Northbridge Industrial Services plc
Annual report and accounts 2010

NORTHBRIDGE

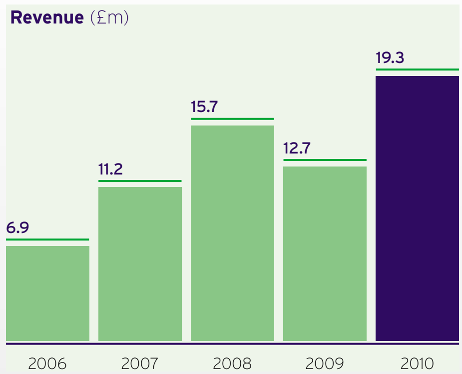
ABOUT US

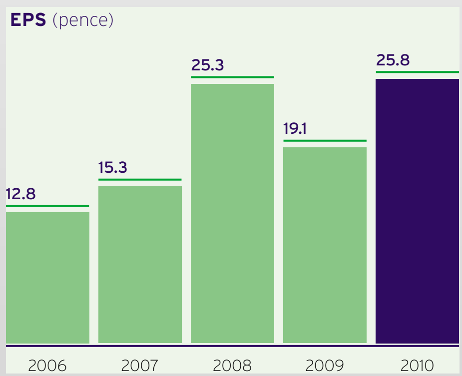
Northbridge Industrial Services was incorporated for the purpose of acquiring companies that hire and sell specialist industrial equipment, supplying a non-cyclical customer base including utility companies, the public sector and the oil and gas industries.

We have a presence in the UK, US, UAE, Germany, France, Australia, Singapore, India, Brazil, Korea and Azerbaijan.

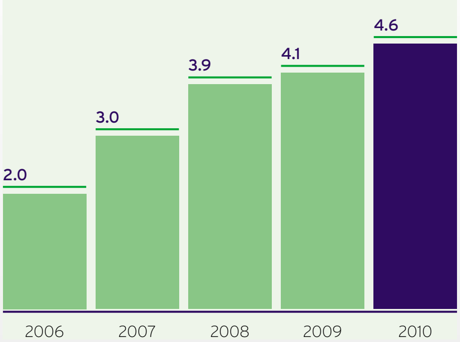
HIGHLIGHTS

- **Consolidated Group revenue of £19.3 million** (2009: £12.7 million)
- **Pre-tax profits of £3.7 million** (2009: £2.2 million)
- **Gross margins continue to grow, increasing to 62.4%** (2009: 59.1%)
- **Earnings per share up 35% to 25.8 pence** (2009: 19.1 pence)
- **Strong cash generation from operations of £6.0 million** (2009: £4.5 million)
- **Acquisition of Tasman Oil Tools in Australia and successful placing raising £6.7 million net of expenses**
- **Further substantial investment of £4.4 million into the hire fleet** (2009: £5.5 million)
- **Proposed increase in the final dividend to 3.05 pence, raising the total dividend for the year to 4.60 pence** (2009: 4.10 pence)**, an increase of 12.2%**

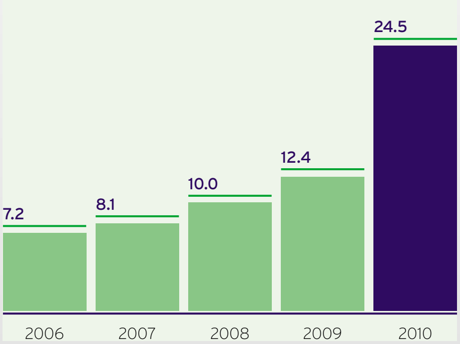




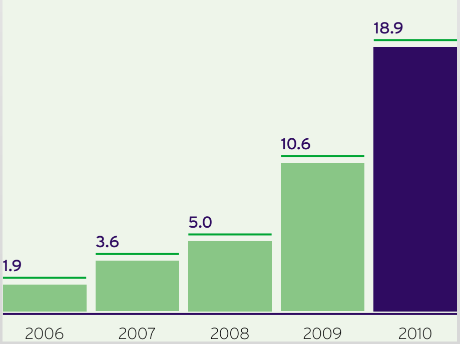
Dividend (pence)



Net assets (£m)

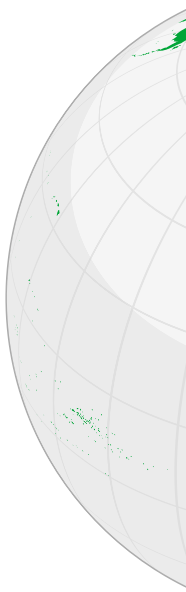


Hire fleet at cost (£m)



NORTHBRIDGE AROUND THE WORLD

Northbridge hires and sells specialist industrial equipment to a global customer base, with offices or agents in the UK, US, UAE, Germany, France, Australia, Singapore, India, Brazil, Korea and Azerbaijan. This includes utility companies, the oil and gas sector, shipping, construction and the public sector. The product range includes loadbanks, transformers, generators, compressors and oil tools.



Activities

Northbridge is involved in an increasing range of activities around the world. Below shows a number of the most common activities and sectors of our work:

- **Load testing generator**
  Standalone and standby power plant testing.
- **Marine**
  Power testing solutions for the marine industry.
- **Oil and Gas**
  Power testing and oil tools.
- **Business continuity**
  Full testing using a loadbank is essential for business continuity planning.
- **Transformers**
  Packaged transformers.

Read more about our activities on our website:
www.northbridgegroup.co.uk

Tasman Oil Tools Pty Ltd

Tasman Oil Tools is an Australian oilfield rental and service company that has been operating in Perth, Western Australia; Darwin, Northern Territory; and Sale, Victoria since 1980.

Products and services

Tools for onshore and offshore oil and gas drilling

- Offering a broad range of drilling equipment, support products, provision of offshore and in-house specialised services, as well as servicing of client owned equipment.
- Tasman has developed an intimate knowledge of the requirements of the Australasian oil and gas industry and landscape.
- Tools and services are utilised in downstream and upstream campaigns for onshore and offshore oil and gas drilling, coal bed methane and geothermal drilling operations.
- Tasman aims to provide our customers with high quality, economically viable solutions. We are committed to maintaining an ongoing dialogue with our clients and providing a high level of ongoing support designed to build long-term business relationships.

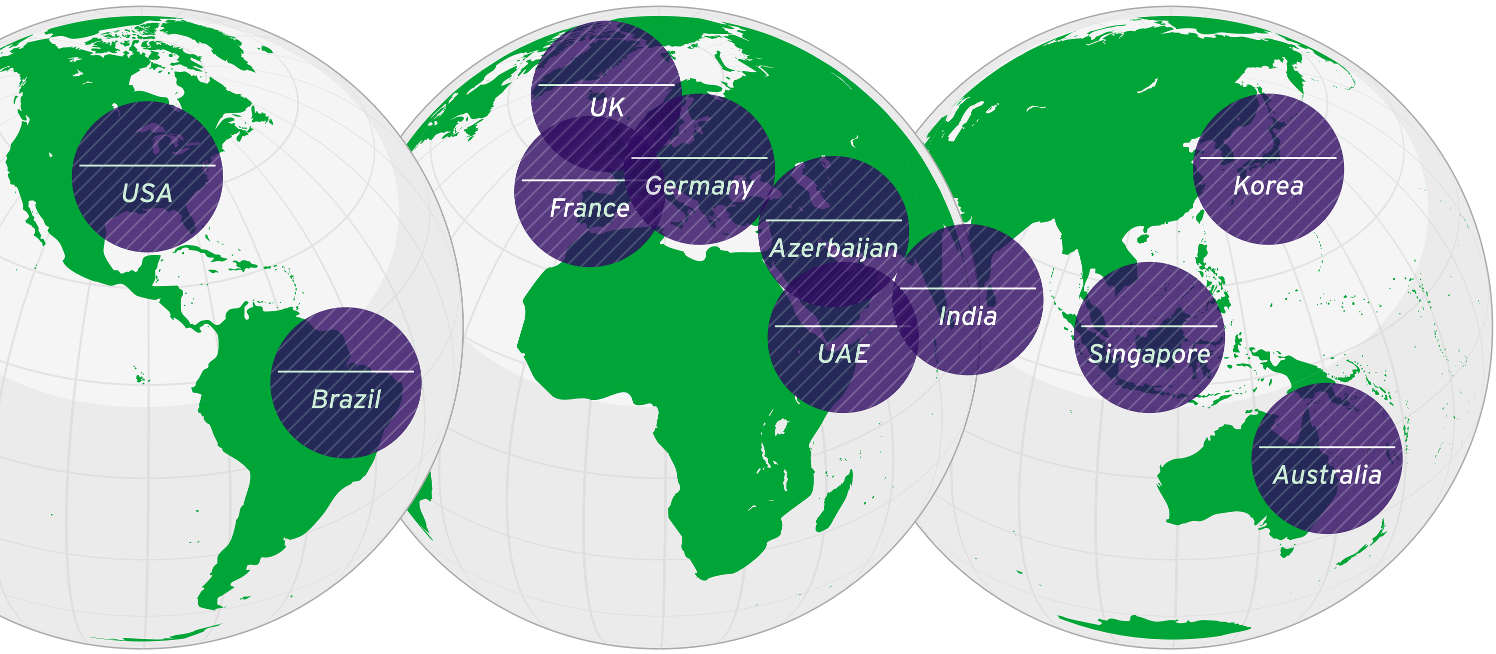
Crestchic Ltd

Established in 1983, 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.

Products and services

Loadbanks, generators, transformers

- World's largest specialist loadbank manufacturer, selling and hiring its equipment to companies worldwide.
- Sales and rental offices in the UK, United States, Singapore, Germany, the Netherlands, Brazil and Dubai.
- Products range from standard size resistive and reactive loadbanks to custom-designed and built loadbanks of any size at any voltage and frequency.
- Customers include companies serving the utilities, offshore oil and gas, shipbuilding and emergency and standby power sectors.



Northbridge (Middle East) FZE

NME was founded in the Jebel Ali Free Zone of Dubai to exploit opportunities in the Middle East.

Products and services

Loadbanks, generators, transformers

- A distributor for Crestchic's products and services in the region as well as trading on its own account in the rental of transformers, generators and associated electrical equipment.
- In April 2009, it acquired Tyne Technical Equipment Rental Services LLC. This Dubai registered company was formed in 2004 and its principal business is the rental of generators and the sale of associated services to the infrastructure and the oil and gas industries in the United Arab Emirates.

Allied Industrial Resources Ltd

Allied Industrial Resources Ltd ("AIR") offers a modern range of air compressors for rent.

Products and services

Compressors

- Specially developed for temporary requirements, our Sullair air compressors come in different sizes to meet specific project requirements.
- The fleet of 28 units comprises dual pressure compressors (including four specialist dryer units) which can operate at either 24 bar or 34.5 bar and with air flows of up to 45.3 cubic metres per minute.
- The specialist applications for these compressors include pipeline dewatering and pressure testing in the oil and gas industry. In addition the compressors can provide instrument quality air with built in after-coolers and compressed air filtration.

RDS (Technical) Ltd

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.

Products and services

Generators and other oil industry equipment

- RDS was formed following the break up of the former Soviet Union and the establishment of the independent state of Azerbaijan.
- Prior to acquisition by Northbridge in 2007 it had been the agent for Crestchic in the area since 2001.

CHAIRMAN AND CHIEF EXECUTIVE'S REVIEW

It was encouraging that the worldwide economy, following a difficult period for most businesses in 2009 and the early part of 2010, did begin to recover towards the last quarter of the year. The Group is also once more on a strongly upward trajectory with significant growth in overall profits and an increase in reported earnings per share of 35.1% to 25.8 pence (2009: 19.1 pence).

We were also very pleased to finally announce the acquisition of Tasman Oil Tools Pty Ltd ("Tasman") in July 2010 following a long period of negotiation which started in 2008. This is a major step forward in achieving our strategic objectives and gives us a much larger platform from which to build.

Summary

- We acquired Tasman for an aggregate consideration of AUD$16.9 million (£9.7 million).
- Excluding Tasman, rental revenue grew by 20% to £9.2 million (2009: £7.7 million) and sales of the lower margin manufactured units grew by 28% to £6.4 million (2009: £5.0 million).
- The Board is pleased to propose an increase in the final dividend for 2010 of 13% to 3.05 pence (2009: 2.70 pence) resulting in a total dividend for the year of 4.6 pence (2009: 4.1 pence) per share.

We are pleased to present our review of the Group's trading performance for 2010.

It was encouraging that the worldwide economy, following a difficult period for most businesses in 2009 and the early part of 2010, did begin to recover towards the last quarter of the year. The Group is also once more on a strongly upward trajectory with significant growth in overall profits and an increase in reported earnings per share of 35.1% to 25.8 pence (2009: 19.1 pence). This figure includes exceptional acquisition related costs and tax benefits which are described below.

We were also very pleased to finally announce the acquisition of Tasman Oil Tools Pty Ltd ("Tasman") in July 2010 following a long period of negotiation which started in 2008. This is a major step forward in achieving our strategic objectives and gives us a much larger platform from which to build. Tasman is strongly focused towards renting its equipment into the oil and gas industry with over 70% of its total revenue coming from this activity. The acquisition also creates opportunities to cross-sell our existing products from Tasman's locations and Tasman will benefit from Northbridge's Middle East and Caspian presence where there are some common customers.

Our two largest subsidiaries performed well and it was encouraging to see Crestchic's manufacturing and sales activity show growth again following the decline in 2009. Northbridge (Middle East) FZE ("NME") again had a record year with both turnover and profits increasing substantially.

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 and maintain standby and independent power systems, together with the associated switchgear and controls, has become an increasingly important element within the power-critical technology used by the banking, medical, marine and defence industries. This has resulted in continued strong demand for Crestchic's range of equipment and services throughout the world. Additionally Crestchic is benefiting from a background of an increasingly unreliable global power infrastructure and an increase in the size and remoteness of projects.

Our two largest subsidiaries performed well and it was encouraging to see Crestchic's manufacturing and sales activity show growth again following the decline in 2009. Northbridge (Middle East) FZE ("NME") again had a record year with both turnover and profits increasing substantially.

Peter Harris
Chairman

Eric Hook
Chief Executive

NME, which was formed in 2007 and is located in the Jebel Ali free zone of Dubai, acts as a distributor for the full range of Crestchic's products and services throughout the Middle East and Africa and trades on its own account in the rental of transformers, generators and associated electrical equipment.

Our other smaller subsidiaries in the Middle East, the Caspian region and the UK continued to experience lower volumes during the year, although all of these had begun to improve by the last quarter.

Tyne Technical Equipment Rental Services ("TTERS") in Dubai was affected by the ongoing financial issues in the region. At the start of 2011 we took the opportunity to acquire the remaining 33.3% minority interest in the business at no further cost, which enabled us to restructure the business and reduce its overheads to ensure profitability for 2011 and beyond.

CHAIRMAN AND CHIEF EXECUTIVE'S REVIEW CONTINUED

Tasman is involved in the rental of equipment to the oil and gas industry in Australia. Audited profits for Tasman for the year ended 30 June 2010 amounted to AUD$4.5 million (£2.8 million), prior to rent, and net assets were AUD$20.4 million (£12.7 million).

RDS (Technical) Ltd ("RDS"), our specialist generator and transformer rental subsidiary, which trades principally in the Caspian region, is now seeing an improvement in volumes following a delay in the expected new round of oil and gas investment in the region. Its operation in the Middle East was impacted by the termination of a contract for the supply of power generation equipment to the Jabal Salab Zinc project which had been won in 2009. This project suffered numerous delays due to funding problems and was terminated by the customer. The Group is currently in discussions regarding rental payments due for the minimum service period and the equipment for this project has been sold, redeployed in other areas or is available for hire.

Allied Industrial Resources Limited ("AIR") in the UK, which offers high volume/high pressure compressed air equipment rental, was impacted by the reduction in industrial output in the early part of 2010 but is now recovering.

Acquisition of Tasman

On 30 July 2010 we acquired Tasman for an aggregate consideration of AUD$16.9 million (£9.7 million). Due to the net assets actually acquired on completion being higher than anticipated, the final consideration was £10.1 million. This amount was made up of an initial cash consideration of £7.1 million and a deferred payment of £2.1 million together with 738,048 Northbridge shares which are subject to a "lock-in" agreement for 18 months. Funding for the acquisition was provided by a placing of 5,606,000 new shares at 125 pence each plus an acquisition facility of £3.0 million over five years provided by Lloyds Banking Group.

Tasman, based in Perth, Western Australia, is involved in the rental of equipment to the oil and gas industry in Australia. Audited profits for Tasman for the year ended 30 June 2010 amounted to AUD$4.5 million (£2.8 million), prior to rent, and net assets were AUD$20.4 million (£12.7 million). The freehold trading properties at Tasman located at Perth, Western Australia; Darwin, Northern Territory; and Sale, Victoria, and valued at AUD$8.8 million (£5.5 million) were not acquired as part of the transaction and were excluded from the sale. These properties are currently being rented by Tasman on commercial terms of AUD$0.6 million (£0.4 million) per annum for a period of five years. The vendors of Tasman have agreed new contracts of employment with the Group.

Increased demand for our rental services

Rental continued to grow in most of our markets, with the UK and the Middle East continuing to perform strongly. With the addition of Tasman, a predominantly rental business, the proportion of rental sales within total turnover reached 65.4 % (2009: 60.3%).

Financial performance

The Group's consolidated revenue for the year ended 31 December 2010 was £19.3 million (2009: £12.7 million) including a £3.7 million contribution from Tasman. Gross profits and pre-tax profits were £12.1 million (2009: £7.5 million) and £3.7 million (2009: £2.2 million) respectively. This latter figure is stated after charging exceptional costs of the acquisition of £195,000 and additional amortisation relating to Tasman of £201,000.

Excluding Tasman, rental revenue grew by 20% to £9.2 million (2009: £7.7 million) and sales of the lower margin manufactured units grew by 28% to £6.4 million (2009: £5.0 million). Underlying operating profits for the year excluding Tasman grew by 12.2%.

Basic earnings per share based on the weighted average shares in issue, taking into account the shares issued during the period to allow for the placing, was 25.8 pence (2009: 19.1 pence), an increase of 35.1%. This calculation includes a tax benefit relating to the Group's overseas subsidiaries. This benefit relates to two years' taxation at the standard UK rate on the profits from NME and RDS. On 23 March 2011 the Group received clearance from HMRC that these two overseas subsidiaries may be treated as exempt from controlled foreign company legislation and therefore their profits would not be chargeable for UK tax. The clearance from HMRC has contributed to a reduced Group tax rate of 17.5% on 2010 profits. Future years' earnings will also benefit from an overall lower tax charge but the rate of charge will depend on the relative contribution to the Group's profits from those two subsidiaries.

Net cash generated from operating activities amounted to £6.0 million (2009: £4.5 million) and new hire fleet expenditure was £4.4 million (2009: £5.5 million) out of a total capital investment during the year of £4.7 million (2009: £5.9 million).

Net assets at 31 December 2010 grew to £24.5 million (2009: £12.4 million). This equates to basic asset value of 158 pence per share at the year end, up significantly from 137 pence in 2009.

At 31 December 2010 the Group had net gearing, defined as the ratio of all short and long-term borrowings and other financial liabilities including the deferred consideration for Tasman, to net assets of 23.7%, down from 28.9% at 31 December 2009. Cash balances at the year end were £2.6 million (2009: £0.8 million).

CHAIRMAN AND CHIEF EXECUTIVE'S REVIEW CONTINUED

Sales of manufactured units remain strong

We are pleased to note that orders and enquiries for the sales of manufactured units remain strong in all our traditional markets and demand for our rental services continues to grow.

Dividend

Based on this performance the Board is pleased to propose an increase in the final dividend for 2010 of 13% to 3.05 pence (2009: 2.70 pence) resulting in a total dividend for the year of 4.6 pence (2009: 4.1 pence) per share, an overall increase of 12.2% for the year. The final dividend will be paid on 31 May 2011 to shareholders on the register on 13 May 2011, subject to shareholder approval at the Annual General Meeting to be held at 12.00 noon on 26 May 2011 at the offices of Buchanan Communications, 107 Cheapside, London EC2V 6DN.

Business review

This year has seen an improvement in most of our activities. In particular the sales demand for our manufactured units showed an increase in our traditional markets in Southeast Asia. Rental continued to grow in most of our markets, with the UK and the Middle East continuing to perform strongly.

With the addition of Tasman, a predominantly rental business, the proportion of rental sales within total turnover reached 65.4% (2009: 60.3%). The rental mix is expected to grow further in 2011 and this in turn will improve our margins and cash flow. We continue to make substantial investment into our hire fleet for both replacement and growth.

As previously announced in June 2010, the contract for the supply of power generation equipment to the Jabal Salab Zinc project in Yemen, which had suffered delays since September 2009 due to funding problems with the project, was terminated formally by the customer. The Group is currently in discussion regarding rental payments due for the minimum service period under the contract. The equipment that had been allocated to this contract has been sold, redeployed to other areas of our business or is available for hire.

Strategy

The Northbridge strategy is to acquire and consolidate specialist industrial equipment businesses. The criteria against which potential targets are assessed are:

- potential for expansion into complete outsourcing providers;
- supplying, or capable of supplying, a worldwide customer base;
- incorporating a strong element of rental and service work; and
- capable of organic growth in their own right.

By consolidating a number of such companies Northbridge can add significant value through organic expansion into new geographical or industry markets and, by making complementary acquisitions, we can increase the Group's product offering to its international customer base.

In achieving this strategy we will be able to capitalise on the market opportunity to become a significant industrial services business serving an international market.

2011 has started well and our main customer base of power generation and the oil and gas sectors are seeing growth in most markets.

The Board reviews this strategy periodically and believes it is still the correct one for the Group. We are actively continuing to search for suitable acquisitions.

Staff

We would like to take this opportunity to thank all the employees of the Group for their contribution to our success in 2010. In particular, we welcome the Tasman employees to the Group and thank them for the smooth transition to new ownership.

Outlook

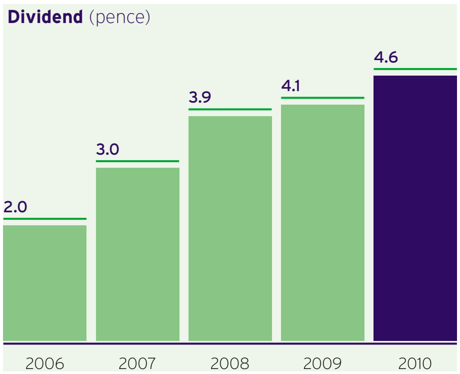
The global economic environment showed some signs of improvement in 2010 and, despite recent events in the Middle East and Japan, we are pleased to note that orders and enquiries for the sales of manufactured units remain strong in all our traditional markets and demand for our rental services continues to grow.

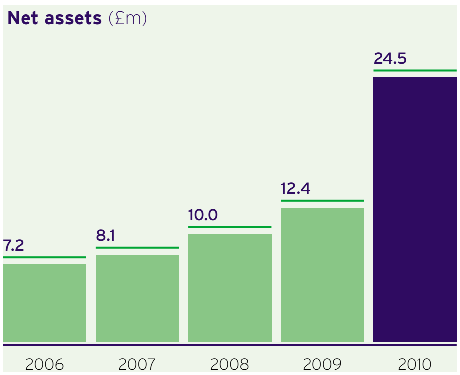
Substantial investment continues to be made in our hire fleet, continuing the trend of previous years, giving us long-term benefits in terms of revenue and cash flow. This will enable the Group to continue the development of its strategy and leave us well placed to take advantage of any opportunities that arise.

2011 has started well and our main customer base of power generation and the oil and gas sectors are seeing growth in most markets. We are encouraged by progress across the Group and look forward to achieving our objectives and announcing further developments for the Group during the year.

Peter Harris
Chairman

Eric Hook
Chief Executive
30 March 2011





FINANCE DIRECTOR'S REPORT

Trading improved in the majority of our activities throughout the year despite the continued economic uncertainty around the world.

We benefited from the acquisition of Tasman as this has immediately enhanced our earnings. As the proportion of our revenue relating to hire continues to increase it has a corresponding impact on our cash flow which in turn enables us to contemplate further expansion of our hire fleet and further acquisitions.

Summary

- During the year ended 31 December 2010 the Group achieved turnover of £19.3 million (2009: £12.7 million).
- The profit before tax for the year is up by 66.4% to £3.7 million (2009: £2.2 million).
- During the year, the Group generated £6.0 million of cash from operations (2009: £4.5 million), of which £4.4 million (£5.5 million) was reinvested into the hire fleet.

Revenue and profit before tax

During the year ended 31 December 2010 the Group achieved turnover of £19.3 million (2009: £12.7 million) to which our recent acquisition of Tasman contributed £3.7 million of revenue during the five months it was under our ownership in 2010. The proportion of group revenues from rental as opposed to sale of equipment has moved up to 65.4% (2009: 60.3%) and the higher margin on rental means that the gross margin has increased this year to 62.4% (2009: 59.1%).

With costs increasing in line with the growth of the business, the profit before tax for the year was up by 66.4% to £3.7 million (2009: £2.2 million). This performance is despite exceptional costs of £0.2 million (2009: £nil) relating to the acquisition which, under new accounting rules, need to be charged to the income statement rather than being accounted for as part of the cost of the acquisition in the balance sheet. This year's income statement also includes an increased charge for amortisation of intangible assets arising from the acquisition of Tasman of £201,000 (2009: £nil) and whilst this reduces the profit before tax it is not a cash charge.

Earnings per share

The basic EPS figure of 25.8 pence (2009: 19.1 pence) and diluted EPS of 25.5 pence (2009: 18.9 pence) have been arrived at in accordance with the calculations contained in note 4.

Balance sheet and debt

The balance sheet shows another significant increase in property, plant and equipment this year primarily due to our investment into the hire fleet of £4.4 million (2009: £5.5 million), on top of which a further £3.1 million was added by the acquisition of Tasman, bringing the carrying value of our hire fleet at cost to £18.9 million. Trade receivables have increased to £5.4 million (2009: £2.7 million) due to higher trading levels and the addition of Tasman receivables. Cash and cash equivalents increased to £2.6 million (2009: £0.8 million).

Bank borrowings increased to £6.1 million (2009: £2.9 million) but overall gearing was down to 23.7% (2009: 28.9%). The Group is comfortably within its banking covenants which were revised at the time of taking on additional borrowings. The Group cash flow from operating activities before movements in working capital was £5.9 million

The Group has benefited from reduced taxation on the current year and previous year's profits in two of its businesses following utilisation of HMRC rules on overseas subsidiaries.

Craig Robinson
Finance Director

Ash Mehta
Non-executive Director

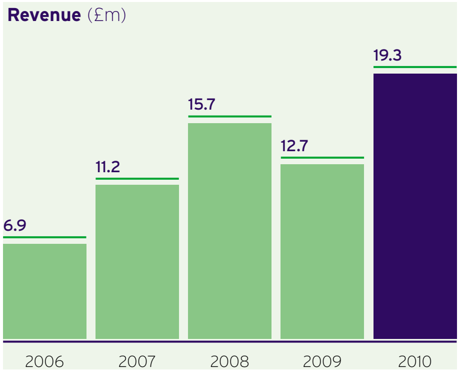
(2009: £3.6 million). The largest component of the difference between the profit before tax of £3.6 million and the cash flow from operating activities before movements in working capital of £5.8 million is depreciation, which at £1.6 million is significantly higher than in 2009 (£1.0 million) due to the larger hire fleet in the Group. Based on the Group's cash flow from operating activities there is further capacity for increased borrowings.

Cash flow

During the year, the Group generated £6.0 million of cash from operations (2009: £4.5 million), of which £4.4 million (2009: £5.5 million) was reinvested into the hire fleet. The Group also raised £6.7 million net of expenses from the issue of equity, of which £6.5 million was used in the acquisition of Tasman. Bank borrowings were restructured during the year giving rise to a net inflow of funds from bank borrowings of £2.1 million. The Group also paid out £0.5 million in dividends to shareholders.

FINANCE DIRECTOR'S REPORT
CONTINUED

The competition for the products and services that the Group provides varies subsidiary by subsidiary and some of our products and services are subject to less market competition than others.



Income tax expense

The Group has an income tax expense for the year of £643,000 (2009: £640,000) equating to a charge of 17.5% (2009: 28.9%) of profit before tax. The Group has benefited from reduced taxation on the current year and previous year's profits in two of its businesses following utilisation of HMRC rules on overseas subsidiaries.

Principal risks and uncertainties

In common with all trading businesses the Group is exposed to a variety of risks in the conduct of its normal business operations. The Group maintains a range of insurance policies against major identified insurable risks, including (but not limited to) business interruption, damage to or loss of property and equipment, and employment risks. The major risks are outlined below.

Operational and commercial risks

The Group's revenues are derived from sale and rental of industrial equipment across a range of sectors including oil and gas, shipping, utilities and power generation. The Group's customer base is global and diverse and, whilst this minimises overreliance on any country or sector, the Group's revenues are dependent on the health of the global economy. The competition for the products and services that the Group provides varies subsidiary by subsidiary and some of our products and services are subject to less market competition than others. Where there is increased competition this may result in lower pricing and margins or loss of business to competitors.

Information technology

The Group is dependent on its information technology ("IT") systems to operate its business efficiently, without failure or interruption. Whilst data within key systems is regularly backed up and systems subject to virus protection, any failure of backup systems or other major IT interruption could have a disruptive effect on the Group's business.

Interest rate risk

The Group has a centrally managed policy and most 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 the cash flow risk associated with interest payments, it considers that it achieves an appropriate balance of exposure to these risks.

The balance sheet shows another significant increase in property, plant and equipment this year primarily due to our investment into the hire fleet of £4.4 million.

On occasion the Group may enter into capping arrangements for certain variable interest rate borrowings. The Group's bank borrowings are made up primarily of a mortgage and term loans. The rate on a portion of the term loan total has been capped at the margin plus a maximum LIBOR rate of 2% for the remaining term of the loan. The Group also utilises a short-term trade finance facility, a temporary overdraft facility and leasing arrangements.

Foreign currency exchange risk

Part of the cash at bank is held in Euro, US Dollar, Australian Dollar and UAE 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. It does not currently consider that the use of hedging facilities would provide a cost-effective benefit to the Group on an ongoing basis, although a forward currency contract was used to fix the cost of the initial cash consideration paid to the vendors of Tasman over the period from announcement to completion of the acquisition.

Credit risk

Credit risk arises principally from the Group's trade receivables. The Group manages its credit risk by assessing all new customers and setting credit ratings which are factored into credit decisions. At 31 December 2010 the Group had £3,237,000 (2009: £1,954,000) of trade receivables outstanding over three months old of which £2,672,000 (2009: £1,198,000) has been collected since the year end. At 31 December 2010 trade receivables of £109,000 (2009: £97,000) 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. During the year the Group wrote off £68,000 (2009: £nil) of debts considered unrecoverable.

Craig Robinson
Finance Director
(to be appointed on 1 April 2011)

Ash Mehta
Non-executive Director
(will step down as Finance Director 31 March 2011)
30 March 2011

DIRECTORS AND ADVISORS

Peter Harris

Non-executive Chairman

Peter Harris, aged 59, qualified as a chartered accountant having studied at Sheffield University. After a number of years in the accountancy profession he joined Borden Inc., a multinational food packaging and industrial product company, where he spent 13 years in a variety of senior financial roles. In 1994 Peter was appointed as finance director of RAC plc (formerly Lex Service Plc), a leading automotive services provider. In 1999 he became a group managing director of RAC plc, heading a number of 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, from which he retired in June 2009. Peter is also chairman of Coworth-Flexlands School Ltd. He is a member of the Remuneration and Audit Committees of the Company.

Eric Hook

Chief Executive

Eric Hook, aged 57, 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.

Craig Robinson

Finance Director

Craig Robinson, aged 48, was appointed as a Director on 2 February 2011 and will become Finance Director on 1 April 2011 and was previously finance director of the AIM quoted company, Michelmersh Brick Holdings Plc which he joined in April 2002. He is a fellow of the Chartered Association of Certified Accountants and he spent eight years working in practice before moving into the construction industry in the early 1990s. In 1998, he joined Morgan Sindall plc and was appointed as finance director of its Midlands-based subsidiary Wheatley Construction Ltd.

Ash Mehta

Non-executive Director

Ash Mehta, aged 45, 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. In 2006, Ash founded Orchard Growth Partners, a professional services firm offering part-time and interim finance director services, which he grew until selling it to the management team of Orchard in 2010. Ash is also on the executive committee of the Quoted Companies Alliance ("QCA"), the representative body for smaller quoted companies, and a director of the Non-Executive Directors Association. He writes a monthly article for Aimzine, an online publication for the AIM community. Ash was appointed part-time Finance Director of the Group on 1 April 2007 and will step down on 31 March 2011.

Jim Gould

Non-executive Director

Jim Gould, aged 76, 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 Managing Director. Jim has also served as a local magistrate in Burton on Trent.

David Marshall

Non-executive Director (independent)

David Marshall, aged 66, 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.

Michael Dodson

Non-executive Director (independent)

Michael Dodson, aged 63, 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.

Secretary
City Group PLC

Company number
05326580

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Country of incorporation of parent company
England and Wales

Legal form
Public limited company

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DIRECTORS' REPORT

The Directors present their report and the financial statements for the year ended 31 December 2010.

Statement of Directors' responsibilities in respect of the annual report and financial statements

The Directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the Group financial statements in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union and the Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group for that period. The Directors are also required to prepare financial statements in accordance with the rules of the London Stock Exchange for companies trading securities on AIM.

In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRS as adopted by the European Union, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the requirements of the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Website publication

The Directors are responsible for ensuring the annual report and the financial statements are made available on a website. Financial statements are published on the Company'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 Company'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 Ltd – 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;
- Tasman Oil Tools Pty Ltd ("Tasman") – hire of tools and equipment for the oil and gas industry in Australia;
- Northbridge (Middle East) FZE ("NME") – hire of equipment for the oil and gas industry in the Middle East;
- RDS (Technical) Ltd ("RDS") – hire and service of generators and associated equipment to the oil and gas industries in the Caspian region; and
- Allied Industrial Resources Limited ("AIR") – hire of specialised high flow/high pressure compressors together with specialist dryer units for the oil and gas industry.

Business review

The Chairman and Chief Executive's Review on pages 4 to 9, the Finance Director's Report on pages 10 to 13 (including the Group's principal risks and uncertainties) and the notes to the accounts on pages 25 to 50 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 2010.

Profit

The profit for the year after taxation amounted to £2,653,000 (2009: £1,571,000).

The Directors are proposing a final dividend of 3.05 pence (2009: 2.70 pence) per share totalling £472,000 (2009: £241,000), resulting in dividends for the whole year of 4.6 pence (2009: 4.1 pence) per share. Subject to shareholder approval the dividend will be paid on 3 June 2011 to those shareholders on the register of members on 13 May 2011.

Directors and their interests

The present Directors are detailed on pages 14 and 15 together with brief biographies.

Peter Harris retires in accordance with the Company's Articles of Association and, being eligible, offers himself for re-election.

Craig Robinson was appointed as a Director on 2 February 2011. He retires in accordance with the Company's Articles of Association having been appointed a Director since the last Annual General Meeting and, being eligible, offers himself for re-election.

Jim Gould retires in accordance with his letter of appointment 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 2010	1 January 2010	**31 December 2010**	1 January 2010
P R Harris	**880,000**	800,000	**103,901**	111,870
E W Hook	**300,000**	266,250	**463,601**	393,640
A K Mehta	**29,147**	25,147	**50,822**	31,090
J W Gould	**290,750**	250,750	**66,235**	46,630
M G Dodson	**289,250**	281,250	**–**	–
D C Marshall	**–***	–*	**–**	–

* D C Marshall is a director of Western Selection PLC, a substantial shareholder in the Company, which held 2,200,000 (2009: 1,875,000) ordinary shares at 31 December 2010 and at the date of this report.

Between 1 January 2011 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 (net of shares held in treasury) at 31 December 2010:

	Number	%
Western Selection PLC	2,200,000	14.36
HBG Holdings UK LLP	1,680,000	10.97
Artemis Investment Management Limited	1,520,000	9.92
Blackrock investment Management (UK) Limited	1,434,374	9.36
P R Harris	880,000	5.74
R Luck	738,048	4.82
R G Persey	690,000	4.50
Hargreave Hale Nominees	564,986	3.69

Since 31 December 2010 the Directors have not been notified of any changes to the above shareholdings.

Purchase of own shares

During the prior year the Company purchased 63,800 ordinary 10 pence shares in the Company at a price of 132.5 pence per share. At the year end the Company held 152,150 (2009: 152,150) of its own shares which represent 0.98% (2009: 1.67%) of the share capital of the Company. Between 1 January 2011 and the date of this report there have been no transactions in the shares 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 56 (2009: 50).

Special business to be transacted at the Annual General Meeting

In addition to the ordinary business referred to in resolutions 1 to 6 of the Notice of Meeting, the Directors propose certain special business set out in resolutions 7 to 9 of the Notice of Meeting.

Resolution 7 will renew the powers of the Board to allot, pursuant to Section 551 of the Companies Act 2006, 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 8 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 9, if passed, will authorise the Company to continue to buy its own shares subject to the constraints set out in the resolution. The Board in future will only exercise this right if it is satisfied that it is in the interests of the shareholders as a whole to do so and that it is likely to result in an increase in EPS.

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.

Attendance at Board and other meetings for 2010

The Board met on six occasions during the year following a formal agenda. Attendance at formal Board meetings during the year is shown in the following table:

	Number of meetings in year	P R Harris	M G Dodson	J W Gould	E W Hook	D C Marshall	A K Mehta
Board (scheduled)	6	6	5	5	6	6	6
Audit Committee	2	2	2	–	–	2	–
Remuneration Committee	2	2	2	–	–	2	–

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

The non-audit work undertaken in the year by the Group auditors, BDO LLP, was restricted to advice on tax matters for the Group and due diligence relating to the acquisition of Tasman Oil Tools Pty Ltd.

Auditors

A resolution to re-appoint the independent auditors, BDO LLP, will be proposed at the next Annual General Meeting.

In the case of each of the persons who were Directors of the Company at the date when this report was approved and 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 30 March 2011 and signed by order of the Board by the Company Secretary.

City Group PLC
Company Secretary
30 March 2011

INDEPENDENT AUDITORS' REPORT

To the shareholders of Northbridge Industrial Services plc

We have audited the financial statements of Northbridge Industrial Services plc for the year ended 31 December 2010 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Changes in Equity, the Consolidated Balance Sheet, the Company Balance Sheet, the Consolidated Cash Flow Statement and the related notes. The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and International Financial Reporting Standards ("IFRS") as adopted by the European Union. The financial reporting framework that has been applied in preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and auditors
As explained more fully in the Statement of Directors' Responsibilities, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's ("APB's") Ethical Standards for Auditors.

Scope of the audit of the financial statements
A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm.

Opinion on financial statements
In our opinion:

- the financial statements give a true and fair view of the state of the Group's and the parent company's affairs as at 31 December 2010 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRS as adopted by the European Union;
- the parent company's financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006
In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception
We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us;
- the parent company financial statements are not in agreement with the accounting records and returns;
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Graham Whittaker (Senior Statutory Auditor)
For and on behalf of BDO LLP, statutory auditor
Birmingham
United Kingdom
30 March 2011

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2010

	Note	2010 £'000	2009 £'000
Revenue	1,2	**19,327**	12,719
Cost of sales		**(7,264)**	(5,207)
Gross profit		**12,063**	7,512
Selling and distribution costs		**(3,848)**	(2,789)
Administrative expenses			
Excluding exceptional items		**(4,123)**	(2,340)
Exceptional items – acquisition related expenses	4	**(195)**	–
Total administrative expenses		**(4,318)**	(2,340)
Profits from operations		**3,897**	2,383
Finance income		**8**	1
Finance costs	8	**(226)**	(173)
Profit before income tax	3	**3,679**	2,211
Income tax expense	9	**(643)**	(640)
Profit for the year attributable to the equity holders of the parent		**3,036**	1,571
Other comprehensive income			
Exchange differences on translating foreign operations		**1,802**	(336)
Other comprehensive income for the year, net of tax		**1,802**	(336)
Total comprehensive income for the period attributable to equity holders of the parent		**4,838**	1,235
Earnings per share			
– basic (pence)		**25.8**	19.1
– diluted (pence)		**25.5**	18.9

All amounts relate to continuing operations.

The notes on pages 25 to 50 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2010

	Share capital £'000	Share premium £'000	Merger reserve £'000	Foreign exchange reserve £'000	Treasury share reserve £'000	Retained earnings £'000	Total £'000
Changes in equity							
Balance at 31 December 2009	909	6,967	–	(158)	(201)	4,908	12,425
Profit for the year	–	–	–	–	–	3,036	3,036
Other comprehensive income	–	–	–	1,802	–	–	1,802
Total comprehensive income for the year	–	–	–	1,802	–	3,036	4,838
Issue of share capital	638	6,186	849	–	–	–	7,673
Share option expense	–	–	–	–	–	42	42
Dividends paid	–	–	–	–	–	(478)	(478)
Balance at 31 December 2010	**1,547**	**13,153**	**849**	**1,644**	**(201)**	**7,508**	**24,500**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2009

	Share capital £'000	Share premium £'000	Foreign exchange reserve £'000	Treasury share reserve £'000	Retained earnings £'000	Total £'000
Changes in equity						
Balance at 31 December 2008	763	5,546	178	(117)	3,602	9,972
Profit for the year	–	–	–	–	1,571	1,571
Other comprehensive income	–	–	(336)	–	–	(336)
Total comprehensive income for the year	–	–	(336)	–	1,571	1,235
Issue of share capital	146	1,421	–	–	–	1,567
Share option expense	–	–	–	–	54	54
Dividends paid	–	–	–	–	(319)	(319)
Purchase of ordinary shares for holding in treasury	–	–	–	(84)	–	(84)
Balance at 31 December 2009	909	6,967	(158)	(201)	4,908	12,425

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.
Merger reserve	Excess of the fair value of shares issued over their nominal value when such shares are issued as part of the consideration to acquire at least a 90% equity holding in another company.
Treasury share reserve	Amount used to purchase ordinary shares for holding in treasury.
Foreign exchange reserve	Amount arising on the retranslation of foreign subsidiaries.
Retained earnings	All other net gains and losses and transactions with owners (e.g. dividends) not recognised elsewhere.

CONSOLIDATED BALANCE SHEET

As at 31 December 2010

		2010		2009	
Company number: 05326580	Note	£'000	£'000	£'000	£'000
ASSETS					
Non-current assets					
Intangible assets	11		9,755		3,315
Property, plant and equipment	12		20,504		13,505
			30,259		16,820
Current assets					
Inventories	13	1,010		1,266	
Trade and other receivables	14	6,215		3,156	
Cash and cash equivalents		2,588		776	
			9,813		5,198
Total assets			40,072		22,018
LIABILITIES					
Current liabilities					
Trade and other payables	15	3,424		2,775	
Financial liabilities	16	1,703		2,240	
Other financial liabilities	16	2,310		52	
Provisions	17	71		–	
Current tax liabilities		1,098		1,038	
			8,606		6,105
Non-current liabilities					
Financial liabilities	16	4,382		2,256	
Long-term provisions	17	–		141	
Deferred tax liabilities	18	2,584		1,091	
			6,966		3,488
Total liabilities			15,572		9,593
Total net assets			24,500		12,425
Capital and reserves attributable to equity holders of the Company					
Share capital	19		1,547		909
Share premium			13,153		6,967
Merger reserve			849		–
Foreign exchange reserve			1,644		(158)
Treasury share reserve			(201)		(201)
Retained earnings			7,508		4,908
Total equity			24,500		12,425

The notes on pages 25 to 50 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 30 March 2011.

E W Hook
Director

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2010

	Note	2010 £'000	2009 £'000
Cash flows from operating activities			
Net profit from ordinary activities before taxation		3,679	2,211
Adjustments for:			
– amortisation and impairment of intangible assets	11	376	131
– amortisation of capitalised debt fee		18	1
– depreciation of property, plant and equipment	12	1,605	1,048
– loss on disposal of property, plant and equipment		1	8
– decrease in provision for future employment costs		(70)	(71)
– investment income		(7)	(1)
– finance costs	8	226	173
– share option expense	23	42	54
		5,870	3,554
Decrease/(increase) in inventories		490	(170)
Decrease in receivables		506	1,149
Decrease in payables		(901)	(55)
Cash generated from operations		5,965	4,478
Finance costs	8	(226)	(173)
Taxation		(1,188)	(615)
Hire fleet expenditure	12	(4,361)	(5,188)
Sale of assets within hire fleet		387	–
Net cash from/(used in) operating activities		577	(1,498)
Cash flows from investing activities			
Finance income		8	1
Acquisition of subsidiary undertaking (net of cash acquired)	24	(6,509)	(73)
Purchase of property, plant and equipment	12	(252)	(167)
Sale of property, plant and equipment		28	63
Net cash used in investing activities		(6,725)	(176)
Cash flows from financing activities			
Proceeds from share capital issued		6,748	1,459
Proceeds from bank borrowings		4,241	–
Repayment of bank borrowings		(2,111)	(89)
Repayment of finance lease creditors		(529)	(460)
Repurchase of own shares		–	(84)
Dividends paid in the year		(478)	(319)
Net cash from financing activities		7,871	507
Net increase/(decrease) in cash and cash equivalents		1,723	(1,167)
Cash and cash equivalents at beginning of period		776	2,078
Exchange gains/(losses) on cash and cash equivalents		89	(135)
Cash and cash equivalents at end of period	25	2,588	776

During the period the Group acquired property, plant and hire equipment with an aggregate cost of £4,665,000 (2009: £5,862,000) of which £52,000 (2009: £1,495,000) was acquired by means of finance leases.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010

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 under the historical cost convention subject to fair valuing certain financial instruments and in accordance with International Financial Reporting Standards and 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 2006 applicable to companies preparing financial statements in accordance with IFRS.

The parent company's financial statements have been prepared under applicable United Kingdom accounting standards and are on pages 51 to 58.

1.2 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.

Inter-company transactions and balances between companies are eliminated in full.

1.3 Revenue

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

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

1.4 Intangible 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 statement of comprehensive income.

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

Intangible assets in acquired companies

Intangible assets 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 over the periods shown below:

Customer relationships	Between five and ten years
Customer orders	Less than one year
Non-competition agreements	Five years

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

For the year ended 31 December 2010

1. Accounting policies continued

1.5 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 statement of comprehensive income 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 statement of comprehensive income on a straight line basis over the lease term.

1.6 Goodwill

Goodwill represents the excess of the cost of a business combination over, in the case of business combinations completed prior to 1 January 2010, the Group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities acquired and, in the case of business combinations completed on or after 1 January 2010, the total fair value of the identifiable assets, liabilities and contingent liabilities acquired as at the acquisition date.

For business combinations completed prior to 1 January 2010, cost comprises the fair value of assets given, liabilities assumed and equity instruments issued, plus any direct cost of acquisition. Changes in the estimated value of contingent consideration arising on business combinations completed by this date are treated as an adjustment to cost and, in consequence, result in a change in the carrying value of goodwill.

For business combinations completed on or after 1 January 2010, cost comprised the fair value of assets given, liabilities assumed and equity instruments issued, plus the amount of any non-controlling interests in the acquiree plus, if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree. Contingent consideration is included in cost at its acquisition date fair value and, in the case of contingent consideration classified as a financial liability, it is re-measured subsequently through the income statement. For combinations completed on or after 1 January 2010, direct costs of acquisition are taken immediately as an expense.

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

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 sale proceeds and the related cost of sales arising from the sale of hire fleet assets are included within revenue and cost of sales.

The manufactured hire equipment is capitalised, including materials, labour costs and an overhead cost allocation.

1.8 Inventories

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

1. Accounting policies continued

1.9 Current and deferred taxation

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

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

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

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

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

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

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

1.10 Foreign currencies

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

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 other comprehensive income and are credited/(debited) to the foreign exchange reserve.

Exchange differences recognised in the statement of comprehensive income of the Group's entities' separate financial statements on the translation of long-term monetary items forming part of the Group's net investment in the overseas operation concerned are re-classified to the foreign exchange reserve on consolidation.

1.11 Pensions

Contributions to defined contribution pension schemes are charged to profit or loss in the statement of comprehensive income in the year to which they relate.

1.12 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 statement of comprehensive income 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 statement of comprehensive income 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 on the following page.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

For the year ended 31 December 2010

1. Accounting policies continued

1.13 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.

1.14 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 (e.g. trade receivables) and deposits held at banks, but may also incorporate other types of contractual monetary asset. They are initially recognised at fair value plus transaction costs that are directly attributable to the acquisition or issue and subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.

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

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

(b) Financial liabilities

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

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 statement of comprehensive income.

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.

1.15 Exceptional items

Exceptional items are those significant items which are separately disclosed by virtue of the size or incidence to enable a full understanding of the Group's financial performance.

1. Accounting policies continued

1.16 Critical accounting estimates and judgements

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

Estimated impairment of goodwill

The Group is required to test whether goodwill has suffered any impairment. The recoverable amounts of cash-generating units have been determined based on value-in-use estimations. The use of this method requires the estimation of future cash flows expected to arise from the continuing operation of the cash-generating unit as shown in note 11.

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 12), 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.

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 9).

1.17 Segmental reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker has been identified as the Board of Directors.

1.18 New standards and interpretations

In preparing the Group financial statements, the following new standard has been adopted:

Revised IFRS 3 "Business combinations" ("IFRS 3(R)")

Much of the basic approach to business combination accounting required under the previous version of IFRS 3 has been retained in this revised version of the standard. However, in some respects the revised standard may result in very significant changes to the account treatments previously adopted, including: the requirement to write off all acquisition costs to profit or loss instead of including them in the cost of investment (which will have a consequent effect on the value of goodwill recognised); the requirement to recognise an intangible asset even if it cannot be reliably measured; and an option to gross up the balance sheet for goodwill attributable to non-controlling interests (known formerly as "minority interests") on a combination-by-combination basis. There are also some significant changes in the disclosure requirements of the revised standard. Contingent consideration in an IFRS 3(R) business combination will also now fall within the scope of IAS 39 and be measured initially and subsequently at fair value with re-measurement differences being recognised in profit or loss. Changes in the value of contingent consideration in a business combination falling with the scope of the old IFRS 3 continue to be treated as adjustments to goodwill.

The revised standard does not require the restatement of previous business combinations and, in consequence, the Group's acquisition of a 100% interest in Tasman Oil Tools Pty Ltd is the first business combination to fall within the scope of IFRS 3(R).

The principal effect of the adoption of IFRS 3(R) on that acquisition is the recognition of £195,000 of acquisition expenses in the exceptional administrative expenses line within the consolidated statement of comprehensive income.

In preparing the Group financial statements, the following new standards and interpretations have been adopted but have had no impact on the Group financial statements:

- Amendments to IAS 27 "Consolidated and Separate Financial Statements";
- Amendments to IAS 12 "Deferred Tax – Recovery of Underling Assets";
- Amendment to IAS 39 "Financial Instruments: Recognition and Measurement: Eligible Hedged Items";
- Amendments to IFRS 2 "Share-based Payments: Group Cash-settled Share-based Payments";
- Improvements to IFRS (April 2009);
- IFRIC 17 "Distributions of Non-cash Assets to Owners"; and
- IFRIC 18 "Transfers of Assets from Customers".

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

For the year ended 31 December 2010

1. Accounting policies continued

1.18 New standards and interpretations continued

Revised IFRS 3 "Business combinations" ("IFRS 3(R)") continued

The following new standards, amendments and interpretations have been issued but are not yet effective and which management is assessing the impact on the Group financial statements:

- Improvements to IFRS (May 2010);
- IAS 24 "Related Party Disclosures (Revised)"; and
- IFRS 9 "Financial Instruments".

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

- Amendment to IAS 32 "Financial Instruments: Presentation: Classification of Rights Issues";
- IFRIC 19 "Extinguishing Financial Liabilities with Equity Instruments";
- Amendments to IFRIC 14 "Prepayments of a Minimum Funding Requirement"; and
- Amendments to IFRS 7 "Financial Instruments: Disclosures: Transfers of Financial Assets".

2. Segment information

The Group currently has three main reportable segments:

- Europe – this segment is involved in the manufacture, hire and sale of specialist industrial equipment. It is the largest proportion of the Group's business and generated 50% (2009: 71%) of the Group's revenue. This includes the Crestchic and AIR businesses;
- Middle East – this segment is involved in the hire of specialist industrial equipment and contributes 31% (2009: 29%) of the Group's revenue. This includes the NME, RDS and TTERS businesses; and
- Asia-Pacific – this segment is involved in the hire and sale of specialist industrial equipment and generated 19% (2009: 0%) of the Group's revenue. This includes the Tasman business.

Factors that management used to identify the Group's reportable segments

The Group's reportable segments are strategic business units that offer different products and services which operate in different locations around the world. They are managed separately because they require different marketing and distribution strategies.

Measurement of operating segment profit or loss, assets and liabilities

The accounting policies of the operating segments are the same as those described in the summary of significant accounting policies.

The Group evaluates performance on the basis of profit or loss before tax.

Segment assets and liabilities include an aggregation of all assets and liabilities relating to businesses included within each segment. Other adjustments relate to the non-reportable head office along with consolidation adjustments which include goodwill and intangible assets. All inter-segment transactions are at arm's length.

	Europe £'000	Middle East £'000	Asia-Pacific £'000	Total £'000	Inter-company £'000	Other including consolidation adjustments £'000	**2010 Total £'000**
Revenue from external customers	9,679	5,948	3,700	19,327	–	–	**19,327**
Inter-segment revenue	603	–	–	603	(603)	–	**–**
Finance income	–	–	4	4	–	4	**8**
Finance expense	(73)	(17)	–	(90)	–	(136)	**(226)**
Depreciation	(770)	(526)	(308)	(1,604)	–	(1)	**(1,605)**
Amortisation	(22)	–	–	(22)	–	(326)	**(348)**
Profit before tax	2,071	1,821	1,507	5,399	(41)	(1,679)	**3,679**
Balance sheet							
Assets	13,939	15,255	8,536	37,730	(15,994)	18,336	**40,072**
Liabilities	(5,735)	(7,895)	(1,586)	(15,216)	15,994	(16,350)	**(15,572)**
	8,204	7,360	6,950	22,514	–	1,986	**24,500**
Other							
Non-current tangible assets additions	1,423	2,090	2,067	5,580	(894)	(21)	**4,665**

2. Segment information continued

Measurement of operating segment profit or loss, assets and liabilities continued

	Europe £'000	Middle East £'000	Asia-Pacific £'000	Total £'000	Inter-company £'000	Other including consolidation adjustments £'000	2009 Total £'000
Revenue from external customers	8,900	3,819	–	12,719	–	–	12,719
Inter-segment revenue	265	–	–	265	(265)	–	–
Finance income	1	–	–	1	–	–	1
Finance expense	(50)	(14)	–	(64)	–	(109)	(173)
Depreciation	(664)	(384)	–	(1,048)	–	–	(1,048)
Amortisation	(28)	–	–	(28)	–	(103)	(131)
Profit before tax	2,510	727	–	3,237	(162)	(864)	2,211
Balance sheet							
Assets	12,546	12,070	–	24,616	(14,559)	11,961	22,018
Liabilities	(4,730)	(8,514)	–	(13,244)	7,223	(3,572)	(9,593)
	7,816	3,556	–	11,372	(7,336)	8,389	12,425
Other							
Non-current tangible assets additions	2,543	4,456	–	6,999	(1,137)	–	5,862

	External revenue by location		Non-current assets by location	
	2010 £'000	2009 £'000	**2010 £'000**	2009 £'000
UK	**9,679**	8,900	**9,930**	9,380
United Arab Emirates	**4,941**	2,865	**7,088**	6,490
Azerbaijan	**1,007**	954	**830**	950
Australia	**3,700**	–	**12,411**	–
	19,327	12,719	**30,259**	16,820

	External revenue by type		Non-current assets by type	
	2010 £'000	2009 £'000	**2010 %**	2009 %
Hire of equipment	**12,646**	7,674	**65.4**	60.3
Sale of product	**6,681**	5,045	**34.6**	39.7
	19,327	12,719	**100.0**	100.0

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

For the year ended 31 December 2010

3. Profit from operations

The operating profit is stated after charging:

	2010 £'000	2009 £'000
Amortisation:		
– customer relationships	285	108
– order backlog	13	1
– deferred research and development expenditure	22	22
– non-competition agreements	28	–
Depreciation of property, plant and equipment:		
– owned by the Company	1,397	861
– held under finance leases	208	187
Operating lease rentals:		
– property leases	372	–
– other operating leases	82	180
Cost of inventories recognised as an expense during the year	3,311	3,130
Foreign exchange losses	61	112
Share-based payment remuneration	42	54

See note 7 for auditors' fees.

4. Exceptional costs

Exceptional costs incurred during the year were as follows:

	2010 £'000	2009 £'000
Acquisition costs	195	–

The exceptional costs relate to fees incurred on the acquisition of Tasman Oil Tools Pty. In line with IFRS 3 (revised) these costs have been disclosed in the statement of comprehensive income although in previous years these costs would have been capitalised as part of the cost of investment.

5. Staff costs

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

	2010 £'000	2009 £'000
Wages and salaries	4,186	3,072
Social security costs	354	290
Other pension costs	110	98
Share-based payments	42	54
	4,692	3,514

Of the share-based payments made in the year £21,000 (2009: £33,000) related to key management personnel.

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

	2010 Number	2009 Number
Technical and production	74	60
Sales	13	9
Administration	31	24
	118	93

6. Directors' remuneration

	2010					2009			
	Salary £'000	Bonus £'000	Gain on share options £'000	Benefits £'000	Total £'000	Salary £'000	Bonus £'000	Benefits £'000	Total £'000
P R Harris	30	–	–	–	30	27	–	–	27
E W Hook	131	10	30	2	173	94	–	2	96
A K Mehta	90	10	–	–	100	60	–	–	60
J W Gould	65	20	–	14	99	68	–	13	81
M G Dodson	7	–	–	–	7	7	–	–	7
D C Marshall	7	–	–	–	7	7	–	–	7
	330	40	30	16	416	263	–	15	278

7. Auditors' remuneration

	2010 £'000	2009 £'000
Fees payable to the Group's auditor for the audit of the consolidated financial statements	10	10
Fees payable to the Group's auditor in respect of:		
- audit	40	38
- other services	15	10
- tax services	42	10
- corporate finance services (included within capitalised debt fees)	32	–
Fees payable to associates of the Group's auditor in respect of:		
- audit	27	13

Amounts paid to the Company's auditor in respect of services to the Company, other than the audit of the Company's financial statements, have not been disclosed as the information is required instead to be disclosed on a consolidated basis.

8. Finance costs

	2010 £'000	2009 £'000
On bank loans and overdrafts	139	109
On finance leases and hire purchase contracts	62	64
Other interest	25	–
	226	173

9. Income tax expense

	2010 £'000	2009 £'000
Current tax expense	547	400
Prior year over provision of tax	(39)	(133)
	508	267
Deferred tax expense resulting from the origination and reversal of temporary differences	135	373
Tax on profit on ordinary activities	643	640

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

For the year ended 31 December 2010

9. Income tax expense continued

Factors affecting tax charge for the year

The tax assessed for the year is different to the standard rate of corporation tax in the UK (28%). The differences are explained below:

	2010 £'000	2009 £'000
Profit on ordinary activities before tax	3,679	2,211
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 28% (2009: 28%)	1,030	619
Effects of:		
– double taxation relief	–	(42)
– group adjustments not allowable for tax	41	40
– income not subject to tax	(480)	(116)
– expenses not allowable for tax purposes	52	37
– difference in tax rates	39	–
– prior year (over)/under provision of tax and deferred tax	(39)	102
Total tax charge for the year (see note on previous page)	**643**	640

10. Earnings per share

	2010 £'000	2009 £'000
Numerator		
Earnings used in basic and diluted EPS	3,036	1,571

	Number	Number
Denominator		
Weighted average number of shares used in basic EPS	11,749,249	8,239,811
Effects of share options	158,951	84,900
Weighted average number of shares used in diluted EPS	11,908,200	8,324,711

At the end of the year, the Company had in issue 99,701 (2009: 430,357) share options which have not been included in the calculation of diluted EPS because their effects are anti-dilutive. These share options could be dilutive in the future.

11. Intangible assets

	Customer relationships £'000	Order backlog £'000	Development £'000	Non-competition agreements £'000	Goodwill £'000	Total £'000
Cost						
At 1 January 2010	1,064	2	152	–	2,511	3,729
Fair value adjustments	–	–	–	–	(135)	(135)
Exchange differences	370	3	–	41	422	836
Acquired through business combination	2,707	25	–	297	3,086	6,115
At 31 December 2010	**4,141**	**30**	**152**	**338**	**5,884**	**10,545**
Amortisation						
At 1 January 2010	332	1	81	–	–	414
Charge for the year	285	13	22	28	–	348
Impairment	–	–	–	–	28	28
At 31 December 2010	**617**	**14**	**103**	**28**	**28**	**790**
Net book value						
At 31 December 2010	**3,524**	**16**	**49**	**310**	**5,856**	**9,755**
At 31 December 2009	732	1	71	–	2,511	3,315

11. Intangible assets continued

	Customer relationships £'000	Order backlog £'000	Development £'000	Goodwill £'000	Total £'000
Cost					
At 1 January 2009	942	–	152	2,348	3,442
Acquired through business combination	122	2	–	163	287
At 31 December 2009	1,064	2	152	2,511	3,729
Amortisation					
At 1 January 2009	224	–	59	–	283
Charge for the year	108	1	22	–	131
At 31 December 2009	332	1	81	–	414
Net book value					
At 31 December 2009	732	1	71	2,511	3,315
At 31 December 2008	718	–	93	2,348	3,159

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

	Customer relationships	Development	Non-competition agreements	Order backlog
Crestchic	5.25 years	2.25 years	–	–
LHS	6.25 years	–	–	–
RDS	6.75 years	–	–	–
TTERS	2.33 years	–	–	–
Tasman	7.58 years	–	4.58 years	0.58 years

Impairment of goodwill

Crestchic Limited

Crestchic 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 such that the two businesses now operate as a single cash-generating unit ("CGU"). The goodwill allocated to this CGU was £2,194,000 (2009: £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 ending 31 December 2016.

The discount rate used to measure the CGU's value in use was 11% (2009: 15%). Other major assumptions are as follows. The growth rate used applies only to the period beyond the formal budgeted period with the value-in-use calculation based on an extrapolation of the budgeted cash flows for year five.

	CGU 2010	CGU 2009
Discount rate	**11%**	15%
Operating margin (gross)	**55%**	55%
Growth rate	**5%**	5%
Wage inflation	**5%**	5%
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 beta adjusted to reflect management's assessment of specific risks related to the CGU growth rates and wage inflation have been based on prior year experience and expected future economic conditions. Market share assumptions are based on the Group's current market share.

The recoverable amount for the CGU exceeds its carrying amount and given the level of the excess the Directors do not consider the impairment calculation to be sensitive to movements in the above assumptions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

For the year ended 31 December 2010

11. Intangible assets continued

Impairment of goodwill continued

Tasman Oil Tools

In July 2010, the Group acquired 100% of the share capital of Tasman giving rise to goodwill of £3,086,000. The recoverable amount of Tasman as a single CGU has been determined from value-in-use calculations based on cash flow projections covering a five-year period ending 31 December 2015.

The discount rate used to measure the CGU's value in use was 11%. Other major assumptions are as follows. The growth rate used applies only to the period beyond the formal budgeted period with the value-in-use calculation based on an extrapolation of the budgeted cash flows for year five.

	CGU 2010
Discount rate	**11%**
Operating margin (gross)	**65%**
Growth rate	**3%**
Wage inflation	**3%**
Market share	**No change**

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

The recoverable amount for the CGU exceeds its carrying amount and given the level of the excess the Directors do not consider the impairment calculation to be sensitive to movements in the above assumptions.

The remaining goodwill of £159,000 (2009: £159,000) relating to the acquisition of RDS has been reviewed for impairment. The balance of goodwill relating to the acquisition of TTERS of £28,000 has been fully impaired as a result of this review.

12. 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 2010	3,645	220	706	319	10,577	15,467
Exchange differences	48	84	18	28	1,195	1,373
On acquisition of business	–	418	65	60	3,132	3,675
Additions	7	17	76	204	4,361	4,665
Disposals	–	–	(86)	–	(402)	(488)
At 31 December 2010	**3,700**	**739**	**779**	**611**	**18,863**	**24,692**
Depreciation						
At 1 January 2010	146	43	139	106	1,528	1,962
Exchange differences	1	30	9	18	635	693
Charge for the year	65	53	160	62	1,265	1,605
On disposals	–	–	(57)	–	(15)	(72)
At 31 December 2010	**212**	**126**	**251**	**186**	**3,413**	**4,188**
Net book value						
At 31 December 2010	**3,488**	**613**	**528**	**425**	**15,450**	**20,504**
At 31 December 2009	3,499	177	567	213	9,049	13,505

12. 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 2009	3,806	141	527	234	4,957	9,665
Exchange differences	(173)	–	(19)	(9)	(25)	(226)
On acquisition of business	–	–	75	47	175	297
Additions	12	79	202	47	5,522	5,862
Disposals	–	–	(79)	–	(52)	(131)
At 31 December 2009	3,645	220	706	319	10,577	15,467
Depreciation						
At 1 January 2009	90	24	34	68	774	990
Exchange differences	(1)	–	(4)	(6)	(5)	(16)
Charge for the year	57	19	161	44	767	1,048
On disposals	–	–	(52)	–	(8)	(60)
At 31 December 2009	146	43	139	106	1,528	1,962
Net book value						
At 31 December 2009	3,499	177	567	213	9,049	13,505
At 31 December 2008	3,716	117	493	166	4,183	8,675

Bank borrowings are secured on the Group's assets, including freehold land and buildings (see note 16).

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

	2010 £'000	2009 £'000
Motor vehicles	**237**	412
Hire fleet	**1,137**	1,314

13. Inventories

	2010 £'000	2009 £'000
Raw materials	**779**	667
Work in progress	**231**	599
	1,010	1,266

14. Trade and other receivables

	2010 £'000	2009 £'000
Due within one year		
Trade receivables	**5,447**	2,713
Other receivables	**441**	248
Prepayments	**327**	195
	6,215	3,156

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

	2010 £'000	2009 £'000
Pound Sterling	**2,063**	1,558
Euro	**302**	344
US Dollar	**866**	605
Australian Dollar	**2,127**	–
United Arab Emirates Dirham	**487**	454
Other	**43**	–
	5,888	2,961

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For the year ended 31 December 2010

14. Trade and other receivables continued

At 31 December 2010 trade receivables of £3,237,000 (2009: £1,954,000) were past due but not impaired. They relate to customers with no default history. The ageing of these receivables is as follows:

	2010 £'000	2009 £'000
Up to three months past due	2,443	1,543
Three to six months past due	715	390
Six to twelve months past due	35	7
Greater than twelve months past due	44	14
	3,237	1,954

Since the year end £2,672,000 of the £3,237,000 has been received from customers.

At 31 December 2010 trade receivables of £109,000 (2009: £97,000) 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 2010 was £109,000 (2009: £97,000). The receivables relate to trade debtors. The ageing of these receivables is as follows:

	2010 £'000	2009 £'000
Less than twelve months	23	97
Greater than twelve months	86	–

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:

	2010 £'000	2009 £'000
Opening balance	97	141
Amounts written off	(68)	–
Increases in provisions	80	–
Recovered amounts reversed	–	(44)
Closing balance	109	97

The maximum exposure to credit risk, including cash balances, at 31 December 2010 is £8,476,000 (2009: £3,773,000).

15. Current liabilities

Trade and other payables – current

	2010 £'000	2009 £'000
Trade payables	2,041	1,493
Social security and other taxes	213	148
Other payables	565	647
Accruals and deferred income	605	487
	3,424	2,775

Included within the Trade and other payables is £456,000 (2009: £593,000) denominated in United Arab Emirates Dirham and £1,134,000 (2009: £nil) denominated in Australian Dollar.

16. Financial liabilities

Current

	2010 £'000	2009 £'000
Trade finance facility	497	–
Bank loans – secured	891	101
Capitalised debt fees	(42)	(1)
Banking facility	–	1,626
Total	1,346	1,726
Net obligations under finance leases and hire purchase agreements	357	514
Total	1,703	2,240

The fair value of the Group's bank loans at the balance sheet date was £5.10 million (2009: £2.90 million). For the Group's other loans and borrowings, the carrying amounts are a reasonable approximation of the financial instruments' fair values.

The bank loans are 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 trade finance facility is secured over specific trade receivables.

The Group has restructured its banking facilities during the year. The multi-option banking facility that was in place at the prior year end has been replaced by a five-year term loan. The Group also utilises a short-term trade finance facility.

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

	2010		2009	
	Floating rate £'000	Fair value £'000	Floating rate £'000	Fair value £'000
Expiry within one year	1,346	1,346	100	100
More than one year and less than two years	849	849	100	100
More than two years and less than five years	2,207	2,207	300	300
More than five years	735	735	811	811
Total	5,137	5,137	1,311	1,311

Fair value has been established at the market rate prevailing as at 31 December 2010.

Other financial liabilities

	2010 £'000	2009 £'000
Deferred consideration for purchase of subsidiary	2,310	–
Loan account	–	52
	2,310	52

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

For the year ended 31 December 2010

16. Financial liabilities continued

Non-current financial liabilities

	2010 £'000	2009 £'000
Bank loans – secured	3,949	1,223
Capitalised debt fees	(158)	(12)
Total	3,791	1,211
Net obligations under finance leases and hire purchase agreements	591	910
Deferred consideration for purchase of subsidiary	–	135
	4,382	2,256

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

2010	Minimum lease payments £'000	Interest £'000	Present value £'000
Not later than one year	397	40	357
Between one and five years	647	56	591
	1,044	106	948

2009	Minimum lease payments £'000	Interest £'000	Present value £'000
Not later than one year	573	73	500
Between one and five years	1,046	136	910
	1,619	209	1,410

17. Provisions

	2010 £'000	2009 £'000
At 1 January	141	212
Released during the year	(70)	(71)
	71	141

The provision for employment costs was reviewed during the prior year. The Board of Directors believes that no claim is expected beyond 2011 and agreed to release the provision to the profit and loss account over three years, which commenced in 2009.

The remaining provision is due to be released in 2011 and has therefore been disclosed as a current liability.

18. Deferred taxation

	2010 £'000	2009 £'000
Opening provision	1,091	683
Taken to statement of comprehensive income in current year	135	373
On acquisition	1,193	35
Foreign exchange difference	165	–
Closing provision	2,584	1,091

The provision for deferred taxation is made up as follows:

	2010 £'000	2009 £'000
Accelerated capital allowances	1,141	811
Fair value adjustment to land and buildings	132	137
Fair value of intangibles on acquisition	1,181	227
Other temporary differences	130	(84)
	2,584	1,091

19. Share capital

	2010 £'000	2009 £'000
Authorised		
30,000,000 ordinary shares of 10 pence each (2009: 30,000,000 ordinary shares of 10 pence each)	3,000	3,000
Allotted, called up and fully paid		
15,470,055 ordinary shares of 10 pence each (2009: 9,092,257 ordinary shares of 10 pence each)	1,547	909

	2010		2009	
	Number	£'000	Number	£'000
Ordinary shares of 10 pence each				
At beginning of year	9,092,257	909	7,630,149	763
Issue of new shares	6,377,798	638	1,462,108	146
At end of year	15,470,055	1,547	9,092,257	909

During the year 738,048 shares were issued as consideration on the acquisition of Tasman, 5,606,000 shares were issued through the placing completed in July 2010 and 33,750 shares were issued as share options were exercised in October.

	2010 Number	2009 Number
Treasury shares held by the Company	152,510	152,150

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.

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 £156,000 (2009: £98,000).

21. Operating lease commitments

At 31 December 2010 the total future of minimum lease payments are due as follows:

Property	2010 £'000	2009 £'000
Not later than one year	543	7
Later than one year and not later than five years	1,654	–
	2,197	7

Other assets	2010 £'000	2009 £'000
Not later than one year	68	37
Later than one year and not later than five years	41	15
	109	52

The Group leases motor vehicles and properties in its locations other than the head office in Burton on Trent.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

For the year ended 31 December 2010

22. Principal subsidiaries

The following are the principal 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%
Loadbank Hire Service	United Kingdom	100%
Allied Industrial Resources Ltd	United Kingdom	100%*
RDS (Technical) Ltd	Azerbaijan	100%*
Tyne Technical Equipment Rental Services	United Arab Emirates	66.67%**
Tasman Oil Tools Pty Ltd	Australia	100%*
RDS (Trading) Limited	United Kingdom	100%*
Crestchic (Middle East) Technical Services LLC	United Arab Emirates	100%*
RDS (Technical) Asia-Pacific Pte Limited	Singapore	100%*
Duck Trading FZCO	United Arab Emirates	100%*
Northbridge Australia Limited	United Kingdom	100%*
Northbridge Australia Pty Limited	Australia	100%*

* These subsidiaries are indirectly held by the Company.

** The Company was committed to 100% and this was completed in January 2011. The Company's results, assets and liabilities are included, in full, in the current and prior year financial statements. The company is indirectly held.

Of the subsidiaries listed, Crestchic is involved in both the manufacturing and hire of loadbanks. Northbridge Australia Limited and Northbridge Australia Pty Limited are holding companies. Loadbank Hire Services Limited, RDS (Trading) Limited and RDS (Technical) Asia Pacific Pte Limited are dormant companies. All the other subsidiaries are involved in the hire of similar specialist industrial equipment.

23. Share-based payments

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

	2010		2009	
	Weighted average exercise price (pence)	Number	Weighted average exercise price (pence)	Number
Outstanding at the beginning of the year	–	788,380	–	655,000
Granted during the year	186	230,000	154	130,540
Adjustment for issue of share capital	–	–	–	23,560*
Exercised during the year	–	(33,750)	–	–
Share options lapsed during the year	120	(36,910)	–	(20,720)
Outstanding at the end of the year	145	947,720	154	788,380

* During the prior year the Company undertook a fundraising at below the market price of the shares of the Company. In accordance with normal practice, the discount element of this fundraising has been used as the basis for an adjustment to the number and exercise price of all outstanding share options.

The exercise price of options outstanding at the end of the year ranged between 100.64 pence and 186.00 pence (2009: 99.92 pence and 149.64 pence) and their weighted average contractual life was one year eight months (2009: eight months). The weighted average exercise price of the options is 145.51 pence (2009: 128.80 pence).

Of the total number of options outstanding at the end of the year, 453,668 (2009: 319,040) had vested and were exercisable at the end of the year. The schemes have been valued using the Black Scholes pricing model.

23. Share-based payments continued

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

	2010
Options granted during the year	**230,000**
Date of grant	**30 September 2010**
Fair value per option at measurement date	**186 pence**
Share price	**186 pence**
Exercise price	**186 pence**
Weighted average exercise price	**186 pence**
Weighted average exercise life	**2 years 9 months**
Expected volatility	**50%**
Earliest exercisable point	**3 years**
Option life	**10 years**
Risk-free interest rate	**0.5%**

	2009
Options granted during the year	130,540*
Date of grant	20 April 2009
Fair value per option at measurement date	148.67 pence*
Share price	148.67 pence*
Exercise price	148.67 pence*
Weighted average exercise price	148.67 pence*
Weighted average exercise life	1 year 4 months
Expected volatility	30%
Earliest exercisable point	3 years
Option life	10 years
Risk-free interest rate	5.25%

* During the prior year the Company undertook a fundraising at below the market price of the shares of the Company. In accordance with normal practice, the discount element of this fundraising has been used as the basis for an adjustment to the number and exercise price of all outstanding share options.

The volatility rate is based on the average share price movement during the year ended 31 December 2010 and during the year ended 31 December 2009.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

For the year ended 31 December 2010

23. Share-based payments continued

The share-based remuneration expense for the year is £42,000 (2009: £54,000) of which £21,000 (2009: £33,000) relates to key management personnel.

The following share options were outstanding at 31 December 2010:

Type of scheme	Date of grant	Number of shares 2010	Number of shares 2009
Unapproved share option	30 May 2006	**130,760**	177,130
Approved share option	30 May 2006	**27,899**	30,040
Non-executive and consultant share option	30 May 2006	**103,901**	111,870
Non-executive and consultant share option	2 April 2007	**18,494**	18,650
Unapproved share option	2 April 2007	**102,746**	103,590
Approved share option	2 April 2007	**28,770**	29,020
Unapproved share option	27 September 2007	**41,098**	41,440
Non-executive and consultant share option	9 April 2008	**6,164**	6,220
Unapproved share option	9 April 2008	**89,387**	90,140
Approved share option	9 April 2008	**49,318**	49,740
Non-executive and consultant share option	20 April 2009	**6,164**	6,220
Unapproved share option	20 April 2009	**102,745**	103,600
Approved share option	20 April 2009	**10,274**	20,720
Non-executive and consultant share option	30 September 2010	**20,000**	–
Unapproved share option	30 September 2010	**200,000**	–
Approved share option	30 September 2010	**10,000**	–
		947,720	788,380

Directors' share options

	Date of grant	Number of shares	Exercise price (pence)	Normal exercise period	Scheme type
P R Harris	30 May 2006	103,901	100.64	30/05/2009-30/05/2016	Non-executive/consultants
E W Hook	30 May 2006	27,899	100.64	30/05/2009-30/05/2016	Approved
E W Hook	30 May 2006	130,760	100.64	30/05/2009-30/05/2016	Unapproved
E W Hook	2 April 2007	102,746	146.96	02/04/2010-02/04/2017	Unapproved
E W Hook	9 April 2008	41,098	150.86	09/04/2011-09/04/2018	Unapproved
E W Hook	20 April 2009	41,098	149.88	20/04/2012-20/04/2019	Unapproved
E W Hook	30 September 2010	120,000	186.00	30/09/2013-30/09/2020	Unapproved
J W Gould	9 April 2008	19,522	150.86	09/04/2011-09/04/2018	Approved
J W Gould	9 April 2008	6,164	150.86	09/04/2011-09/04/2018	Unapproved
J W Gould	20 April 2009	20,549	149.88	20/04/2012-20/04/2019	Unapproved
J W Gould	30 September 2010	20,000	186.00	30/09/2013-30/09/2020	Unapproved
A K Mehta	2 April 2007	18,494	146.96	02/04/2010-02/04/2017	Non-executive/consultants
A K Mehta	9 April 2008	6,164	150.86	09/04/2011-09/04/2018	Non-executive/consultants
A K Mehta	20 April 2009	6,164	149.88	20/04/2012-20/04/2019	Non-executive/consultants
A K Mehta	30 September 2010	20,000	186.00	30/09/2013-30/09/2020	Non-executive/consultants
		684,559			

Options are normally exercisable from the third anniversary from the date of grant.

2006 options were exercisable subject to a share price performance condition; 50% were exercisable at a share price of £1.50 and the remainder were exercisable between £1.50 and £3.00 on a pro rata basis.

During the prior year the Remuneration Committee reviewed the exercise criteria which had been based on share price performance and, due to the volatility of the equity markets, decided that the proportion exercisable should be based on EPS rather than share price. All other options are exercisable subject to three-year EPS targets set by the Remuneration Committee.

24. Acquisitions during the year and prior year

Tasman Oil Tools Pty Limited ("Tasman")

On 30 July 2010, the Group purchased 100% of Tasman. Tasman is registered in Australia and its principal business is the hire of tools and equipment for the oil and gas industry in Australia. The total consideration was £10,066,000, which was satisfied by £7,110,000 in cash on acquisition, £925,000 in shares by the issue of 738,048 new ordinary shares at a price of 125 pence per ordinary share with £991,000 in cash paid on 4 January 2011 and £1,040,000 due to be paid in cash on 30 September 2011. The share price was based on the closing bid price at the time control was obtained. Acquisition expenses of £195,000 have been taken to profit or loss in the statement of comprehensive income (see note 4).

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	3,675	
Inventory	207	
Cash	601	
Trade receivables	1,686	
Other receivables	1,428	
Contract and customer related intangible assets (recognised on acquisition)	3,029	
Other payables	(1,798)	
Taxation liabilities	(655)	
Deferred taxation on provisions and property plant and equipment	(284)	
Deferred taxation on intangible assets	(909)	
		6,980
Consideration		
Cash	7,110	
Shares	925	
Contingent consideration paid in January 2011	991	
Deferred consideration due in September 2011	1,040	
		10,066
Goodwill		**3,086**

The contingent consideration is based on a formula applied to the net assets on 30 June 2010 and the profit after tax for the year ended 30 June 2010 per the audited financial statements of Tasman.

Current assets acquired include trade receivables with a book and fair value of £1,685,000 representing contractual receivables of £1,688,000. Whilst the Group will make every effort to collect all contractual receivables, it considers it unlikely that the £3,000 will ultimately be received.

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

	£'000
Cash paid as consideration	7,110
Less cash acquired on acquisition	(601)
Net cash movement	**6,509**

The acquisition is in line with the Group's stated strategy of acquiring earnings-enhancing specialist businesses in niche sectors which are capable of further organic growth. It also significantly increases the size of Northbridge and gives it greater critical mass and broadens the Group's presence in the Asia-Pacific region. Tasman is strongly focused towards renting its equipment into the oil and gas industry with over 70% of the total revenue coming from this activity. Tasman also creates opportunities to cross-sell Northbridge's existing products from Tasman's locations and Tasman will also benefit from Northbridge's Middle East and Caspian presence where there are some common customers.

The main factors leading to the recognition of goodwill are the presence of certain intangible assets in the acquired entity. These include the assembled work force of the acquired entity which do not qualify for separate recognition. Moreover, elements of goodwill such as the strong position in a market are typically not contractual or separable from the entity. They remain within goodwill.

None of the goodwill recognised is expected to be deductible for income tax purposes.

Since the acquisition date, Tasman has contributed £3,700,000 to Group revenues and £1,115,000 to Group profit. If the acquisition had occurred on the first day of the accounting period Group revenue would have been £26,958,000 and Group profit for the period after tax would have been £7,184,000 (this includes a one-off profit on disposal of property of £3,949,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

For the year ended 31 December 2010

24. Acquisitions during the year and prior year continued

Prior year

Tyne Technical Equipment Rental Services ("TTERS")

On 14 April 2009, the Group purchased 66.67% of the interests of TTERS. TTERS is a Dubai registered company whose principal business is the rental of generators and the sale of associated services to the infrastructure and the oil and gas industries in the United Arab Emirates. The total consideration was £170,000, which was satisfied by £62,000 in cash and by the issue of 80,000 new ordinary shares at a price of 135 pence per ordinary share. The share price was based on the market value at the time the agreement was finalised. Additionally, Northbridge would have acquired the remaining 33.33% of the shares in the company on 13 April 2011 for a price based on a multiple of net profits in the preceding twelve months, subject to a maximum cost of £680,000 (and a total maximum cost of £850,000).

Based on an assessment at 30 June 2009, £135,000 was included as the expected fair value of the contingent consideration. The shares issued to the vendors as consideration are to be held for a minimum period of 24 months.

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

Fair value of assets acquired	£'000	£'000
Property, plant and equipment	297	
Current assets	108	
Contract and customer related intangible assets (recognised on acquisition)	124	
Other payables	(340)	
Deferred tax liability	(35)	
		154
Consideration paid		
Cash	62	
Shares	108	
Fair value of contingent consideration	135	
Costs of acquisition	12	
		317
Goodwill as at 31 December 2009		163
Change in the fair value of contingent consideration		(135)
Impairment		(28)
Goodwill as at 31 December 2010		**–**

The fair value of the contingent consideration as at 31 December 2010 is now deemed to be £nil due to lower than anticipated profits in TTERS. The remaining 33.33% was acquired for no consideration in January 2011.

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

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

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

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

From the acquisition date to 31 December 2009 TTERS contributed a loss of £77,000 to the consolidated Group results.

The difference between the results reported since acquisition and the prior year results had the acquisition occurred on the first day of the accounting period are considered to be immaterial.

25. Note supporting cash flow statement

	2010 £'000	2009 £'000
Cash and cash equivalents comprises:		
– cash available on demand	2,588	776

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 changes to Group's exposure to financial instrument risks although its objectives, policies and processes for managing those risks or the methods used to measure them have not changed from previous periods unless otherwise stated in this note. The Group's exposure to currency risk on the Australian Dollar has increased due to the addition of Tasman to the Group. The Group has also increased its bank borrowings.

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

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

Categories of financial assets and financial liabilities

	Loans and receivables at amortised cost	
	2010 £'000	2009 £'000
Current financial assets		
Trade and other receivables	5,888	2,961
Cash and cash equivalents	2,588	776
Total current financial assets	8,476	3,737

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

For the year ended 31 December 2010

26. Financial instruments continued

Financial instrument risk exposure and management continued

General objectives, policies and processes continued

Categories of financial assets and financial liabilities continued

	Deferred consideration		Financial liabilities measured at amortised cost	
	2010 £'000	2009 £'000	**2010 £'000**	2009 £'000
Current financial liabilities				
Trade and other payables	**–**	–	**3,211**	1,990
Loans and borrowings	**2,310**	–	**1,703**	2,292
Total current financial liabilities	**2,310**	–	**4,914**	4,282
Non-current financial liabilities				
Loans and borrowings	**–**	135	**4,382**	2,121
Total non-current financial liabilities	**–**	135	**4,382**	2,121
Total financial liabilities	**2,310**	135	**9,296**	6,403

Trade and other payables are all considered to be current and due in less than one year.

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. The quality of the cash and debtors is considered to be high through trading with a well established customer base and arrangements with reputable banks.

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 Executive team of the Group also receives monthly reports analysed by trade receivable balance and ageing profile of each of the key customers individually. The Board receives periodic reports summarising the ageing position and any significant issues regarding credit risk.

No major renegotiation of terms has taken place during the year. There are no significant 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 continually monitored and the overdraft facilities are 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.

The Group also utilises an agreed trade finance facility whereby amounts can be drawn down against sales orders and repaid once the related sales invoice has been settled. This gives the Group greater flexibility and decreases some of the usual liquidity risks associated with taking on large or long-term projects.

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).

26. Financial instruments continued

Financial instrument risk exposure and management continued

Interest rate risk

The Group has a centrally managed policy. All Group borrowings and overdrafts attract variable interest rates except that the Group may enter into capping arrangements for certain variable interest rate borrowings. 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 Group's bank borrowings are made up of a mortgage (interest rate is variable at 1.25% above bank base rate) and term loan (interest rate is variable at 3.25% above LIBOR). The rate on the term loan has been capped at the margin plus a maximum LIBOR rate of 2% for the remaining term of the loan which is four years and seven months. The Group also utilises a short-term trade finance facility.

The annualised effect of a 0.5% decrease in the interest rate at the balance sheet date on the variable rate bank facilities carried at that date would, all other variables held constant, have resulted in an increase in post-tax profit for the year of £20,000 (2009: £15,000). A 0.5% increase in the interest rate would, on the same basis, have decreased post-tax profit by the same amount.

Currency risk

Foreign exchange risk arises when individual Group operations enter into transactions denominated in a currency other than their functional currency. It is the Group's policy to convert all non-functional currency to Sterling at the first opportunity after allowing for similar functional currency outlays. It does not consider that the use of hedging facilities would provide a cost-effective benefit to the Group.

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

	2010 Floating rate £'000	2009 Floating rate £'000
Pound Sterling	(44)	75
Euro	201	227
US Dollar	347	307
United Arab Emirate Dirham	100	95
Australian Dollar	1,805	–
Other	179	72
	2,588	776

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 principal 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 2010				
Euro	45	45	(56)	(56)
US Dollar	110	110	(135)	(135)
United Arab Emirate Dirham	–	12	–	(15)
Australian Dollar	–	254	–	(311)
Other	–	20	–	(25)
31 December 2009				
Euro	52	52	(63)	(63)
US Dollar	83	83	(101)	(101)
United Arab Emirate Dirham	–	(4)	–	5
Australian Dollar	–	–	–	–
Other	–	6	–	(8)

The effect on the profit before taxation is due to the retranslation of trade receivables and other receivables, trade and other payables, cash and borrowings at the rates in effect on the year end date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

For the year ended 31 December 2010

27. Related parties

During the year the Group paid fees for the provision of company secretarial services of £24,000 (2009: £24,000) to City Group PLC of which David Marshall is a director. At the year end £6,000 (2009: £12,000) remained outstanding.

In 2009 the Group also paid a fee of £14,000 to Western Selection plc for its commitment to take up a minimum number of shares in the open offer. Western Selection plc is the largest individual shareholder of Northbridge Industrial Services plc of which David Marshall is a Director. This fee was included in the costs of shares issued totalling £61,000. At the current year end £nil (2009: £14,000) remained outstanding.

The Directors are considered to be the key management personnel and their employee benefits and share-based payments expense are disclosed in note 6 and note 23 accordingly.

28. Dividends

	2010 £'000	2009 £'000
Final dividend of 2.7 pence (2009: 2.6 pence) per ordinary share proposed and paid during the year relating to the previous year's results	241	194
Interim dividend of 1.55 pence (2009: 1.40 pence) per ordinary share paid during the year	237	125
	478	319

The Directors are proposing a final dividend of 3.05 pence (2009: 2.70 pence) per share totalling £472,000 (2009: £241,000), resulting in dividends for the whole year of 4.6 pence (2009: 4.1 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 2010

Company number: 05326580	Note	2010 £'000	2009 £'000
Fixed assets			
Fixed asset investments	4	**15,245**	7,283
Tangible fixed assets	5	**32**	–
		15,277	7,283
Current assets			
Debtors	6	**6,605**	4,669
		6,605	4,669
Creditors: amounts falling due within one year	7	**(1,581)**	(2,272)
Net current assets		**5,024**	2,397
Total assets less current liabilities		**20,301**	9,680
Creditors: amounts falling due after more than one year	8	**(3,791)**	(1,211)
Net assets		**16,510**	8,469
Capital and reserves			
Called up share capital	11	**1,547**	909
Share premium account	12	**13,153**	6,967
Merger reserve	12	**849**	–
Treasury share reserve	12	**(201)**	(201)
Profit and loss account	12	**1,162**	794
Shareholders' funds	13	**16,510**	8,469

The financial statements were approved and authorised for issue by the Board and were signed on its behalf on 30 March 2011.

E W Hook
Director

The notes on pages 52 to 58 form part of these financial statements.

The Directors' Report is on pages 16 to 19 of the annual report and accounts.

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

For the year ended 31 December 2010

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 2006.

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 are not discounted.

1.4 Share options

When share options are awarded to employees, the fair value of the options at the date of the grant is charged to the profit and loss account 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 profit and loss account over the vesting period.

Where equity instruments are granted to persons other than employees, the profit and loss account is charged with the fair value of goods and services rendered.

Where share-based payments granted by the Company relate to employees of subsidiary companies, the amount of the charge that would arise is added to the cost of investment in the subsidiary company as a capital contribution and the related credit is taken to reserves.

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 Foreign currencies

In accordance with SSAP 20 foreign currency transactions of individual companies are translated at the rates ruling when they occurred. Foreign currency monetary assets are translated at the rate of exchange ruling at the balance sheet date. Any differences are taken to the profit and loss account.

1.7 Related party transactions

The Company has taken advantage of the exemption conferred by Financial Reporting Standard ("FRS") 8 "Related Party Disclosures" not to disclose related party transactions with wholly-owned members of the Northbridge Industrial Services plc Group.

1.8 Cash flow statement

The Company has taken advantage of the exemption conferred by FRS 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 408 of the Companies Act 2006 and has not included its own profit and loss account in these financial statements. The Company's profit after tax was £749,000 (2009: £648,000).

3. Directors' remuneration

Details of Directors' remuneration including that of the highest paid Director are set out in note 6 to the consolidated financial statements.

4. Fixed asset investments

	Shares in Group undertakings £'000
Cost	
At 31 December 2009	7,283
Additions	7,962
At 31 December 2010	**15,245**

Subsidiary undertakings

The following are the principal 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%
Loadbank Hire Service	United Kingdom	100%
Allied Industrial Resources Ltd	United Kingdom	100%*
RDS (Technical) Ltd	Azerbaijan	100%*
Tyne Technical Equipment Rental Services	United Arab Emirates	66.67%**
Tasman Oil Tools Pty Ltd	Australia	100%*
RDS (Trading) Limited	United Kingdom	100%*
Crestchic (Middle East) Technical Services LLC	United Arab Emirates	100%*
RDS (Technical) Asia-Pacific Pte Limited	Singapore	100%*
Duck Trading FZCO	United Arab Emirates	100%*
Northbridge Australia Limited	United Kingdom	100%*
Northbridge Australia Pty Limited	Australia	100%*

* These subsidiaries are indirectly held by the Company.

** The Company was committed to 100% and this was completed in January 2011. The company is indirectly held.

5. Tangible fixed assets

	Fixtures and fittings £'000
Cost	
Additions	33
At 31 December 2010	**33**
Depreciation	
Charge for the year	1
At 31 December 2010	**1**
Net book value	
At 31 December 2010	**32**
At 31 December 2009	–

6. Debtors

	2010 £'000	2009 £'000
Amounts owed by Group undertakings	6,530	4,653
Other debtors	75	16
	6,605	4,669

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS CONTINUED

For the year ended 31 December 2010

7. Creditors: amounts falling due within one year

	2010 £'000	2009 £'000
Bank loan and overdraft	1,008	1,914
Trade creditors	189	119
Other creditors	219	219
Corporation tax	–	20
Amounts payable to Group undertakings	165	–
	1,581	2,272

Bank securities are detailed in note 8 to the parent company financial statements.

8. Creditors: amounts falling due after more than one year

	2010 £'000	2009 £'000
Bank loan net of capitalised debt fees	3,791	1,211

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

	2010 £'000	2009 £'000
Bank loan net of debt fees, repayable by instalments	711	811

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 £206,000 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:

	2010 £'000	2009 £'000
Expiry within one year	849	100
More than one year and less than two years	849	100
More than two years and less than five years	2,207	300
More than five years	735	811
Total	4,640	1,311

The Company has no undrawn, uncommitted borrowing facilities at 31 December 2010.

Cash flow interest rate risk

Bank overdrafts as at 31 December were as follows:

	2010 £'000	2009 £'000
Pound Sterling	160	187

10. Share-based payments

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

	2010		2009	
	Weighted average exercise price (pence)	Number	Weighted average exercise price (pence)	Number
Outstanding at the beginning of the year	–	788,380	–	655,000
Granted during the year	186	230,000	154	130,540
Adjustment for issue of share capital	–	–	–	23,560*
Exercised during the year	–	(33,750)	–	–
Non-executive and consultant share options lapsed during the year	120	(36,910)	–	(20,720)
Outstanding at the end of the year	145	947,720	154	788,380

* During the prior year the Company undertook a fundraising at below the market price of the shares of the Company. In accordance with normal practice, the discount element of this fundraising has been used as the basis for an adjustment to the number and exercise price of all outstanding share options.

The exercise price of options outstanding at the end of the year ranged between 100.64 pence and 186.00 pence (2009: 99.92 pence and 149.64 pence) and their weighted average contractual life was one year eight months (2009: eight months). The weighted average exercise price of the options is 145.51 pence (2009: 128.80 pence).

Of the total number of options outstanding at the end of the year, 453,668 (2009: 319,040) 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:

	2010
Options granted during the year	230,000
Date of grant	30 September 2010
Fair value per option at measurement date	186 pence
Share price	186 pence
Exercise price	186 pence
Weighted average exercise price	186 pence
Weighted average exercise life	2 years 9 months
Expected volatility	50%
Earliest exercisable point	3 years
Option life	10 years
Risk-free interest rate	0.5%

	2009
Options granted during the year	130,540*
Date of grant	20 April 2009
Fair value per option at measurement date	148.67 pence*
Share price	148.67 pence*
Exercise price	148.67 pence*
Weighted average exercise price	148.67 pence*
Weighted average exercise life	1 year 4 months
Expected volatility	30%
Earliest exercisable point	3 years
Option life	10 years
Risk-free interest rate	5.25%

* During the prior year the Company undertook a fundraising at below the market price of the shares of the Company. In accordance with normal practice, the discount element of this fundraising has been used as the basis for an adjustment to the number and exercise price of all outstanding share options.

The volatility rate is based on the average share price movement during the year ended 31 December 2010 and during the year ended 31 December 2009.

The share-based remuneration expense for the year is £42,000 (2009: £54,000) of which £21,000 (2009: £33,000) relates to key management personnel.

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS CONTINUED

For the year ended 31 December 2010

10. Share-based payments continued

The following share options were outstanding at 31 December 2010:

Type of scheme	Date of grant	Number of shares 2010	Number of shares 2009
Unapproved share option	30 May 2006	**130,760**	177,130
Approved share option	30 May 2006	**27,899**	30,040
Non-executive and consultant share option	30 May 2006	**103,901**	111,870
Non-executive and consultant share option	2 April 2007	**18,494**	18,650
Unapproved share option	2 April 2007	**102,746**	103,590
Approved share option	2 April 2007	**28,770**	29,020
Unapproved share option	27 September 2007	**41,098**	41,440
Non-executive and consultant share option	9 April 2008	**6,164**	6,220
Unapproved share option	9 April 2008	**89,387**	90,140
Approved share option	9 April 2008	**49,318**	49,740
Non-executive and consultant share option	20 April 2009	**6,164**	6,220
Unapproved share option	20 April 2009	**102,745**	103,600
Approved share option	20 April 2009	**10,274**	20,720
Non-executive and consultant share option	30 September 2010	**20,000**	–
Unapproved share option	30 September 2010	**200,000**	–
Approved share option	30 September 2010	**10,000**	–
		947,720	788,380

Directors' share options

	Date of grant	Number of shares	Exercise price (pence)	Normal exercise period	Scheme type
P R Harris	30 May 2006	103,901	100.64	30/05/2009-30/05/2016	Non-executive/consultants
E W Hook	30 May 2006	27,899	100.64	30/05/2009-30/05/2016	Approved
E W Hook	30 May 2006	130,760	100.64	30/05/2009-30/05/2016	Unapproved
E W Hook	2 April 2007	102,746	146.96	02/04/2010-02/04/2017	Unapproved
E W Hook	9 April 2008	41,098	150.86	09/04/2011-09/04/2018	Unapproved
E W Hook	20 April 2009	41,098	149.88	20/04/2012-20/04/2019	Unapproved
E W Hook	30 September 2010	120,000	186.00	30/09/2013-30/09/2020	Unapproved
J W Gould	9 April 2008	19,522	150.86	09/04/2011-09/04/2018	Approved
J W Gould	9 April 2008	6,164	150.86	09/04/2011-09/04/2018	Unapproved
J W Gould	20 April 2009	20,549	149.88	20/04/2012-20/04/2019	Unapproved
J W Gould	30 September 2010	20,000	186.00	30/09/2013-30/09/2020	Unapproved
A K Mehta	2 April 2007	18,494	146.96	02/04/2010-02/04/2017	Non-executive/consultants
A K Mehta	9 April 2008	6,164	150.86	09/04/2011-09/04/2018	Non-executive/consultants
A K Mehta	20 April 2009	6,164	149.88	20/04/2012-20/04/2019	Non-executive/consultants
A K Mehta	30 September 2010	20,000	186.00	30/09/2013-30/09/2020	Non-executive/consultants
		684,559			

Options are normally exercisable from the third anniversary from the date of grant.

2006 options were exercisable subject to a share price performance condition; 50% were exercisable at a share price of £1.50 and the remainder were exercisable between £1.50 and £3.00 on a pro rata basis.

During the prior year the Remuneration Committee reviewed the exercise criteria which had been based on share price performance and, due to the volatility of the equity markets, decided that the proportion exercisable should be based on EPS rather than share price. All other options are exercisable subject to three-year EPS targets set by the Remuneration Committee.

11. Share capital

	2010 £'000	2009 £'000
Authorised		
30,000,000 ordinary shares of 10 pence each (2009: 30,000,000 ordinary shares of 10 pence each)	3,000	3,000
Allotted, called up and fully paid		
15,470,055 ordinary shares of 10 pence each (2009: 9,092,257 ordinary shares of 10 pence each)	1,547	909

	2010		2009	
	Number	£'000	Number	£'000
Ordinary shares of 10 pence each				
At beginning of year	9,092,257	909	7,630,149	763
Issue of new shares	6,377,798	638	1,462,108	146
At end of year	15,470,055	1,547	9,092,257	909

During the year 738,048 shares were issued as consideration on the acquisition of Tasman, 5,606,000 shares were issued through the placing completed in July 2010 and 33,750 shares were issued as share options were exercised in October.

	2010 Number	2009 Number
Treasury shares held by the Company	152,510	152,150

12. Reserves

	Share premium account £'000	Merger reserve £'000	Treasury share reserve £'000	Profit and loss account £'000
At 1 January 2010	6,967	–	(201)	794
Issue of shares during the year	6,477	849	–	–
Share issue costs	(291)	–	–	–
Profit retained for the year	–	–	–	804
Dividends paid during the year	–	–	–	(478)
Share option expense for the year	–	–	–	42
At 31 December 2010	**13,153**	**849**	**(201)**	**1,162**

13. Reconciliation of movement in shareholders' funds

	2010 £'000	2009 £'000
Opening shareholders' funds	8,469	6,603
Profit for the year	804	648
Dividends paid during the year	(478)	(319)
Shares repurchased and held in treasury share reserve	–	–
Shares issued during the year	7,673	1,567
Share option expense	42	54
Closing shareholders' funds	16,510	8,469

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS CONTINUED

For the year ended 31 December 2010

14. Related parties

During the year the Group paid fees for the provision of Company secretarial services of £24,000 (2009: £24,000) to City Group PLC of which David Marshall is a director. At the year end £6,000 (2009: £12,000) remained outstanding.

In 2009 the Group also paid a fee of £14,000 to Western Selection plc for its commitment to take up a minimum number of shares in the open offer. Western Selection plc is the largest individual shareholder of Northbridge Industrial Services plc of which David Marshall is a Director. This fee was included in the costs of shares issued totalling £61,000. At the current year end £nil (2009: £14,000) remained outstanding.

15. Dividends

	2010 £'000	2009 £'000
Final dividend of 2.7 pence (2009: 2.6 pence) per ordinary share proposed and paid during the year relating to the previous year's results	241	194
Interim dividend of 1.55 pence (2009: 1.40 pence) per ordinary share paid during the year	237	125
	478	319

The Directors are proposing a final dividend of 3.05 pence (2009: 2.70 pence) per share totalling £472,000 (2009: £241,000), resulting in dividends for the whole year of 4.6 pence (2009: 4.1 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 fifth Annual General Meeting of Northbridge Industrial Services plc will be held at the offices of Buchanan Communications, 107 Cheapside, London EC2V 6DN on 26 May 2011, commencing at 12 noon for the following purposes:

Ordinary business

1. To receive and adopt the financial statements for the year ended 31 December 2010 together with the Directors' Report and the Independent Auditors' Report.
2. To declare a final dividend of 3.05 pence per share for the year.
3. To re-elect as a Director P R Harris who retires in accordance with the Company's Articles of Association.
4. To re-elect as a Director J W Gould who retires in accordance with his letter of appointment.
5. To elect as a Director C W Robinson who retires in accordance with the Company's Articles of Association having been appointed a Director since the last Annual General Meeting.
6. To re-appoint BDO 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

7. To consider and, if thought fit, pass the following ordinary resolution:

   That the Directors be generally and are unconditionally authorised pursuant to Section 551 of the Companies Act 2006 (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 of the Act, provided that:

   a) such authority shall be limited to an aggregate nominal amount of £1,452,994;

   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.

8. To consider and, if thought fit, pass the following special resolution:

   That the Directors be and are generally empowered (in substitution for any specific authority conferred upon the Directors pursuant to Section 570 of the Act) to allot equity securities pursuant to Section 570 of the Act wholly for cash pursuant to the authority referred to in resolution 7 as if Section 561 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 a) above of equity securities up to an aggregate nominal amount of £154,700 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

Special business continued

9. To consider and, if though fit, pass the following special resolution:

   That, subject to the Company's Articles of Association and Section 701 of the Companies Act 2006, 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 1,547,005 (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.

By order of the Board

City Group PLC
Company Secretary
30 City Road
London EC1Y 2AG
30 March 2011

FINANCIAL CALENDAR

2011	
May	Annual General Meeting
May	Final dividend paid
June	Half year end
September	Interim results announced
October	Interim report published
November	Interim dividend paid
December	Year end

2012	
January	Trading update issued
March	Preliminary results announced
April	Annual report published

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