Northbridge Industrial Services plc
Annual report and accounts 2009

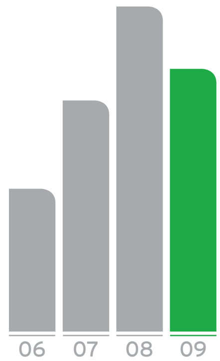
NORTHBRIDGE

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. In particular it will seek to acquire specialist businesses that have the potential for expansion into complete outsourcing providers.

Highlights of our year

- Consolidated Group revenue of £12.7 million (2008: £15.7 million)
- Pre-tax profits of £2.2 million (2008: £3.0 million); profit before tax and exchange losses/gains of £2.3 million (2008: £2.3 million)
- Rental revenue maintains strong performance at £7.7 million (2008: £7.7 million)
- Gross margins continue to grow, increasing to 59.0% (2008: 51.0%)
- Earnings per share, excluding currency movements, continue to show growth at 20.0 pence (2008: 19.4 pence). Basic earnings per share of 19.1 pence (2008: 25.3 pence)
- Strong operating cash generation pre-hire fleet expenditure of £3.7 million (2008: £3.0 million)
- Successful open offer to shareholders raising £1.5 million net of expenses
- Further substantial investment of £5.5 million into the hire fleet (2008: £1.9 million)
- Proposed increase in the final dividend to 2.7 pence, raising the total dividend for the year to 4.1 pence (2008: 3.9 pence), an increase of 5.1%

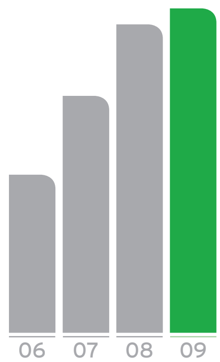


REVENUE

£12.7m

down 19%

2008: £15.7m
2007: £11.2m
2006: £6.9m

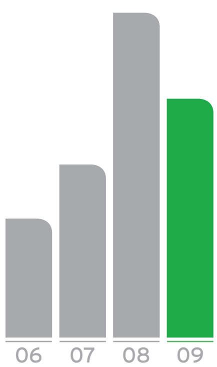


TOTAL DIVIDEND

4.1p

up 5.1%

2008: 3.9p
2007: 3.0p
2006: 2.0p

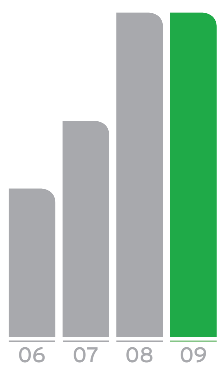


PRE-TAX PROFIT

£2.2m

down 26%

2008: £3.0m
2007: £1.6m
2006: £1.1m

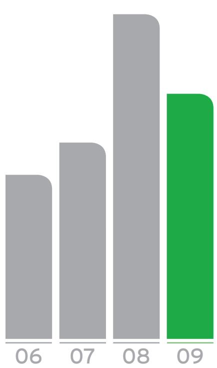


PRE-TAX PROFIT
excluding currency

£2.3m

no change

2008: £2.3m
2007: £1.6m
2006: £1.1m

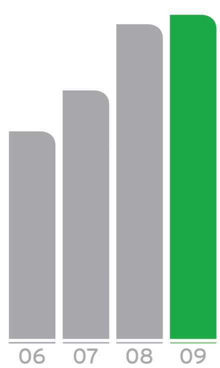


EPS (BASIC)

19.1p

down 21%

2008: 25.3p
2007: 15.3p
2006: 12.8p



EPS (BASIC)
excluding currency

20.0p

up 3%

2008: 19.4p
2007: 15.3p
2006: 12.8p

Northbridge around the world

Northbridge Industrial Services was incorporated for the purpose of acquiring companies that hire and sell specialist industrial equipment supplying a non-cyclical customer base.

Crestchic Ltd

Burton, United Kingdom

ESTABLISHED
1983

HEADCOUNT
69

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. It has developed technological expertise and enjoys access to a global loadbank fleet through its distributor arrangements. Crestchic can design and build a loadbank to any size at any voltage and frequency to our customers' specific requirements, who can choose from the range of standard size resistive and reactive loadbanks.

The need to test and maintain standby and independent power systems, and the increasing reliance on power critical technology used within the banking, medical, marine and defence industries, has resulted in a continued strong rental demand for Crestchic's products and associated services. Additionally, Crestchic is benefiting in certain geographies from a background of an increasingly unreliable global power infrastructure.

Northbridge (Middle East) FZE ("NME")

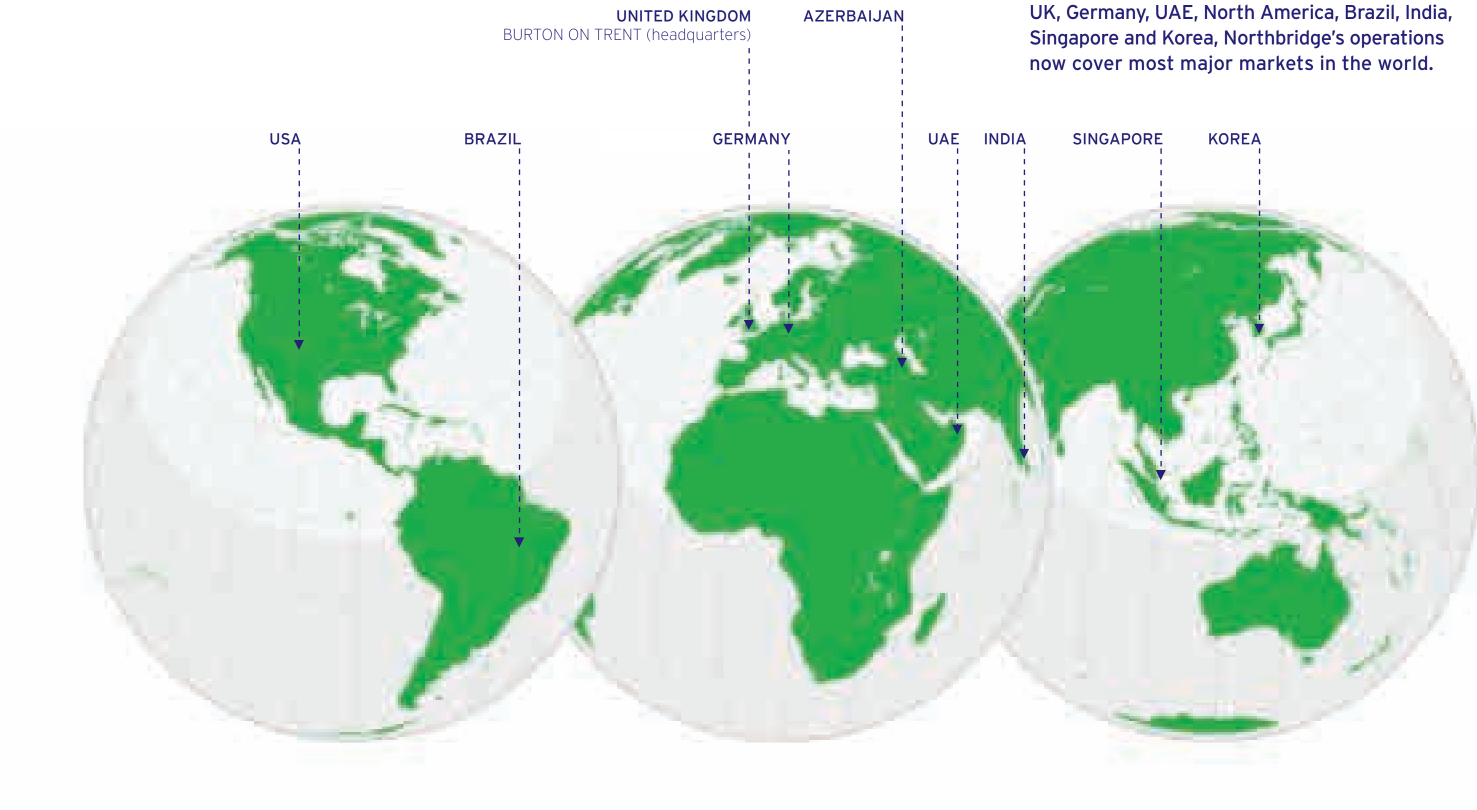
Jebel Ali Free Zone, Dubai

ESTABLISHED
2007

HEADCOUNT
9

NME was founded in the Jebel Ali Free Zone of Dubai to exploit opportunities in the Middle East. NME, which is based in the Jebel Ali Free Zone in Dubai, acts as 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, Northbridge also announced the acquisition of 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.

With sales, rentals and agents' offices in the UK, Germany, UAE, North America, Brazil, India, Singapore and Korea, Northbridge's operations now cover most major markets in the world.



Allied Industrial Resources Ltd ("AIR")

Burton, United Kingdom

ESTABLISHED
2009

HEADCOUNT
2

AIR provides rental of specialist air compressor fleet equipment. 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")

Baku, Azerbaijan

ESTABLISHED
1994

HEADCOUNT
7

RDS's principal business is to provide generators and other equipment by way of hire, sale and service to the oil and gas industry in the Caspian region and Central Asia. RDS was formed following the break up of the former Soviet Union and the establishment of the independent state of Azerbaijan. Prior to acquisition it had been the agent for Crestchic in the area since 2001. A new phase of investment by the oil majors has commenced in the region and we expect an upturn in activity during 2010 and beyond.

Chairman and Chief Executive's review

Peter Harris
Chairman

Eric Hook
Chief Executive

We are encouraged with the way our businesses performed in 2009 against a backdrop of world economic turmoil. Our underlying earnings per share ("EPS") continued to show growth.

Summary

- **Gross margins increased to 59% (2008: 51%)**
- **Profit before tax and exchange gains/losses was £2.3 million (2008: £2.3 million)**
- **Net cash generated from operating activities pre-hire fleet was £3.7 million, an improvement on the previous year (2008: £3.0 million)**
- **Net investment into our hire fleet was £5.5 million. This expenditure is our largest investment to date into our hire fleet and the majority of this will support existing contracts**
- **The Board is pleased to propose a total dividend for the year of 4.1 pence (2008: 3.9 pence) per share, a 5.1% increase**
- **Enquiries for the sales of manufactured units are improving compared with the levels of last year and rental demand continues to increase in most markets**
- **Trading across our subsidiaries is encouraging**

We are pleased to present our review of the Group's trading performance for 2009.

Following our record year in 2008, we are encouraged with the way our businesses performed in 2009 against a backdrop of world economic turmoil, with most major economies suffering from recessionary conditions. In particular, allowing for the one-off currency gain in 2008, our underlying earnings per share ("EPS") continued to show growth.

Our two largest subsidiaries, Crestchic and NME continued to trade as expected and NME, established in 2007, had another very strong year. Crestchic, despite a slowdown in sales of manufactured units, saw a good improvement in rental activity in the UK.

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, and the increasing reliance on power critical technology used within the banking, medical, marine and defence industries, has resulted in a continued strong rental demand for Crestchic's products and associated services. Additionally Crestchic is benefiting in certain geographies from a background of an increasingly unreliable global power infrastructure.

NME, which is based in Jebel Ali, Dubai, acts as 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.

RDS our specialist generator and transformer rental subsidiary, which trades principally in the Caspian region, had another profitable and cash generative year but earnings were lower compared with the record level of 2008 as some projects reached completion. A new phase of investment by the oil majors has commenced in the region and we expect an upturn in activity during 2010 and beyond.

In April 2009, RDS was awarded a rental contract to supply generators, transformers and associated equipment together with a maintenance agreement to the Jabali Zinc Project in Yemen. Due to start in September 2009 with the full package expected on site in 2010, the contract had a minimum service period for the hire of the equipment of twelve months. The value of this minimum service period is US$2.9 million.

Following a delay to the project, which will now start at a later date, the minimum service period has been extended to 36 months.

In April 2009, we also announced the acquisition of a 66.67% interest in Tyne Technical Equipment Rental Services LLC ("TTERS"). 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.

The total consideration paid was £170,000 comprising £62,000 in cash and 80,000 Northbridge shares. Additionally, Northbridge will acquire the remaining 33.33% of 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 cap of £680,000 (total £850,000). At this level of consideration the profit before taxation of TTERS would be £250,000. As part of the transaction, the Group will provide an inter-company loan of up to £250,000 for further investment into the TTERS hire fleet.

Based on this performance, the Board is pleased to propose an increase in the total dividend for the year to 4.1 pence (2008: 3.9 pence) per share, a 5.1% increase.

In July 2009, Northbridge acquired a specialist air compressor fleet based in the UK from the manufacturer Sullair Corporation. The specialist applications for these compressors include pipeline dewatering and pressure testing in the oil and gas industry, and the addition of this equipment is complementary to Northbridge's existing businesses and is in line with our strategy of offering a portfolio of specialist rental assets. The cost of the hire fleet was £1.2 million of which 90% was funded by a hire purchase agreement with Lloyds Banking Group.

The Group raised a further £1.5 million in July 2009 from an open offer to shareholders which was well supported, with the funds being used for further investment into the hire fleet.

Financial performance

Group consolidated revenue for the year ended 31 December 2009 was £12.7 million (2008: £15.7 million), gross profit and net profit were £7.5 million (2008: £8.0 million) and £2.2 million (2008: £3.0 million) respectively. The 2009 profit included a currency loss of £112,000 (2008: gain of £620,000) and excluding these gains and losses the profit before tax and exchange gain was £2.3 million (2008: £2.3 million).

The decline in sales revenue was principally due to the reduction in the sale of manufactured units which amounted to £5.0 million (2008: £8.0 million), total hire revenue at £7.7 million was unchanged (2008: £7.7 million).

The Group benefited from a reduced tax charge due to a revised tax strategy in response to recent changes to the Controlled Foreign Companies rules. This resulted in EPS for the year of 19.1 pence (2008: 25.3 pence). Excluding exchange gains the EPS would have been 20.0 pence (2008: 19.4 pence) including the effect of taxation.

Net cash generated from operating activities, pre-hire fleet expenditure was £3.7 million, an improvement on the previous year (2008: £3.0 million). Net assets at 31 December 2009 were up by 24% to £12.4 million (2008: £10.0 million). This equates to a basic asset value of £1.37 per share (2008: £1.31 per share).

At 31 December 2009 the Group had increased net gearing, defined as the ratio of all short and long-term borrowings and other financial liabilities to net assets, of 28.9% (2008: 13.9%). Cash balances at the year end were £0.8 million (2008: £2.1 million).

Net fixed asset investment by the Group was £6.0 million (2008: £3.7 million) which includes a further £5.5 million into our hire fleet. This expenditure is our largest investment to date into our hire fleet and the majority of this will support existing contracts.

Dividend

Based on this performance, the Board is pleased to propose an increase to the final dividend for 2009 of 3.8% to 2.7 pence (2008: 2.6 pence) resulting in a total dividend for the year of 4.1 pence (2008: 3.9 pence) per share, a 5.1% increase. The final dividend will be paid on 28 May 2010 to shareholders on the register on 7 May 2010, subject to shareholder approval at the Annual General Meeting to be held at 12.00 noon on 18 May 2010 at the offices of Buchanan Communications, 45 Moorfields, London EC2Y 9AE.

Business review

It has been a challenging year for the global economy and the world's economic problems were reflected in the demand for some of our manufactured products. In particular our markets in South East Asia, notably ship yards, suffered a decline. Our other markets, whilst less severely affected, still showed a slow down.

Chairman and Chief Executive's review continued

Business review continued

In contrast however, demand for our rental services held up well and in total matched 2008's record level. Individual performances in the UK and the Middle East were also able to show some rental growth.

The mix of revenue in the business is now moving strongly towards rental which in turn will lead to higher gross margins for the Group.

Substantial investment continues to be made into our hire fleet and in addition to the first time investment in the compressor fleet, we have continued to expand the loadbank, transformer and generator hire fleets.

Much of this expenditure in transformers and generators is to support our new contract at the Jabali Zinc project in Yemen. Our original contract was signed in April 2009 and included a minimum service period of twelve months with a value of US$2.9 million. The contract was due to start in October 2009 but following a number of delays is now due to commence at a later date. In September 2009 the minimum service period was extended to 36 months and interim payments are being made.

The decline in orders for our product sales has allowed us to use the spare factory capacity to continue to build equipment for our own use. During the year a total of £1.6 million of transformers and loadbanks were manufactured for the hire fleet. This will help us to continue to grow our rental business and will also reduce our reliance on cross hire to fulfil contracts in busy periods.

Enquiries for the sales of manufactured units are improving compared with the levels of last year and rental demand continues to increase in most markets.

In July 2009, we were able to acquire a complete compressor hire fleet directly from the manufacturer, Sullair Corporation. The fleet comprises 28 specialised high flow/high pressure compressors together with four specialist dryer units which operate at between 24 bar and 34.5 bar with airflows up to 45.3 cubic metres per minute. These units can provide instrument quality air with built-in after coolers and compressed air filtration and can also be used for pipeline dewatering and pressure testing in the oil and gas industry.

Funding for the purchase was provided by Lloyds Banking Group via a five year hire purchase agreement. A number of the units were already on hire at completion and we are pleased to add this service to our portfolio of products. Our intention is to expand this business to all our locations in the future.

Strategy

Northbridge's strategy is to acquire and consolidate specialist industrial equipment businesses. The criteria that these potential targets will possess are:

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

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

Staff

We would like to take the opportunity to thank the employees of the Group for their contribution in maintaining our performance in difficult circumstances. We would also like to welcome the new employees who have joined the Group through our recent acquisitions and thank them for ensuring the smooth transition to new ownership.

Outlook

We believe the global economic environment for 2010 is showing some signs of improvement, but it will be some time before we can be sure that demand has recovered in all our markets. Enquiries for the sales of manufactured units are improving compared with the levels of last year and rental demand continues to increase in most markets.

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

Trading across our subsidiaries is encouraging and our customer base of power generation and the oil and gas sectors have a degree of resilience which will help us through any future down turn.

Peter Harris
Chairman

Eric Hook
Chief Executive

Finance Director's report

Ash Mehta
Finance Director

The balance sheet shows net investment into the hire fleet of £5.5 million which increases the revenue earning capacity of the fleet for future years.

International Financial Reporting Standards ("IFRS")
Whilst the Group accounts have been prepared under IFRS, the Board has elected to continue to prepare the accounts of the subsidiary companies and the parent company under UK GAAP, to enable eventual use of the distributable reserves of those companies prior to conversion to IFRS.

Earnings per share
The basic EPS figure of 19.1 pence (2008: 25.3 pence) and diluted EPS of 18.9 pence (2008: 25.0 pence) have been arrived at in accordance with the calculations contained in note 9.

Balance sheet
The balance sheet shows another significant increase in property, plant and equipment this year primarily due to our net investment into the hire fleet of £5.5 million (2008: £1.4 million). Inventories were higher at the year end at £1.3 million (2008: £1.1 million) due to increased levels of production for the hire fleet. Trade and other receivables reduced markedly to £3.2 million (2008: £4.1 million) due to a strong focus in the Group on managing customer receivables.

Cash and cash equivalents reduced to £0.8 million (2008: £2.1 million) and bank borrowings decreased to £2.9 million from £3.0 million. The Group remains comfortably within its banking covenants and based on its cash generation from operations has further capacity for increased borrowings.

Cash flow
During the year, the operational cash flow of Northbridge was derived largely from Crestchic and NME. Part of this cash flow was reinvested to increase the size of the hire fleet which increases the revenue earning capacity of the fleet for future years.

Income tax expense
The Group has a reduced income tax expense for the year of £640,000 (2008: £1,049,000) equating to a charge of 28.9% (2008: 35.4%) of profit before income tax. The Group has benefited from reduced taxation on the current year and previous year's profits in one of its businesses following utilisation of HMRC rules on overseas subsidiaries.

Interest rate risk
The Group is cash positive and places its balances on short-term deposit with Lloyds Banking Group and other local banks. The Board manages its interest rate policy centrally, bearing rates of interest in relation to Lloyds Banking Group base rates on all Group borrowings and overdrafts.

Foreign currency exchange risk
Part of the cash at bank is held in Euro, US Dollar and Arab Emirates Dirham accounts. There are also trade balances and investments in these currencies. The Board manages this risk by converting non-functional currency into Sterling as appropriate, after allowing for future similar functional currency outlays.

Credit risk
The Group manages its credit risk by assessing all new customers entering into contracts with them, and setting credit ratings which are factored into credit decisions. Northbridge's subsidiaries' record of debt collection is very positive and the Group has only £1,953,000 (2008: £555,000) outstanding over three months old at 31 December 2009 of which £1,198,000 has been collected since the year end.

Board member David Marshall meets Tyne Technical's local partner Muhammad Amin Al Balooshi, during a visit to Dubai.

Economic environment
The global economy continues to face a challenging economic environment. Whilst we benefit to some extent from our geographic spread and the range of sectors our end users operate in, we have been impacted by reduced visibility of market demand although this visibility is now improving. Trading has started well and we are encouraged by the level of enquiries for both sales of manufactured units and rental demand.

Going concern
During these continuing uncertain economic times the Board has undertaken a thorough review of the Group's ability to operate as a going concern. This has included reviewing and approving budgets for 2010 as well as extending those budgets out to March 2011 and also considering the current pipeline of orders and the outlook for future orders. The Board has also reviewed the current banking facilities to 30 April 2011 and the covenant calculations relating to those bank borrowings, which are well within their limits, and the bank have given an indication that the facilities have been agreed and will be renewed. The Group is highly cash generative and ordinarily uses surplus cash to invest into the hire fleet and other property, plant and equipment to increase the future revenue potential of the Group. However such investment could easily be curtailed if cash balances were to reduce.

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

Proposed dividend
The Board has proposed, subject to shareholder approval, a final dividend of 2.7 pence (2008: 2.6 pence) per ordinary share in addition to the interim dividend of 1.4 pence (2008: 1.3 pence) during the year. The dividend for the full year of 4.1 pence (2008: 3.9 pence) is covered 4.7 times by the EPS of 19.1 pence, and will be paid on 28 May 2010 to shareholders on the register on 7 May 2010.

Ash Mehta
Finance Director

Directors and advisors

Peter Harris
NON-EXECUTIVE CHAIRMAN
Peter Harris, aged 58, qualified as a Chartered Accountant having studied at Sheffield University. After a number of years in the accountancy profession he joined Borden Inc., a multinational food packaging and industrial product company, where he spent 13 years in a variety of senior financial roles. In 1994 Peter was appointed as Finance Director of RAC plc (formerly Lex Service plc), a leading automotive services provider. In 1999 he became a Group Managing Director of RAC plc heading a number of business including Lex Transfleet, Lex Multipart, Lex Commercials, Lex Defence and RAC Software Solutions. In April 2006, following the acquisition of RAC plc by Aviva plc, Peter was appointed Chief Executive of Dawson Holdings plc the media supply chain business 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 56, 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.

Secretary
City Group PLC

Company number
05326580

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England and Wales

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Public limited company

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Ash Mehta

FINANCE DIRECTOR

Ash Mehta, aged 44, qualified as a Chartered Accountant 1992. Since then he has held a number of senior financial roles in full listed and AIM companies including Ultrasis plc and Raft International and has experience in IPO type fundraisings and acquisitions. More recently Ash founded Orchard Growth Partners, a professional services firm offering finance director consulting services. Ash remains Chief Executive of Orchard Growth Partners and is also on the Executive Committee of the Quoted Companies Alliance ("QCA") and a Director of the Non-executive Directors' Association.

Jim Gould

NON-EXECUTIVE DIRECTOR

Jim Gould, aged 75, 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 65, 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 62, 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.

Directors' report

The Directors present their report and the financial statements for the year ended 31 December 2009.

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 – the design, manufacture, sale and hire of loadbank equipment which is primarily used for the commissioning and maintenance of independent power sources such as diesel generators and gas turbines;
- RDS (Technical) Ltd ("RDS") – the hire and service of generators and associated equipment to the oil and gas industries in the Caspian region;
- Northbridge (Middle East) FZE ("NME") – hire of equipment for the oil and gas industry in the Middle East;
- Tyne Technical Equipment Rental LLC ("TTERS") – hire of generators and the sale of associated services to the infrastructure and the oil and gas industries in the United Arab Emirates; 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 11, and the Notes to the accounts provide detailed information relating to the Group, the operation and development of the business and the results and financial position for the year ended 31 December 2009.

Profit

The profit for the year, after taxation, amounted to £1,571,000 (2008: £1,918,000).

The Directors are proposing a final dividend of 2.7 pence (2008: 2.6 pence) per share totalling £241,383 (2008: £194,428), resulting in dividends for the whole year of 4.1 pence (2008: 3.9 pence) per share. Subject to shareholder approval the dividend will be paid on 28 May 2010 to those shareholders on the register of members on 7 May 2010.

Directors and their interests

The present Directors are detailed on pages 12 to 13 together with brief biographies.

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

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

J W Gould retires in accordance with his letter of appointment dated 21 March 2006, requiring him to retire at the first Annual General Meeting of the Company following his seventy-fifth birthday.

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

	Ordinary shares of 10p each		Share options	
	31 December 2009	1 January 2009	**31 December 2009**	1 January 2009
P R Harris	**800,000**	420,000	**111,870**	108,000
E W Hook	**266,250**	213,000	**393,640**	340,000
A K Mehta	**25,147**	18,315	**31,090**	24,000
J W Gould	**250,750**	198,000	**46,630**	25,000
M G Dodson	**281,250**	225,000	**–**	–
D C Marshall	**–**	–*	**–**	–

* D C Marshall is a Director of Western Selection PLC, a substantial shareholder in the Company, which held 1,875,000 (2008: 1,500,000) ordinary shares at 31 December 2009 and at the date of this report.

Between 1 January 2010 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 2009:

	Number	%
Western Selection PLC	1,875,000	20.97
P R Harris	800,000	8.95
Hargreave Hale Nominees	500,000	5.59
Hazel Carr Edwards FURB	395,801	4.43
R G Persey	322,000	3.60
M G Dodson	281,250	3.15

Since 31 December 2009 the Directors have not been notified of any changes to the above shareholdings.

Purchase of own shares

During the year the Company purchased 63,800 (2008: 48,350) 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 (2008: 88,350) of its own shares which represent 1.67% (2008: 1.16%) of the share capital of the Company. Between 1 January 2010 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 50 (2008: 47).

Special business to be transacted at the Annual General Meeting
In addition to the ordinary business referred to in resolutions 1 to 5 of the Notice of Meeting, the Directors propose certain special business set out in resolutions 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 5% 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 exercised this existing power during the year and in future will exercise it only if it is satisfied that it is in the interests of the shareholders as a whole to do so and that it was likely to result in an increase in EPS.

The Board has also taken this opportunity to propose that the Company adopts a new set of Articles of Association ("New Articles"). The New Articles incorporate changes to company legislation under the Companies (Shareholders' Rights) Regulations 2009 which came into force on 3 August 2009, the Companies Act 2006 (the final provisions of which came into force on 1 October 2009) and the Electronic Communications Act 2000.

The Directors have proposed the adoption of the New Articles in order that the Company may take full advantage of the new regulations introduced under the above named legislation. These new regulations will benefit the Company but will not automatically apply to the Company's Articles of Association unless expressly incorporated or if there are contrary provisions in the existing Articles. The main changes under the New Articles will allow the Board to authorise a Director's perceived or actual conflict of interest; enable the Board to take steps to allow the Company to communicate with its shareholders by means of electronic communication (including the service of notices by email or using the Company's website) and will clarify the procedure for voting by proxy. The New Articles will also provide clarity and avoid any potential confusion by removing provisions contained within the existing Articles of Association which have been revoked or superseded by the recent changes in company law.

A copy of the New Articles can be found at the Company's website www.northbridgegroup.co.uk.

Resolution 10, if passed, will mean that the Company adopts the New Articles in substitution for, and to the exclusion of, existing Articles of Association.

Having considered the New Articles, the Board unanimously recommends that the members approve the resolution to adopt the New Articles in substitution for, and to the exclusion of, the Company's existing Articles of Association.

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 of a non-executive Chairman, two executive Directors and three non-executive directors. Two of the non-executive directors are independent of executive management and do not participate in share option or other executive remuneration schemes; nor do they qualify for pension benefits.

Board committees

The principal committees established by the Directors are:

Audit Committee

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 D C 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 M G 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 2009

The Board met on six occasions during the year following a formal agenda and a further two times by telephone for ad-hoc reasons. 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	6	5	6	5	6
Audit Committee	2	2	2	–	–	1	–
Remuneration Committee	2	2	2	–	–	1	–

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.

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

This report was approved by the Board on 25 March 2010 and signed by order of the Board by the Company Secretary.

City Group PLC
Company Secretary
25 March 2010

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 2009 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 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
An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements.

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 2009 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
25 March 2010

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 2009

	Note	2009 £'000	2008 £'000
Revenue	1,2	**12,719**	15,734
Cost of sales		**(5,207)**	(7,711)
Gross profit		**7,512**	8,023
Selling and distribution costs		**(2,789)**	(2,747)
Administrative expenses		**(2,340)**	(2,129)
Profits from operations		**2,383**	3,147
Finance income		**1**	23
Finance costs	7	**(173)**	(203)
Profit before income tax	3	**2,211**	2,967
Income tax expense	8	**(640)**	(1,049)
Profit for the year attributable to the equity holders of the parent	19	**1,571**	1,918
Other comprehensive income			
Exchange differences on translating foreign operations		**(336)**	178
Other comprehensive income for the year, net of tax		**(336)**	178
Total comprehensive income for the period attributable to equity holders of the parent		**1,235**	2,096
Earnings per share			
– basic (pence)		**19.1**	25.3
– diluted (pence)		**18.9**	25.0

All amounts relate to continuing operations.

The notes on pages 24 to 46 form part of these financial statements.

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
Total comprehensive (expense)/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**

Consolidated statement of changes in equity
For the year ended 31 December 2008

	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 2007	763	5,546	–	(59)	1,889	8,139
Total comprehensive income for the year	–	–	178	–	1,918	2,096
Share option expense	–	–	–	–	45	45
Dividends paid	–	–	–	–	(250)	(250)
Purchase of ordinary shares for holding in treasury	–	–	–	(58)	–	(58)
Balance at 31 December 2008	**763**	**5,546**	**178**	**(117)**	**3,602**	**9,972**

Consolidated balance sheet
As at 31 December 2009

	Note	2009 £'000	2009 £'000	2008 £'000	2008 £'000
ASSETS					
Non-current assets					
Intangible assets	10		**3,315**		3,159
Property, plant and equipment	11		**13,505**		8,675
			16,820		11,834
Current assets					
Inventories	12	**1,266**		1,096	
Trade and other receivables	13	**3,156**		4,085	
Cash and cash equivalents		**776**		2,078	
			5,198		7,259
Total assets			**22,018**		19,093
LIABILITIES					
Current liabilities					
Trade and other payables	14	**2,775**		2,384	
Financial liabilities	15	**2,240**		1,966	
Other financial liabilities	15	**52**		988	
Current tax liabilities		**1,038**		1,386	
			6,105		6,724
Non-current liabilities					
Financial liabilities	15	**2,256**		1,502	
Long-term provisions	16	**141**		212	
Deferred tax liabilities	17	**1,091**		683	
			3,488		2,397
Total liabilities			**9,593**		9,121
Total net assets			**12,425**		9,972
Capital and reserves attributable to equity holders of the Company					
Share capital	18		**909**		763
Share premium	19		**6,967**		5,546
Foreign exchange reserve	19		**(158)**		178
Treasury share reserve	19		**(201)**		(117)
Retained earnings	19		**4,908**		3,602
Total equity			**12,425**		9,972

The notes on pages 24 to 46 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 25 March 2010.

E W Hook
Director

Consolidated cash flow statement
For the year ended 31 December 2009

	Note	2009 £'000	Restated 2008 £'000
Cash flows from operating activities			
Net profit from ordinary activities before taxation		**2,211**	2,967
Adjustments for:			
Foreign exchange gains		**112**	(620)
Amortisation of intangible assets	10	**131**	95
Amortisation of capitalised debt fee		**1**	92
Depreciation of property, plant and equipment	11	**1,048**	715
Loss/(profit) on disposal of property, plant and equipment		**8**	(54)
Decrease in provision for future employment costs		**(71)**	–
Investment income		**(1)**	(23)
Finance costs	7	**173**	203
Share option expense	23	**54**	45
		3,666	3,420
(Increase)/decrease in inventories		**(170)**	40
Decrease/(increase) in receivables		**1,037**	(424)
(Decrease)/increase in payables		**(55)**	385
Cash generated from operations		**4,478**	3,421
Finance costs	7	**(173)**	(203)
Taxation		**(615)**	(173)
Hire fleet expenditure	11	**(5,188)**	(1,778)
Net cash (used in)/from operating activities		**(1,498)**	1,267
Cash flows from investing activities			
Finance income		**1**	23
Acquisition of subsidiary undertaking (net of cash acquired)	24	**(73)**	–
Additional payments for subsidiaries already owned		**–**	(1,150)
Purchase of property, plant and equipment	11	**(167)**	(1,147)
Sale of property, plant and equipment		**63**	480
Net cash used in investing activities		**(176)**	(1,794)
Cash flows from financing activities			
Proceeds from share capital issued		**1,459**	–
Proceeds from bank borrowings		**–**	1,626
Repayment of bank borrowings		**(89)**	(64)
Repayment of finance lease creditors		**(460)**	(196)
Repurchase of own shares		**(84)**	(58)
Dividends paid in the year		**(319)**	(250)
Net cash from financing activities		**507**	1,058
Net (decrease)/increase in cash and cash equivalents		**(1,167)**	531
Cash and cash equivalents at beginning of period		**2,078**	1,102
Exchange (losses)/gains on cash and cash equivalents		**(135)**	445
Cash and cash equivalents at end of period	25	**776**	2,078

During the period the Group acquired property, plant and hire equipment with an aggregate cost of £5,862,000 (2008: £4,407,000) of which £1,495,000 (2008: £494,000) was acquired by means of finance leases and £nil (2008: £988,000) by deferred commitment. Cash payments of £5,355,000 including deferred consideration of £988,000 (2008: £2,925,000) were made to purchase property, plant and hire equipment.

Notes to the consolidated financial statements
For the year ended 31 December 2009

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

The Group financial statements have been prepared in accordance with International Financial Reporting Standards, International Accounting Standards and Interpretations (collectively IFRS) issued by the International Accounting Standards Board ("IASB") as adopted by European Union ("adopted IFRS") and with those parts of the Companies Act 2006 applicable to companies preparing financial statements in accordance with IFRS.

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

The parent company's financial statements have been prepared under applicable United Kingdom accounting standards and are on pages 47 to 52.

On the adoption of the amendments to IAS 7 effective for these financial statements, cash payments to acquire or manufacture items included in the hire fleet have been reflected as cash flows from operating activities whereas prior to the amendment to IAS 7 such cash flows would have been presented as part of investing activities. The Consolidated Cash Flow Statement for the year ended 31 December 2008 has been restated for this amendment.

The above reclassifications in the Consolidated Cash Flow Statement have had no impact on the Consolidated Balance Sheet at 1 January 2008 (being the Group Balance Sheet at 31 December 2007 which was prepared in accordance with IFRS and is publicly available).

The Group Balance Sheet at 1 January 2008 and the supporting notes to that balance sheet have not been presented in these financial statements.

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 is recognised in the statement of comprehensive income under cost of sales.

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

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

1. Accounting policies continued

1.5 Goodwill

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

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

1.6 Property, plant and equipment

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

Freehold buildings	–	2%	Straight line
Plant and machinery	–	10%	Reducing balance
Motor vehicles	–	25%	Reducing balance
Furniture and fittings	–	10–33%	Reducing balance and straight line
Hire equipment	–	0%	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.

1.7 Leasing and hire purchase

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

1.8 Inventories

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

1.9 Current and deferred taxation

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

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

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

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

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

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

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

1. Accounting policies continued

1.10 Foreign currencies

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

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

1.12 Pensions

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

1.13 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.

1. Accounting policies continued

1.13 Financial instruments continued

(b) Financial liabilities

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

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

Other financial liabilities include the following items:

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

(d) Option to purchase minority interest in subsidiary

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

1.14 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 below.

1.15 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.

1.16 New standards and interpretations

In preparing the Group financial statements, the following new standards and interpretations have been adopted:

IAS 1 "Presentation of Financial Statements: A Revised Approach"

This revision to IAS 1 introduces a single statement of comprehensive income incorporating both the profits and losses that have traditionally been reported in the income statement and the gains and losses that are currently reported in the statement of recognised income and expense or the statement of changes in equity. As a result the statement of comprehensive income reports all "non-owner" changes in equity. These other "non-owner" changes in equity include revaluations, actuarial gains and losses, translation gains and losses on foreign subsidiaries, re-measuring available for sale financial assets, and the effective portion of gains and losses on cash flow hedges.

IFRS 8 "Operating Segments"

IFRS 8 "Operating Segments" replaces IAS 14 "Segment Reporting". Disclosures are now based on the management reports used by the "chief operating decision maker" to allocate resources and assess performance.

Amendment to IFRS 2 "Share-based Payments: Vesting Conditions and Cancellations"

This amendment clarifies that vesting conditions are service conditions and performance conditions only. Other features of a share-based payment are not vesting conditions. The amendment also specifies that all cancellations, whether by the Company or by other parties, should receive the same accounting treatment. The adoption of this amendment has had no impact on the Group.

Notes to the consolidated financial statements continued
For the year ended 31 December 2009

1. Accounting policies continued
1.16 New standards and interpretations continued
"Improvements to IFRS" (issued May 2008)
The ASB has issued a set of changes to existing standards.

The most significant changes made to standards relevant to the Group as a result of the improvements relate to IAS 16 "Property, Plant and Equipment". Under the amendment to the standard, entities that routinely sell items of property, plant and equipment that were previously held for rental to others should reclassify those items at their net book value to inventory when they cease to be rented and become held for sale. The subsequent sale of such assets now gives rise to revenue and cost of sales, and are not reported as a net profit or loss on disposal.

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

- Amendment to IAS 23 "Borrowing Costs";
- Amendments to IAS 32 "Financial Instruments: Presentation (Puttable Instruments and Obligations Arising on a Liquidation)";
- Amendments to IFRS 7 "Improving Disclosures about Financial Instruments";
- Amendments to IFRIC 9 and IAS 39 "Embedded Derivatives";
- Amendments to IAS 27 "Consolidated and Separate Financial Statements" and IFRS 1 "First-time Adoption of International Financial Reporting Standards";
- IFRIC 12 "Service Concession Arrangements";
- IFRIC 13 "Customer Loyalty Programmes";
- IFRIC 14 "IAS 19 – The Limit on a Defined Benefit Asset Minimum Funding Requirements and their Interaction";
- IFRIC 15 "Agreements for the Construction of Real Estate"; and
- IFRIC 16 "Hedges of a Net Investment in a Foreign Operation".

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

Revision of IFRS 3 "Business Combinations" (issued January 2008)
This amendment is effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. Earlier application is permitted, provided that IAS 27 (as amended in 2008, see below) is applied at the same time. This amendment was endorsed for use in the European Union in June 2009.

This revision to IFRS 3 is part of the convergence project between IFRS and US GAAP. There are certain key differences between the revised standard and existing practices and management is considering the impact on the Group financial statements.

IAS 27 "Consolidated and Separate Financial Statements" (issued January 2008)
This amendment is effective for annual reporting periods beginning on or after 1 July 2009. Earlier application is permitted, provided that IFRS 3 (as amended in 2008, see above) is applied at the same time. This amendment was endorsed for use in the European Union in June 2009.

The revisions to IAS 27 are not as far reaching as those to IFRS 3. However, whereas the revisions to IFRS 3 are only mandatory for business combinations occurring in the future, the revisions to IAS 27 will affect the way that existing subsidiaries will be accounted for in consolidated accounts. Management is considering the impact on the Group financial statements.

Amendments to IFRS 2 "Group Cash-settled Share-based Payment Transactions" (issued June 2009)
The amendments are effective for annual periods beginning on or after 1 January 2010 and must be applied retrospectively. Earlier application is permitted. The amendment has not yet been endorsed for use in the European Union.

This amendment clarifies that, where a parent (or another Group entity) has an obligation to make a cash-settled share-based payment to another Group entity's employees or suppliers, the entity receiving the goods or services should account for the transaction as equity-settled.

The amendment also moves the IFRIC 11 requirements in respect of equity-settled share-based payment transactions among Group entities and the clarification of the scope of IFRS 2 contained within IFRIC 8 into IFRS 2 itself. As a result IFRIC 8 and IFRIC 11 have been withdrawn.

Management is considering the impact on the Group financial statements.

1. Accounting policies continued

1.16 New standards and interpretations continued

"Improvements to IFRS (2010)" (issued April 2009)

The improvements in this amendment clarify the requirements of IFRS and eliminate inconsistencies within and between standards. The most significant changes for the Group cover the following issues:

- IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" – the disclosure requirements of other IFRS do not generally apply to non-current assets (or disposal groups) classified as held for sale;
- IFRS 8 "Operating Segments" – the total assets for each reportable segment need only be disclosed when such information is regularly provided to the chief operating decision maker;
- IAS 1 "Presentation of Financial Statements" – the terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification as current or non-current;
- IAS 7 "Statement of Cash Flows" – only expenditures that result in a recognised asset can be classified as a cash flow from investing activities;
- IFRS 2 "Share-based Payment" – the combination of entities or businesses under common control and the contribution of a business on the formation of a joint venture are outside of the scope of IFRS 2;
- IAS 38 "Intangible Assets" – has been amended to bring the guidance on the treatment of intangible assets acquired as part of a business combination in line with the requirements of IFRS 3(R) and to clarify the description of valuation techniques used in the absence of an active market;
- IAS 17 "Leases" – changes have been introduced to eliminate the inconsistencies between the general lease classification guidance and the guidance applicable to the classification of the land element in long-term leases of land and buildings. The latter changes may lead to an increased number of instances when the land element of a lease of land and buildings is classified as a finance lease;
- IAS 39 "Financial Instruments: Recognition and Measurement" – there are a number of changes: the scope exemption in IAS 39.2(g) is restricted to forward contracts between an acquirer and a selling shareholder to buy or sell an acquiree in a business combination at a future acquisition date (i.e. removing the scope exemption for option contracts whether or not currently exercisable, that on exercise will result in control of an entity). It also clarifies when embedded prepayment options can be considered closely related to a host contract, the timing of reclassification adjustments in designated cash flow hedging relationships and the use of internal contracts in hedging relationships;
- IFRIC 9 "Reassessment of Embedded Derivatives" does not apply to embedded derivatives in contracts acquired in the combination of entities or businesses under common control and the contribution of a business on the formation of a joint venture; and
- IFRIC 16 "Hedges of a Net Investment in a Foreign Operation" – removes the restriction on the entity that can hold a hedging instrument used in the hedge of a net investment in a foreign operation.

The above is not an exhaustive list of the amendments made, but covers those ones which are more likely to have a significant impact. Many of the other changes are minor and are less likely to have a significant effect on the accounting or have been made to make the language used across standards consistent.

The effective date for the amendments is generally periods beginning 1 July 2009 or 1 January 2010, although the amendment to IAS 39.108C applies to periods beginning on or after 1 January 2009. The amendments have not been endorsed for use in the European Union.

Management is considering the impact of the above on the Group financial statements.

1. Accounting policies continued

1.16 New standards and interpretations continued

IFRS 9 "Financial Instruments" (issued November 2009)

This IFRS represents the first step in the IASB's three-part plan to replace IAS 39 "Financial Instruments: Recognition and Measurement".

IFRS 9 introduces new requirements for the classification and measurement of financial assets. The requirements for this IFRS are to be applied for annual periods beginning on or after 1 January 2013, earlier application is permitted. IFRS 9 has not been endorsed by the EU. It was considered by the ARC at its meeting on 11 November 2010 but the decision was deferred. The consequences are as yet unknown. As a result EFRAG has also postponed its final advice.

The IASB has refined the proposals contained within the ED published in July 2009. The requirements relating to financial liabilities have not been finalised in IFRS 9. The IASB is giving further consideration to the classification and measurement of financial liabilities and it expects to issue final requirements during 2010.

IFRS 9 uses a single approach to determine whether a financial asset is measured at amortised cost or fair value, replacing the many different rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments (its business model) and the contractual cash flow characteristics of the financial assets. The new standard also requires a single impairment method to be used, replacing the many different impairment methods in IAS 39.

The IASB intends to expand IFRS 9 during 2010 by adding new requirements for the classification and measurement of financial liabilities, derecognition of financial instruments, impairment and hedge accounting.

The IASB expects to fully replace IAS 39 with IFRS 9 by the end of 2010. IFRS 9 has not been endorsed by the EU.

Management is considering the impact on the Group financial statements.

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

- "Additional Exemptions for First-time Adopters" – amendments to IFRS 1 "First-time Adoption of International Financial Reporting Standards" (issued July 2009);
- Revised version of IFRS 1 "First-time Adoption of International Financial Reporting Standards" (issued November 2008);
- "Eligible Hedged Items" – amendment to IAS 39 "Financial Instruments: Recognition and Measurement" (issued July 2008);
- "Classification of Rights Issues" – amendment to IAS 32 "Financial Instruments: Classification" (Issued October 2009);
- Amendments to IFRIC 14 "Prepayments of a Minimum Funding Requirement" (issued November 2009);
- IFRIC 19 "Extinguishing Financial Liabilities with Equity Instruments";
- Amendment to IFRS 1 "Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters" (issued January 2010);
- IFRIC 17 "Distributions of Non-cash Assets to Owners"; and
- IFRIC 18 "Transfers of assets from Customers".

1.17 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 10. Actual outcomes could vary significantly from these estimates.

Impairment of assets

Property, plant and equipment are reviewed for impairment if events or changes in circumstances indicate that the carrying amount may not be recoverable. When a review for impairment is conducted (see note 11), the recoverable amount of an asset or a cash-generating unit is determined based on value-in-use calculations prepared on the basis of management's assumptions and estimates.

Provisions

Provisions have been made for employment costs as per note 15. These provisions are estimates and the actual costs and timings of future cash flows are dependent upon future events. Any difference between expectations and the actual future liability will be accounted for in the period when such determination is made.

Income taxes

The Group recognises expected liabilities for tax based on an estimation of the likely taxes due, which requires significant judgement as to the ultimate tax determination of certain items. Where the actual liability arising from these issues differs from these estimates, such differences will have an impact on income tax and deferred tax provisions in the period when such determination is made (see note 8).

2. Segment information

The Group has two main reportable segments:

- UK – this segment is involved in the manufacture, hire and sale of specialist industrial equipment and is the largest proportion of the Group's business generating 71% (2008: 79%) of the Group's revenue. This includes the Crestchic Limited and AIR Limited businesses; and
- Non-UK – this segment is involved in the hire of specialist industrial equipment and contributes 29% (2008: 21%) of the Group's revenue. This includes the NME, RDS and TTERS businesses.

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. They are managed separately because they require different marketing 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.

	UK £'000	Non-UK £'000	Total £'000	Inter-company £'000	Other Including consolidation adjustments £'000	**2009 Total £'000**
Revenue from external customers	9,165	3,819	12,984	(265)	–	**12,719**
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**

	UK £'000	Non-UK £'000	Total £'000	Inter-company £'000	Other including consolidation adjustments £'000	2008 Total £'000
Revenue from external customers	13,199	3,479	16,678	(944)	–	15,734
Finance income	10	13	23	–	–	23
Finance expense	(26)	–	(26)	–	(177)	(203)
Depreciation	(535)	(180)	(715)	–	–	(715)
Amortisation	(28)	–	(28)	–	(67)	(95)
Profit before tax	3,304	893	4,197	(32)	(1,198)	2,967
Balance sheet						
Assets	11,210	7,363	18,573	(9,714)	10,234	19,093
Liabilities	(3,680)	(4,227)	(7,907)	2,417	(3,631)	(9,121)
	7,530	3,136	10,666	(7,297)	6,603	9,972

Notes to the consolidated financial statements continued
For the year ended 31 December 2009

2. Segment information continued
Measurement of operating segment profit or loss, assets and liabilities continued

	External revenue by location		Non-current assets by location	
	2009 £'000	2008 £'000	**2009 £'000**	2008 £'000
UK	**8,900**	12,255	**9,380**	8,616
United Arab Emirates	**2,865**	2,446	**6,490**	2,132
Azerbaijan	**954**	1,033	**950**	1,086
	12,719	15,734	**16,820**	11,834

	External revenue by type		External revenue by type	
	2009 £'000	2008 £'000	**2009 %**	2008 %
Hire of equipment	**7,674**	7,708	**60.3**	49.0
Sale of product	**5,045**	8,026	**39.7**	51.0
	12,719	15,734	**100**	100

3. Profit from operations
The operating profit is stated after charging:

	2009 £'000	2008 £'000
Amortisation:		
– customer relationships	**108**	73
Depreciation of property, plant and equipment:		
– owned by the Company	**861**	637
– held under finance leases	**187**	78
Operating lease rentals:		
– other operating leases	**180**	104
Cost of inventories recognised as an expense during the year	**3,130**	4,909
Foreign exchange losses/(gains)	**112**	(620)
Amortisation of deferred research and development expenditure	**22**	22
Amortisation of order backlog	**1**	–
Share-based payment remuneration	**54**	45

See note 6 for auditors' fees.

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

	2009 £'000	2008 £'000
Wages and salaries	**3,072**	2,959
Social security costs	**290**	222
Other pension costs	**98**	97
Share-based payments	**54**	45
	3,514	3,323

Of the share-based payments made in the year £33,000 (2008: £37,000) related to key management personnel.

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

	2009 Number	2008 Number
Technical and production	**60**	53
Sales	**9**	5
Administration	**24**	23
	93	81

5. Directors' remuneration

	Salary £'000	Bonus £'000	Benefits £'000	2009 Total £'000	2008 Total £'000
P R Harris	**27**	**–**	**–**	**27**	20
E W Hook	**94**	**–**	**2**	**96**	151
A K Mehta	**60**	**–**	**–**	**60**	69
J W Gould	**68**	**–**	**13**	**81**	135
M G Dodson	**7**	**–**	**–**	**7**	6
D C Marshall	**7**	**–**	**–**	**7**	5
	263	**–**	**15**	**278**	386

6. Auditors' remuneration

	2009 £'000	2008 £'000
Fees payable to the Company's auditor for the audit of the parent company and consolidated financial statements	**10**	10
Fees payable to the Company's auditor and associates in respect of:		
– audit of the Company's subsidiaries	**51**	32
– other services	**10**	4
– tax services	**10**	8
– corporate finance services	**–**	35

7. Finance costs

	2009 £'000	2008 £'000
On bank loans and overdrafts	**109**	177
On finance leases and hire purchase contracts	**64**	26
	173	203

8. Income tax expense

	2009 £'000	2008 £'000
Current tax expense	**400**	847
Prior year (over)/under provision of tax	**(133)**	123
	267	970
Deferred tax expense resulting from the origination and reversal of temporary differences	**373**	79
Tax on profit on ordinary activities	**640**	1,049

Factors affecting tax charge for the year

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

	2009 £'000	2008 £'000
Profit on ordinary activities before tax	**2,211**	2,967
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 28.0% (2008: 28.5%)	**619**	846
Effects of:		
Expenses not allowable for tax purposes	**154**	80
Prior year (over)/under provision of tax	**(133)**	123
Total tax charge for the year (see note above)	**640**	1,049

Notes to the consolidated financial statements continued
For the year ended 31 December 2009

9. Earnings per share

	2009 £'000	2008 £'000
Numerator		
Earnings used in basic and diluted EPS	**1,571**	1,918

	Number	Number
Denominator		
Weighted average number of shares used in basic EPS	**8,239,811**	7,586,054
Effects of share options	**84,900**	88,085
Weighted average number of shares used in diluted EPS	**8,324,711**	7,674,139

At the end of the year, the Company had in issue 430,357 (2008: 288,861) 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.

10. Intangible assets

	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

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

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

	Customer relationships	Development
Crestchic	6.25 years	3.25 years
LHS	7.25 years	–
RDS	7.75 years	–
TTERS	3.33 years	–

10. Intangible assets continued

Impairment of goodwill

Crestchic Limited

Crestchic Limited was acquired by the Group in March 2006 giving rise to goodwill of £1,890,000. The goodwill arising on the acquisition of the trade and assets of LHS in March 2007 was £304,000. LHS has been integrated into Crestchic Limited such that the two businesses now operate as a single cash-generating unit ("CGU"). The goodwill allocated to this CGU being £2,194,000 (2008: £2,194,000). The recoverable amount of the CGU has been determined from value-in-use calculations based on cash flow projections covering a five year period to 31 December 2014.

The discount rate used to measure the CGU's value-in-use was 15.0% (2008: 13.0%). 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 2009	CGU 2008
Discount rate	**15%**	13%
Operating margin (gross)	**55%**	55%
Growth rate	**5%**	5%
Wage inflation	**5%**	3%
Market share	**No change**	No change

Operating margins have been based on past experience and future expectations in the light of anticipated economic and market conditions. Discount rates are based on the Group's 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 by £5,776,000 (2008: £5,277,000). Given the level of the excess noted, the Directors do not consider the impairment calculation to be sensitive to movements in the above assumptions.

TTERS

In April 2010, the Group acquired 66.67% of the share capital of TTERS giving rise to goodwill of £163,000. The recoverable amount of TTERS as a single CGU has been determined from value-in-use calculations based on cash flow projections covering a five year period to 31 December 2014.

The discount rate used to measure the CGU's value-in-use was 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 2009
Discount rate	**15%**
Operating margin (gross)	**83%**
Growth rate	**30%**
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 by £1,572,000. Given the level of the excess noted, the Directors do not consider the impairment calculation to be sensitive to movements in the above assumptions.

The remaining goodwill of £159,000 (2008: £154,000) relates to the acquisition of RDS and is not considered to be significant.

11. Property, plant and equipment

	Land and buildings £'000	Plant and machinery £'000	Motor vehicles £'000	Furniture and fittings £'000	Hire fleet £'000	Total £'000
Cost						
At 1 January 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

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

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

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

	2009 £'000	2008 £'000
Motor vehicles	**412**	340
Hire fleet	**1,314**	246

12. Inventories

	2009 £'000	2008 £'000
Raw materials	**667**	898
Work in progress	**599**	198
	1,266	1,096

13. Trade and other receivables

	2009 £'000	2008 £'000
Due within one year		
Trade receivables	**2,713**	3,845
Other receivables	**248**	66
Prepayments	**195**	174
	3,156	4,085

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

	2009 £'000	2008 £'000
Pound Sterling	**1,558**	2,400
Euro	**344**	270
US Dollar	**605**	888
United Arab Emirates Dirham	**454**	345
Other	**–**	8
	2,961	3,911

At 31 December 2009 trade receivables of £1,954,000 (2008: £555,000) were past due but not impaired. They relate to customers with no default history. The ageing of these receivables is as follows:

	2009 £'000	2008 £'000
Up to three months past due	**1,543**	197
Three to six months past due	**390**	273
Six to twelve months past due	**7**	58
Greater than twelve months past due	**14**	27
	1,954	555

Since the year end £1,198,000 of the £1,954,000 has been received from customers.

At 31 December 2009 trade receivables of £97,000 (2008: £141,000) 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 2009 was £97,000 (2008: £141,000). The receivables relate to trade debtors. The ageing of these receivables is as follows:

	2009 £'000	2008 £'000
Less than twelve months	**97**	–
Greater than twelve months	**–**	141

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:

	2009 £'000	2008 £'000
Opening balance	**141**	4
Increases in provisions	**–**	141
Recovered amounts reversed	**(44)**	(4)
Closing balance	**97**	141

The maximum exposure to credit risk at 31 December 2009 is £3,156,000 (2008: £4,085,000).

14. Current liabilities

Trade and other payables – current

	2009 £'000	2008 £'000
Trade payables	**1,493**	1,316
Social security and other taxes	**148**	431
Other payables	**647**	22
Accruals and deferred income	**487**	615
	2,775	2,384

Included within the Trade and other payables is £593,000 (2008: £397,000) denominated in United Arab Emirates Dirham.

15. Financial liabilities

Current

	2009 £'000	2008 £'000
Bank loans – secured	**101**	101
Capitalised debt fees	**(1)**	(1)
Banking facility	**1,626**	1,626
Total	**1,726**	1,726
Net obligations under finance leases and hire purchase agreements	**514**	240
Total	**2,240**	1,966

The fair value of the Group's bank loans at the balance sheet date was £2.90 million (2008: £3.03 million). For the Group's other loans and borrowings, the carrying amounts are a reasonable approximation of the financial instruments' fair value.

The bank loan is secured by:

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

The Group also has a multi-option banking facility that allows the Group to utilise a maximum of £1.9 million which includes a revolving credit facility of £1,900,000. The facility is renewable on 30 April 2011. The interest rate is fixed at 2.5% over LIBOR. Interest accrues on a daily basis and increases the balance outstanding on the facility.

The bank facility (£1,900,000) is considered to be a financial liability due to its repayment terms, and is therefore included in Financial Liabilities.

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

	2009 Floating rate £'000	2009 Fair value £'000	2008 Floating rate £'000	2008 Fair value £'000
Expiry within one year	**100**	**100**	100	100
More than one year less than two years	**100**	**100**	100	100
More than two years less than five years	**300**	**300**	300	300
More than five years	**811**	**811**	900	900
Total	**1,311**	**1,311**	1,400	1,400

Fair value has been established at the market rate prevailing as at 31 December 2009.

Other financial liabilities

	2009 £'000	2008 £'000
Deferred consideration for purchase of subsidiary	**–**	988
Loan account	**52**	–
	52	988

Non-current

	2009 £'000	2008 £'000
Bank loans – secured	**1,223**	1,313
Capitalised debt fees	**(12)**	(13)
Total	**1,211**	1,300
Net obligations under finance leases and hire purchase agreements	**910**	202
Deferred consideration for purchase of subsidiary	**135**	–
	2,256	1,502

As described in note 24, during the year the Group acquired, through its subsidiary NME, 66.67% of the issued share capital of TTERS. The contingent consideration of the balance of the share capital, has been estimated at £135,000 which is not payable until April 2011.

15. Financial liabilities continued

Non-current continued

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

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**

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

16. Provisions

	2009 £'000	2008 £'000
At 1 January	**212**	212
Released during the year	**(71)**	–
	141	212

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

17. Deferred taxation

	2009 £'000	2008 £'000
Opening provision	**683**	604
Taken to statement of comprehensive income in current year	**373**	79
On acquisition	**35**	–
Closing provision	**1,091**	683

The provision for deferred taxation is made up as follows:

	2009 £'000	2008 £'000
Accelerated capital allowances	**811**	409
Fair value adjustment to land and buildings	**137**	137
Fair value of intangibles on acquisition	**227**	221
Other temporary differences	**(84)**	(84)
	1,091	683

18. Share capital

	2009 £'000	2008 £'000
Authorised		
30,000,000 ordinary shares of 10p each (2008: 30,000,000 ordinary shares of 10p each)	**3,000**	3,000
Allotted, called up and fully paid		
9,092,257 ordinary shares of 10p each (2008: 7,630,149 ordinary shares of 10p each)	**909**	763

	2009 Number	2009 £'000	2008 Number	2008 £'000
Ordinary shares of 10p each				
At beginning of year	**7,630,149**	**763**	7,630,149	763
Issue of new shares	**1,462,108**	**146**	–	–
At end of year	**9,092,257**	**909**	7,630,149	763

During the year 80,000 shares were issued as consideration on the acquisition of TTERS and 1,382,108 shares were issued through the open offer made in June 2009.

18. Share capital continued

	2009 Number	2008 Number
Treasury shares held by the Company	**152,150**	88,350

Capital management

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

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

19. Reserves

Group	Share premium account £'000	Treasury share reserve £'000	Foreign exchange reserve £'000	Profit and loss account £'000
At 1 January 2009	5,546	(117)	178	3,602
Increase in share premium	1,482	–	–	–
Transaction costs	(61)	–	–	–
Profit retained for the year	–	–	–	1,571
Foreign exchange gain on retranslation	–	–	(336)	–
Dividends paid during the year	–	–	–	(319)
Share option expense for the year	–	–	–	54
Purchase of ordinary shares for holding in treasury	–	(84)	–	–
At 31 December 2009	**6,967**	**(201)**	**(158)**	**4,908**

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

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

Reserve	Description and purpose
Share capital account	Amount subscribed for share capital.
Share premium account	Amount subscribed for share capital in excess of nominal value.
Treasury share reserve	Amount used to purchase ordinary shares for holding in treasury.
Foreign exchange reserve	Amount arising on the retranslation of foreign subsidiaries.
Profit and loss account	Cumulative net gains and losses recognised in the consolidated income statement.

20. Pension commitments

The Group operates a defined contributions pension scheme. The assets of the scheme are held separately from those of the Company in an independently administered fund. The pension cost charge represents contributions payable by the Group to the fund and amounted to £98,000 (2008: £97,000).

21. Operating lease commitments

At 31 December 2009 the total future of minimum lease payments are due as follows:

Property	2009 £'000	2008 £'000
Not later than one year	**7**	28
Later than one year and not later than five years	**–**	62
	7	90

21. Operating lease commitments continued

Other assets	2009 £'000	2008 £'000
Not later than one year	**37**	9
Later than one year and not later than five years	**15**	–
	52	9

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

22. Principal subsidiaries

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%
Duck Trading Limited	United Arab Emirates	100%*
Air Industry Resources Ltd	United Kingdom	100%*
RDS (Technical) Limited	Azerbaijan	100%*
RDS (Technical) Limited	United Arab Emirates	100%*
TTERS LLC	United Arab Emirates	66.67%*

* These subsidiaries are indirectly held by the Company.

Of the subsidiaries listed, Crestchic is involved in both the manufacturing and hire of loadbanks. All the other subsidiaries are involved in the hire of similar specialist equipment.

23. Share-based payments

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

	2009 Weighted average exercise price (pence)	2009 Number	2008 Weighted average exercise price (pence)	2008 Number
Outstanding at the beginning of the year		**655,000**		514,000
Granted during the year	**154**	**130,540**	129	141,000
Adjustment for issue of share capital		**23,560***		–
Exercised during the year		**–**		–
Non-executive and consultant share options lapsed during the year	**–**	**(20,720)**	–	–
Outstanding at the end of the year	**154**	**788,380**	129	655,000

* During the 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 99.92 pence and 149.64 pence (2008: 103.50 pence and 173.50 pence) and their weighted average contractual life was eight months (2008: one year one month). The weighted average exercise price of the options is 128.80 pence (2008: 129.40 pence).

Of the total number of options outstanding at the end of the year, 319,040 (2008: 20,000) had vested and were exercisable at the end of the year. The schemes have been valued using the Black Scholes pricing model.

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

	2009
Options granted during the year	**130,540***
Date of grant	**20 April 2009**
Fair value per option at measurement date	**148.67p***
Share price	**148.67p***
Exercise price	**148.67p***
Weighted average exercise price	**148.67p***
Weighted average exercise life	**2 years 4 months**
Expected volatility	**30%**
Earliest exercisable point	**3 years**
Option life	**10 years**
Risk free interest rate	**5.25%**

* During the 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.

Notes to the consolidated financial statements continued
For the year ended 31 December 2009

23. Share-based payments continued

	2008
Options granted during the year	141,000*
Date of grant	9 April 2008
Fair value per option at measurement date	155.00p*
Share price	155.00p*
Exercise price	£1.50–£3.00
Weighted average exercise price	£2.25
Weighted average exercise life	1 year 3 months
Expected volatility	30%
Earliest exercisable point	3 years
Option life	10 years
Risk free interest rate	5.25%

* During the 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 2009 and in 2008 during the year ended 31 December 2008.

The share-based remuneration expense for the year is £54,000 (2008: £45,000) of which £33,000 (2008: £37,000) relates to key management personnel.

The following share options were outstanding at 31 December 2009:

Type of scheme	Date of grant	**Number of shares 2009**	Number of shares 2008
Unapproved share option	30 May 2006	**177,130**	171,000
Approved share option	30 May 2006	**30,040**	29,000
Non-executive and consultant share option	30 May 2006	**111,870**	128,000
Non-executive and consultant share option	2 April 2007	**18,650**	18,000
Unapproved share option	2 April 2007	**103,590**	100,000
Approved share option	2 April 2007	**29,020**	28,000
Unapproved share option	27 September 2007	**41,440**	40,000
Non-executive and consultant share option	9 April 2008	**6,220**	6,000
Unapproved share option	9 April 2008	**90,140**	87,000
Approved share option	9 April 2008	**49,740**	48,000
Non-executive and consultant share option	20 April 2009	**6,220**	–
Unapproved share option	20 April 2009	**103,600**	–
Approved share option	20 April 2009	**20,720**	–
		788,380	655,000

Directors' share options

	Date of grant	Number of shares	Exercise price	Normal exercise period	Scheme type
P R Harris	30 May 2006	111,870	99.92p	30/05/2009-30/05/2016	Non-executive/consultants
E W Hook	30 May 2006	30,040	99.92p	30/05/2009-30/05/2016	Approved
E W Hook	30 May 2006	177,130	99.92p	30/05/2009-30/05/2016	Unapproved
E W Hook	2 April 2007	103,590	145.78p	02/04/2010-02/04/2017	Unapproved
E W Hook	9 April 2008	41,440	149.64p	09/04/2011-09/04/2018	Unapproved
E W Hook	20 April 2009	41,440	148.67p	20/04/2012-20/04/2019	Unapproved
J W Gould	9 April 2008	19,690	149.64p	09/04/2011-09/04/2018	Approved
J W Gould	9 April 2008	6,220	149.64p	09/04/2011-09/04/2018	Unapproved
J W Gould	20 April 2009	20,720	148.67p	20/04/2012-20/04/2019	Unapproved
A K Mehta	2 April 2007	18,650	145.78p	02/04/2010-02/04/2017	Non-executive/consultants
A K Mehta	9 April 2008	6,220	149.64p	09/04/2011-09/04/2018	Non-executive/consultants
A K Mehta	20 April 2009	6,220	148.67p	20/04/2012-20/04/2019	Non-executive/consultants
		583,230			

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 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. This led to 93.6% of the 289,030 options becoming vested and exercisable. All other options are exercisable subject to three-year EPS targets set by the Remuneration Committee.

24. Acquisitions during the year and prior year

Tyne Technical Equipment Rental Services

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 will acquire the remaining 33.33% of the shares in the company on 13 April 2011 for a price based on a multiple of net profits in the preceding twelve months, subject to a maximum cost of £680,000 (and a total maximum cost of £850,000). At this level of consideration the profit before taxation of TTERS would be £250,000. Based on an assessment at 30 June 2009, £135,000 has been included as the expected fair value of the contingent consideration. The shares issued to the vendors as consideration are to be held for a minimum period of 24 months.

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

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

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

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

The main factors leading to the recognition of goodwill are the presence of certain intangible assets in the acquired entity, such as trading 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.

Since the acquisition TTERS has contributed a loss of £77,000 to the Consolidated Group Results.

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

Acquisitions during the prior year

There were no acquisitions in the prior year.

25. Note supporting cash flow statement

	2009 £'000	2008 £'000
Cash and cash equivalents comprises:		
Cash available on demand	**776**	2,078

26. Financial instruments

Financial instrument risk exposure and management

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

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

Principal financial instruments

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

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

General objectives, policies and processes

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

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

Categories of financial assets and liabilities financial

	Loans and receivables at amortised cost	
	2009 £'000	2008 £'000
Current financial assets		
Trade and other receivables	**2,961**	3,911
Cash and cash equivalents	**776**	2,078
Total current financial assets	**3,737**	5,989

	Deferred consideration		Financial liabilities measured at amortised cost	
	2009 £'000	2008 £'000	**2009 £'000**	2008 £'000
Current financial liabilities				
Trade and other payables	**–**	–	**1,990**	2,384
Loans and borrowings	**–**	988	**2,292**	1,966
Total current financial liabilities	**–**	988	**4,282**	4,350
Non-current financial liabilities				
Loans and borrowings	**135**	–	**2,121**	1,502
Total non-current financial liabilities	**135**	–	**2,121**	1,502
Total financial liabilities	**135**	988	**6,403**	5,852

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.

26. Financial instruments continued

Trade receivables

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

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

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

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

Liquidity risk

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

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

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

Market risk

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

Interest rate risk

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

The interest rate is variable on bank loans at 1.25% above bank base rate. The bank revolving facility accrues a variable rate of interest at a rate of 2.5% above LIBOR.

The annualised effect of a 0.5% decrease in the interest rate at the balance sheet date on the variable rate bank loan carried at that date would, all other variables held constant, have resulted in an increase in post-tax profit for the year of £7,000 (2008: £7,000). A 0.5% increase in the interest rate would, on the same basis, have decreased post-tax profit by the same amount.

The annualised effect of a 0.5% decrease in the interest rate at the balance sheet date on the variable rate revolving facility carried at that date would, all other variables held constant, have resulted in an increase in post-tax profit for the year of £8,000 (2008: £8,000). 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:

	2009 Floating rate £'000	2008 Floating rate £'000
Pound Sterling	**75**	457
Euro	**227**	299
US Dollar	**307**	1,099
United Arab Emirate Dirham	**95**	197
Other	**72**	26
	776	2,078

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

Notes to the consolidated financial statements continued
For the year ended 31 December 2009

26. Financial instruments continued
Currency risk continued

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 2009				
Euro	**63**	**63**	**(52)**	**(52)**
US Dollar	**101**	**101**	**(83)**	**(83)**
United Arab Emirate Dirham	**61**	**61**	**(50)**	**(50)**
Other	**8**	**8**	**(6)**	**(6)**
31 December 2008				
Euro	63	63	(52)	(52)
US Dollar	177	177	(145)	(145)
United Arab Emirate Dirham	60	60	(49)	(49)
Other	4	4	(3)	(3)

The effect on the profit before taxation is due to the retranslation of trade receivables, cash borrowings currency exchange rates at the year end date.

27. Related parties
During the year the Group paid fees for the provision of Company secretarial services of £24,000 (2008: £24,000) to City Group PLC of which David Marshall is a Director. At the year end a £12,000 balance remained outstanding.

The Group also paid a fee of £14,000 (2008: £nil) 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 (2008: £nil). At the year end the whole fee 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 5 and note 23 accordingly.

28. Dividends

	2009 £'000	2008 £'000
Final dividend of 2.6 pence (2008: 2.0 pence) per ordinary share proposed and paid during the year relating to the previous year's results	**194**	152
Interim dividend of 1.4 pence (2008: 1.3 pence) per ordinary share paid during the year	**125**	98
	319	250

The Directors are proposing a final dividend of 2.7 pence (2008: 2.6 pence) per share totalling £241,000 (2008: £194,000), resulting in dividends for the whole year of 4.1 pence (2008: 3.9 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 2009

	Note	2009 £'000	2008 £'000
Fixed assets			
Fixed asset investments	4	**7,283**	7,270
Current assets			
Debtors	5	**4,669**	2,533
Cash at bank and in hand		**–**	432
		4,669	2,965
Creditors: amounts falling due within one year	6	**(2,272)**	(2,332)
Net current assets		**2,397**	633
Total assets less current liabilities		**9,680**	7,903
Creditors: amounts falling due after more than one year	7	**(1,211)**	(1,300)
Net assets		**8,469**	6,603
Capital and reserves			
Called up share capital	10	**909**	763
Share premium account	11	**6,967**	5,546
Treasury share reserve	11	**(201)**	(117)
Profit and loss account	11	**794**	411
Shareholders' funds	12	**8,469**	6,603

The financial statements were approved and authorised for issue by the Board and were signed on its behalf on 25 March 2010.

A K Mehta
Director

E W Hook
Director

The notes on pages 48 to 52 form part of these financial statements.

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

Notes to the parent company financial statements
For the year ended 31 December 2009

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
Where share options are awarded to employees, the fair value of the options at the date of the 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.

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

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

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

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 transactions with members of the Group headed by Northbridge Industrial Services plc on the grounds that 100% of the voting rights in the Company are controlled within that Group and the Company is included in consolidated financial statements.

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(2) and (3) 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 £648,000 (2008: £259,000).

3. Directors' remuneration
Details of Directors' remuneration including that of the highest paid Director are set out in note 5 to the consolidated financial statements.

4. Fixed asset investments

	Shares in Group undertakings £'000
Cost	
At 31 December 2008	7,270
Additions	13
At 31 December 2009	**7,283**

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%
Duck Trading Limited	United Arab Emirates	100%*
Air Industry Resources Ltd	United Kingdom	100%*
RDS (Technical) Limited	Azerbaijan	100%*
RDS (Technical) Limited	United Arab Emirates	100%*
TTERS LLC	United Arab Emirates	66.67%*

* These subsidiaries are indirectly held by the Company.

5. Debtors

	2009 £'000	2008 £'000
Amounts owed by Group undertakings	**4,653**	2,495
Other debtors	**16**	38
	4,669	2,533

6. Creditors: amounts falling due within one year

	2009 £'000	2008 £'000
Bank loan and overdraft	**1,914**	1,726
Trade creditors	**119**	276
Other creditors	**219**	–
Corporation Tax	**20**	255
Amounts payable to Group undertakings	**–**	75
	2,272	2,332

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

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

	2009 £'000	2008 £'000
Bank loan net of capitalised debt fees	**1,211**	1,300

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

	2009 £'000	2008 £'000
Bank loan net of debt fees, repayable by instalments	**811**	900

The bank loan is secured by:

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

Issue costs of £14,000 were deducted from the proceeds of the bank loans and are being amortised over the term of the debt in accordance with the Company's accounting policy.

Notes to the parent company financial statements continued
For the year ended 31 December 2009

8. Financial instruments

Borrowing facilities

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

	2009 £'000	2008 £'000
Expiry within one year	**100**	100
More than one year less than two years	**100**	100
More than two years less than five years	**300**	300
More than five years	**811**	900
Total	**1,311**	1,400

The Company has no undrawn, uncommitted borrowing facilities at 31 December 2009.

Cash flow interest rate risk

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

	2009 £'000	2008 £'000
Pound Sterling	**–**	432

Bank overdrafts as at 31 December were as follows:

	2009 £'000	2008 £'000
Pound Sterling	**187**	–

9. Share-based payments

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

	2009 Weighted average exercise price (pence)	2009 Number	2008 Weighted average exercise price (pence)	2008 Number
Outstanding at the beginning of the year		**655,000**		514,000
Granted during the year	**154**	**130,540**	129	141,000
Adjustment for issue of share capital		**23,560***		–
Exercised during the year		**–**		–
Non-executive and consultant share options lapsed during the year	**–**	**(20,720)**	–	–
Outstanding at the end of the year	**154**	**788,380**	129	655,000

* During the 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 99.92 pence and 149.64 pence (2008: 103.50 pence and 173.50 pence) and their weighted average contractual life was eight months (2008: one year one month). The weighted average exercise price of the options is 128.80 pence (2008: 129.40 pence).

Of the total number of options outstanding at the end of the year, 319,040 (2008: 20,000) had vested and were exercisable at the end of the year. The schemes have been valued using the Black Scholes pricing model.

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

	2009
Options granted during the year	**130,540***
Date of grant	**20 April 2009**
Fair value per option at measurement date	**148.67p***
Share price	**148.67p***
Exercise price	**148.67p***
Weighted average exercise price	**148.67p***
Weighted average exercise life	**2 years 4 months**
Expected volatility	**30%**
Earliest exercisable point	**3 years**
Option life	**10 years**
Risk free interest rate	**5.25%**

* During the 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.

9. Share-based payments continued

	2008
Options granted during the year	141,000**
Date of grant	9 April 2008
Fair value per option at measurement date	155.00p**
Share price	155.00p**
Exercise price	£1.50–£3.00
Weighted average exercise price	£2.25
Weighted average exercise life	1 year 3 months
Expected volatility	30%
Earliest exercisable point	3 years
Option life	10 years
Risk free interest rate	5.25%

** During the 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 2009 and in 2008 during the year ended 31 December 2008.

The share-based remuneration expense for the year is £54,000 (2008: £45,000) of which £33,000 (2008: £37,000) relates to key management personnel.

The following share options were outstanding at 31 December 2009:

Type of scheme	Date of grant	**Number of shares 2009**	Number of shares 2008
Unapproved share option	30 May 2006	**177,130**	171,000
Approved share option	30 May 2006	**30,040**	25,000
Non-executive and consultant share option	30 May 2006	**111,870**	128,000
Non-executive and consultant share option	2 April 2007	**18,650**	18,000
Unapproved share option	2 April 2007	**103,590**	100,000
Approved share option	2 April 2007	**29,020**	32,000
Unapproved share option	27 September 2007	**41,440**	40,000
Non-executive and consultant share option	9 April 2008	**6,220**	6,000
Unapproved share option	9 April 2008	**90,140**	87,000
Approved share option	9 April 2008	**49,740**	48,000
Non-executive and consultant share option	20 April 2009	**6,220**	–
Unapproved share option	20 April 2009	**103,600**	–
Approved share option	20 April 2009	**20,720**	–
		788,380	655,000

Directors' share options

	Date of grant	Number of shares	Exercise price	Normal exercise period	Scheme type
P R Harris	30 May 2006	111,870	99.92p	30/05/2009–30/05/2016	Non-executive/consultants
E W Hook	30 May 2006	30,040	99.92p	30/05/2009–30/05/2016	Approved
E W Hook	30 May 2006	177,130	99.92p	30/05/2009–30/05/2016	Unapproved
E W Hook	2 April 2007	103,590	145.78p	02/04/2010–02/04/2017	Unapproved
E W Hook	9 April 2008	41,440	149.64p	09/04/2011–09/04/2018	Unapproved
J W Gould	9 April 2008	19,690	149.64p	09/04/2011–09/04/2018	Approved
J W Gould	9 April 2008	6,220	149.64p	09/04/2011–09/04/2018	Unapproved
A K Mehta	2 April 2007	18,650	145.78p	02/04/2010–02/04/2017	Non-executive/consultants
A K Mehta	9 April 2008	6,220	149.64p	09/04/2011–09/04/2018	Non-executive/consultants
E W Hook	20 April 2009	41,440	148.67p	20/04/2012–20/04/2019	Unapproved
J W Gould	20 April 2009	20,720	148.67p	20/04/2012–20/04/2019	Unapproved
A K Mehta	20 April 2009	6,220	148.67p	20/04/2012–20/04/2019	Non-executive/consultants
		583,230			

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 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. This led to 93.6% of the 289,030 options becoming vested and exercisable. All other options are exercisable subject to three-year EPS targets set by the Remuneration Committee.

Notes to the parent company financial statements continued
For the year ended 31 December 2009

10. Share capital

	2009 £'000	2008 £'000
Authorised		
30,000,000 ordinary shares of 10p each (2008: 30,000,000 ordinary shares of 10p each)	**3,000**	3,000
Allotted, called up and fully paid		
9,092,257 ordinary shares of 10p each (2008: 7,630,149 ordinary shares of 10p each)	**909**	763

	2009 Number	2009 £'000	2008 Number	2008 £'000
Ordinary shares of 10p each				
At beginning of year	**7,630,149**	**763**	7,630,149	763
Issue of new shares	**1,462,108**	**146**	–	–
At end of year	**9,092,257**	**909**	7,630,149	763

	2009 Number	2008 Number
Treasury shares held by the Company	**152,150**	88,350

11. Reserves

	Share premium account £'000	Treasury share reserve £'000	Profit and loss account £'000
At 1 January 2009	5,546	(117)	411
Issue of shares during the year	1,421	–	–
Profit retained for the year	–	–	648
Dividends paid during the year	–	–	(319)
Share option expense for the year	–	–	54
Purchase of ordinary shares for holding in treasury	–	(84)	–
At 31 December 2009	**6,967**	**(201)**	**794**

12. Reconciliation of movement in shareholders' funds

	2009 £'000	2008 £'000
Opening shareholders' funds	**6,603**	6,607
Profit for the year	**648**	259
Dividends paid during the year	**(319)**	(250)
Shares repurchased and held in treasury share reserve	**(84)**	(58)
Shares issued during the year	**1,567**	–
Share option expense	**54**	45
Closing shareholders' funds	**8,469**	6,603

13. Related parties

During the year the Company paid fees for the provision of Company secretarial services of £24,000 (2008: £24,000) to City Group PLC of which David Marshall is a Director.

The Company also paid a fee of £14,000 (2008: £nil) to Western Selection plc for its commitment to take up a minimum number of shares in the open offer.

14. Dividends

	2009 £'000	2008 £'000
Final dividend of 2.6 pence (2008: 2.0 pence) per ordinary share proposed and paid during the year relating to the previous year's results	**194**	152
Interim dividend of 1.4 pence (2008: 1.3 pence) per ordinary share paid during the year	**125**	98
	319	250

The Directors are proposing a final dividend of 2.7 pence (2008: 2.6 pence) per share totalling £241,000 (2008: £194,000), resulting in dividends for the whole year of 4.1 pence (2008: 3.9 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 fourth Annual General Meeting of Northbridge Industrial Services plc will be held at the offices of Buchanan Communications, 45 Moorfields, London EC2Y 9AE on 18 May 2010, commencing at 12 noon for the following purposes:

Ordinary business

1. To receive and adopt the financial statements for the year ended 31 December 2009 together with the Directors' Report and the Independent Auditors' Report.
2. To declare a final dividend of 2.7 pence per share for the year.
3. To re-elect as a Director E W Hook who retires by rotation in accordance with the Company's Articles of Association.
4. To re-elect as a Director A K Mehta who retires by rotation in accordance with the Company's Articles of Association.
5. To re-elect as a Director J W Gould who retires in accordance with his letter of appointment.
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 £2,090,774;

   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 6 as if Section 563 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 £90,922.57 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.

Special business continued

9. To consider and, if thought 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 909,225 (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.

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

    That the draft regulations displayed on the Company's website and produced to the meeting which have been initialled by the Chairman for identification be adopted as the Articles of Association of the Company in substitution for, and to the exclusion of, the existing Articles of Association.

By order of the Board

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

Form of Proxy

I/we ....

of ....

....

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

....

as my/our proxy to vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held on 18 May 2010 and at any adjournment thereof.

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

Resolutions

	For	Against	Vote withheld
Ordinary business			
1. To adopt the financial statements.			
2. To declare a final dividend.			
3. To re-elect E W Hook as a Director.			
4. To re-elect A K Mehta as a Director.			
5. To re-elect J W Gould as a Director.			
6. To re-appoint the auditors and to authorise the Directors to determine their remuneration.			
Special business			
Ordinary resolution 7. To authorise the Directors to allot securities (within the meaning of Section 551 of the Companies Act 2006) up to an aggregate nominal amount of £2,090,774.			
Special resolution 8. To authorise the Directors to allot securities (subject to limitations) as if pre-emption rights did not apply.			
Special resolution 9. To authorise the Company to make market purchases of its own shares.			
Special resolution 10. To adopt the new Articles of Association.			

Dated.. Signature..

Notes

i) A member entitled to attend and vote at the meeting may appoint one or more proxies to attend and, on a poll, to vote on his behalf. A proxy need not be a member of the Company. A member wishing to appoint more than one proxy must appoint each proxy in respect of a specified number of shares within his holding. For this purpose, a member may photocopy this Form of Proxy before completion and must indicate the number of shares in respect of which each proxy is appointed.

ii) A corporation, which is a shareholder, may appoint an individual to act as its representative and to vote in person at the meeting. The appointment must comply with Section 323 of the Companies Act 2006. The representative should bring to the meeting evidence of his or her appointment, including any authority under which it is signed, unless previously given to the Company's registrars.

iii) The register of Directors' interests will be available, for inspection by members, at the registered office of the Company during usual business hours on any weekday (Saturday and public holidays excepted), from the date of this Notice until the date of the Annual General Meeting and at the place of the meeting, from 15 minutes prior to the meeting until the conclusion thereof. The executive Directors' service contracts and the non-executive Directors' terms and conditions of appointment will also be available for inspection at those times.

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

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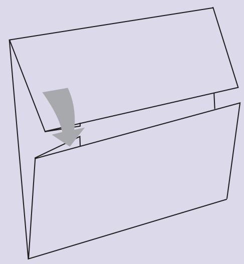

Capita Registrars
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