brulines

Brulines (Holdings) plc

Interim Results for the six months ended 30 September 2006

The leading provider of volume and revenue protection systems for draught alcoholic drinks in the UK licensed on-trade

Chairman's Statement

I am delighted to report a period of significant change and progress for the Company, in this, my first statement as Chairman.

AIM flotation

The Company successfully floated on AIM in late October and thanks must go to all my colleagues on the Board and the Company's advisers for achieving this milestone without too much disruption to the day to day business operations.

The primary reason for listing on AIM was to give the Company a stronger financial base from which to significantly expand its activities. These include the development of new products and markets as well as looking for suitable acquisitions.

Results

Turnover for the period at £9.24 million was significantly ahead of the corresponding period in 2005, mainly as a result of the rollout of the Enterprise Inns contract, which commenced in October 2005, and the replacement programme for Punch Taverns. As anticipated gross margins were down due to the necessary increase in costs ahead of the new installations but are expected to improve in the second half as service income from these installations starts to be generated.

Operating profit before goodwill and exceptional items more than doubled to £1.83 million and compares favourably with the operating profit for the whole of last year of £2.60 million. After deducting goodwill and interest, both of which occurred as a result of the management buy-out in May 2005, and the exceptional costs of the flotation, profit before tax rose to £1.19 million.

Overall, the trading and financial performance was slightly ahead of the Board's expectations at the time of the flotation. Earnings per share at 3.6 pence was significantly higher than 2005.

Dividend

In line with the statement made at the time of the flotation, the Board intends that its first dividend as a public company will be that of a final dividend in respect of the year ending 31 March 2007.

Board

When I became Chairman of the Company at the beginning of May, the Company's founder, Derrick Collin, stepped down as Non-Executive Chairman. On behalf of the Board, I would like to thank Derrick for his significant contribution to the Company over many years, as the founder, Chairman and major shareholder.

In May, as part of the flotation process, the Board appointed Stewart Gilliland as a Non-Executive Director and Duncan Noble, as Operations Director to the plc Board.

Outlook

The higher profile and increased financial strength as a result of the flotation will provide a good base from which to expand the Company's activities. The excellent trading performance in the first half together with an increasing proportion of contracted revenue and the introduction of new products into the market give the Board confidence that further progress will be made in the second half of the year.

James Newman
Chairman
5 December 2006

Operating and Financial Review

Turnover Growth

On a comparable year on year proforma basis, the turnover for the first half year more than doubled to £9.208 million (6 months to 30 September 2005 : £4.560 million) with the majority of growth attributable to the Enterprise Inns installation roll out plan. Turnover growth is set to continue in the second half albeit at a slower rate. The mix of turnover in the second half will move towards recurring revenue as our income from support service contracts is realised from our increasing installation base.

In the first half we completed 2,889 new installations and 1,133 system upgrade replacements, compared to a total of 954 installations in the same period last year.

Proforma trading table

The table shows the proforma results of the business for the periods from 1 April 2006 to 30 September 2006 and 1 April 2005 to 30 September 2005. For the purposes of this analysis we have not shown the interest charges which were associated with the MBO in 2005:

	H1 2006 £'000's	H1 2005 £'000's
Brulines Limited		
Turnover	9,208	4,560
Gross Profit	3,951 (42.9%)	2,279 (49.9%)
EBITDA	1,959	1,017
EBIT	1,847	927

New contracts

Negotiations in respect of our core product offering to the tenanted / leased sector are advancing with other national and regional operators and will increase our market penetration and continue to both broaden our customer base and gain deeper penetration within existing customers' estates.

New product developments

We are pleased with progress on our Brand Quality Monitoring (BQM) product, which enables Brulines to remotely capture five of the seven industry recognised key success factors for the ''perfect pint", these being line cleaning, throughput, cellar temperature, dispense temperature and flow rate, leaving only cleanliness of glass and dispense technique as variables.

We believe that within the drinks and, in particular, the beer industry, quality at the point of dispense is becoming increasingly important and that focus on product quality is becoming more evident as pub owners and brewers compete for market share against a background of falling on-premises beer consumption. This is resulting in some key trials within both the national tenanted and managed sectors which, if successful, could lead to significant installations in the next financial year.

Acquisition of Corporate Management Services Limited (CMS)

On 31 August we successfully acquired the customer base of CMS for a maximum consideration of £180,000 and have migrated the customers and basic data management service provision to our newly formed company Machine Insite Limited.

Operating and Financial Review
continued

We have successfully launched an improved database and data management software with web-based reporting that has helped gain new business with SA Brain, MOTO Motorway services and Spirit.

The new company is now trading profitably and it is anticipated that it will continue to grow its contribution to group profits over the coming years.

We plan to introduce new revenue enhancing AWP monitoring service products, such as remote data capture, during the coming years.

Balance sheet – change post flotation

The balance sheet reported in the interim statements is before the impact of the flotation, which took place on 26 October, and the resulting repayment of all debt following the placing, which raised £8.0 million before costs. The balance sheet at the end of October 2006 provides us with a strong base from which to take advantage of growth opportunities.

Cash flow

Cash flow continues to be strong with £2.2 million generated in the first half of the year. Following the flotation on AIM, the business has net cash balances of over £2 million.

James Dickson
Chief Executive

Mark Foster
Finance Director

5 December 2006

Consolidated Profit and Loss Account

for the six months ended 30 September 2006

		Unaudited			Unaudited	Audited
		Continuing 6 months ended 30 September 2006	**Exceptional 6 months ended 30 September 2006**	**Total 6 months ended 30 September 2006**	Period ended 30 September 2005*	Period ended 31 March 2006*
	Note	**£'000**	**£'000**	**£'000**	£'000	£'000
Turnover		**9,237**	**–**	**9,237**	3,602	11,076
Cost of Sales		**(5,281)**	**–**	**(5,281)**	(1,730)	(5,901)
Gross Profit		**3,956**	**–**	**3,956**	1,872	5,175
Administrative Expenses		**(2,123)**	**(193)**	**(2,316)**	(1,064)	(2,577)
Operating profit before amortisation of goodwill		**1,833**	**(193)**	**1,640**	808	2,598
Amortisation of goodwill		**(224)**	**–**	**(224)**	(18)	(432)
Group operating profit		**1,609**	**(193)**	**1,416**	790	2,166
Net interest (payable)		**(233)**	**–**	**(233)**	(221)	(540)
Profit on ordinary activities before taxation	3	**1,376**	**(193)**	**1,183**	569	1,626
Tax on profit on ordinary activities	1	**(554)**	**–**	**(554)**	(220)	(627)
Profit on ordinary activities after taxation		**822**	**(193)**	**629**	349	999
Basic earnings per share (p)	2	**4.7**	**(1.1)**	**3.6**	2.0	5.7
Diluted earnings per share (p)	2	**4.6**	**(1.1)**	**3.5**	2.0	5.7

* The results included in the periods ended 30 September 2005 and 31 March 2006 relate to the period commencing 19 May 2005.

There are no recognised gains or losses other than those shown in the profit and loss account above.

Reconciliation of Movement in Shareholders' Funds

for the six months ended 30 September 2006

	Unaudited 6 months ended 30 September 2006 £'000	Unaudited Period ended 30 September 2005 £'000	Audited Period ended 31 March 2006 £'000
Opening shareholders' funds	**2,734**	–	–
Profit for financial period	**629**	349	999
New shares issued	**15**	1,735	1,735
Premium on shares allotted during the period	**60**	–	–
Purchase of own shares through Employees' Benefit Trust	**(155)**	–	–
Closing shareholders' funds	**3,283**	2,084	2,734

Consolidated Balance Sheet

as at 30 September 2006

	Unaudited 30 September 2006 £'000	Unaudited 30 September 2005 £'000	Audited 31 March 2006 £'000
Fixed assets			
Intangible assets	**8,896**	9,731	9,382
Tangible assets	**263**	678	281
	9,159	10,409	9,663
Current assets			
Stocks and work in progress	**1,303**	689	920
Debtors	**2,998**	2,249	6,237
Bank balances	**4,820**	624	2,650
	9,121	3,562	9,807
Creditors: Amounts falling due within one year	**(7,246)**	(2,764)	(7,697)
Net current assets	**1,875**	798	2,110
Total assets less current liabilities	**11,034**	11,207	11,773
Creditors: Amounts falling due after one year	**(7,729)**	(9,123)	(9,024)
Provision for liabilities and charges	**(22)**	–	(15)
Net assets	**3,283**	2,084	2,734
Capital and reserves			
Called up share capital			
– ordinary shares	**1,750**	1,735	1,735
Share premium account	**60**	–	–
Profit and loss account	**1,473**	349	999
	3,283	2,084	2,734

Consolidated Cash Flow Statement

for the six months ended 30 September 2006

	Note	**Unaudited 6 months ended 30 September 2006 £'000**	Unaudited Period ended 30 September 2005 £'000	Audited Period ended 31 March 2006 £'000
Net cash inflow from operating activities				
Operating profit		**1,416**	790	2,166
Depreciation and amortisation		**319**	152	722
Profit on sale of tangible assets		**(1)**	(6)	(213)
Increase in stocks		**(383)**	(13)	(269)
Decrease/(increase) in debtors		**3,242**	(640)	(5,005)
(Decrease)/increase in creditors		**(855)**	(275)	5,085
Net cash inflow from operating activities		**3,738**	8	2,486
Returns on investment and servicing of finance		**(233)**	(221)	(540)
Taxation		**(193)**	(132)	(462)
Capital expenditure and financial investment		**(80)**	(77)	494
Acquisitions and disposals		**(155)**	(12,486)	(12,486)
Net cash inflow/(outflow) before financing		**3,077**	(12,908)	(10,508)
Financing				
(Repayment)/draw down of loans		**(970)**	10,042	9,894
Repayment of finance leases		**(12)**	(66)	(292)
Net proceeds from issue of shares		**75**	1,735	1,735
Increase/(decrease) in cash in the period	4	**2,170**	(1,197)	829

Notes to the Interim Report

1. Tax on profit on ordinary activities

The charge for tax is based on the profit for the period and comprises:

	Unaudited 6 months ended 30 September 2006 £'000	Unaudited Period ended 30 September 2005 £'000	Audited Period ended 31 March 2006 £'000
United Kingdom corporation tax	**547**	214	612
Deferred tax: net of originating timing differences	**7**	6	15
	554	220	627

2. Earnings per share

The calculations of earnings per share are based on the following results and numbers of shares in issue.

	Unaudited 6 months ended 30 September 2006 £'000	Unaudited Period ended 30 September 2005 £'000	Audited Period ended 31 March 2006 £'000
Net profit attributable to equity shareholders	**629**	349	999
Total	**629**	349	999
Basic earnings per share (p)	**3.6**	2.0	5.7
Total	**3.6**	2.0	5.7
Diluted earnings per share (p)	**3.5**	2.0	5.7
Total	**3.5**	2.0	5.7
The weighted average number of shares used to calculate the basic earnings per share	**17,472,920**	17,345,050	17,345,050
The weighted average number of shares used to calculate the diluted earnings per share	**17,812,920**	17,345,050	17,345,050

Notes to the Interim Report
continued

3. Exceptional items

The exceptional costs of £193,000 incurred in the six month period ended 30 September 2006 represent the committed costs at 30 September 2006, relating to the Company's admission to AIM.

4. Reconciliation of net cash flow to movement in net debt

	Unaudited 6 months ended 30 September 2006 £'000	Unaudited Period ended 30 September 2005 £'000	Audited Period ended 31 March 2006 £'000
Increase/(decrease) in cash during the period	**2,170**	(1,197)	829
Decrease/(increase) in overdraft during the period	**880**	(5,673)	(5,678)
Net funds acquired	**–**	1,659	1,659
Cash flow from lease financing and repayment of debt	**11**	60	292
Change in net debt resulting from cash flows	**3,061**	(5,151)	(2,898)
New hire purchase and finance leases	**–**	(45)	(154)
Movement in net debt during period	**3,061**	(5,196)	(3,052)
Opening net debt	**(3,052)**	–	–
Closing net debt	**9**	(5,196)	(3,052)

5. Analysis of net debt

	At 1 April 2006 £'000	Cash flow £'000	At 30 September 2006 £'000
Bank balances and deposits	**2,650**	2,170	4,820
Overdrafts	**(878)**	(322)	(1,200)
	1,772	1,848	3,620
Debt due after one year	**(4,800)**	1,202	(3,598)
Hire purchase and finance lease creditors	**(24)**	11	(13)
	(4,824)	1,213	(3,611)
	(3,052)	3,061	9

Notes to the Interim Report
continued

6. Post balance sheet events

On 26 October 2006, the Company's shares were admitted to trading on AIM. 6,504,065 new shares were placed with Institutions at 123 pence each and admitted on the same day. Gross proceeds arising from the placing amounted to £8 million.

7. Basis of preparation

This interim report was approved by the Board on 5 December 2006. The financial information in this interim report does not constitute statutory accounts within the meaning of Section 240 of the Companies Act 1985. It has been prepared using accounting policies that are consistent with those adopted in the statutory accounts for the period ended 31 March 2006. The interim report is also presented and prepared in a form consistent with that which will be adopted in the annual accounts for the period ending 31 March 2007 having regard to the accounting standards applicable to such accounts.

The figures for the period ended 31 March 2006 were derived from the statutory accounts for that period. The statutory accounts for the period ended 31 March 2006 have been delivered to the Registrar of Companies and received an audit report which was unqualified and did not contain statements under s237(2) or (3) of the Companies Act 1985.

8. Distribution to shareholders

This statement is being posted to shareholders shortly and is available to the public at the Company's registered office: EDIS House, Wellington Court, Preston Farm Business Park, Stockton on Tees, TS18 3TA.

Independent Review Report to Brulines (Holdings) plc

Introduction

We have been instructed by the company to review the financial information for the six months ended 30 September 2006 set out on pages 4 to 10. We have read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the financial information. This report is made solely to the company having regard to guidance contained in Bulletin 1999/4 'Review of interim financial information' issued by the Auditing Practices Board. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company, for our work, for this report, or for the conclusions we have formed.

Directors' responsibilities

The interim report, including the financial information contained therein, is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the interim report in accordance with the AIM Listing Rules of the Financial Services Authority, which require that the interim report must be presented and prepared in a form consistent with that which will be adopted in the annual accounts having regard to the accounting standards applicable to such accounts except where any changes, and the reasons for them, are disclosed.

Review work performed

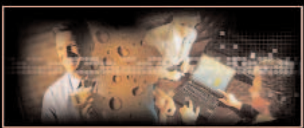
We conducted our review having regard to guidance contained in Bulletin 1999/4 issued by the Auditing Practices Board for use in the United Kingdom. A review consists principally of making enquiries of group management and applying analytical procedures to the financial information and underlying financial data and, based thereon, assessing whether the accounting policies and presentation have been consistently applied, unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit performed in accordance with International Standards on Auditing (UK and Ireland) and therefore provides a lower level of assurance. Accordingly we do not express an audit opinion on the financial information.

Review conclusion

On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the six months ended 30 September 2006.

RSM Robson Rhodes LLP
Chartered Accountants
Leeds, England
5 December 2006

produced by CODEX job no. 2757
www.codex.gb.com



brulines

EDIS House, Wellington Court, Preston Farm Business Park, Stockton-on-Tees, TS18 3TA, UK

+44 (0) 1642 358800

www.brulines.com