Brulines (Holdings) plc

Interim Results
for the
six months ended 30 September 2007



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

Chairman's Statement

I am pleased to report on another strong set of results and significant progress in the strategic development of the Group during the last six months.

Results

As expected, turnover for the period at £8.06 million (2006: £9.24 million) has reduced as a result of a significant change in the revenue mix. This is largely due to a major installation programme undertaken last year, which was not repeated on such a scale this year.

However, the service income margin associated with these installations started to come through as anticipated, increasing overall gross margins to 49.8% from 42.8% last year. With other costs being well managed, this has resulted in an increase in operating profit of some 27.9% to £2.06 million.

Finance income further increased profit before tax for the period to £2.18 million compared to £1.38 million in 2006.

Basic earnings per share for the period at 6.25p compared favourably to 4.73p last year and 7.17p for the whole of last year.

Dividend

The Board have declared an interim dividend of 1.45p per share, which will be payable on 23 January 2008 to shareholders on the register as at 21 December. No interim dividend was paid last year as the Group did not join AIM until October 2006. A final dividend of 3.00p was paid in respect of the year ended 31 March 2007 on 25 July 2007.

Acquisitions

In May this year, the Group acquired a majority shareholding in Coin Metrics Limited ('Coin Metrics'). Coin Metrics has developed the Site Guardian system, a wireless data product that allows its customers in the amusement and gaming (or 'AWP') industries to monitor constantly the financial performance of their gaming sites and assets accurately in real time.

The acquisition of Coin Metrics is a strong strategic fit with the Group's existing Machine Insite business, which already provides gaming machine data management and consultancy services to operators within the pub, club and leisure markets.

In early September the Company announced that it had entered into a conditional contract to purchase all the issued share capital of Nucleus Data Holdings Limited ('Nucleus') for a consideration of £3.8 million. Management's long term belief has been that the combined Group will be even better placed to compete in the market place and help our customers in the licensed on-trade to deliver improved quality, a better customer experience and increased operational productivity. As Brulines main competitor Nucleus supplies data capture devices, communication platforms, data management, service and maintenance, and market intelligence services to the UK licensed on-trade.

The acquisition was conditional on the Office of Fair Trading ("OFT") not referring the proposed merger to the Competition Commission. On 20 November 2007, following a review of the facts and consultation with our customers, the OFT decided not to refer our merger with Nucleus to the Competition Commission, validating managements arguments.

Extraordinary General Meeting

At an Extraordinary General Meeting of the Company held on 21 November, a resolution was approved by shareholders allowing the Company to buy up to 2,411,610 shares representing approximately 10% of the Company's issued share capital.

This will allow the Company more flexibility in the management of its capital base and will be renewed at the next Annual General Meeting in 2008.

Outlook

The Group has made good progress since flotation, not only in its existing business activities, but also in the development and achievement of its strategic plans. The acquisitions of Machine Insite and Coin Metrics will greatly add to the Group's product offering and enable new and exciting growth opportunities to be realised, especially the capture and analysis of critical operational data.

The high visibility of our earnings and the cash generative nature of our core business together with our proposed purchase of Nucleus, combined with the other recent acquisitions in the amusement machines sector and a strong underlying cash position, all provide a secure foundation for accelerated growth both organically and by acquisition (as opportunities arise) into new markets, such as vending, temperature and utilities monitoring. The Board is, therefore, confident that the Group will continue to grow in line with expectations.

James H Newman
Chairman
11 December 2007

Executive Review

Group profit

The Group results for the six months to 30 September 2007 are in line with management expectations.

As anticipated, on a comparable year on year basis, the core business turnover for the first half decreased by 12.7% to £8.06 million (2006: £9.24 million) with the decline attributable to the exceptionally high level of installation activity associated with Enterprise Inns roll out in 2006/7.

The turnover mix in the first half continued to improve, moving towards recurring revenue as income from support service contracts was generated from the increasing installation base. Recurring revenue currently accounts for over 60% of Group turnover and management expects this to continue to rise for the foreseeable future.

Gross margin has risen from 42.8% for the first half 2006/7 to 49.8% for the first half 2007/8 as a result of increased recurring revenue and not incurring the high set up costs associated with the Enterprise Inns roll out programme. Other direct costs of sale also decreased by 15% as lower direct operating costs have been achieved from improved efficiency.

After absorbing costs associated with the integration and support of Machine Insite and Coin Metrics, Group profit before taxation for first half 2007/8 at £2.2m is £0.8m greater than the same period last year delivering a 32.1% increase in earnings per share to 6.25p

Customers and contracts

New installations, system replacements and upgrades have progressed satisfactorily in the first half with 1,100 new installations and 580 existing system upgrade replacements taking our total installation base to over 19,000 sites, providing year-on-year growth in recurring revenue and increased margins associated with support services.

Negotiations for our core product offering to the tenanted/leased sector have been successfully completed with several customers including S&N Pub Enterprises, Charles Wells and a five year contract extension with Punch Taverns. Discussions are advancing with other national and regional operators, and this is expected to increase our market share and continue to both broaden our customer base and gain deeper penetration within existing customers' estates.

Market drivers

The Group continues to benefit from a number of sector and legislative factors which have increased both the breadth and depth of our market penetration. The smoking bans and the increasing requirements on all leisure operators to improve the quality and efficiency of their offering will continue to increase demand for the Group's products regardless of any potential consumer slow down.

Brand Quality Monitoring ("BQM") product development

Further strong progress has been made with the BQM product range development as quality at the point of dispense becomes increasingly important due to pub owners and brewers competing for market share against a background of falling on-premises beer consumption.

The Group now has in excess of one hundred BQM systems installed in Punch Taverns with a five year support service contract. There is increased interest and demand from a growing number of pub companies for commercial evaluation of BQM, with activity ongoing in both the national tenanted and managed sectors with a broad range of operators, which could lead to a significant number of commercial installations in the next twelve months.

Strategic growth acquisitions

In early 2006 the Group decided to enter the amusement and gaming (or 'AWP') machine market to provide a monitoring and data management product. We have now completed two acquisitions which have been successfully integrated and are well positioned to establish a leading data capture and machine management position in the leisure sector.

Machine Insite – leading position in gaming machine data management and consultancy

Machine Insite provides gaming machine data management and consultancy services to operators within the pub, club and leisure markets and is trading well and will grow its contribution to Group profit over the coming years. Following our investment in a new database and data management software with web based reporting, it has gained new business with SA Brain, MOTO Motorway services, Spirit, Orchid, and Charles Wells during the past year and we now provide data management for approximately 25,000 AWP machines across 30 groups and customers within the pub and leisure markets.

Coin Metrics – remote data capture for gaming and vending machines

In May 2007, as part of our plan to provide enhanced AWP and vending monitoring products such as remote data capture, the Group acquired a 66 percent holding in Coin Metrics Limited (CML). The core CML product is Site Guardian, a wireless data product that allows owners of gaming centres or family entertainment centres in the AWP industries to constantly monitor the financial performance of their gaming sites and assets accurately and in real time.

The acquisition of CML is a strong strategic fit with Machine Insite as the real time data capture capability will allow Machine Insite to provide advanced machine reporting and M2M services which will enable the Group to accelerate the growth of the AWP data management business to market leadership, whilst also opening up new applications and markets for the next generation of wireless data capture systems into new business sectors, such as vending.

The Group is in discussion with potential customers and partners within the vending industry for the development and supply of VENDGuardianTM which will provide real time data capture on vending machine operational information such as activity, stock level, stock replenishment, chilled environment, revenue etc.

Nucleus Data Holdings Limited ("Nucleus") – data capture and management for the pub industry

The proposed acquisition of Nucleus is an important strategic development in the Group's growth plans as it enhances product development, further strengthens the senior team and provides a solid commercial platform from which to accelerate our entry into new markets.

In the year ended 31 December 2006, Nucleus made a profit on ordinary activities before taxation of £0.3 million on a turnover of £3.1 million. At 31 December 2006, the consolidated net assets of Nucleus amounted to £565,000.

Due to the timing of the OFT decision the acquisition is expected to be completed in early January 2008 and is therefore expected to be only earnings neutral in the year to 31 March 2008, with synergies from the merged businesses only being realised in the year to 31 March 2009. The acquisition will be earnings enhancing in the year to 31 March 2009.

The merged business will be able to pool resources for accelerated technology development to expand our product portfolio and improve existing product offering. It will also reduce complexity and administration for customers who use both suppliers as a result of the significant movement of pubs between pub companies following their acquisition / disposal process, whilst existing Nucleus customers will benefit from the scale and reaction times of the Group's nationwide in-house field service engineering resources.

Strategy for growth

Our core Dispense Monitoring business alone has the potential to maintain satisfactory Group growth over the next three years. However the Board anticipate incremental contribution and margin growth from additional complimentary products and technologies such as BQM, AWP, soft drinks monitoring, fridge/freezer temperature, wines and spirits, and market insights.

The Group has a strong customer and recurring revenue base and solid foundations for significant growth as we commercialise development products, extend into new markets and make selective acquisitions.

Our Coin Metrics and Machine Insite businesses are positioned to achieve significant growth as we develop our AWP machine monitoring and data management products to market leadership in their existing and new leisure sectors.

The increasing interest in BQM is expected to increase our coverage of the tenanted/leased and managed sectors as the product becomes central to industry quality and efficiency improvements for draught drinks dispense;

- BQM is well positioned to be the market leader in supply of critical operational data for beer quality to the industry
- Six key players supply, install and maintain drinks dispense systems in over 95% of draught outlets in the UK licensed on trade covering pubs, bars, hotels, restaurants, casinos, clubs and stadiums.
- These parties employ the equivalent of over 800 technicians who make in excess of 800,000 maintenance call out visits per year.
- Used in conjunction with desk top diagnostics the data provided by BQM could reduce the number of call outs by as much as 20% or more, and improve targeting of resource to dramatically reduce costs, improve product quality, reduce non availability and improve competitiveness.

The Group is already in discussion with leading players amongst the pub companies and technical services providers to develop an integrated solution.

Our core beer monitoring products underpin customer investment in our edisBOX communication platforms which once installed are capable of accepting additional products and services.

The Group believes that our ability to provide a wider range of effective operational and market data will increase our value to existing customers within tenanted/leased and managed sectors, whilst allowing entry to the hotels, clubs, and independent sectors.

The Group anticipates very solid core business growth over the next three years which will be combined with exciting growth potential from our newer products and markets.

The Group is now well positioned to pursue an acquisitive growth strategy as we have the resources to identify, acquire and integrate appropriate targets.

Management and employees

Our ongoing commitment to the development of our ambitious management team and committed workforce will be strengthened by our drive to achieve the new Investors in People standard during the coming year.

Earnings per Share (EPS)

EPS improved by 32.1% from 4.73p to 6.25p per share this half year, and on a fully diluted basis, by 29% from 4.64p to 5.99p per share.

The proceeds of the flotation in October 2006 and the cash flow generated over the last year means that this year, the Group has finance income of £126,000 against last years net finance charge of £233,000.

Cash Generation

The Group generated £3.1 million in the period of which £0.7 million was used for the acquisition of Coin Metrics and a further £0.7 million for the maiden dividend paid in July 2007. The Group is using £0.95 million to part fund the development of new freehold offices which we will take possession of in December 2008. The offices will provide sufficient capacity for 4-5 years further growth and will enable the merging of Nucleus operations.

With a net cash position of £ 5.76 million and a highly cash generative core business, the Group has a strong financial base to raise debt funding should appropriate acquisition opportunities arise.

Transition to International Financial Reporting Standards (IFRS)

These financial results are reported under IFRS. The principal impact has been mainly the cessation of the routine amortisation of goodwill, as well as intangible assets amortisation associated with the acquisition of Coin Metrics.

James Dickson
Chief Executive
11 December 2007

Mark Foster
Group Finance Director

Unaudited consolidated interim income statement

for the six months ended 30 September 2007

	Note	**Unaudited 6 months ended 30 Sep 2007 £'000**	Unaudited 6 months ended 30 Sep 2006* £'000	Unaudited Year ended 31 March 2007* £'000
Continuing operations				
Revenue	3	**8,059**	9,237	16,756
Operating expenses		**(6,001)**	(7,430)	(13,526)
Listing expenses		**–**	(193)	(681)
Operating profit		**2,058**	1,614	2,549
Finance income		**126**	71	165
Finance costs		**–**	(304)	(344)
Profit before tax		**2,184**	1,381	2,370
Tax	4	**(678)**	(554)	(913)
Profit attributable to equity shareholders		**1,506**	827	1,457

Earnings per share	5			
Basic		**6.25p**	4.73p	7.17p
Diluted		**5.99p**	4.64p	6.99p

* restated under IFRS (see note 7)

Unaudited consolidated interim balance sheet

at 30 September 2007

	Unaudited 30 Sep 2007 £'000	Unaudited 30 Sep 2006* £'000	Unaudited 31 March 2007* £'000
Non-current assets			
Goodwill	**9,907**	9,111	9,220
Other intangible assets	**27**	11	9
Property, plant and equipment	**447**	261	487
Deferred tax	**6**	–	–
	10,387	9,383	9,716
Current assets			
Inventories	**1,411**	1,303	1,288
Trade and other receivables	**2,662**	2,998	2,892
Cash and cash equivalents	**5,765**	4,820	4,079
	9,838	9,121	8,259
Current liabilities			
Trade and other payables	**(6,923)**	(5,512)	(5,778)
Tax liabilities	**(704)**	(548)	(486)
Obligations under finance leases and hire purchase contracts	**–**	(12)	–
Bank overdraft and loans	**–**	(1,200)	–
	(7,627)	(7,272)	(6,264)
Net current assets	**2,211**	1,849	1,995
Non-current liabilities			
Bank and other loans	**–**	(3,604)	–
Deferred tax	**–**	(22)	–
Loan notes	**–**	(4,125)	–
	–	(7,751)	–
Net assets	**12,598**	3,481	11,711
Shareholders' equity			
Share capital	**2,412**	1,750	2,408
Share premium account	**7,024**	60	6,966
Shares to be issued	**68**	–	32
Own shares	**(151)**	–	(151)
Retained profit	**3,245**	1,671	2,456
Total shareholders' equity	**12,598**	3,481	11,711

* restated under IFRS (see note 7)

Unaudited interim cash flow statement
for the six months ended 30 September 2007

	Unaudited 6 months Ended 30 Sep 2007 £'000	Unaudited 6 months ended 30 Sep 2006 £'000	Unaudited Year ended 31 March 2007 £'000
Profit after tax	**1,506**	827	1,457
Amortisation of intangible assets	**20**	–	2
Depreciation	**112**	95	191
Loss on sale of fixed assets	**–**	(1)	–
Share-based payments	**36**	–	32
Change in inventories	**(123)**	(383)	(368)
Change in receivables	**230**	3,242	3,353
Change in payables	**1,129**	(829)	(565)
Interest receivable	**126**	71	165
Interest payable	**–**	(304)	(344)
Taxation expense recognised in income statement	**678**	554	913
Cash generated from operations	**3,714**	3,272	4,836
Interest payable	**–**	304	344
Interest receivable	**(126)**	(71)	(165)
Income taxes paid	**(484)**	(193)	(640)
Net cash generated from operating activities	**3,104**	3,312	4,375
Investing activities			
Proceeds on disposal of property, plant and equipment	**–**	8	8
Purchases of property, plant and equipment	**(67)**	(88)	(405)
Purchase of subsidiary undertakings	**(735)**	(155)	(271)
Cash acquired from subsidiary	**39**	–	–
Net cash used in investing activities	**(763)**	(235)	(668)
Financing activities			
Repayments of borrowings	**–**	(970)	(5,678)
Dividends Paid	**(717)**	–	–
Repayment of loan notes	**–**	–	(4,215)
Repayments of obligations under finance leases and hire purchase contracts	**–**	(12)	(24)
Issue of ordinary share capital	**62**	75	7,639
Net cash from financing activities	**(655)**	(907)	(2,278)
Net increase in cash and cash equivalents	**1,686**	2,170	1,429
Cash and cash equivalents at beginning of period	**4,079**	2,650	2,650
Cash and cash equivalents at end of period	**5,765**	4,820	4,079

Unaudited consolidated interim statement of changes in shareholders' equity

for the six months ended 30 September 2007

	Unaudited 6 months Ended 30 Sep 2007 £'000	Unaudited 6 months ended 30 Sep 2006 £'000	Unaudited Year ended 31 March 2007 £'000
Profit attributable to equity shareholders	**1,506**	827	1,457
Total recognised income and expenses	**1,506**	827	1,457
Dividends paid	**(717)**	–	–
Issue of new shares	**62**	75	7,640
Purchase of own shares	**–**	(155)	(151)
Share-based payments	**36**	–	32
Net addition to shareholders' equity	**887**	748	8,978
Equity attributable to equity shareholders at beginning of period	**11,711**	2,733	2,733
Equity attributable to equity shareholders at end of period	**12,598**	3,481	11,711

* restated under IFRS (see note 7)

Notes to the unaudited interim results
for the six months ended 30 September 2007

1. Statutory information

The consolidated interim financial statements have been prepared in accordance with the AIM Rules for Companies and on a basis consistent with the accounting policies set out in note 2, which will be applied when the Group prepares its first set of annual financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU for the financial year ending 31 March 2008 (Note: this may lead to changes to the information now being presented).

These are the Group's first interim financial statements prepared under IFRS and therefore IFRS 1 'First-time Adoption of International Financial Reporting Standards' has been applied. An explanation of the transition to IFRS is provided in notes 2.2, 7 and 8.

As permitted, the Group has chosen not to adopt IAS 34 'Interim Financial Statements' in preparing these interim financial statements and therefore the interim financial information is not in full compliance with IFRS.

The interim financial statements are unaudited and do not constitute statutory accounts within the meaning of Section 240 of the Companies Act 1985. The auditors' review report on the interim financial information for the six months ended 30 September 2007 is set out on page •. The auditors have not issued a review report on the restated financial information for the six months ended 30 September 2006.

The financial information for the year ended 31 March 2007 has been derived from the published statutory accounts as restated by the IFRS adjustments set out in notes 7 and 8. A copy of the full accounts for that period, on which the auditors issued an unqualified report that did not contain statements under Section 237 (2) or (3) of the Companies Act 1985, has been delivered to the Registrar of Companies.

These interim financial statements will be posted to all shareholders and are available from the registered office at EDIS House, Wellington Court, Preston Farm Business Park, Stockton on Tees, TS18 3TA or from our website at www.brulines.com.

2. Accounting policies

2.1 Accounting convention

The consolidated interim financial statements have been prepared under the historical cost convention.

2.2 First time adoption of IFRS

The year ending 31st March 2008 will be the Group's first financial statements prepared in accordance with IFRS. Accordingly, the measurement and recognition rules of IFRS 1 '*First Time Adoption of International Financial Reporting Standards*' has been applied in the interim consolidated financial statements. The Group's transition date to IFRS is 1 April 2006, and the Group prepared its opening balance sheet at that date in accordance with IFRS effective at 31 March 2006 except as specified below. In preparing the interim consolidated financial statements, the Group has applied certain of the optional exemptions available in IFRS 1 from the full retrospective application of IFRS:

Optional exemptions to full retrospective restatement elected by the Group

2. Accounting policies (continued)

(i) Business combinations

The Group has taken the business combination exemption, which allows IFRS 3 '*Business Combinations*' not to be applied to business combinations that took place prior to 1 April 2006, the date of transition to IFRS. The impact of this is to leave the goodwill resulting from the MBO in May 2005 as a carrying value, not to be amortised, subject to an annual impairment test.

(ii) Share-based payments

The Group has elected to apply IFRS 2 '*Share-based Payments*', only to awards of equity instruments made after 7 November 2002, which had not vested by 1 April 2006. The impact of this is that for 570,000 options, the fair value at date of grant has not been charged to the income statement over the vesting period.

Reconciliations and explanations of the effect of the transition from UK GAAP to IFRS on the Group's equity and its profit or loss are provided in note 7.

2.3 Basis of consolidation

The consolidated interim financial statements incorporate the results, assets, liabilities and cash flows of the company and each of its subsidiaries for the six months ended 30 September 2007.

Subsidiaries are entities controlled by the Group. Control is deemed to exist when the Group has the power, directly or indirectly to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The results, assets, liabilities and cash flows of subsidiaries are included in the consolidated financial statements from the date control commences until the date that control ceases.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the Group.

Intra-Group balances and transactions are eliminated on consolidation.

2.4 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents the amounts receivable for goods provided in the normal course of business, net of all related discounts and sales tax.

Sale of dispense monitoring equipment and support –service packs

Dispense monitoring equipment sales and support service packs are recognised at the date of transaction with customers.

The revenue from the sale is recognised at the point of installation and over the support term of the service contract in accordance with the respective customer's agreements.

Interest income

Interest income is accrued on a time basis using the effective interest method.

Rental income

Income from equipment leased to customers is accounted for on a straight-line basis over the period to which it relates. These arrangements are operating leases, where the risk and reward of the unit, which is capitalised, remains with the Group.

2. Accounting policies (continued)

2.5 Business combinations

The purchase method is used to account for all acquisitions. The cost of an acquisition is measured at the fair values on the date of exchange of assets given, liabilities incurred or assumed and equity instruments issued, together with any costs directly attributable to the acquisition.

At the date of acquisition, the identifiable assets and liabilities and contingent liabilities of a subsidiary are measured at their fair values. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill.

2.6 Goodwill

Goodwill on acquisition of subsidiaries represents the excess of the cost of an acquisition over the fair value of the Group's share of the identifiable net assets of the acquired subsidiary. Goodwill is not amortised, but tested at least annually for impairment, and carried at cost less accumulated impairment losses. Impairment losses are immediately recognised in the income statement and are not subsequently reversed.

Goodwill arising on acquisitions before the date of transition to IFRS has been retained at the previous UK GAAP amounts subject to being tested for impairment at that date.

2.7 Other intangible assets

Separately acquired intangible assets

The company does not operate any purchased computer software. All such software is licensed and expensed.

Website development costs are capitalised to the extent that they deliver demonstrable benefits to the Group and amortised over three years.

Acquisition as part of a business combination

In accordance with IFRS 3 "Business Combinations", an intangible asset acquired in a business combination is deemed to have a cost to the Group of its fair value at acquisition date. Identifiable intangible assets acquired as part of a business combination are initially recognised separately from goodwill if the asset's fair value can be measured reliably, irrespective of whether the asset had been recognised by the acquiree before the business combination. An intangible asset is considered identifiable only if it is separable or if it arises from contractual or other legal rights, regardless of whether those rights are transferable or separable from the entity or from other rights and obligations.

After initial recognition, intangible assets acquired as part of a business combination are carried at cost less accumulated amortisation and any impairment losses.

Intangible assets acquired as part of a business combination and recognised by the Group include customer orders.

Amortisation

Intangible assets are amortised on a straight-line basis, to reduce their carrying value to their residual value, over their estimated useful lives. The following useful lives were applied during the period:

Customer orders	12 months

2. Accounting policies (continued)

2.8 Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and any impairment losses. Cost comprises the purchase price of property, plant and equipment together with any directly attributable costs.

Subsequent costs are included in an asset's carrying value or recognised as a separate asset, when it is probable that future economic benefits associated with the additional expenditure will flow to the Group and the cost of the item can be measured reliably. All other costs are charged to the income statement when incurred.

Depreciation commences when an asset is available for use. Depreciation is charged so as to write off the depreciable amount of assets other than land to their residual values over their estimated useful lives using a method that reflects the pattern in which the assets' future economic benefits are expected to be consumed by the Group.

Depreciation is charged in equal annual instalments over the following periods:

Freehold and long leasehold premises	50 years
Short leasehold premises	Period of lease
Plant and machinery	4 years
Equipment and vehicles	4 years
Motor vehicles	4 years
EDIS rental systems	Term of hire

Methods of depreciation, residual values and useful lives are reviewed and adjusted, if appropriate, at each balance sheet date.

The gain or loss arising from the disposal or retirement of an item of property, plant and equipment is determined as the difference between the net disposal proceeds and the carrying amount of the item, and is included in the income statement.

2.9 Impairment of non-current assets

At each balance sheet date, the Group assesses whether there is any indication that its assets have been impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined.

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use. The value in use is the present value of the future cash flows expected to be derived from an asset or cash-generating unit. This present value is discounted using a pre-tax rate that reflects current market assessments of the time value of money and of the risks specific to the asset for which future cash flow estimates have not been adjusted. If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is recognised as an impairment loss.

An impairment loss relating to assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in the income statement.

Goodwill acquired in a business combination is, from the acquisition date, allocated to each of the cash-generating units or Groups of cash-generating units that are expected to benefit from the synergies of the combination.

Goodwill is tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

2. Accounting policies (continued)

An impairment loss is recognised for cash-generating units if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit by first reducing the carrying amount of any goodwill allocated to the cash-generating unit, and then reducing the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit.

If an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount but limited to the carrying amount that would have been determined had no impairment loss been recognised in prior years. A reversal of an impairment loss is recognised in the income statement. Impairment losses on goodwill are not subsequently reversed.

2.10 Borrowing costs

All borrowing costs are recognised in the income statement in the period in which they are incurred.

2.11 Operating leases

The costs of all operating leases are charged against operating profit on a straight-line basis at existing rental levels. Incentives to sign operating leases are recognised in the income statement in equal instalments over the term of the lease.

2.12 Equity

Equity comprises the following:

- "Share capital" represents the nominal value of equity shares.
- "Share premium" represents the excess over nominal value of the fair value of consideration received for equity shares, net of expenses of the share issue.
- "Shares to be issued" represents equity-settled share-based employee remuneration until such share options are exercised.
- "Own shares" represents the shares held in the company.
- "Profit and loss reserve" represents retained profits.

2.13 Inventories

Inventories are stated at the lower of cost and net realisable value on a FIFO basis. Cost of finished goods and work in progress includes materials and direct labour.

Net realisable value is the estimated selling price, which would be realised after deducting all estimated costs of completion, and costs incurred in marketing, selling and distributing such inventory.

2.14 Taxation

The tax expense represents the sum of current tax and deferred tax.

Current tax

Current tax is based on taxable profit for the year and is calculated using tax rates enacted or substantively enacted at the balance sheet date. Taxable profit differs from accounting profit either because items are taxable or deductible in periods different to those in which they are recognised in the financial statements or because they are never taxable or deductible.

2. Accounting policies (continued)

Deferred tax

Deferred tax on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes is accounted for using the balance sheet liability method.

Using the balance sheet liability method, deferred tax liabilities are recognised in full for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. However, if the deferred tax asset or liability arises from the initial recognition of goodwill or the initial recognition of an asset or liability in a transaction, other than a business combination, that at the time of the transaction affects neither accounting nor taxable profit, it is not recognised.

Deferred taxation is measured at the tax rates that are expected to apply when the asset is realised or the liability settled based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Deferred tax assets and liabilities are offset only when there is a legally enforceable right to set off current tax amounts and when they relate to the same tax authority and the Group intends to settle its current tax amounts on a net basis.

Current and deferred tax are recognised in the income statement except when they relate to items recognised directly in equity, when they are similarly taken to equity.

2.15 Provisions

A provision is recognised when, as a result of a past event, the Group has a legal or constructive obligation, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of such an obligation can be made.

Provisions are measured as the best estimate of the expenditure required to settle the obligation at the balance sheet date.

2.16 Dividends

Final dividends are recognised as a liability in the period in which they are approved by the company's shareholders. Interim dividends are recognised when they are paid.

2.17 Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand and short-term deposits with a maturity of three months or less. Bank overdrafts are shown within current liabilities. For the purposes of the cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

2.18 Employee share option schemes

All share-based payment arrangements granted after 7 November 2002 that had not vested prior to 1 April 2006 are recognised in the financial statements.

All goods and services received in exchange for the grant of any share-based payment are measured at their fair values. Where employees are rewarded using share-based payments, the fair values of employees' services are determined indirectly by reference to the fair value of the instrument granted to the employee. This fair value is appraised at the grant date and excludes the impact of non-market vesting conditions (for example, profitability and sales growth targets).

All equity-settled share-based payments are ultimately recognised as an expense in the income statement with a corresponding credit to "shares to be issued" reserve.

2. Accounting policies (continued)

If vesting periods or other non-market vesting conditions applies, the expense is allocated over the vesting period, based on the best available estimate of the number of share options expected to vest. Estimates are subsequently revised if there is any indication that the number of share options expected to vest differs from previous estimates. Any cumulative adjustment prior tovesting is recognised in the current period. No adjustment is made to any expense recognised in prior periods if share options ultimately exercised are different to that estimated on vesting.

Upon exercise of share options the proceeds received net of attributable transaction costs are credited to share capital, and where appropriate share premium.

2.19 Financial instruments

The Group classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

Financial assets and financial liabilities are recognised on the Group's balance sheet when the Group becomes party to the contractual provisions of the instrument.

The particular recognition and measurement methods adopted for the Group's financial instruments are disclosed below:

Trade and other receivables

Trade and other receivables are initially recognised at fair value. Due to their short term nature they do not carry interest and are stated at their nominal value, as reduced by appropriate allowances for estimated irrecoverable amounts. A provision for impairment of trade receivables is established when there is evidence that the Group will not be able to collect all amounts due according to the original terms of these receivables. The amount of the provision is the difference between the carrying value and the present value of estimated future cash flows, discounted at the effective interest rate. Impairment losses are recognised in the income statement.

Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits on call with banks and bank overdrafts. Bank overdrafts are disclosed as current borrowings on the balance sheet.

Trade and other payables

Trade and other payables are not interest bearing and are stated at their settlement amount.

Borrowings

Borrowings are recognised initially at fair value. Subsequent measurement is at amortised cost. Finance charges, including any premiums payable or discounts, and direct issue costs are recognised in the income statement over the period of the borrowings using the effective interest rate method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

3. Segmental information

For management purposes the Group is currently organised into two operating divisions. These business segments are the basis on which the Group reports its primary segmental information. As the Group's business is entirely conducted within the United Kingdom, there are no geographical business segments and as a result no secondary reporting segmental information is presented.

The segmental results for the 6 months ended 30 September 2007 are as follows:

	Dispense Monitoring £'000	Machine Monitoring £'000	Group £'000
Revenue			
Total revenue	**7,588**	**471**	**8,059**
Result			
Operating profit	**1,956**	**102**	**2,058**
Finance income	**123**	**3**	**126**
Profit before tax	**2,079**	**105**	**2,184**
Tax	**(645)**	**(33)**	**(678)**
Profit attributable to equity shareholders	**1,434**	**72**	**1,506**

The segmental results for the 6 months ended 30 September 2006 are as follows:

	Dispense Monitoring £'000	Machine Monitoring £'000	Group £'000
Revenue			
Total revenue	9,237	–	9,237
Result			
Operating profit	1,614	–	1,614
Finance costs	(233)	–	(233)
Profit before tax	1,381	–	1,381
Tax	(554)	–	(554)
Profit attributable to equity shareholders	827	–	827

4. Tax

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

	6 months ended 30 Sep 2007 £'000	6 months ended 30 Sep 2006 £'000	Year ended 31 March 2007 £'000
United Kingdom corporation tax	**678**	547	934
Deferred tax: net of originating timing differences	**–**	7	(21)
	678	554	913

5. Earnings per share

Earnings per share is calculated on the profit after tax of £1.506m (2006 £0.827m) and the average number of shares in issue during the period of 24,108,327 (2006: 17,472,920).

Diluted earnings per share are calculated by taking the earnings as disclosed above and the average number of shares that would be issued on the full exercise of outstanding share options of 25,137,016 (2006: 17,812,290).

6. Business combination

On 10 May 2007 Brulines (Holdings) plc acquired 100% of the issued share capital of Coin Metrics Limited, a company based in the UK. The total cost of acquisition of the 66% of the issued share capital includes the components stated below. The purchase price was settled for £622,750 in cash and £62,250 in shares.

	£'000
Purchase price	685
Due diligence fees	14
Other professional fees	34
	733

6. Business combination (continued)

The allocation of the purchase price to the assets and liabilities of Coin Metrics Limited was completed at 30 September 2007. The amounts recognised for each class of the acquiree's assets, liabilities and contingent liabilities recognised at the acquisition date are as follows:

	Carrying Amount Under IFRS £'000	Adjust-ments £'000	Provisional fair value £'000
Intangible assets	–	39	39
Property, plant and equipment	4	–	4
Inventories	8	–	8
Trade and other receivables	68	–	68
Cash and cash equivalents	39	–	39
Total assets	119	39	158
Trade payables	87	–	87
Current tax liability	23	–	23
Total liabilities	110	–	110
Net assets	9	39	48
Fair value of purchase consideration			733
Goodwill			685

The goodwill that arose on the combination can be attributed to the synergies expected to be derived from the combination and the value of the workforce of Coin Metrics Limited which cannot be recognised as an intangible asset under IAS 38 "Intangible Assets".

Brulines (Holdings) plc have entered into a put and call option to purchase the remaining 34% of the issued share capital. Under IFRS 3 "Business Combinations" this has been treated as contingent consideration. The directors are currently unable to put a reliable estimate on the fair value of the deferred consideration and as such no value has been included. This will be continually monitored and a fair value calculated if appropriate going forward.

7. Explanation of the transition to IFRS

The Group's financial statements for the year ending 31 March 2008 will be the first annual financial statements prepared under IFRS. The following disclosures are required in the year of transition. The last financial statements under UK GAAP were for the year ended 31 March 2007 and the date of transition to IFRS was therefore 1 April 2006.

7.1 Reconciliation of equity and net assets as at 1 April 2006

	As reported under UK GAAP £'000	Goodwill amortisation £'000 (note 8a)	Other £'000 (notes 8b &c)	As restated under IFRS £'000
Non-current assets				
Goodwill	9,372	–	–	9,372
Other intangible assets	10	–	2	12
Property, plant and equipment	281	–	(2)	279
	9,663	–	–	9,663
Current assets				
Inventories	920	–	–	920
Trade and other receivables	6,239	–	–	6,239
Cash and cash equivalents	2,650	–	–	2,650
	9,809	–	–	9,809
Current liabilities				
Trade and other payables	(6,344)	–	–	(6,344)
Tax liabilities	(462)	–	–	(462)
Obligations under finance leases and hire purchase contracts	(14)	–	–	(14)
Bank overdraft and loans	(878)	–	–	(878)
	(7,698)	–	–	(7,698)
Net current assets	2,111	–	–	2,111
Non-current liabilities				
Bank and other loans	(4,800)	–	–	(4,800)
Loan notes	(4,216)	–	–	(4,216)
Deferred tax	(15)	–	–	(15)
Obligations under finance leases and hire purchase contracts	(9)	–	–	(9)
	(9,040)	–	–	(9,040)
Net assets	2,734	–	–	2,734
Shareholders' equity				
Share capital	1,735	–	–	1,735
Retained profits	999	–	–	999
Total shareholders' equity	2,734	–	–	2,734

7.2 Reconciliation of equity and net assets as at 31 March 2007

	As reported under UK GAAP £'000	Goodwill amortisation £'000 (note 8a)	Other £'000 (notes 8b &c)	As restated under IFRS £'000
Non-current assets				
Goodwill	8,758	462	–	9,220
Other intangible assets	9	–	–	9
Property, plant and equipment	487	–	–	487
	9,254	462	–	9,716
Current assets				
Inventories	1,288	–	–	1,288
Trade and other receivables	2,892	–	–	2,892
Cash and cash equivalents	4,079	–	–	4,079
	8,259	–	–	8,259
Current liabilities				
Trade and other payables	(5,778)	–	–	(5,778)
Tax liabilities	(486)	–	–	(486)
	(6,264)	–	–	(6,264)
Net current assets	1,995	–	–	1,995
Net assets	11,249	462	–	11,711
Share capital	2,408	–	–	2,408
Share premium account	6,966	–	–	6,966
Shares to be issued	32	–	–	32
Own shares	(151)	–	–	(151)
Retained profits	1,994	462	–	2,456
Total shareholders' equity	11,249	462	–	11,711

7.3 Reconciliation of equity and net assets as at 30 September 2006

	As reported under UK GAAP £'000	Goodwill amortisation £'000 (note 8a)	Other £'000 (notes 8b &c)	As restated under IFRS £'000
Non–current assets				
Goodwill	8,887	224	–	9,111
Other intangible assets	9	–	2	11
Property, plant and equipment	263	–	(2)	261
	9,159	224	–	9,383
Current assets				
Inventories	1,303	–	–	1,303
Trade and other receivables	2,998	–	–	2,998
Cash and cash equivalents	4,820	–	–	4,820
	9,121	–	–	9,121
Current liabilities				
Trade and other payables	(5,486)	–	(26)	(5,512)
Tax liabilities	(548)	–	–	(548)
Obligations under finance leases and hire purchase contracts	(12)	–	–	(12)
Bank overdraft and loans	(1,200)	–	–	(1,200)
	(7,246)	–	(26)	(7,272)
Net current liabilities	1,875	–	(26)	1,849
Non–current liabilities				
Bank and other loans	(3,604)	–	–	(3,604)
Deferred tax	(22)	–	–	(22)
Loan notes	(4,125)	–	–	(4,125)
	(7,751)	–	–	(7,751)
Net assets	3,283	224	(26)	3,481
Shareholders' equity				
Share capital	1,750	–	–	1,750
Share premium account	60	–	–	60
Retained profits	1,473	224	(26)	1,671
Total shareholders' equity	3,283	224	(26)	3,481

7.4 Reconciliation of reported profits for the six months ended 30 September 2006

	As reported under UK GAAP £'000	Goodwill amortisation £'000 (note 8a)	Other £'000 (notes 8b &c)	As restated under IFRS £'000
Continuing operations				
Revenue	9,237	–	–	9,237
Operating expenses	(7,821)	224	(26)	(7,623)
Operating profit	**1,416**	**224**	**(26)**	**1,614**
Finance income	71	–	–	71
Finance costs	(304)	–	–	(304)
Profit before tax	**1,183**	**224**	**(26)**	**1,381**
Tax	(554)	–	–	(554)
Profit for the period	**629**	**224**	**(26)**	**827**
Earnings per share				
Basic	3.60p	1.28p	(0.15p)	4.73p
Diluted	3.53p	1.26p	(0.15p)	4.64p

7.5 Reconciliation of reported profits for the year ended 31 March 2007

	As reported under UK GAAP £'000	Goodwill amortisation £'000 (note 8a)	Other £'000 (note 8b)	As restated under IFRS £'000
Continuing operations				
Revenue	16,756	-	-	16,756
Operating expenses	(14,669)	462	-	(14,207)
Operating profit	**2,087**	**462**	**-**	**2,549**
Finance income	165	-	-	165
Finance costs	(344)	-	-	(344)
Profit before tax	**1,908**	**462**	**-**	**2,370**
Tax	(913)	-	-	(913)
Profit for the year	**995**	**462**	**-**	**1,457**
Earnings per share				
Basic	4.90p	2.27p	-	7.17p
Diluted	4.78p	2.21p	-	6.99p

8. Explanation of the reconciling items between UK GAAP and IFRS

(a) Under IFRS 3 "Business combinations" annual amortisation of goodwill is no longer permitted. Instead goodwill must be allocated to each income generating unit acquired and an annual impairment review must be performed for each discrete unit in accordance with IAS 36 "Impairment of assets". The Group has elected not to apply IFRS 3 "business combinations" retrospectively and restate business combinations completed prior to the date of transition. As a result, in the opening balance sheet, goodwill arising from past business combinations of £9.372 million remains as stated under UK GAAP at 1 April 2006.

(b) IAS 19 "Employee benefits" requires employers to recognise the total cost of all short term employee benefits expected to be paid in exchange for employees' services in the accounting period. This includes holiday pay (the Brulines holiday year runs from 1 April to 31 March and therefore coincides with the 31 March statutory financial year end but not with the half year) which has previously been accounted for as incurred. This results in a charge of £0.026m for the six months ended 30 September 2006 but has no effect on the year ended 31 March 2007.

(c) Under UK GAAP, website development is included within tangible fixed assets as plant and equipment. Under IFRS, website development should be recorded as an intangible asset. Accordingly a reclassification of the total net book value of website development has been made between property, plant and equipment and intangible assets. There is no effect on net assets.

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INDEPENDENT REVIEW REPORT TO BRULINES (HOLDINGS) PLC

Introduction

We have been engaged by the company to review the financial information in the half-yearly financial report for the six months ended 30 September 2007 which comprises the consolidated income statement, the consolidated balance sheet, the cash flow statement and the statement of changes in shareholders' equity and the notes to the interim results. We have read the other information contained in the half yearly financial report which comprises only the Chairman's Report, the Chief Executive's Report and Finance Director's Report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the financial information.

This report is made solely to the company in accordance with guidance contained in ISRE (UK and Ireland) 2410, "Review of Interim Financial Information performed by the Independent Auditor of the Entity". Our review work has been undertaken so that we might state to the company those matters we are required to state to them in a review 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, for our review work, for this report, or for the conclusion we have formed.

Directors' Responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The AIM rules of the London Stock Exchange require that the accounting polices and presentation applied to the interim figures are consistent with those which will be adopted in the annual accounts having regard to the accounting standards applicable for such accounts.

Our Responsibility

Our responsibility is to express to the Company a conclusion on the financial information in the half-yearly financial report based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that any material modifications should be made to the financial information in the half-yearly financial report for the six months ended 30 September 2007.

GRANT THORNTON UK LLP
Chartered Accountants
Leeds

11 December 2007

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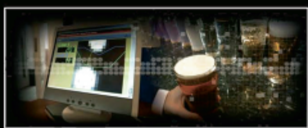


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