million) respectively
- Final dividend of 2.6 pence per share (2007: 2.0 pence) resulting in a total dividend for the year of 3.9 pence (2007: 3.0 pence)
- Crestchic traded at record levels with sales of manufactured units rising by 25%
- NME revenue was £2.4 million with profit before tax of £468,000
- Acquired the remaining 49% of RDS (technical) Ltd for a total final price of £1.8 million

We are pleased to present a review of the Group's performance during our second full year of trading. The results highlight the Group's continued development and growth achieved since its admission to AIM in March 2006. During this period all of our main subsidiaries performed ahead of our expectations and were profitable and cash generative.

Crestchic, our main subsidiary continued to trade at record levels with sales of manufactured units rising by 25% compared with 2007. Crestchic's rental operation continues to grow and is now supported by our established presence in the Middle East, in the Jebel Ali Free Zone of Dubai.

Crestchic designs, manufactures, sells and hires loadbank equipment which is primarily used for the commissioning and maintenance of independent power sources such as diesel generators and gas turbines. The need to test continually 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 resulted in a continued strong demand for Crestchic's range of services. Additionally Crestchic is benefiting from a background of an increasingly unreliable global power infrastructure.

Northbridge Middle East FZE ("NME"), which was formed in 2007, acquired new premises in June 2008 which markedly accelerated the growth of the business. NME promotes the sales and rental of Crestchic's products in that region as well as acting as an outlet for RDS's generators. NME revenue for 2008, in its first year of trading in the rental of loadbanks and transformers as well as other products was £2.4 million with profit before tax of £468,000, and net assets at year end were £846,000.

We acquired the remaining 49% of RDS (Technical) Ltd also in June 2008 for a total final price of £1.8 million. The net assets of RDS at the 30 June 2008 were £2.1 million of which £1.0 million was cash. 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 these transactions in 2008 strengthened the international presence of the Group and further developed the core business in areas that we expect to grow in the future. They also increased the Group's hire fleet and enabled us to increase the hire revenue proportion of our revenue to 49%, increasing our gross margin in the medium term. Almost all of the hire fleet is unencumbered and therefore cash generative and generally more resilient in any downturn.

The International Monetary Fund (IMF) forecasts that despite the global economic downturn, the Middle East's economy will continue to grow, by 3.9%, in 2009. Northbridge Middle East FZE ("NME") which was formed in 2007, generated revenues of £2.4 million in 2008, its first year of trading, and the acquisition of new premises in June 2008 has markedly accelerated the growth of the business.

CHAIRMAN AND CHIEF EXECUTIVE'S REVIEW CONTINUED

A resistive/reactive load test being undertaken on the power module during the conversion of an oil tanker to a FPSO (floating production storage and offloading) vessel, taking place in a middle eastern dry dock.

FINANCIAL PERFORMANCE

Group consolidated revenue for the year to 31 December 2008 was up over 40% to £15.7 million (2007: £11.2 million), gross profit and net profit before tax were both up strongly at £8.0 million (2007: £5.6 million) and £2.97 million (2007: £1.63 million) respectively. This increase in profit includes a currency gain of £620,000 primarily relating to the fall in Sterling against the US Dollar, UAE Dirham and Euro in the last quarter of the year. Even allowing for this effect, net profit was up by more than 50%. Operating cash flow for the year was £3.0 million (2007: £1.3 million). Net assets at 31 December 2008 were £9.97 million (2007: £8.1 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 14.8% (2007: 23.0%) at the year end. Cash balances at the year end were £2.1 million (2007: £1.5 million).

Fixed asset investment in the Group was £4.4 million and includes £1.9 million for the trading premises in Dubai and a further £1.9 million in hire fleet expansion (2007: £600,000). The underlying performance at Crestchic for the whole year showed an improvement in the sales of manufactured units of 25% to £8.0 million.

RDS contributed total revenue of £1.2 million for the year, together with profits before tax of £425,000 (2007: £121,000). The net assets of RDS at 31 December 2008 were £2.3 million (2007: £1.8 million).

DIVIDEND

Based on this performance, the Board is pleased to propose an increase to the final dividend for 2008 of 30% to 2.6 pence per share (2007: 2.0 pence) resulting in a total dividend for the year of 3.9 pence (2007: 3.0 pence) per share, a 30% increase. The final dividend will be paid on 27 May 2009 to shareholders on the register on 24 April 2009, subject to shareholder approval at the Annual General Meeting to be held at 12 noon on 19 May 2009 at the offices of Buchanan Communications, 45 Moorfields, London EC2Y 9AE.

BUSINESS REVIEW

During the year the Group continued to experience strong demand from its two main overseas markets, the United States and South East Asia, for sale of products. Rental demand also continued to strengthen and projects were successfully completed in Africa, the Caspian region, Europe and the Middle East.

Fixed asset investment accelerated during 2008 and we added a further £1.9 million at cost to our hire fleet; the bulk of this investment was in loadbanks and transformers. The total cost of our hire fleet is now £5.0 million (2007: 3.6 million) which represents a 39% increase in 2008.

Our new premises in Dubai have eased the logistics of operating in the Middle East and we are now able to base a proportion of our hire fleet there. This enables us to offer a much better and faster service to our customers as well as keeping shipping costs to a minimum.

On 30 June 2008 we completed the final stage of our acquisition of RDS (Technical) Ltd ("RDS") by acquiring the remaining 49% of the shares. The original 51% controlling stake was acquired in September 2007 for £0.7 million and Northbridge had the option to purchase the remaining shares for a price based on the audited pre-tax profits. The price was subject to a maximum consideration of £1.8 million for 100% of RDS which would be paid if the profits in the year to 31 March 2008 reached £328,000 or above. The profit of RDS in the year to 31 March 2007 reached £425,000 and therefore the maximum consideration of £1.8 million was paid. Net assets of RDS at 31 December 2008 were £2.2 million. Since completion, the profitability of RDS has continued to be robust and the transition from the vendor to our own management team has been successful.

CHAIRMAN AND CHIEF EXECUTIVE'S REVIEW CONTINUED

SUBSTANTIAL INVESTMENT HAS BEEN MADE INTO OUR HIRE FLEET OVER THE LAST FEW YEARS, WHICH GIVES US A LONG TERM BENEFIT IN TERMS OF CASH FLOW.

Our acquisitions and other investments in 2008 have been made out of a combination of the Group's trading cash flow and existing banking facilities. These facilities were increased during the year by £900,000 and comprise a mortgage against the freehold premises of £1.4 million, with a remaining term of 14 years and an interest rate of 2.5% above base rate, and a revolving credit facility of £1.9 million at an interest rate of 2.5% above LIBOR. Cash balances at the year end amounted to £2.1 million.

STRATEGY

Northbridge's strategy was 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; and
- revenue 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 acquisition can 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 reviews this strategy periodically and believes that it is still the correct one for the Group and we 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 our recent acquisitions and thank them for enabling the smooth transition to new ownership.

OUTLOOK

The global economic environment for 2009 looks very different from 2008 and it will be some time before we have any visibility of market demand for the latter part of the year. However trading has started well and whilst the order book is not as full as last year's record level, we are still encouraged by the level of enquiries for the sales of manufactured units, with rental demand also remaining buoyant.

Substantial investment has been made into our hire fleet over the last few years, which gives us a long term benefit in terms of cash flow. This will enable the Group to continue the development of its strategy and we will be well placed to take advantage of any opportunities that arise.

Trading in all our subsidiaries is encouraging and our customer base of power generation and the oil and gas sectors have a degree of resilience which will help us through any downturn.

PETER HARRIS
Chairman

ERIC HOOK
Chief Executive

RDS's principal business is to provide generators and associated equipment to the oil and gas industries in the Caspian region from its office in Baku, Azerbaijan. Industry specialists say the Caspian Sea holds some of the world's largest remaining untapped deposits of oil and gas. At least 10% of the growth in world oil production over the next ten years is expected to come from the Caspian region.

FINANCE DIRECTOR'S REPORT

THE GROUP REMAINS COMFORTABLY WITHIN ITS BANKING COVENANTS AND, BASED ON ITS CASH GENERATION FROM OPERATIONS, HAS FURTHER CAPACITY FOR INCREASED BORROWINGS.

£2.08m
+89%
cash and cash equivalent

3.9p
+30%
total dividend

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.

EARNINGS PER SHARE

The basic earnings per share figure of 25.3 pence (2007: 15.3 pence) and diluted earnings per share of 25.0 pence (2007: 14.5 pence) have been arrived at in accordance with the calculations contained in note 9.

BALANCE SHEET

The balance sheet shows a significant increase in property, plant and equipment arising from our acquisitions during the year but also our net investment into the hire fleet of £1.4 million. Despite the growth in revenues our inventories were stable at £1.1 million. Trade receivables increased from £3.1 million to £3.8 million, but this growth in percentage terms is lower than year on year revenue growth.

Cash and cash equivalents increased to £2.08 million (2007: £1.10 million) and bank borrowings also increased by £1.58 million to £3.03 million. The Group remains comfortably within its banking covenants and, based on its cash generation from operations, has further capacity for increased borrowings.

CASH FLOW

During the year, the operational cash flow of Northbridge was derived largely from Crestchic Ltd and Northbridge Middle East. Part of this cash flow was reinvested in increasing the size of the hire fleet which thereby increases the revenue capacity of the fleet for future years.

INTEREST RATE RISK

The Group is cash positive and places its balances on short term deposit with Bank of Scotland and other local banks. 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, US Dollar and Arab Emirates Dirham accounts. There are also trade balances and investments in these currencies. The Board manages this risk by converting non-functional currency into Sterling as appropriate, after allowing for future similar functional currency outlays.

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 £555,000 (2007: £637,000) outstanding over three months old at 31 December 2008 of which £444,000 has been collected since the year end.

ECONOMIC ENVIRONMENT

The global economy is facing the most challenging economic environment for many years. Whilst we benefit to some extent from our geographic spread and the range of sectors our end users operate in, we have been impacted by reduced visibility of market demand. However trading has started well and whilst the order book is not as full as last year's record level, we are still encouraged by the level of enquiries for the sales of manufactured units with rental demand also remaining buoyant.

GOING CONCERN

During this uncertain economic period the Board has undertaken a thorough review of the Group's ability to operate as a going concern. This has included reviewing and approving budgets for 2009 as well as extending those budgets out to March 2010 and also considering the current pipeline of orders and the outlook for future orders. The Board has also reviewed the current banking facilities which are in place until 22 April 2010 and the covenant calculations relating to those bank borrowings which are well within their limits. The Group is highly cash generative and ordinarily uses surplus cash to invest into the hire fleet and other property, plant and equipment to increase the future revenue potential of the Group. However such investment could easily be curtailed if cash balances were to reduce.

Therefore the directors are of the opinion that the Group has adequate resources to continue to operate for the foreseeable future and have prepared the accounts on a going concern basis.

PROPOSED DIVIDEND

The Board has proposed, subject to shareholder approval a final dividend of 2.6 pence (2007: 2.0 pence) per Ordinary share in addition to the interim dividend of 1.3 pence (2007: 1.0 pence) during the year. The dividend for the full year of 3.9 pence (2007: 3.0 pence) is covered 6.5 times by the earnings per share of 25.3 pence, and will be paid on 27 May 2009 to shareholders on the register on the 24 April 2009.

ASH MEHTA
Finance Director

DIRECTORS AND ADVISORS

SECRETARY
City Group PLC

COMPANY NUMBER
05326580

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

COUNTRY OF INCORPORATION OF PARENT COMPANY
England and Wales

LEGAL FORM
Public limited company

1. PETER HARRIS
Non-executive Chairman
Peter Harris, aged 57, 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 Group Managing Director of RAC plc heading a number of businesses 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
Eric Hook, aged 55, 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 43, qualified as a Chartered Accountant in 1992. Since then he 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 founded Orchard Growth Partners, a professional services firm offering finance director consulting services. Ash remains Chief Executive of Orchard Growth Partners and is also on the Executive Committee of the Quoted Companies Alliance (QCA) and a director of the Non-Executive Directors Association.

4. JIM GOULD
Non-executive director
Jim Gould, aged 74, 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 64, is chairman of a number of public listed companies, including Western Selection PLC, 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 61, is a Fellow of the Institutions 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 London Business School. He has held directorships in over 20 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.

INDEPENDENT AUDITORS
BDO Stoy Hayward LLP
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BANKERS
Bank of Scotland
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SOLICITORS
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REGISTRARS
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The Registry
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Tel: 0871 664 0300

DIRECTORS' REPORT

The directors present their report and the financial statements for the year ended 31 December 2008.

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 as adopted by the European Union (IFRS) 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 loadbank 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; and
- Northbridge (Middle East) FZE ("NME") – hire of equipment for the oil and gas industry in the Middle East.

BUSINESS REVIEW

The Chairman's and Chief Executive's Review on pages 4 to 8, the Finance Director's Report on pages 10 and 11, and the Notes to the financial statements 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 2008.

PROFIT

The profit for the year, after taxation, amounted to £1,918,000 (2007: £1,154,000).

The directors are proposing a final dividend of 2.6 pence (2007: 2.0 pence) per share totaling £196,087 (2007: £152,603), resulting in dividends for the whole year of 3.9 pence (2007: 3.0 pence) per share. Subject to shareholder approval the dividend will be paid on 27 May 2009 to those shareholders on the register of members on 24 April 2009.

DIRECTORS AND THEIR INTERESTS

The present directors are detailed on pages 12 and 13 together with brief biographies.

- Michael Dodson retires in accordance with the Company's Articles of Association and, being eligible, offers himself for re-election.
- David Marshall 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 10 pence each		Share options	
	31 December 2008	1 January 2008	**31 December 2008**	1 January 2008
P Harris	**420,000**	383,000	**108,000**	108,000
E Hook	**213,000**	200,000	**340,000**	300,000
A Mehta	**18,315**	8,870	**24,000**	18,000
J Gould	**198,000**	183,000	**25,000**	–
M Dodson	**225,000**	215,000	**–**	–
D Marshall	**–**	–*	**–**	–

* Mr D Marshall is a director of Western Selection PLC, a substantial shareholder in the Company, which held 1,500,000 Ordinary shares at 31 December 2008 and at the date of this report.

Between 1 January 2009 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 was 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 2008.

	Number	%
Western Selection PLC	1,500,000	19.66
New Star Asset Management Group Plc	475,000	6.23
P Harris	420,000	5.50
Hargreave Hale Nominees	400,000	5.24
J M Finn & Co	343,900	4.51
BSI Genarali UK Ltd	289,500	3.79

Since 31 December 2008 the directors have not been notified of any changes to the above shareholdings.

PURCHASE OF OWN SHARES

During the year the Company purchased 48,350 (2007: 40,000) Ordinary 10 pence shares in the Company at a price of 120.0 pence per share. At the year end the Company held 88,350 (2007: 40,000) shares in the Company which represent 1.16% (2007: 0.52%) of the share capital of the Company.

Since the year end, on 6 January 2009, the Company has purchased a further 63,800 Ordinary shares in the Company at a price of 132.5 pence per Ordinary share.

Accordingly, at the date of this report, the Company now has 152,150 Ordinary shares in the Company held in treasury. This represents approximately 1.99% of the share capital of the Company.

All of the shares have been purchased to be held in treasury, to satisfy any obligations under the share-based payments scheme.

DIRECTORS' REPORT CONTINUED

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 47 (2007: 63).

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.

Resolution 6 will renew the powers of the Board to allot, pursuant to Section 80 of the Companies Act 1985, 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 10% 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 is satisfied that it is 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.

UNAPPROVED SHARE OPTION PLAN AND THE UNAPPROVED PLAN FOR NON-EXECUTIVE DIRECTORS AND CONSULTANTS

An ordinary resolution, resolution 9 will be proposed at the Annual General Meeting to amend the performance criteria governing exercise of options issued in terms of the Unapproved Share Option Plan and the Unapproved Plan for non-executive directors and consultants.

Options over 200,000 and 108,000 Ordinary shares were granted to Eric Hook and Peter Harris, respectively, on 30 May 2006, as directors who had invested in the Company at the time of the share placing or prior to that, in recognition of their initial investment in the Company. The exercise of those options was made subject to the Company meeting performance conditions related to increases in the Company's share price because there was no historical trading record or earnings to be used as the base from which future increases in earnings performance could be measured. The options were exercisable from the third anniversary of the date of their grant. Provided that the share price at that time was at least £1.50, then 50% of the options could be exercised and if the share price were £3.00 or more all the options could be exercised. If the share price was between £1.50 and £3.00, the options could be exercised pro-rata on a straight-line basis.

There has been a substantial increase in earnings achieved over the period since the grant of those options, the Company has outperformed all financial expectations and the share price has significantly outperformed its stock market index. However, the substantial decline in stock market values means that the share price no longer reflects the underlying Company value and achievement of the minimum vesting criteria is in doubt. The plan rules permit the performance conditions to be amended or waived if the Board consider that events have happened that make it fair and reasonable provided that any amendment does not make the conditions more difficult to satisfy. The Board regard current conditions as extraordinary in that market values represent comparatively low earnings multiples and they believe that the overall economic environment has adversely impacted investor confidence and share prices to the extent that an amendment of the option exercise terms is warranted.

Several ways in which performance conditions could be amended have been considered by the Board including measuring performance by increases in earnings per share, by extending the vesting period and by extending the vesting period and including earnings related criteria. The Board, excluding Eric Hook and Peter Harris, has decided that it is appropriate to amend the performance criteria so that it relates to diluted earnings per share.

Using base diluted earnings per share of 8.9 pence and the condition that if the relevant earnings were 150% of those earnings, half the options could be exercised and if earnings were 300% of those earnings, all the options could be exercised, entitlement to exercise all options at the earliest opportunity after 31 May 2009 would arise if diluted earnings per share for the year ended 31 December 2008 were at least 26.7 pence. Earnings between 150% and 300% of the 8.9 pence base level would entitle optionholders to exercise their options on a linear basis. Diluted earnings per share for the year ended 31 December 2008 were 25.0 pence.

CORPORATE GOVERNANCE

The directors acknowledge the importance of good corporate governance and whilst not required to comply with the Combined Code they apply its principles so far as is practicable taking into account the Company's size and stage of development.

The Board meets regularly to monitor the current state of business and to determine its future strategic direction. During the year the Board comprised 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

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.

This Committee is comprised of the three non-executive directors and is chaired by David Marshall. 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.

Remuneration Committee

The Remuneration Committee reviews the performance of the executive directors and any senior management and sets and reviews their remuneration and the terms of their service contracts, determines the payment of bonuses to executive directors and senior management and considers any bonus and option schemes which may be implemented by the Group.

This Committee is comprised of the three non-executive directors and is chaired by Michael Dodson. 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 26 of the financial statements.

AUDITORS' INDEPENDENCE

Except for their due diligence work on a potential acquisition, 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

A resolution to re-appoint the independent auditors, BDO Stoy Hayward LLP will be proposed at the next annual general meeting.

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 26 March 2009 and signed by order of the Board by the Company Secretary.

CITY GROUP PLC
Company Secretary
26 March 2009

INDEPENDENT AUDITORS' 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 2008 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 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 judgements 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 2008 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 2008;
- 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
26 March 2009

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2008

	Note	2008 £'000	2007 £'000
Revenue	1, 2	**15,734**	11,203
Cost of sales		**(7,711)**	(5,626)
Gross profit		**8,023**	5,577
Selling and distribution costs		**(2,747)**	(2,385)
Administrative expenses		**(2,129)**	(1,484)
Profit from operations	3	**3,147**	1,708
Finance income		**23**	23
Finance costs	7	**(203)**	(100)
Profit before income tax		**2,967**	1,631
Income tax expense	8	**(1,049)**	(477)
Profit for the year attributable to the equity holders of the parent	19	**1,918**	1,154
Earnings per share			
– basic (pence)		**25.3**	15.3
– diluted (pence)		**25.0**	14.5

All amounts relate to continuing operations.

The notes on pages 24 to 48 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2008

FOR THE YEAR ENDED 31 DECEMBER 2008

	Share capital £'000	Share premium £'000	Foreign exchange reserve £'000	Treasury share reserve £'000	Share option reserve £'000	Retained earnings £'000	Total £'000
Changes in equity							
Balance at 31 December 2007	763	5,546	–	(59)	–	1,889	8,139
Foreign exchange on translation	–	–	178	–	–	–	178
Net income recognised in equity	–	–	178	–	–	–	178
Retained profit for the financial year	–	–	–	–	–	1,918	1,918
Total recognised income and expense for the year	–	–	–	–	–	1,918	1,918
Share option expense	–	–	–	–	–	45	45
Dividends paid	–	–	–	–	–	(250)	(250)
Purchase of Ordinary shares for holding in treasury	–	–	–	(58)	–	–	(58)
Balance at 31 December 2008	**763**	**5,546**	**178**	**(117)**	**–**	**3,602**	**9,972**

FOR THE YEAR ENDED 31 DECEMBER 2007

	Share capital £'000	Share premium £'000	Foreign exchange reserve £'000	Treasury share reserve £'000	Share option 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

CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2008

	Note	2008 £'000	2008 £'000	2007 £'000	2007 £'000
Assets					
Non-current assets					
Intangible assets	10		**3,159**		3,254
Property, plant and equipment	11		**8,675**		5,398
			11,834		8,652
Current assets					
Inventories	12	**1,096**		1,136	
Trade and other receivables	13	**4,085**		3,272	
Cash and cash equivalents		**2,078**		1,461	
			7,259		5,869
Total assets			**19,093**		14,521
Liabilities					
Current liabilities					
Bank loans and overdraft		**–**		359	
Trade and other payables	14	**2,384**		1,953	
Financial liabilities	15	**1,966**		173	
Other financial liabilities	15	**988**		1,150	
Current tax liabilities		**1,386**		589	
			6,724		4,224
Non-current liabilities					
Financial liabilities	15	**1,502**		1,342	
Long term provisions	16	**212**		212	
Deferred tax liabilities	17	**683**		604	
			2,397		2,158
Total liabilities			**9,121**		6,382
Total net assets			**9,972**		8,139
Capital and reserves attributable to equity holders of the Company					
Share capital	18		**763**		763
Share premium	19		**5,546**		5,546
Foreign exchange reserve	19		**178**		–
Treasury share reserve	19		**(117)**		(59)
Retained earnings	19		**3,602**		1,889
Total equity			**9,972**		8,139

The notes on pages 24 to 48 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 26 March 2009.

ASH MEHTA
Director

ERIC HOOK
Director

CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2008

	Note	2008 £'000	2007 £'000
Operating activities			
Net profit from ordinary activities before taxation		**2,967**	1,631
Adjustments for:			
Foreign exchange gains		**(620)**	–
Amortisation of intangible assets	10	**95**	126
Amortisation of capitalised debt fee		**92**	18
Depreciation of property, plant and equipment	11	**715**	444
(Profit)/loss on disposal of property, plant and equipment		**(54)**	22
Decrease in provision for future employment costs		**–**	(53)
Investment income		**(23)**	(23)
Finance costs	7	**203**	100
Share option expense	23	**45**	29
		3,420	2,294
Decrease/(increase) in inventories		**40**	(414)
Increase in receivables		**(424)**	(917)
Increase in payables		**385**	745
Cash generated from operations		**3,421**	1,708
Finance costs	7	**(203)**	(100)
Taxation		**(173)**	(254)
Net cash from operating activities		**3,045**	1,354
Cash flows from investing activities			
Finance income		**23**	23
Acquisition of subsidiary undertaking (net of cash acquired)	24	**(1,150)**	(983)
Purchase of property, plant and equipment		**(2,925)**	(904)
Sale of property, plant and equipment		**480**	17
Net cash used in investing activities		**(3,572)**	(1,847)
Cash flows from financing activities			
Proceeds from share capital issued		**–**	43
Proceeds from bank borrowings		**1,626**	1,500
Repayment of bank borrowings		**(64)**	(715)
Repayment of finance lease creditors		**(196)**	(49)
Repurchase of own shares		**(58)**	(59)
Dividends paid in the year		**(250)**	(224)
Net cash flow from financing activities		**1,058**	496
Net increase in cash and cash equivalents		**531**	3
Cash and cash equivalents at beginning of period		**1,102**	1,099
Exchange gains on cash and cash equivalents		**445**	–
Cash and cash equivalents at end of period	25	**2,078**	1,102

During the period the Group acquired property, plant and equipment with an aggregate cost of £4,407,000 (see note 11) (2007: £985,000) of which £494,000 (2007: £80,000) was acquired by means of finance leases and £988,000 by deferred commitment. Cash payments of £2,925,000 (2007: £904,000) were made to purchase property, plant and equipment.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2008

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.

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 parent company's financial statements have been prepared under applicable United Kingdom accounting standards and are on pages 49 to 56.

1.2 GOING CONCERN

During this uncertain economic period the Board has undertaken a thorough review of the Group's ability to operate as a going concern. This has included reviewing and approving budgets for 2009 as well as extending those budgets out to March 2010 and also considering the current pipeline of orders and the outlook for future orders. The Board has also reviewed the current banking facilities which are in place until 22 April 2010 and the covenant calculations relating to those bank borrowings which are well within their limits. The Group is highly cash generative and ordinarily uses surplus cash to invest into the hire fleet and other property, plant and equipment to increase the future revenue potential of the Group. However such investment could easily be curtailed if cash balances were to reduce.

Therefore the directors are of the opinion that the Group has adequate resources to continue to operate for the foreseeable future and have prepared the accounts on a going concern basis.

1.3 BASIS OF CONSOLIDATION

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

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

Intercompany transactions and balances between companies are eliminated in full.

1.4 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.

1.5 INTANGIBLE 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 ten years.

1. ACCOUNTING POLICIES CONTINUED

1.5 INTANGIBLE ASSETS AND AMORTISATION CONTINUED

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.

1.6 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.

1.7 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 and machinery	– 10%	Reducing balance
Motor vehicles	– 25%	Reducing balance
Furniture and fittings	– 10-33%	Reducing balance and straight line
Hire equipment	– 10%	Straight line

The cost of hire equipment includes capitalised labour costs.

1.8 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.

1.9 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.

1.10 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;
- 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).

NOTES TO THE FINANCIAL STATEMENTS CONTINUED
FOR THE YEAR ENDED 31 DECEMBER 2008

1. ACCOUNTING POLICIES CONTINUED

1.10 CURRENT AND DEFERRED TAXATION CONTINUED

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.

Current tax is calculated in accordance with tax rates and laws that have been enacted or substantially enacted at the balance sheet date.

1.11 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").

1.12 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. Costs incurred on renewal of annual finance facilities are charged directly to the profit and loss account in that year.

1.13 PENSIONS

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

1.14 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 (eg 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.

1. ACCOUNTING POLICIES CONTINUED

1.14 FINANCIAL INSTRUMENTS CONTINUED

(b) Financial liabilities

The Group classifies its financial liabilities into one of two categories, depending on the purpose for which the asset was acquired.

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; and
- 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.

1.15 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.

1.16 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.

1.17 NEW STANDARDS AND INTERPRETATIONS

In preparing the Group financial statements, the following interpretations have been adopted which have had no impact on the Group financial statements:

- IFRIC 11: Group and Treasury Share Transactions; and
- IFRIC 14: IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction.

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

NOTES TO THE FINANCIAL STATEMENTS CONTINUED
FOR THE YEAR ENDED 31 DECEMBER 2008

1. ACCOUNTING POLICIES CONTINUED
1.17 NEW STANDARDS AND INTERPRETATIONS CONTINUED
IAS 1: Presentation of financial statements (revised 2007)
IAS 1 (Revised 2007) is mandatory for accounts periods beginning on or after 1 January 2009.

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 is 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.

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 is currently assessing the impact of this revision on the financial statements.

Amendments to IFRS 7: Improving Disclosures about Financial Instruments
This amendment 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 amendment requires the analysis of each class of financial asset and financial liability, into a three level fair value measurement hierarchy. It requires additional disclosures in respect of those financial instruments classified as Level Three (namely those that are measured using a valuation technique which uses inputs that are not based on observable market data). It also implements some changes to the definition of and disclosures associated with liquidity risk.

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

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.

This amendment clarifies that vesting conditions are service conditions and performance conditions only. Other features of a share-based payment are not vesting conditions. The amendment also specifies that all cancellations, whether by the Company or by other parties, should receive the same accounting treatment.

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 is 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.

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

1. ACCOUNTING POLICIES CONTINUED

1.17 NEW STANDARDS AND INTERPRETATIONS CONTINUED

Improvements to IFRS

The improvements to IFRS are mandatory for accounts periods beginning on or after 1 January 2009.

This amendment takes various forms, including the clarification of the requirements of IFRS and the elimination of inconsistencies between Standards. The most significant changes cover the following issues: The classification of assets and liabilities as held-for-sale where a non-controlling interest is retained; accounting by companies that routinely sells assets previously held for rental to others; accounting for loans given at a nil or below market rate of interest; the reversal of impairments against investments in associates accounted for using the equity method; the timing of expense recognition for costs incurred on advertising and other promotional activity; and, accounting for properties in the course of construction.

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

IFRIC 17: Distributions of Non-cash Assets to Owners

IFRIC 17, which is effective for accounting periods beginning on or after 1 July 2009 is not as yet endorsed for use in the European Union.

The Interpretation clarifies that: a dividend payable should be recognised when the dividend is appropriately authorised and is no longer at the discretion of the entity; that an entity should measure the dividend payable at the fair value of the net assets to be distributed; and, that an entity should recognise the difference between the dividend paid and the carrying amount of the net assets distributed in profit or loss. The Interpretation also requires an entity to provide additional disclosures if the net assets being held for distribution to owners meet the definition of a discontinued operation. IFRIC 17 applies to pro-rata distributions of non-cash assets except for common control transactions. It does not have to be applied retrospectively.

Management is currently assessing the impact of this interpretation on the financial statements.

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, whilst effective for accounting periods beginning on or after 1 January 2008, this interpretation awaits endorsement for use in the European Union. It 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 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.

IFRIC 13 is not relevant to the Group's operations as it currently does not enter into such transactions with customers.

IFRIC 15: Agreements for the Construction of Real Estate

IFRIC 15, which is effective for accounting periods beginning on or after 1 January 2009 is not as yet endorsed for use in the European Union.

This Interpretation clarifies the definition of a construction contract, the interaction between IAS 11 and IAS 18 and provides guidance on how to account for revenue when the agreement for the construction of real estate falls within the scope of IAS 18.

IFRIC 15 is not relevant to the Group's operations as it currently does not enter into contracts for the construction of real estate.

IFRIC 16: Hedges of a Net Investment in a Foreign Operation

IFRIC 16, which is effective for accounting periods beginning on or after 1 October 2008 is not as yet endorsed for use in the European Union.

IFRIC 16 clarifies that: (a) the presentation currency does not create an exposure to which an entity may apply hedge accounting. Consequently, a parent entity may designate as a hedged risk only the foreign exchange differences arising from a difference between its own functional currency and that of its foreign operation; (b) the hedging instrument(s) may be held by any entity or entities within the Group, other than the entity being hedged; (c) while IAS 39: Financial Instruments: Recognition and Measurement must be applied to determine the amount that needs to be reclassified to profit or loss from the foreign currency translation reserve in respect of the hedging instrument, IAS 21: The Effects of Changes in Foreign Exchange Rates must be applied in respect of the hedged item. IFRIC 16 applies prospectively from its effective date.

IFRIC 16 is currently not relevant to the Group as there are no such hedging arrangements in place.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED
FOR THE YEAR ENDED 31 DECEMBER 2008

1. ACCOUNTING POLICIES CONTINUED
1.17 NEW STANDARDS AND INTERPRETATIONS CONTINUED
IFRIC 18: Transfer of Assets from Customers
IFRIC 18, which is effective for accounting periods beginning on or after 1 July 2009 is not as yet endorsed for use in the European Union.

The interpretation clarifies the treatment of agreements in which an entity receives from a customer an item of property, plant and equipment (or cash which must be used only to acquire or construct an item of property, plant and equipment) that the entity must then use either to connect the customer to a network or to provide the customer with ongoing access to a supply of goods or services. The interpretation clarifies whether and when an asset should be recognised, and how it should be measured. It also clarifies how revenue arising from such a transaction should be recognised.

IFRIC 16 is not relevant to the Group's operations as it currently does not enter into such transactions with customers.

Amendments to IAS 32: Financial Instruments: Presentation (Puttable instruments and obligations arising on a liquidation) and disclosure amendments to IAS 1.
The amendments to IAS 32 and the related disclosure amendments IAS 1 is mandatory for accounts periods beginning on or after 1 January 2009.

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 amendment is currently not relevant to the Group as there are no such financial instruments in issue.

Amendment to IAS 39 Financial Instruments: Recognition and Measurement: Eligible Hedged Items
This amendment is effective for annual periods commencing on or after 1 July 2009 but is not as yet endorsed for use in the European Union.

The amendment clarifies how the principles that determine whether a hedged risk or portion of cash flows is eligible for designation should be applied in the designation of a one-sided risk in a hedged item, and inflation in a financial hedged item.

The amendment is currently not relevant to the Group as there are no such hedging arrangements in place.

Amendments to IAS 39 and IFRS 7: Reclassification of Financial Instruments
The above amendments to IAS 39 and IFRS 7 are effective for reclassifications made on or after 1 July 2008.

This amendment permits an entity to reclassify non-derivative financial assets (other than those designated at fair value through profit or loss by the entity upon initial recognition) out of the fair value through profit or loss category in particular circumstances. The amendment also permits an entity to transfer from the available-for-sale category to the loans and receivables category a financial asset that would have met the definition of loans and receivables (if the financial asset had not been designated as available for sale), if the entity has the intention and ability to hold that financial asset for the foreseeable future.

The amendment is currently not relevant to the Group on the basis that it is not party to contracts involving financial instruments that are the subject of the above amendments.

Embedded derivatives: amendments to IFRIC 9 and IAS 39
The above amendments to IFRIC 9 and IAS 39 are effective for accounting periods ending on or after 30 June 2009 and are not as yet endorsed for use in the European Union.

The reclassification amendment to IAS 39 and IFRS 7 (above) allows entities to reclassify particular financial instruments out of the "at fair value through profit or loss" category in specific circumstances.

The amendments to IFRIC 9 and IAS 39 clarify that on reclassification of a financial asset out of the "at fair value through profit or loss" category all embedded derivatives have to be assessed and, if necessary, separately accounted for in financial statements.

The amendment is currently not relevant to the Group on the basis that it is not party to contracts involving financial instruments that are the subject of the above amendments.

1.18 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:

1. ACCOUNTING POLICIES CONTINUED

1.18 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS CONTINUED

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 as shown in note 10. 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 (see note 11), 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 as per note 15. 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 (see note 8).

2. SEGMENT INFORMATION

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

The entire revenue 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 by location of assets.

	2008					2007			
	UK £'000	Germany £'000	Middle East £'000	Central Asia £'000	Total £'000	UK £'000	Germany £'000	Middle East £'000	Total £'000
Revenue	**12,755**	**444**	**2,446**	**1,033**	**16,678**	10,376	508	319	11,203
Less Intercompany trading	**(944)**	**–**	**–**	**–**	**(944)**	–	–	–	–
Consolidated revenue	**11,811**	**444**	**2,446**	**1,033**	**15,734**				
Profit before taxation	**1,866**	**173**	**467**	**461**	**2,967**	1,142	362	127	1,631
Balance sheet									
Assets	**15,393**	**274**	**1,084**	**2,342**	**19,093**	11,129	451	2,941	14,521
Liabilities	**(7,708)**	**33**	**(1,385)**	**(61)**	**(9,121)**	(5,497)	(51)	(834)	(6,382)
	7,685	**307**	**(301)**	**2,281**	**9,972**	5,632	400	2,107	8,139
Other									
Capital expenditure	**1,770**	**16**	**2,018**	**614**	**4,418**	1,859	16	209	2,084
Depreciation	**528**	**10**	**34**	**143**	**715**	401	17	26	444
Amortisation	**95**	**–**	**–**	**–**	**95**	124	2	–	126
Share option charge	**45**	**–**	**–**	**–**	**45**	29	–	–	29

EXTERNAL REVENUE

By customer location

	2008 £'000	2007 £'000
UK	**4,400**	3,435
USA	**2,713**	1,094
Middle East	**2,815**	1,205
Central Asia	**1,033**	–
Far East	**2,106**	2,803
Other	**2,667**	2,666
	15,734	11,203

NOTES TO THE FINANCIAL STATEMENTS CONTINUED
FOR THE YEAR ENDED 31 DECEMBER 2008

3. PROFIT FROM OPERATIONS

The operating profit is stated after charging:

	2008 £'000	2007 £'000
Amortisation – customer relationships	**73**	105
Depreciation of property, plant and equipment:		
– owned by the Company	**637**	402
– held under finance leases	**78**	42
Operating lease rentals:		
– other operating leases	**104**	38
Cost of inventories recognised as an expense during the year	**4,909**	2,706
Foreign exchange (gains)/losses	**(620)**	3
Amortisation of deferred research and development expenditure	**22**	21
Share-based payment remuneration	**45**	29

See note 6 for auditors' fees.

4. STAFF COSTS

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

	2008 £'000	2007 £'000
Wages and salaries	**2,959**	2,014
Social security costs	**222**	194
Other pension costs	**97**	58
Share-based payments	**45**	29
	3,323	2,295

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

	2008 Number	2007 Number
Technical and production	**53**	45
Sales	**5**	5
Administration	**23**	14
	81	64

5. DIRECTORS' REMUNERATION

	2008				2007
	Salary £'000	Bonus £'000	Benefits £'000	Total £'000	Total £'000
P Harris	**20**	**–**	**–**	**20**	20
E Hook	**84**	**65**	**2**	**151**	127
A Mehta	**57**	**12**	**–**	**69**	32
B Connolly	**–**	**–**	**–**	**–**	28
J Gould	**78**	**32**	**12**	**122**	101
M Dodson	**6**	**–**	**–**	**6**	5
D Marshall	**5**	**–**	**–**	**5**	5
	250	**109**	**14**	**373**	318

6. AUDITORS' REMUNERATION

	2008 £'000	2007 £'000
Fees payable to the Company's auditors for the audit of the Company's annual accounts	**23**	21
Fees payable to the Company's auditors in respect of:		
– audit of the Company's subsidiaries	**19**	18
– tax services	**8**	4
– corporate finance services	**35**	42
– fees related to the acquisitions included in acquisition costs	**–**	(42)

7. FINANCE COSTS

	2008 £'000	2007 £'000
On bank loans and overdrafts	**177**	91
On finance leases and hire purchase contracts	**26**	9
	203	100

8. INCOME TAX EXPENSE

	2008 £'000	2007 £'000
Current tax expense	**847**	440
Prior year under/(over) provision of tax	**123**	(48)
Deferred tax expense resulting from the origination and reversal of temporary differences	**79**	85
Tax on profit on ordinary activities	**1,049**	477

FACTORS AFFECTING TAX CHARGE FOR THE YEAR

The tax assessed for the year is higher (2007: lower) than the standard rate of corporation tax in the UK (28.5%). The rate is calculated through the apportionment of two different rates following changes for the tax year 2009. The differences are explained below:

	2008 £'000	2007 £'000
Profit on ordinary activities before tax	**2,967**	1,631
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 28.5% (2007: 30%)	**846**	490
Effects of:		
Expenses not allowable for tax purposes	**80**	60
Income not taxable for tax purposes	**–**	(34)
Other differences	**–**	9
Under/(over) provision in prior period	**123**	(48)
Total tax charge for the year (see note above)	**1,049**	477

FACTORS THAT MAY AFFECT FUTURE TAX CHARGE

There are no factors that may affect future tax charges

9. EARNINGS PER SHARE ("EPS")

	2008 £'000	2007 £'000
Numerator		
Earnings used in basic and diluted EPS	**1,918**	1,154
	Number	Number
Denominator		
Weighted average number of shares used in basic EPS	**7,586,054**	7,532,163
Effects of share options	**88,085**	433,630
Weighted average number of shares used in diluted EPS	**7,674,139**	7,965,793

At the end of the year, the Company had in issue 288,861 (2007: 123,123) share options which have not been included in the calculation of the diluted earnings per share because their effects are anti-dilutive. These share options could be dilutive in the future.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED
FOR THE YEAR ENDED 31 DECEMBER 2008

10. INTANGIBLE ASSETS

	Customer relationships £'000	Order backlog £'000	Development £'000	Goodwill £'000	Total £'000
Cost					
At 1 January 2008	**942**	**–**	**152**	**2,348**	**3,442**
At 31 December 2008	**942**	**–**	**152**	**2,348**	**3,442**
Amortisation					
At 1 January 2008	**151**	**–**	**37**	**–**	**188**
Charge for the year	**73**	**–**	**22**	**–**	**95**
At 31 December 2008	**224**	**–**	**59**	**–**	**283**
Net book value					
At 31 December 2008	**718**	**–**	**93**	**2,348**	**3,159**
At 31 December 2007	**791**	**–**	**115**	**2,348**	**3,254**

	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

The goodwill and other intangible assets arising during 2007 arose on the acquisition of Loadbank Hire Services ("LHS") and RDS (Technical) Limited ("RDS"). 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	7.25 years	4.25 years
LHS	8.25 years	–
RDS	8.75 years	–

10. INTANGIBLE ASSETS CONTINUED

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 £2,183,000 (2007: £2,194,000). 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 2013. Cash flow projections beyond 2013 have been extrapolated assuming no further growth.

The discount rate used to measure the CGU's value in use was 13% (2007: 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 subsequent to year five.

	CGU 2008	CGU 2007
Discount rate	**13%**	12%
Operating margin (gross)	**55%**	55%
Growth rate	**5%**	5%
Wage inflation	**3%**	3%
Market share	**No change**	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 weighted average cost of capital 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 directors do not consider the impairment calculation to be sensitive to movements in the above assumptions.

The remaining goodwill of £154,000 (2007: £154,000) 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 2008	**1,876**	**96**	**249**	**131**	**3,610**	**5,962**
Exchange differences	**–**	**–**	**–**	**2**	**9**	**11**
Additions	**1,930**	**45**	**415**	**101**	**1,916**	**4,407**
Disposals	**–**	**–**	**(137)**	**–**	**(578)**	**(715)**
At 31 December 2008	**3,806**	**141**	**527**	**234**	**4,957**	**9,665**
Depreciation						
At 1 January 2007	**48**	**14**	**6**	**31**	**465**	**564**
Charge for the year	**42**	**10**	**96**	**37**	**530**	**715**
On disposals	**–**	**–**	**(68)**	**–**	**(221)**	**(289)**
At 31 December 2008	**90**	**24**	**34**	**68**	**774**	**990**
Net book value						
At 31 December 2008	**3,716**	**117**	**493**	**166**	**4,183**	**8,675**
At 31 December 2007	**1,828**	**82**	**243**	**100**	**3,145**	**5,398**

NOTES TO THE FINANCIAL STATEMENTS CONTINUED
FOR THE YEAR ENDED 31 DECEMBER 2008

11. PROPERTY, PLANT AND EQUIPMENT CONTINUED

	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

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

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

	2008 £'000	2007 £'000
Motor vehicles	**340**	135
Hire fleet	**246**	76

12. INVENTORIES

	2008 £'000	2007 £'000
Raw materials	**898**	672
Work in progress	**198**	464
	1,096	1,136

13. TRADE AND OTHER RECEIVABLES

	2008 £'000	2007 £'000
Due within one year		
Trade receivables	**3,845**	3,072
Other receivables	**66**	87
Prepayments	**174**	113
	4,085	3,272

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

	2008 £'000	2007 £'000
Pound Sterling	**2,400**	2,217
Euro	**270**	796
US Dollar	**888**	146
Arab Emirates Dirham	**345**	–
Other	**8**	–
	3,911	3,159

13. TRADE AND OTHER RECEIVABLES CONTINUED

At 31 December 2008, trade receivables of £555,000 (2007: £637,000) were past due but not impaired. They relate to customers with no default history. The ageing of these receivables is as follows:

	2008 £'000	2007 £'000
Up to three months past due	**197**	501
Three to six months past due	**273**	37
Six to twelve months past due	**58**	–
Greater than twelve months past due	**27**	99
	555	637

Since the year end £444,000 of the £555,000 has been received from customers.

At 31 December 2008 trade receivables of £141,000 (2007: £4,000) were past due and are considered to be impaired due to the fact that the debts are old and due from customers in financial difficulty. The amount of the provision at 31 December 2008 was £141,000 (2007: £4,000). The receivables relate to trade debtors. The ageing of these receivables is as follows:

	2008 £'000	2007 £'000
Greater than twelve months	**141**	4

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:

	2008 £'000	2007 £'000
Opening balance	**4**	12
Increases in provisions	**141**	–
Written off against provisions	–	–
Recovered amounts reversed	**(4)**	(8)
Closing balance	**141**	4

The maximum exposure to credit risk at 31 December 2008 is £5,929,000 (2007: £4,620,000).

14. TRADE AND OTHER PAYABLES – CURRENT

	2008 £'000	2007 £'000
Trade payables	**1,316**	1,420
Social security and other taxes	**431**	149
Other payables	**22**	4
Accruals and deferred income	**615**	380
	2,384	1,953

Included within the trade and other payables is £397,000 (2007: £20,000) denominated in AED.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED
FOR THE YEAR ENDED 31 DECEMBER 2008

15. FINANCIAL LIABILITIES

CURRENT

	2008 £'000	2007 £'000
Bank loans – secured	**101**	101
Capitalised debt fees	**(1)**	(22)
Banking facility	**1,626**	–
Total	**1,726**	79

	2008 £'000	2007 £'000
Net obligations under finance leases and hire purchase agreements	**240**	94
Total	**1,966**	173

The fair value of the Group's Bank loans at the balance sheet date was £3.03 million (2007: £1.37 million). For the Group's other loans and borrowings, the carrying amounts are a reasonable approximation of the financial instruments' fair value.

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 Eric Hook and Daryl Robinson.

The Group also has a multi-option banking facility that allows the Group to utilise a maximum of £1.9 million which includes a revolving credit facility of £1,900,000. The facility is renewable on 20 May 2009. The interest rate is fixed at 2.5% over LIBOR. Interest accrues on a daily basis and increases the balance outstanding on the facility.

The bank facility (£1,626,000) is considered to be a financial liability due to its repayment terms, and is therefore included in financial liabilities.

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

	2008		2007	
	Floating rate £'000	Fair value £'000	Floating rate £'000	Fair value £'000
Expiry within one year	**100**	**100**	101	101
More than one year less than two years	**100**	**100**	101	101
More than two years less than five years	**300**	**300**	303	303
More than five years	**900**	**900**	970	970
Total	**1,400**	**1,400**	1,475	1,475

Fair value has been established at the market rate prevailing as at 31 December 2008.

OTHER FINANCIAL LIABILITIES

	2008 £'000	2007 £'000
Deferred consideration for purchase of subsidiary	**988**	1,150

As described in note 24, during the year the Group acquired, through its subsidiary Northbridge (Middle East) FZE, 100% of the issued share capital of Duck Trading (FZE), ("Duck") for a total consideration of £1.93 million of which £0.988 million is deferred until April 2009.

15. FINANCIAL LIABILITIES CONTINUED

NON-CURRENT

	2008 £'000	2007 £'000
Bank loans – secured	**1,312**	1,374
Capitalised debt fees	**(13)**	(83)
Total	**1,299**	1,291
Net obligations under finance leases and hire purchase agreements	**203**	51
	1,502	1,342

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

2008	Minimum lease payments £'000	Interest £'000	Present value £'000
Not later than one year	**248**	**23**	**225**
Between one and five years	**229**	**26**	**203**
	477	**49**	**428**

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

16. PROVISIONS

	2008 £'000	2007 £'000
Provision for employment costs		
At 1 January	**212**	265
Released during the year	**–**	(53)
	212	212

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

17. DEFERRED TAXATION

	2008 £'000	2007 £'000
Opening provision	**604**	500
Movement on intangible assets	**–**	(60)
On acquisition	**–**	91
On revaluation of land and buildings	**–**	(12)
Taken to income statement in current year	**79**	85
Closing provision	**683**	604

The provision for deferred taxation is made up as follows:

	2008 £'000	2007 £'000
Accelerated capital allowances	**409**	330
Revalued element of land and buildings	**137**	137
Fair value of intangibles on acquisition	**221**	221
Other temporary differences	**(84)**	(84)
	683	604

NOTES TO THE FINANCIAL STATEMENTS CONTINUED
FOR THE YEAR ENDED 31 DECEMBER 2008

18. SHARE CAPITAL

	2008 £'000	2007 £'000
Authorised		
30,000,000 Ordinary shares of 10 pence each (2007: 30,000,000 Ordinary shares of 10 pence each)	**3,000**	3,000
Allotted, called up and fully paid		
7,630,149 Ordinary shares of 10 pence each (2007: 7,630,149 Ordinary shares of 10 pence each)	**763**	763

	2008 Number	2008 £'000	2007 Number	2007 £'000
Ordinary shares of 10 pence each				
At beginning of year	**7,630,149**	**763**	7,388,495	739
Exercise of share options	**–**	**–**	241,654	24
At end of year	**7,630,149**	**763**	7,630,149	763

	2008 Number	2007 Number
Treasury shares held by the Company	**88,350**	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	Foreign exchange reserve £'000	Profit and loss account £'000
At 1 January 2008	**5,546**	**(59)**	**–**	**–**	**1,889**
Profit retained for the year	**–**	**–**	**–**	**–**	**1,918**
Foreign exchange gain on retranslation	**–**	**–**	**–**	**178**	**–**
Dividends paid during the year	**–**	**–**	**–**	**–**	**(250)**
Share option expense for the year	**–**	**–**	**–**	**–**	**45**
Purchase of Ordinary shares for holding in treasury	**–**	**(58)**	**–**	**–**	**–**
At 31 December 2008	**5,546**	**(117)**	**–**	**178**	**3,602**

Group	Share premium account £'000	Treasury share reserve £'000	Share option reserve £'000	Foreign exchange 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

19. RESERVES CONTINUED

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

RESERVE	DESCRIPTION AND PURPOSE
Share capital account	Amount subscribed for share capital.
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.
Foreign exchange reserve	Amount arising on the retranslation of foreign subsidiaries.
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 £97,000 (2007: £56,000).

21. OPERATING LEASE COMMITMENTS

At 31 December 2008 the total future of minimum lease payments are due as follows:

Property	2008 £'000	2007 £'000
Not later than one year	**28**	50
Later than one year and not later than five years	**62**	63
	90	113

Other assets	2008 £'000	2007 £'000
Not later than one year	**9**	40
Later than one year and not later than five years	**–**	9
	9	49

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	100%
RDS (Trading) Limited**	United Kingdom	100%
Duck Trading Limited**	United Arab Emirates	50%*

* This subsidiary has been consolidated as if it were owned as a 100% subsidiary at the year end, due to a contractual commitment to acquire the remaining 50%.

** These subsidiaries are indirectly held by the Company.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED
FOR THE YEAR ENDED 31 DECEMBER 2008

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.

	2008		2007	
	Weighted average exercise price pence	**Number**	Weighted average exercise price pence	Number
Outstanding at the beginning of the year		**514,000**		569,654
Granted during the year	**129**	**141,000**	123	190,000
Exercised during the year		**–**		(241,654)
Lapsed during the year		**–**		(4,000)
Outstanding at the end of the year	**129**	**655,000**	123	514,000

The exercise price of options outstanding at the end of the year ranged between 103.5 pence and 173.5 pence (2007: 103.5 pence and 173.5 pence) and their weighted average contractual life was one year one month (2007: one year ten months). The weighted average exercise price of the options is 129.4 pence.

Of the total number of options outstanding at the end of the year, 20,000 (2007: 20,000) 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.

	2008
Options granted	141,000
Date of grant	9 April 2008
Fair value per option at measurement date	155p
Share price	155p
Exercise price	155p
Weighted average exercise price	155p
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%

	2007
Options granted	146,000
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	1 years 3 months
Expected volatility	30%
Earliest exercisable point	3 years
Option life	10 years
Risk-free interest rate	5.25%
Options granted	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	1 years 9 months
Expected volatility	30%
Earliest exercisable point	3 years
Option life	10 years
Risk-free interest rate	5.75%

23. SHARE-BASED PAYMENTS CONTINUED

	2006
Options granted	569,654
Date of grant	30 May 2006
Fair value per option at measurement date	103.5p
Share price	103.5p
Exercise price	150.0p – 300.0p
Weighted average exercise price	225.0p
Weighted average exercise life	5 months
Expected volatility	25%
Earliest exercisable point	3 years
Option life	10 years
Risk-free interest rate	4.5%

The volatility rates are based on the average share price movement during the year to 31 December 2008 and 31 December 2007.

The share-based remuneration expense for the year is £45,000 (2007: £29,000) of which £37,000 (2007: £25,000) relates to key management personnel.

The following share options were outstanding at 31 December 2008:

Type of scheme	Date of grant	**Number of shares 2008**	Number of shares 2007
Unapproved share option	30 May 2006	**171,000**	171,000
Approved share option	30 May 2006	**25,000**	25,000
Non-executive and consultant share option	30 May 2006	**128,000**	128,000
Non-executive and consultant share option	2 April 2007	**18,000**	18,000
Unapproved share option	2 April 2007	**100,000**	100,000
Approved share option	2 April 2007	**32,000**	32,000
Unapproved share option	27 September 2007	**40,000**	40,000
Non-executive and consultant share option	9 April 2008	**6,000**	–
Unapproved share option	9 April 2008	**87,000**	–
Approved share option	9 April 2008	**48,000**	–
		655,000	514,000

DIRECTORS' SHARE OPTIONS

	Date of grant	Number of shares	Exercise price	Normal exercise period	Scheme type
P Harris	30 May 2006	108,000	103.5p	30/05/2009-30/05/2016	Non-executive/consultants
E Hook	30 May 2006	29,000	103.5p	30/05/2009-30/05/2016	Approved
E Hook	30 May 2006	171,000	103.5p	30/05/2009-30/05/2016	Unapproved
E Hook	2 April 2007	100,000	151.0p	02/04/2010-02/04/2017	Unapproved
E Hook	9 April 2008	40,000	155.0p	09/04/2011-09/04/2018	Unapproved
J Gould	9 April 2008	19,000	155.0p	09/04/2011-09/04/2018	Approved
J Gould	9 April 2008	6,000	155.0p	09/04/2011-09/04/2018	Unapproved
A Mehta	2 April 2007	18,000	151.0p	02/04/2010-02/04/2017	Non-executive/consultants
A Mehta	9 April 2008	6,000	155.0p	09/04/2011-09/04/2018	Non-executive/consultants

The 2006 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. All other options are exercisable subject to three-year earnings per share targets set by the Remuneration Committee. Options are normally exercisable from the third anniversary from the date of grant.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED
FOR THE YEAR ENDED 31 DECEMBER 2008

24. ACQUISITIONS DURING THE PRIOR 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 had a call option to purchase, and the vendors had a put option to sell, the remaining 49% of RDS on the 31 March 2008. The price was to 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 would be achieved if the profits before taxation of RDS are £328,000 in the year ending 31 March 2008.

The Company acted upon the option to purchase the remaining 49% of RDS on the 31 March 2008. The price paid was the maximum amount calculable of £1.8 million following the profits for the year ending 31 March 2008 exceeding £328,000.

24. ACQUISITIONS DURING THE PRIOR YEAR CONTINUED

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

Fair value of assets acquired

	£'000	£'000
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 revenue would have been £12.3 million and Group profit for the year would have been £1.76 million.

25. NOTE SUPPORTING THE CASH FLOW STATEMENT

	2008 £'000	2007 £'000
Cash and cash equivalents comprises:		
Cash available on demand	**2,078**	1,461
Overdrafts	**–**	(359)
	2,078	1,102

NOTES TO THE FINANCIAL STATEMENTS CONTINUED
FOR THE YEAR ENDED 31 DECEMBER 2008

26. 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; and
- bank loans.

GENERAL OBJECTIVES, POLICIES AND PROCESSES

The Board has overall responsibility for the determination of the Group's risk management objectives and polices 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 2008 £'000	Loans and receivables 2007 £'000
Current financial assets		
Trade and other receivables	**3,911**	3,159
Cash and cash equivalents	**2,078**	1,461
Total current financial assets	**5,989**	4,620

	Deferred consideration 2008 £'000	Deferred consideration 2007 £'000	Financial liabilities measured at amortised cost 2008 £'000	Financial liabilities measured at amortised cost 2007 £'000
Current financial liabilities				
Trade and other payables	**–**	–	**2,384**	1,953
Loans and borrowings	**988**	1,150	**1,966**	173
Total current financial liabilities	**988**	1,150	**4,350**	2,126
Non-current financial liabilities				
Loans and borrowings	**–**	–	**1,502**	1,342
Total non-current financial liabilities	**–**	–	**1,502**	1,342
Total financial liabilities	**988**	1,150	**5,852**	3,468

Financial liabilities denominated in foreign currency are not significant for separate disclosure.

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.

26. FINANCIAL INSTRUMENTS CONTINUED

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 twelve 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 revolving facility accrues a variable rate of interest at a rate of 2.5% above LIBOR.

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 (2007: £7,000). 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 revolving facility carried at that date would, all other variables held constant, have resulted in an increase in post-tax profit for the year of £8,000 (2007: £4,000). A 0.5% increase in the interest rate would, on the same basis, have decreased post-tax profit by the same amount.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED
FOR THE YEAR ENDED 31 DECEMBER 2008

26. FINANCIAL INSTRUMENTS CONTINUED

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 provide a cost effective benefit to the Group.

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

	2008 £'000 Floating rate	2007 £'000 Floating rate
Pound Sterling	**457**	999
Euro	**299**	296
US Dollar	**1,099**	119
Other	**223**	47
	2,078	1,461

Bank overdrafts at 31 December were as follows:

	2008 £'000 Floating rate	2007 £'000 Floating rate
Pound Sterling	**–**	359

Foreign currency risk has been more significant than in the previous year.

The following table shows the impact (due to the retranslation of non-functional currency monetary assets and liabilities in the Group's operations) of a 10% movement in the Group's principle foreign currency exchange rates at the year end date.

	10% increase		**10% decrease**	
	Effect on profit before tax £'000	**Effect on shareholders' equity £'000**	**Effect on profit before tax £'000**	**Effect on shareholders' equity £'000**
31 December 2008				
Euro	**63**	**63**	**(52)**	**(52)**
US Dollar	**177**	**177**	**(145)**	**(145)**
Other	**64**	**64**	**(52)**	**(52)**
31 December 2007				
Euro	121	121	(99)	(99)
US Dollar	27	27	(22)	(22)
Other	5	5	(4)	(4)

The effect on the profit before taxation and shareholders equity is due to the retranslation of trade receivables, cash borrowings and trade payables denominated in foreign currencies.

27. RELATED PARTIES

There were no related party transactions as at 31 December 2008 (2007: nil).

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

The directors are considered to be the key management personnel and their employee benefits and share-based payments expense are disclosed in note 5 and note 23 accordingly.

28. DIVIDENDS

	2008 £'000	2007 £'000
Final dividend of 2.0 pence (2007: 2.0 pence) per Ordinary share proposed and paid during the year relating to the previous year's results	**152**	148
Interim dividend of 1.3 pence (2007: 1.0 pence) per Ordinary share paid during the year	**98**	76
	250	224

The directors are proposing a final dividend of 2.6 pence (2007: 2.0 pence) per share totalling £196,000 (2007: £152,000), resulting in dividends for the whole year of 3.9 pence (2007: 3.0 pence) per share. The dividend has not been accrued at the balance sheet date.

PARENT COMPANY ACCOUNTS UNDER UK GAAP
PARENT COMPANY BALANCE SHEET
AS AT 31 DECEMBER 2008

	Note	2008 £'000	2008 £'000	2007 £'000	2007 £'000
Fixed assets					
Fixed asset investments	5		**7,270**		7,278
Current assets					
Debtors	6	**2,533**		1,309	
Cash at bank and in hand		**432**		–	
		2,965		1,309	
Creditors: amounts falling due within one year	7	**(2,332)**		(689)	
Net current assets			**633**		620
Total assets less current liabilities			**7,903**		7,898
Creditors: amounts falling due after more than one year	8		**(1,300)**		(1,291)
Net assets			**6,603**		6,607
Capital and reserves					
Called up share capital	11		**763**		763
Share premium account	12		**5,546**		5,546
Treasury share reserve	12		**(117)**		(59)
Profit and loss account	12		**411**		357
Shareholders' funds	13		**6,603**		6,607

The notes on pages 50 to 56 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 26 March 2009.

ASH MEHTA
Director

ERIC HOOK
Director

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2008

The Directors' Report is on pages 14 to 17 of the annual report.

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.

1.6 RELATED PARTY TRANSACTIONS
The Company has taken advantage of the exemption conferred by Financial Reporting Standard 8: Related party disclosures not to disclose transactions with members of the Group headed by Northbridge Industrial Services plc on the grounds that at least 90% of the voting rights in the Company are controlled within that Group and the Company is included in consolidated financial statements.

1.7 CASH FLOW STATEMENT
The Company has taken advantage of the exemption conferred by Financial Reporting Standard 1: Cash Flow Statements (Revised 1996) not to prepare a cash flow statement on the grounds that at least 90% of the voting rights in the Company are controlled within the Group headed by Northbridge Industrial Services plc and the Company is included in consolidated financial statements.

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 £1,141,000 (2007: loss £488,000).

3. STAFF COSTS

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

	2008 £'000	2007 £'000
Wages and salaries	**396**	268
Social security costs	**22**	20
Share-based remuneration	**37**	27
	455	315

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

	2008 Number	2007 Number
Administration	**5**	5

4. DIRECTORS' REMUNERATION

Details of director's remuneration 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	
At 31 December 2007	7,278
Additions	8
Adjustment	(16)
At 31 December 2008	**7,270**

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	100%*
RDS (Trading) Limited	United Kingdom	100%*
Duck Trading Limited	United Arab Emirates	50%*

* These subsidiaries are indirectly held by the Company.

6. DEBTORS

	2008 £'000	2007 £'000
Amounts owed by Group undertakings	**2,495**	1,288
Other debtors	**38**	21
	2,533	1,309

7. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2008 £'000	2007 £'000
Bank loan and overdraft	**1,726**	416
Trade creditors	**276**	206
Corporation tax	**255**	–
Amounts payable to Group undertakings	**75**	67
	2,332	689

Bank securities are detailed in note 9.

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS CONTINUED FOR THE YEAR ENDED 31 DECEMBER 2008

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

	2008 £'000	2007 £'000
Bank loan net of capitalised debt fees	**1,300**	1,291

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

	2008 £'000	2007 £'000
Bank loan net of debt fees, repayable by instalments	**900**	950

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 Eric Hook and Daryl Robinson.

Issue costs of £14,000 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

BORROWING FACILITIES

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

	2008		2007	
	Floating rate £'000	Fair value £'000	Floating rate £'000	Fair value £'000
Expiry within one year	**100**	**100**	101	101
More than one year less than two years	**100**	**100**	101	101
More than two years less than five years	**300**	**300**	303	303
More than five years	**900**	**900**	970	970
Total	**1,400**	**1,400**	1,475	1,475

Fair value has been established at the market rate prevailing as at 31 December 2008.

The Company has no undrawn, uncommitted borrowing facilities at 31 December 2008.

CASH FLOW INTEREST RATE RISK

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

	2008 £'000 Floating rate	2007 £'000 Floating rate
Pound Sterling	**432**	–
	432	–

Bank overdrafts as at 31 December were as follows:

	2008 £'000	2007 £'00
Pound Sterling	**–**	359
	–	359

Fair value has been established at the market rate prevailing at 31 December 2008 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.

	2008		2007	
	Weighted average exercise price pence	**Number**	Weighted average exercise price pence	Number
Outstanding at the beginning of the year		**514,000**		569,654
Granted during the year	**129**	**141,000**	123	190,000
Exercised during the year		**–**		(241,654)
Lapsed during the year		**–**		(4,000)
Outstanding at the end of the year	**129**	**655,000**	123	514,000

The exercise price of options outstanding at the end of the year ranged between 103.5 pence and 173.5 pence (2007: 103.5 pence and 173.5 pence) and their weighted average contractual life was one year one month (2007: one year ten 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 (2007: 20,000) 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.

	2008
Options granted during the year	141,000
Date of grant	9 April 2008
Fair value per option at measurement date	155p
Share price	155p
Exercise price	155p
Weighted average exercise price	155p
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%

	2007
Options granted during the year	146,000
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	1 year 3 months
Expected volatility	30%
Earliest exercisable point	3 years
Option life	10 years
Risk-free interest rate	5.25%
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	1 year 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 2008

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	150.0p – 300.0p
Weighted average exercise price	225.0p
Weighted average exercise life	5 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 2008 and in 2007 during the period from flotation until 31 December 2007.

The share-based remuneration expense for the year is £37,000 (2007: £27,000).

The following share options were outstanding at 31 December 2008:

Type of scheme	Date of grant	Number of shares 2008	Number of shares 2007
Unapproved share option	30 May 2006	**171,000**	171,000
Approved share option	30 May 2006	**25,000**	25,000
Non-executive and consultant share option	30 May 2006	**128,000**	128,000
Non-executive and consultant share option	2 April 2007	**18,000**	18,000
Unapproved share option	2 April 2007	**100,000**	100,000
Approved share option	2 April 2007	**32,000**	32,000
Unapproved share option	27 September 2007	**40,000**	40,000
Non-executive and consultant share option	9 April 2008	**6,000**	–
Unapproved share option	9 April 2008	**87,000**	–
Approved share option	9 April 2008	**48,000**	–
		655,000	514,000

DIRECTORS' SHARE OPTIONS

	Date of grant	Number of shares	Exercise price	Normal exercise period	Scheme type
P Harris	30 May 2006	108,000	103.5p	30/05/2009-30/05/2016	Non-executive/consultants
E Hook	30 May 2006	29,000	103.5p	30/05/2009-30/05/2016	Approved
E Hook	30 May 2006	171,000	103.5p	30/05/2009-30/05/2016	Unapproved
E Hook	2 April 2007	100,000	151.0p	02/04/2010-02/04/2017	Unapproved
E Hook	9 April 2008	40,000	155.0p	09/04/2011-09/04/2018	Unapproved
J Gould	9 April 2008	19,000	155.0p	09/04/2011-09/04/2018	Approved
J Gould	9 April 2008	6,000	155.0p	09/04/2011-09/04/2018	Unapproved
A Mehta	2 April 2007	18,000	151.0p	02/04/2010-02/04/2017	Non-executive/consultants
A Mehta	9 April 2008	6,000	155.0p	09/04/2011-09/04/2018	Non-executive/consultants
		497,000			

2006 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. All other options are exercisable subject to three-year earnings per share targets set by the Remuneration Committee. Options are normally exercisable from the third anniversary from the date of grant.

11. SHARE CAPITAL

	2008 £'000	2007 £'000
Authorised		
30,000,000 Ordinary shares of 10 pence each (2007: 30,000,000 Ordinary shares of 10 pence each)	**3,000**	3,000
Allotted, called up and fully paid		
7,630,149 Ordinary shares of 10 pence each (2007: 7,630,149 Ordinary shares of 10 pence each)	**763**	763

	2008 Number	2008 £'000	2007 Number	2007 £'000
Ordinary shares of 10 pence each				
At beginning of year	**7,630,149**	**763**	7,388,495	739
Exercise of share options	**–**	**–**	241,654	24
At end of year	**7,630,149**	**763**	7,630,149	763

	2008 Number	2007 Number
Treasury shares held by the Company	**88,350**	40,000

12. RESERVES

	Share premium account £'000	Treasury share reserve £'000	Profit and loss account £'000
At 1 January 2008	5,546	(59)	357
Loss retained for the year	–	–	(1,141)
Dividends received during the year	–	–	1,400
Dividends paid during the year	–	–	(250)
Share option expense for the year	–	–	45
Purchase of Ordinary shares for holding in treasury	–	(58)	–
At 31 December 2008	**5,546**	**(117)**	**411**

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

13. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	2008 £'000	2007 £'000
Opening shareholders' funds	**6,607**	6,956
Loss for the year	**(1,141)**	(488)
Dividends paid during the year	**(250)**	(224)
Dividends received during the year	**1,400**	350
Shares issued during the year	**–**	24
Shares repurchased and held in treasury share reserve	**(58)**	(59)
Share premium on shares issued	**–**	19
Share option expense	**45**	29
Closing shareholders' funds	**6,603**	6,607

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS CONTINUED
FOR THE YEAR ENDED 31 DECEMBER 2008

14. RELATED PARTIES

There were no related party transactions as at 31 December 2008. (2007: nil)

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

15. DIVIDENDS

	2008 £'000	2007 £'000
Final dividend of 2.0 pence (2007: 2.0 pence) per Ordinary share proposed and paid during the year relating to the previous year's results	**152**	148
Interim dividend of 1.3 pence (2007: 1.0 pence) per Ordinary share paid during the year	**98**	76
	250	224

The directors are proposing a final dividend of 2.6 pence (2007: 2.0 pence) per share totaling £196,000 (2007: £152,000), resulting in dividends for the whole year of 3.9 pence (2007: 3.0 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 third Annual General Meeting of Northbridge Industrial Services plc will be held at the offices of Buchanan Communications, 45 Moorfields, London EC2Y 9AE on 19 May 2009, commencing at 12 noon for the following purposes:

ORDINARY BUSINESS

1. To receive and adopt the financial statements for the year ended 31 December 2008 together with the Directors' Report and the Independent Auditors' Report.
2. To declare a final dividend of 2.6 pence per share for the year.
3. To re-elect as a director Michael Dodson who retires in accordance with the Company's Articles of Association.
4. To re-elect as a director David Marshall 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:

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

   b) 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

   c) 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:

   a) in connection with a rights issue;

   b) the allotment (otherwise than pursuant to sub-paragraph 1) above of equity securities up to an aggregate nominal amount of £76,301 representing 10% of the issued share capital; and

   c) 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.

NOTICE OF ANNUAL GENERAL MEETING CONTINUED

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:

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

   b) 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;

   c) 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

   d) any shares purchased will be held in treasury and may be resold at any time.

9. To consider the following ordinary resolution:

   That the performance criteria governing exercise of options issued in terms of the Unapproved Share Option Plan and the Unapproved Plan for non-executive directors and consultants be amended.

By order of the Board

CITY GROUP PLC
Company Secretary
30 City Road
London EC1Y 2AG
26 March 2009

FORM OF PROXY

I/we ....

of ....

....

being (a) member(s) of Northbridge Industrial Services plc hereby appoint the Chairman of the meeting, failing whom

....

as my/our proxy to vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held on 19 May 2009 and at any adjournment thereof.

I/we hereby authorise and instruct my/our proxy to vote as indicated below on the resolutions to be proposed at such meeting. Unless otherwise directed the proxy will vote or abstain from voting as he thinks fit.

Resolutions

	For	Against	Vote withheld
Ordinary business			
1. To adopt the financial statements.			
2. To declare a final dividend.			
3. To re-elect Michael Dodson as a director.			
4. To re-elect David Marshall as a director.			
5. To re-appoint the auditors and to authorise the directors to determine their remuneration.			
Special business			
Ordinary resolution 6. To authorise the directors to allot securities (within the meaning of Section 80 of the Companies Act 1985) up to an aggregate nominal amount of £2,236,985.			
Special resolution 7. To authorise the directors to allot securities (subject to limitations) as if pre-emption rights did not apply.			
Special resolution 8. To authorise the Company to make market purchases of its own shares.			
Ordinary resolution 9. To amend the Unapproved Share Option Plan and the Unapproved Plan for non-executive directors and consultants performance criteria.			

Dated .... Signature ....

Notes

(i) 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 member wishing to appoint more than one proxy must appoint each proxy in respect of a specified number of shares within his holding. For this purpose, a member may photocopy this Form of Proxy before completion and must indicate the number of shares in respect of which each proxy is appointed.

(ii) A corporation, which is a shareholder, may appoint an individual to act as its representative and to vote in person at the meeting. The appointment must comply with Section 375 of the Companies Act 1985. The representative should bring to the meeting evidence of his or her appointment, including any authority under which it is signed, unless previously given to the Company's registrars.

(iii) 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 15 minutes prior to the meeting 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.

(iv) The "vote withheld" option is provided to enable you to abstain on any particular resolution. However, it should be noted that a "vote withheld" is not a vote in law and will not be counted in the calculation of the proportion of the votes "for" and "against" a resolution.

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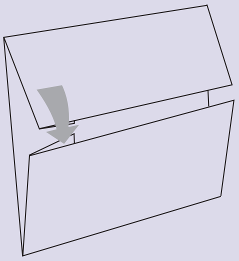

Capita Registrars
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