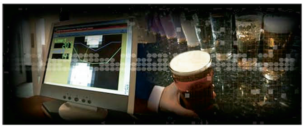
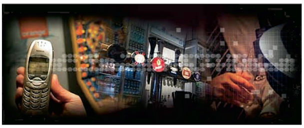
Brulines Group plc

Interim Results for the six months ended 26 September 2008


The market leading provider of real time monitoring systems and data management services for the UK leisure sector

Brulines Group plc

("Brulines" or "the Group")

Financial Highlights

- Turnover increased 10.4% to £8.90 million (H1 2007: £8.06 million)
- Operating profit increased 7.5% to £2.21 million (H1 2007: £2.06 million)
- EBITDA increased 11.8% to £2.47 million (H1 2007: £2.21 million)
- Gross margin increased to 55% (H1 2007: 49.8%)
- Recurring revenues account for over 65% of Group turnover
- Profit before tax £2.17 million (H1 2007: £2.18 million)
- Basic earnings per share at 6.11 pence (H1 2007: 6.25 pence)
- Interim dividend increased by 6.9% to 1.55 pence per share (H1 2007: 1.45p)

Operational Highlights

- Entry into UK petrol forecourt market following the acquisition of Edensure Limited in October 2008 for £220,000

Chairman's Statement

I am pleased to report a positive set of results and good progress in the strategic development of the Group during the last six months.

Results

Turnover for the six months ended 26 September 2008 was £8.90 million (2007: £8.06 million) being 10.4% higher than the same period last year. This was primarily due to increased market penetration and broadening of the Group's customer base for dispense monitoring. We also continue to benefit from change in the revenue mix with higher recurring revenues underpinning future growth.

Gross margin has risen from 49.8% in H1 2007 to 55% in H1 2008 as a result of the increased recurring revenues, new higher value products and improved economies of scale and cost control. With the fixed overheads of the business being well managed, this has resulted in a 7.5% increase in operating profit to £2.21 million. EBITDA has grown by 11.80% from £2.21 million to £2.47 million.

Dividend

The Board has declared an interim dividend of 1.55p per share (2007: 1.45p), payable on 26 January 2009 to shareholders on the register as at 12 December 2008. A final dividend of 3.55p was paid in respect of the year ended 31 March 2008 on 24 July 2008.

Acquisitions

On 23 September we announced we had entered into a conditional contract to purchase all the issued share capital of Edensure Limited ("Edensure") for a total consideration of £220,000 to be paid in cash. Completion occurred on 24 October 2008.

Edensure was established in 2002. The company is based in Sunderland, Tyne and Wear and provides Intelligent Forecourt Solutions for the UK Petrol forecourt market.

The Directors believe that the acquisition is a good strategic fit with the Group providing a natural extension to the Group's core data management capability in an adjacent market.

The acquisition is not expected to be earnings enhancing in the year to 31 March 2009. However, the Group anticipates that it will contribute to earnings in the year to 31 March 2010 as the business exploits the many market opportunities available.

Board

On 1 September 2008, the Group appointed Stewart Darling as Commercial Director and subsequently to the plc board on 25 November 2008. We are delighted to welcome him to the Board where he will strengthen the management team as the Group continues to expand its activities.

Outlook

In the current economic climate market conditions remain demanding. However, the Directors believe the Group is particularly well placed to both sustain its growth path and take advantage of acquisition and commercial opportunities as they arise.

James H Newman
Chairman
2 December 2008

Executive Review

Group profit and earnings per share

The Group results for the six months to 26 September 2008 are in line with management expectations. On a comparable year on year basis the core business turnover for H1 increased by 10.4% to £8.90 million (2007: £8.06 million). The turnover mix in H1 continued to move towards recurring revenue as income from support service contracts across our c.22,000 installed sites continued to grow and recurring revenues currently account for over 65% of Group turnover.

Profit before tax for H1 was £2.17 million (H1 2007: £2.18 million) impacted by net finance costs totalling £0.05m (H1 2007: £0.13m net inflow) associated with a change in cash due to the funding of new offices and the cash purchase of Nucleus Data Limited .

Basic earnings per share for the period were 6.11p (H1 2007: 6.25p) following amortisation of goodwill under IFRS on customer contracts relating to Nucleus Data accounting for 0.6p per share (H1 2007: nil)

Cash generation

The Group generated £1.38 million of cash in the period, of which £0.84 million was used for the dividend paid in July 2008.

The Group has net debt of only £0.91 million and remains cash generative contributing to a strong financial base from which to raise debt funding should appropriate acquisition opportunities arise.

Customers and contracts

Against the background of a difficult commercial environment for our customers in the licensed on trade, our system installations have progressed satisfactorily in H1 2008 with 1,000 new installations and 240 system upgrades and we expect further progress in H2 2008.

We have continued to expand penetration of our core product offering to our existing customers in the tenanted/leased sector as well as making good progress with other national and regional operators, which will increase market share and gain further penetration into new customers.

Market drivers

The deterioration in economic conditions coupled with the decline in the capital and credit markets and associated difficult trading environment generally in the licensed on trade and for some of the Group's customers, in particular, has been widely documented by financial commentators.

Whilst this environment is certainly challenging, the Directors believe that reports on the demise of the pub sector, compounded by the early impact of legislation and the smoking ban in particular, have probably been overdone,.

Although 4,000 pubs may close over the next couple of years, it is probable that under normal circumstances many of these pubs would have closed over the course of the next five years anyway.

The current commercial environment for our customers has resulted in challenges for the Group. However on balance this has, to date, had a neutral impact on Group performance:

- There has been increased demand for the operational transparency that the Group's systems provide as pub operators focus on reducing shrinkage and maximising their operations.
- There have been delays in installations due to organisational and structural change as customers realign their businesses to meet the commercial challenges they face.

- The squeeze on capital supply may result in wider take-up of the rental model option, which the Group has already been developing as an alternative to the capital purchase model currently being used.

Brand Quality Monitoring ("BQM") product development

Good progress has been made in H1 2008 as we have developed the proposition with existing customers and have expanded the customer base for evaluation of BQM to include an increasing number of national managed pub operations and regional brewers plus four bar chains in the USA.

The Group is confident that the quality monitoring extension to our core product will continue to gain traction and be recognised for its commercial contribution during the course of H2 and beyond.

AWP Data Management market

Group subsidiaries Coin Metrics and Machine Insite have continued to develop our data management offering to the leisure sector and have won new customers and achieved growth in a difficult gaming machine market

USA Opportunity

During the period, the Group has commenced evaluation of its beer quality monitoring in the USA market with four national bar chains. The evaluation, which runs through H2, is based in the Denver area and consists of twelve sites where we are providing quality and till variance analysis.

In the event that the evaluation is successful, the intention would be to develop the business through national chains and third party installers.

Strategic growth acquisitions

The Group continues to explore opportunities for complementary acquisitions, such as the recent announcement in respect of Edensure Ltd. This acquisition is a natural extension of the Group's core capabilities into an adjacent market where there is an opportunity to establish market leading products and services.

Edensure supplies key information to independent, multi branded owner and supermarket petrol forecourt operators in the UK. It employs 6 people and at 30 June 2008 had a 2% share of the UK petrol forecourt data management service market. Edensure has the European licence for the leading fuel stock analysis software product, which is currently in demand from many national forecourt operators.

The Group's operational scale and data management expertise will provide a solid platform to grow the Edensure business. The acquisition of Edensure, whilst relatively small, will produce enhanced earnings next year and is an important strategic development in the Group's growth plans as it provides a commercial platform from which to accelerate our entry into the 9,000 site petrol forecourt market.

Management and employees

The high calibre appointment in September 2008 of Stewart Darling as Commercial Director, with primary responsibility for the Group's UK Leisure sector sales, brings considerable commercial and industry experience to the Group's management team and will provide significant benefits as we expand from our historic leased and managed sectors of the licensed on trade.

Stewart held various engineering management posts in both British Coal and the Ministry of Defence prior to joining Scottish and Newcastle in 1991 where during the rapid growth of the business he had several senior commercial roles including Sales Director, and Customer Service Director for the UK On-Trade.

In 2005 he moved to France where he led the turn around and subsequent growth of the Brasseries Kronenbourg On-Trade. In 2007 he became Group Sales Development Director with responsibility for driving sales growth in Scottish & Newcastle's joint venture, and for developing market businesses in Eastern and Western Europe.

Outlook

The Group is performing well in a difficult environment. As the leisure market becomes increasingly focussed on profitability and cash generation from core operations, our products will become more important to our customers than ever before. Brulines continues to explore ways to grow its business including evaluation of acquisition opportunities as they arise. Future growth prospects are encouraging and, in light of market expectations, the management team continues to view the future with confidence.

James Dickson
Chief Executive

Mark Foster
Group Finance Director

2 December 2008

Unaudited consolidated interim income statement

for the six months ended 26 September 2008

	Note	**Unaudited 6 months ended 26 Sep 2008 £'000**	Unaudited 6 months ended 30 Sep 2007 £'000	Audited Year ended 31 March 2008 £'000
Continuing operations				
Revenue	3	**8,896**	8,059	17,063
Operating expenses		**(6,683)**	(6,001)	(13,075)
Operating profit		**2,213**	2,058	3,988
Finance income		**74**	126	249
Finance costs		**(122)**	-	(72)
Profit before tax		**2,165**	2,184	4,165
Tax	4	**(677)**	(678)	(1,303)
Profit attributable to equity shareholders		**1,488**	1,506	2,862
Earnings per share				
Basic	5	**6.11p**	6.25p	11.84p
Diluted		**6.04p**	5.99p	11.77p

Unaudited consolidated interim balance sheet

at 26 September 2008

	Unaudited 26 Sep 2008 £'000	Unaudited 30 Sep 2007 £'000	Audited 31 March 2008 £'000
Non-current assets			
Goodwill	**12,767**	9,907	12,767
Other intangible assets	**711**	27	847
Property, plant and equipment	**3,292**	447	3,383
Deferred tax	-	6	–
	16,770	10,387	16,997
Current assets			
Inventories	**1,297**	1,411	1,122
Trade and other receivables	**4,072**	2,662	3,737
Cash and cash equivalents	**2,760**	5,765	3,058
	8,129	9,838	7,917
Current liabilities			
Trade and other payables	**(5,952)**	(6,923)	(6,435)
Borrowings	**(394)**	-	(394)
Tax liabilities	**(728)**	(704)	(708)
Provisions	**(89)**	-	(89)
	(7,163)	(7,627)	(7,626)
Net current assets	**966**	2,211	291
Non-current liabilities			
Borrowings	**(3,283)**	–	(3,485)
Provisions	**(268)**	–	(303)
Deferred tax	**(242)**	–	(242)
	(3,793)	–	(4,030)
Net assets	**13,943**	12,598	13,258
Shareholders' equity			
Share capital	**2,434**	2,412	2,434
Share premium account	**7,024**	7,024	7,024
Shares to be issued	**140**	68	104
Own shares	**(877)**	(151)	(877)
Merger reserve	**310**	–	310
Retained profit	**4,912**	3,245	4,263
Total shareholders' equity	**13,943**	12,598	13,258

Unaudited interim cash flow statement
for the six months ended 26 September 2008

	Unaudited 6 months Ended 26 Sep 2008 £'000	Unaudited 6 months ended 30 Sep 2007 £'000	Audited Year ended 31 March 2008 £'000
Profit after tax	**1,488**	1,506	2,862
Amortisation of intangible assets	**136**	20	108
Depreciation	**121**	112	223
Loss on sale of fixed assets	**–**	–	2
Share-based payments	**36**	36	72
Change in inventories	**(175)**	(123)	286
Change in receivables	**(335)**	230	(198)
Change in payables	**(483)**	1,129	89
Change in provisions	**(35)**	–	392
Interest receivable	**74**	126	249
Interest payable	**(122)**	–	(72)
Taxation expense recognised in income statement	**677**	678	1,303
Cash generated from operations	**1,382**	3,714	5,316
Interest payable	**122**	–	72
Interest receivable	**(74)**	(126)	(249)
Income taxes paid	**(657)**	(484)	(1,122)
Net cash generated from operating activities	**773**	3,104	4,017
Investing activities			
Proceeds on disposal of property, plant and equipment	**–**	–	2
Purchases of property, plant and equipment	**(30)**	(67)	(2,909)
Purchase of subsidiary undertakings	**–**	(735)	(4,363)
Cash acquired from subsidiary	**–**	39	155
Net cash used in investing activities	**(30)**	(763)	(7,115)
Financing activities			
Repayments of borrowings	**(202)**	–	(71)
Dividends paid	**(839)**	(717)	(1,055)
Bank funding	**–**	–	3,950
Purchase of own shares	**–**	–	(726)
Repayments of obligations under finance leases and hire purchase contracts	**–**	–	(21)
Issue of ordinary share capital	**–**	62	-
Net cash from financing activities	**(1,041)**	(655)	2,077
Net (decrease)/increase in cash and cash equivalents	**(298)**	1,686	(1,021)
Cash and cash equivalents at beginning of period	**3,058**	4,079	4,079
Cash and cash equivalents at end of period	**2,760**	5,765	3,058

Unaudited consolidated interim statement of changes in shareholders' equity

for the six months ended 26 September 2008

	Unaudited 6 months Ended 26 Sep 2008 £'000	Unaudited 6 months ended 30 Sep 2007 £'000	Audited Year ended 31 March 2008 £'000
Profit attributable to equity shareholders	**1,488**	1,506	2,862
Total recognised income and expenses	**1,488**	1,506	2,862
Dividends paid	**(839)**	(717)	(1,055)
Issue of new shares	**–**	62	84
Merger reserve	**–**	-	310
Purchase of own shares	**–**	-	(726)
Share-based payments	**36**	36	72
Net addition to shareholders' equity	**685**	887	1,547
Equity attributable to equity shareholders at beginning of period	**13,258**	11,711	11,711
Equity attributable to equity shareholders at end of period	**13,943**	12,598	13,258

Notes to the unaudited interim results
for the six months ended 26 September 2008

1. **Statutory information**

   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 26 September 2008 is set out on page 12.

   The financial information for the year ended 31 March 2008 has been derived from the published statutory accounts. 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 One Surtees Way, Surtees Business Park, Stockton on Tees, TS18 3HR or from our website at www.brulines.com.

2. **Accounting policies**

   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 and methods of computation as published by the Group in its Annual Report for the year ended 31 March 2008, which is available on the Group's website.

   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 International Financial Reporting Standards.

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 26 September 2008 are as follows:

	Dispense Monitoring £'000	**Machine Monitoring £'000**	**Group £'000**
Revenue			
Total revenue	**8,410**	**486**	**8,896**
Result			
Operating profit	**2,142**	**71**	**2,213**
Finance costs	**(46)**	**(2)**	**(48)**
Profit before tax	**2,096**	**69**	**2,165**
Tax	**(655)**	**(22)**	**(677)**
Profit attributable to equity shareholders	**1,441**	**47**	**1,488**

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

4. Tax

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

	6 months ended 26 Sep 2008 £'000	6 months ended 30 Sep 2007 £'000	Year ended 31 March 2008 £'000
United Kingdom corporation tax	**677**	678	1,320
Deferred tax: net of originating timing differences	**–**	–	(17)
	677	678	1,303

5. Earnings per share

Earnings per share is calculated on the profit after tax of £1.488m (2007 £1.506m) and the average number of shares in issue during the period of 24,341,523 (2007: 24,108,327).

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 25,245,012 (2007: 25,137,016).

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 26 September 2008 which comprises the consolidated income statement, the consolidated balance sheet, the cash flow statement and the statement of changes in shareholders' equity and the related explanatory notes that have been reviewed. We have read the other information contained in the half yearly financial report which comprises only the Chairman's Statement and the Executive Review 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.

As disclosed in note 2, the annual financial statements of the Group are prepared in accordance with the basis of preparation.

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 the financial information in the half-yearly financial report for the six months ended 26 September 2008 is not prepared, in all material respects, in accordance with the basis of accounting described in note 2.

GRANT THORNTON UK LLP
Chartered Accountants
Leeds

2 December 2008

RF63631

Printed by Royle Financial Print

brulines

One Surtees Way, Surtees Business Park, Stockton-on-Tees, TS18 3HR

www.brulines.com