NORTHBRIDGE

Northbridge Industrial Services plc
Annual report and accounts 2014

Creating a fully integrated, global industrial equipment group.

Creating a fully integrated, global industrial equipment group.

Northbridge Industrial Services plc hires and sells specialist industrial equipment to a non-cyclical customer base and has grown organically and by the acquisition of companies in the UK and abroad and through investing in those companies to make them more successful.

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This report can also be viewed online at **www.northbridgegroup.co.uk/ar14**

Read about **Our geographies** on pages 4 and 5

Read about **Our business and strategy** on pages 6 and 7

Highlights

The Group enjoyed a strong start to 2014 compared with the previous year, assisted by new contract wins and the extension of a number of hire contracts which overran from the second half of 2013.

Highlights

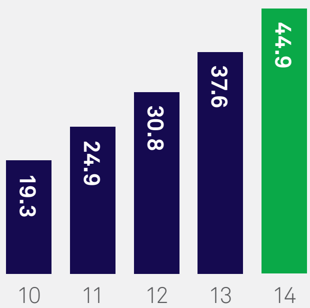
- Consolidated Group revenue up 19.4% to £44.9 million (2013: £37.6 million)
- Pre-exceptional profit before tax up 16.5% to £7.0 million (2013: £6.0 million)
- Pre-exceptional EBITDA up 25.7% to £13.8 million (2013: £11.0 million)
- Basic earnings per share before exceptional items of 32.5 pence (2013: 28.7 pence)
- Strategic acquisition of Tasman Oil Tools Ltd, New Zealand, reuniting the brand name
- Successful placing of 642,202 new shares, raising £3.4 million in September 2014
- A further £7.0 million invested in the hire fleet, gross cost now £43.5 million (2013: £36.4 million)
- Modest year-end gearing 31.6% (2013: 31.5%)
- Proposed final dividend increased to 4.0 pence, raising the total dividend for the year to 6.2 pence (2013: 5.9 pence), an overall increase of 5.1%

Financial highlights

The Company has in place a set of Key Performance Indicators ("KPIs") to enable us to measure performance through the success of our strategy.

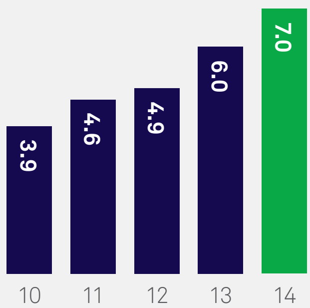
Revenue (£m)

44.9 +19%



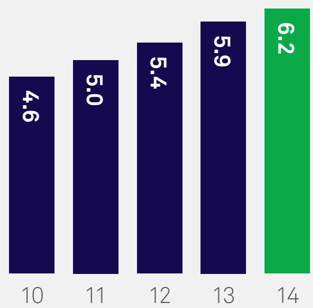
Pre-tax pre-exceptional profit (£m)

7.0 +17%



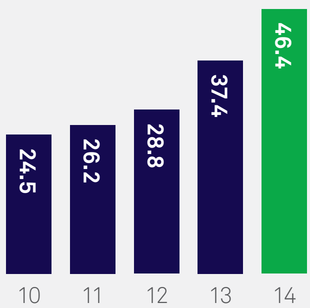
Dividend (p)

6.2 +5%



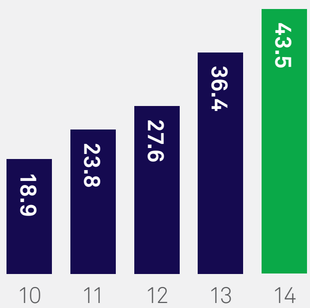
Net assets (£m)

46.4 +24%



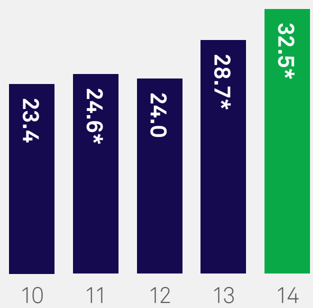
Hire fleet costs (£m)

43.5 +20%



EPS (p)

32.5* +13%



* Before exceptional items

Our products and services

Northbridge is focused on the sales and hire of specialist industrial equipment on a global basis for use in critical applications in the oil and gas, shipping, construction, and power and utility sectors.

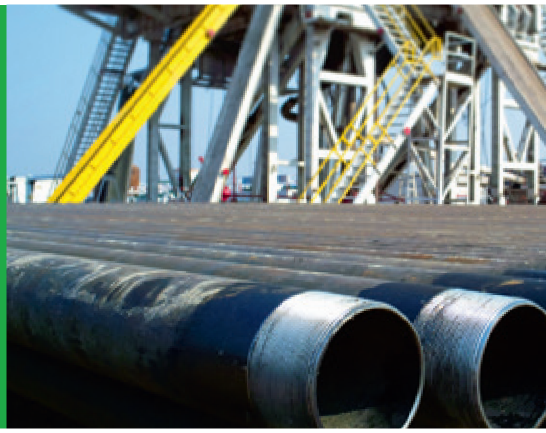
Why invest in Northbridge

- Balanced exposure to strong global end markets with blue-chip clients
- Organic and acquisitive growth potential
- Proven track record of acquisitions and integration
- Geographic and industry diversification with cross selling potential
- Exposure to Middle East and Far Eastern markets
- Programme and commitment to capital expenditure to drive organic growth
- Significant cash generation
- Increased full year dividend each year since admission to AIM in March 2006

Loadbanks

Transformers

Equipment for oil, gas, coalbed methane and geothermal



Project:
TeeKay load bank project
Location:
South Korea

Supply of 18MW test package at 11Kv for the commissioning of four 14MW gas turbines, to run the production facility aboard an FPSO, in South Korea.

We supply:

Northbridge is the largest designer, manufacturer, supplier and renter of specialist loadbanks and transformers in the world.

Provides the largest specialist fleet of loadbanks and transformers to the rental market. Assembled in the UK at our Crestchic factory in Burton to supply bespoke sales used for the commissioning and maintenance of independent power sources and systems such as diesel generators and gas turbines.

Major industries we serve:

- Healthcare
- Oil and gas
- Banking
- Power and utilities
- Marine engineering
- Air transport
- Military
- Government

We supply:

Specialist hire of containerised transformers and switchgear and temporary packages substations globally.

Provides medium and low voltage transformers at various capacities with voltages from 230v to 36,000v. The containers are rapidly deployable with capacity that can be adapted according to the specific requirements of each client, providing step-up and step-down capabilities.

Major industries we serve:

- Healthcare
- Oil and gas
- Banking
- Power and utilities
- Marine engineering
- Air transport
- Military
- Government

We supply:

Over 4,000 different products to the onshore and offshore oil and gas industry.

Well positioned in Western Australia, New Zealand, Middle East and Singapore to meet growing demand.

Major industries we serve:

- Oil
- Gas
- Geothermal
- Coalbed methane

Our geographies

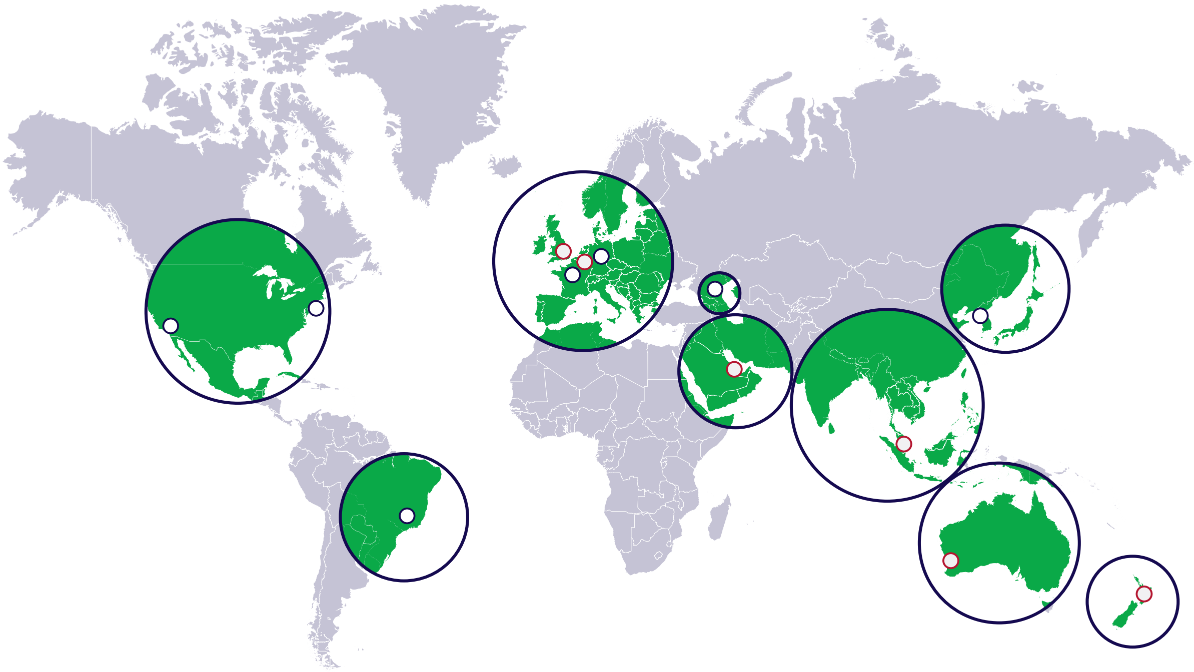
Our worldwide positioning provides us with essential links and access to a global customer base.

Our offices are ideally located across the globe to reach key markets in developed and emerging areas.

Our locations

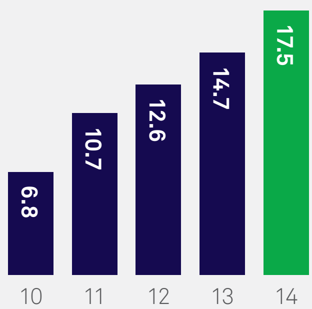
Operating through six major international hubs with a worldwide support network of depots and agents we are able to service the global demand for our products.

Global hubs
Worldwide depots



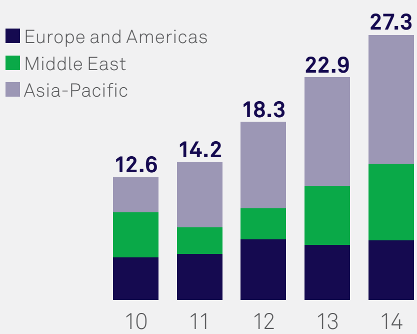
Group equipment sales (£m)

17.5 +19%



Rental revenue (£m)

27.3 +19%



Read more about our **companies and geographies** on **pages 6 and 7**

> We are continuing our growth in key markets of the Middle East and Asia-Pacific.
>
> **Peter Harris**
> **Chairman**

Asia-Pacific

Revenue breakdown by geography

37%

(-1%)

Crestchic Asia-Pacific
Loadbanks, transformers
Singapore
www.northbridge-ap.com

Northbridge Asia Pacific
Transformers
Singapore
www.northbridge-ap.com

Tasman
Oil and gas drilling tools
Australia and New Zealand
www.tasmanoiltools.com

Europe and Americas

Revenue breakdown by geography

43%

(0%)

Crestchic
Loadbanks, transformers
England
www.crestchic.co.uk

Northbridge Transformers
Transformers
Belgium
www.northbridgetransformers.com

Crestchic
Loadbanks, transformers
France
www.crestchic.com

Middle East

Revenue breakdown by geography

20%

(+1%)

Crestchic Middle East
Loadbanks, Transformers
Dubai
www.crestchic.com

Northbridge (Middle East) FZE
Transformers
Dubai
www.northbridge-me.com

Tasman
Oil and gas drilling tools
Dubai
www.tasmanoiltools.com

We are satisfied that we have the correct long-term strategy to face this headwind going forward and that there will still be opportunities to build the Group further by organic growth, particularly in areas where the economy is growing.

Our business model

A fully integrated, global, industrial equipment group:

Crestchic Loadbanks

Northbridge Transformers

Tasman Oil Tools

growing organically and through acquisitions…

…to reach more customers around the world…

…creating value for shareholders

Our strategy

The Northbridge strategy is to acquire and consolidate specialist industrial equipment businesses.

The criteria against which potential targets are assessed are:

1. potential for expansion into complete outsourcing providers;
2. supplying, or capable of supplying, a worldwide customer base;
3. incorporating a strong element of rental and service work;
4. capable of organic growth in their own right;
5. active in oil and gas and power related activities; and
6. involved in loadbank, transformer and oil tool market.

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

In achieving this strategy we will be able to capitalise on the market opportunity to become a significant industrial services business serving an international market. The Board reviews this strategy periodically and believes it is still the correct one for the Group. We are actively continuing to search for suitable acquisitions.

The need to test and maintain standby and independent power systems, together with the associated switchgear and controls, has become an increasingly important element within the power critical technology used by the banking, medical, marine and defence industries.

Active end markets

We have balanced exposure to secure and stable markets and blue-chip clients throughout the world.

Oil, gas, coalbed methane and geothermal

Banking

Power and utilities

Healthcare

Marine

Demand drivers

Oil, gas, coalbed methane and geothermal

Oil and gas
- Growth of onshore and offshore oil and gas industry in Australia, New Zealand and the Middle East
  - Increases in exploration and production expenditure as market stabilises
  - Future LNG opportunities:
    - Annual Australian LNG demand forecast to grow to 384 million metric tonnes by 2020
    - AUS$51bn of LNG projects in Gladstone, Queensland
  - Asia-Pacific region expected to benefit from high revenue growth due to growing energy demand (2014–2019)
  - Oil field rental market expected CAGR 14.9% 2014–19

Hire fleet
- Enlarged complementary hire fleet
- Additional product ranges (drilling jars)
- QHSE, DNV and ISO accreditation

Mining
- Future mining opportunities including drilling tools and load testing

Unconventional gas
- Increased investment in exploration and production

Loadbanks and transformers

Off grid
- Marine engineering and ship building
  - Electric propulsion system
  - Navigation system
  - World's shipping fleet continues to grow
- Oil and gas
  - Offshore drilling platforms
  - LNG industry/LNG transportation/FPSOs

On grid
- Back-up power
  - Diesel generator and turbine testing
  - Uninterruptible power supplies
  - Emergency power systems – hospitals, banks, financial services
  - Digitisation – data centres, telecoms and process industries
  - Independent Power Producers ("IPP")

We have started the new year with a much larger integrated business, a much enhanced hire fleet and modest gearing.

Summary

- Crestchic again performed well and continued its growth in both the sale of manufactured units, up 5.3%, and rental, up 23% compared to 2013
- Tasman, now operating from Australia, the Middle East and New Zealand, had a good start to the year, benefiting from continuing contracts running on from 2013
- Our other large core activities in Dubai and Singapore are focused on the rental of loadbanks and transformers
- Crestchic Middle East ("CME") has now been rebadged using the Crestchic name following the acquisition of the last substantial independent Crestchic Asia-Pacific ("Cap") in 2013
- Northbridge Transformers ("NT") continued to perform well in 2014

Total assets

£79.3m

2013: £64.4m

Hire fleet cost

£43.5m

2013: £36.4m

Cash generated from operations before movement in working capital

£12.7m

2013: £10.0m

We are pleased to present our review of the Group's trading performance for 2014.

The Group enjoyed a strong start to 2014 compared with the previous year, assisted by new contract wins and the extensions of a number of hire contracts which overran from the second half of 2013. This helped maintain the revenue mix for the full year which was 61% rental and 39% sales. Overall Group revenue for 2014 was £44.9 million (2013: £37.6 million), an increase of 19.4%. Allowing for the acquisitions of Tasman Oil Tools Limited and Tasman Oil Tools Leasing Limited ("TNZ") at the end of September 2014, the underlying increase in sales was 15.6%.

Profit before tax (pre-exceptionals) was £7.0 million (2013: £6.0 million), an increase of 16.5%. Post-exceptional profits were £6.3 million after accounting for the acquisition costs of TNZ of £0.5 million and a write down of goodwill associated with Northbridge Loadcell Services (2013: £6.6 million, which included £1.1 million negative goodwill on the acquisition of Oilfield Material Management Limited).

EBITDA (pre-exceptionals) for 2014 was £13.8 million and showed a 25.7% increase on 2013 (£11.0 million). Pre-exceptional earnings per share was 32.5 pence (2013: 28.7 pence), an increase of 13.2%, based on the weighted average shares in issue during the year and following the increase in the number of shares issued as part of the acquisition of Tasman Oil Tools Ltd in New Zealand ("TNZ").

Crestchic, our main UK subsidiary, again performed well and continued its growth in both the sale of manufactured units, up 5.3% compared to 2013, and rental, up 23% compared to 2013 benefiting from a recovery in some of our European markets.

Overall gross margins were down compared to 2013 at 48.4% compared to 54.0%; this was entirely due to an increase in the sales

“Crestchic continues to benefit from a background of increasingly unreliable global power infrastructures and an increase in the size and remoteness of certain projects.”

Peter Harris
Chairman

mix towards packaged transformers following a single large order gained during the year.

Crestchic designs, manufactures, sells and hires loadbank equipment, which is primarily used for the commissioning and maintenance of independent power sources such as diesel generators and gas turbines. The need to test and maintain standby and independent power systems, together with the associated switchgear and controls, has become an increasingly important element within the power critical technology used by the banking, medical, marine and defence industries. This has resulted in continued strong demand for Crestchic's range of equipment and services throughout the world. Additionally Crestchic continues to benefit from a background of increasingly unreliable global power infrastructures and an increase in the size and remoteness of certain projects.

On 23 September 2014 the Group acquired TNZ in New Zealand for a total price of NZ$25.5 million (£12.2 million) with the fair value of the fixed assets acquired totalling £3.5 million. This acquisition has enabled us to re-unify the name of “Tasman Oil Tools”, in Australia and New Zealand for the first time since 1996 when they became separated after a change in ownership. We acquired the Tasman operation in Australia during 2010. In addition, we have rebranded our Middle Eastern Oil Tool Rental business under the same name. The combined entities, now all trading as “Tasman”, have a substantial presence in their markets.

The acquisition was part funded by the placing of 642,202 new ordinary shares at 545 pence each, raising £3.4 million before expenses. The placing was well supported by existing shareholders.

Founded in 1980, TNZ specialises in renting drilling tools to the New Zealand oil and gas industry from its base in New Plymouth. It also provides equipment to the geothermal power utilities throughout New Zealand. TNZ's performance during 2013 and 2014 was enhanced by additional geothermal drilling demand caused by the New Zealand Government privatisation of the geothermal power utilities prior to June 2014.

Tasman as a whole, now operating from Australia, the Middle East and New Zealand, had a good start to the year, benefiting from continuing contracts running on from 2013. The rapid fall in the price of oil had little impact on revenues until the last quarter of 2014 with trading in 2015 likely to prove to be much more difficult. During the final quarter we took the opportunity to make a substantial early discounted settlement of the “earn out” associated with the acquisition of the trade and assets of OMM BVI in 2013. No further payments are now due.

We have started the new year with a much larger integrated business, a much enhanced hire fleet and modest gearing, and we are confident that we can take advantage of any new opportunities that arise and we will be well placed when a recovery in the oil and gas markets takes place.

Continued strong demand for Crestchic's products and services.

- **Expanded UK manufacturing facility performing well**
- **Senior qualified staff recruited**
- **Largest sales order received and delivered**
- **Largest containerised transformer order received and delivered**
- **Development of multi-voltage containerised product for US**

Our entire combined hire fleet is now available to all our worldwide customers, with a single and enhanced standard of QHSE.

Our other larger core activities based in Dubai and Singapore are focused on the rental of loadbanks and transformers. Crestchic Middle East ("CME") has now been rebadged using the Crestchic name following the acquisition of the last substantial independent user of the Crestchic name Crestchic Asia-Pacific ("CAP") in 2013. We continue to use the CAP identity in Singapore.

All our loadbank activities are now branded as "Crestchic" and we are able to promote that service in an integrated way throughout the world.

Northbridge Transformers ("NT"), which was acquired from DSG NV and renamed in December 2011, continued to perform well during 2014. Despite European demand being relatively soft, it is able to use CME in the Middle East and CAP in Singapore as a conduit for its activities.

NT offers specialist transformers for rental throughout the world for high and low voltages at various capacities, generally packaged in ISO containers, which can be used for both "step up" and "step down" projects. Working alongside CME and CAP, it also provides packaged transformers for large independent power projects ("IPP"), where diesel generators are used to supplement national grids at high voltages in times of power shortage. Substantial investment in this activity over the last few years means we have been able to grow this business from its original base in Belgium to a worldwide audience, leveraging off our other depots throughout the world.

Financial performance

The Group's consolidated revenue for the year ended 31 December 2014 was £44.9 million (2013: £37.6 million). This included a contribution of £1.4 million from the acquisition of TNZ in the last quarter of 2014.

Gross profits and pre-exceptional pre-tax profits were £21.7 million (2013: £20.3 million) an increase of 7.0% and £7.0 million (2013: £6.0 million) an increase of 16.5%, respectively. Pre-exceptional earnings per share based on the average shares in issue during the period was 32.5 pence (2013: 28.7 pence). Earnings before interest, taxation, depreciation and amortisation ("EBITDA") were 74.8 pence per share (2013: 72.5 pence).

Net cash generated from operating activities amounted to £8.6 million (2013: £9.1 million), of which £6.0 million (2013: £4.8 million) was invested into the hire fleet. At the year end, stock and work-in-progress amounted to £4.2 million (2013: £3.8 million). Total net assets at 31 December 2014 were £46.4 million (2013: £37.4 million), of which £31.0 million (2013: £27.8 million) was represented by the hire fleet. The fair value of the acquired hire fleets of TNZ was £2.8 million.

At 31 December 2014 the Group had net gearing, defined as all short and long-term financial liabilities less cash held divided by total equity to net assets of 31.6% (2013: 31.5%). This level of gearing, despite the continued investment programme in our hire fleet and the assumption of an additional debt package relating the acquisition of TNZ at the end of September 2014, underlines the cash-generative nature of the business.

Dividend

Based on this performance the Board is pleased to propose an increase in the final dividend for 2014 of 2.6% to 4.0 pence (2013: 3.9 pence) resulting in a total dividend for the year of 6.2 pence per share (2013: 5.9 pence), an overall increase of 5.1% for the year. The final dividend will be paid on 3 June 2015 to shareholders on the register on 15 May 2015, subject to shareholder approval at the Annual General Meeting, to be held at 12.00 noon on 28 May 2015 at the offices of Buchanan Communications, 107 Cheapside, London EC2V 6DN.

Business review

2014 has seen the continued development of the Group, both organically and by acquisition. We were very pleased to be able to announce the acquisition of 100% of the shares in TNZ in September, as it fitted our strategy well. This unified the Tasman name for the first time in nearly 20 years and we now operate in oil tool rental under a single brand identity in all our current markets. Our entire combined hire fleet is now available to all our worldwide customers, with a single and enhanced standard of QHSE which is so important in our markets.

Likewise, Crestchic has also been able to unify its brand identity. We are now trading as a unified business from all our locations and increasingly distributing our products and services on a worldwide basis.

Following the acquisition of TNZ, the rebranding exercise and the steady growth of our existing activities with these products, we have continued to focus explicitly on loadbanks, transformers and oil tools.

Strategy

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

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

> We are pleased with the Group's performance and the continued good progress achieved during 2014. In particular, the successful acquisition of Tasman Oil Tools Ltd in New Zealand.

Eric Hook
Chief Executive

- active in the oil and gas and power related industries; and
- involved in the loadbank, transformer, oil tool and associated markets.

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

In achieving this strategy we will be able to capitalise on the market opportunity to become a significant industrial services business serving an international market. The Board reviews this strategy periodically and believes it is still the correct one for the Group. We are actively continuing to search for suitable acquisitions.

Staff

We would like to take this opportunity to thank all the employees of the Group for their contribution to our success in 2014. In particular, we would like to welcome the employees of Tasman Oil Tools Ltd in New Zealand, many of whom have long service with Tasman, and thank them for the smooth transition to the new ownership.

In addition we would like to welcome Ian Gardner to the Board. Ian joined the Group in 2007 and was instrumental in the start-up and subsequent growth of Northbridge Middle East and he is also responsible for the Group's activities in the Asia-Pacific region and Australia. Following the acquisition of Tasman Oil Tools and the start-up of Northbridge Asia-Pacific in 2011, Ian relocated from Dubai to Singapore, where the Group's regional headquarters are now based. Ian has 25 years' experience in the industrial services and rental sector and also has extensive overseas experience; Ian is a member of the Institute of Sales and Marketing.

We have also taken the opportunity to strengthen the management team with the appointment of two further senior executives. Kelby Henn joined Crestchic as Factory Manager in Burton on Trent and Euan Ramsey joined Tasman as Business Development Manager based in the Middle East. Both bring executive experience to their new roles and we wish them well for the future.

Outlook

Although the collapse in the price of oil did not have a material impact on the Group's results during the latter part of 2014, the picture so far in 2015 is much harder to analyse. Current volumes and margins in our oil tool rental business are down overall when compared to this time last year, although some of this was expected. Larger projects carried out by our Crestchic loadbank business in the Middle East and Far East, which are connected to the oil and gas sector, have historically been subject to delays and postponements and this has not changed, although it is still too early to forecast the impact.

Capital investment in the oil and gas industry as a whole has seen a noticeable reduction in almost all areas of operation and recent M & A activity amongst the majors will lead to further consolidation in a sector which includes many of our key customers. Underlying demand for our goods and service will take some time to stabilise and, as current contracts unwind, replacement contracts are likely to be harder to secure.

Encouragingly, the level of quotes and enquiries in both our oil tool rental business and Crestchic businesses remain at a good level although revenue visibility at this stage is poor.

Although the timing is not yet clear other parts of our business, most notably those involved in power reliability and power projects, should fare better, particularly in those countries whose economies are now beginning to grow again. This growth will be supported by the lower price of energy in the more advanced economies.

Although it is too early yet to give an update on full-year expectations, management expects that results for the six months to 30 June 2015 will be less than those achieved in the comparative period to 30 June 2014.

The Group has good operating cash flow and has modest and manageable gearing. Our strategy over the next few months will be to concentrate on capital management, further streamlining the Group's core activities, and continuing the process of de-gearing in the normal course of business.

We are satisfied that we have the correct long-term strategy to face this headwind going forward and that there will still be opportunities to build the Group further by organic growth, particularly in areas where the economy is growing and it is essential that we have the cash resources to take advantage of this.

We have a substantial modern hire fleet, a broad footprint in areas which continue to develop their oil and gas industries and the ability to move and share equipment across continents. We are very focused on supporting our businesses in order to be well placed when the current uncertainty unwinds.

We have proposed a final dividend of 4.0 pence, an increase of 2.5%, giving a total dividend for the year of 6.2 pence, up 5.1% on 2013.

Peter Harris
Chairman
14 April 2015

Eric Hook
Chief Executive
14 April 2015

Read more about **our business and strategy** on **pages 6 and 7**

Finance Director's report

The Group continues to generate sustained and progressive levels of cash from operating activities before movements in working capital, which totalled £12.7 million (2013: £10.0 million) during the year.

Summary

- Increased year-on-year revenue totalled £44.9 million (2013: £37.6 million)
- Gross profit for the year increased from £20.3 million to £21.7 million
- Modest year-end gearing 31.6% (2013: 31.5%)
- Cash generated from operations before movements in working capital totalled £12.7 million during the year (2013: £10.0 million)
- The Group paid out £1.1 million (2013: £0.9 million) in dividends to shareholders

Revenue

£44.9m

2013: £37.6m

Gross profit

£21.7m

2013: £20.3m

Dividend per share

6.2p

2013: 5.9p

Revenue and profit before tax

The review of the financial performance for the year ended 31 December 2014 refers principally to the performance of the consolidated Group for the full year 2014 but also refers to the underlying performance of the Group. This measure excludes the post-acquisition performance of the two trading entities (Tasman Oil Tools Ltd and Tasman Oil Tools Leasing Ltd ("TNZ")) which were acquired during the second half of 2014 and, we believe, helps to aid comparison with prior periods and an understanding of the Group's financial performance as a whole.

The Group's revenues are derived principally from the rental of its hire fleet and also from the sale of manufactured and new equipment. Increased year-on-year revenue totalled £44.9 million, (2013: £37.6 million). Underlying revenue for the year totalled £43.5 million, an increase of 15.6%. The full year benefited from several longer-term rental contracts secured in prior years plus an enlarged hire fleet inventory. The split of these revenues between the various regions compared to 2013 is shown in note 2.

As many of the Group's costs are largely of a fixed nature in the short to medium term (with significant movements in the cost base being attributable to acquisitions) any revenue movement, however small, will be highlighted at the gross profit level. This impact is often referred to as operational gearing. Gross profit for the year increased to £21.7 million from £20.3 million, aided by the increased level of overall revenue. There was a marginal shift in sales mix away from the higher margin rental revenue due to the significant level of equipment sales secured during the second half of the year. Underlying gross profit totalled £20.8 million (2013: £19.7 million), an increase of 5.6%.

> "The full year benefited from several longer-term rental contracts secured in prior years plus an enlarged hire fleet inventory."

Craig Robinson
Finance Director

Despite the enlarged level of Group overhead, operating expenditure as a percentage of turnover continued its downward trend seen over recent years decreasing to 31.7% from 36.9% in 2013.

Net finance costs for the year remained static at £0.5 million despite an increase in the level of net debt following the acquisitions in the second halves of 2014 and 2013.

The Group incurred exceptional items during the year relating principally to the acquisitions that took place during the year totalling £0.7 million (net gain 2013: £0.6 million).

After amortisation charges profit before tax (pre-exceptionals) totalled £7.0 million (2013: £6.0 million), an increase of 16.5%. Profit before tax totalled £6.3 million (2013: £6.6 million).

Earnings per share

The basic EPS figure of 28.8 pence (2013: 32.7 pence) and diluted EPS of 28.0 pence (2013: 31.8 pence) have been arrived at in accordance with the calculations contained in note 10.

Balance sheet and debt

A strengthened balance sheet indicates total net assets of £46.4 million (2013: £37.4 million) representing net assets per share of 263 pence (2013: 233 pence) and incorporates an increase in property, plant and equipment from £34.5 million to £39.1 million. This includes planned direct hire fleet investment of £7.0 million (2013: £5.0 million) and also £2.8 million representing the fair value of hire fleet assets of the acquisition that took place during 2014.

An important measure of the Group's performance is the return on capital employed ("ROCE"), calculated as being EBITA (pre-exceptional items) divided by average total assets less current liabilities. In 2014 ROCE decreased to 14.7% from 16.0% reflecting the impact of TNZ during the year.

Trade receivables have increased to £11.2 million (2013: £9.4 million) impacted by the acquisitions in the second half of the year. Debtor days remained static at 91 days.

Cash and cash equivalents reduced marginally to £3.4 million (2013: £3.5 million) with the opportunity for good cash generation remaining in the current financial year.

Although net debt increased to £14.7 million (2013: £11.8 million) following the two acquisitions in the second half of the year, net gearing, calculated as net debt divided by total equity, only increased marginally to 31.6% from 31.5%. The Directors feel that the current level of gearing is appropriate and, in the ordinary course of business, a reduction in gearing is targeted for 2015. Based on the Group's cash flow from operating activities there is capacity for increased borrowings should suitable opportunities arise to further grow the business.

Cash flow

The Group continues to generate sustained and progressive levels of cash from operating activities before movements in working capital, which totalled £12.7 million (2013: £10.0 million) during the year. The largest component of the difference between the profit before tax of £6.3 million and the cash flow from operating activities before movements in working capital is depreciation which, at £5.5 million, is higher than in 2013 (£3.9 million) due to the Group's continued investment in the hire fleet and the acquisitions during the second halves of 2014 and 2013.

Cash from operations totalled £8.6 million during the year (2013: £9.1 million) of which £6.0 million (2013: £4.8 million) was reinvested into the hire fleet.

The Group closely monitors cash management and prioritises the repatriation of cash to the UK from its overseas subsidiaries.

During the year proceeds raised from the issue of share capital totalled £3.7 million. In addition to this, further Group bank borrowings were secured giving rise to a net inflow of funds from bank and other borrowings of £2.8 million (2013: £2.5 million). Both of these sources of funds were used to finance the cost of acquisitions of £6.2 million (2013: £7.9 million) and business activities.

The Group paid out £1.1 million (2013: £0.9 million) in dividends to shareholders.

Income tax expense

The overall income tax expense for the year totalled £1.2 million (2013: £1.4 million) equating to a charge of 19.5% (2013: 20.5%) of profit before tax. The Group benefited from a reduced income tax rate for the current year following the continued utilisation of HMRC rules on overseas subsidiaries. The Group manages taxes such that it pays the correct amount of tax in each country that it operates, utilising available reliefs and engaging with local tax authorities and advisors as appropriate.

Craig Robinson
Finance Director
14 April 2015

In common with any organisation the Group can be subjected to a variety of risks in the conduct of its normal business operations that could have a material impact on the Group's long-term performance.

Principal risks and uncertainties

The Group has once again had a good year but in common with any organisation the Group can be subjected to a variety of risks in the conduct of its normal business operations that could have a material impact on the Group's long-term performance. The Board is responsible for determining the level and nature of risks that is felt to be appropriate in delivering the Group's objectives and to implement an appropriate Group risk management framework. The Group seeks to mitigate exposure to all forms of risk where practical and to transfer risk to insurers where cost effective. In this respect the Group maintains a range of insurance policies against major identified insurable risks, including (but not limited to) business interruption, damage to or loss of property and equipment, and employment risks. The major risks are outlined here.

Description	Mitigation
Competition and commercial risk	
The Group's revenues are derived from the sale and rental of specialist complementary industrial equipment and services which can be impacted by competitor activity. There are a relatively small number of significant competitors serving the markets in which we operate although we often compete against larger capitalised companies who could pose a significant threat because of financial capability which may result in lower pricing and margins, loss of business, reduced utilisation rates and erosion of market share.	The Group's customer base is global, minimising over reliance on individual customers. Competition for products and services provided by the Group varies by subsidiary with some of our products and services being subject to less market competition than others. As the Group's global business continues to develop this increases and broadens both the customer and revenue base placing reduced reliance on individual customers. Our use of international hubs holding significant levels of equipment available for rent has enabled us to provide an enhanced and efficient customer service, and the ability to readily transport our hire fleet enables us to respond to changes in localised utilisation.
Market and macroeconomic risks	
A downturn in the global economic recovery or volatility in commodity prices creating uncertainty may result in lower rental activity and equipment sales levels. This may result in a poorer performance than expected impacting revenues and margins.	The Group constantly monitors market conditions and can flex capital investment into hire fleet accordingly. Products, services and demand vary by subsidiary with some of our products and services being subject to less market impact than others enabling hire fleet to be relocated to mirror changes in localised utilisation. As the Group's global business continues to develop this will naturally increase and broaden both the market and revenue base placing reduced reliance on markets and regions.
Information technology	
The Group is dependent on its information technology ("IT") systems to operate its business efficiently, without failure or interruption. Whilst data within key systems is regularly backed up and systems are subject to virus protection, any systems failure or other major IT interruption could have a disruptive effect on the Group's business.	The geographically diverse nature of each Group location reduces the global risk associated with IT failure or disruption. The use of recognised service providers and operating and communication platforms has strengthened the Group's technological infrastructure and reduced the risk of loss due to failure, breakdown, loss or corruption of data.

> "2014 has seen the continued development of the Group, both organically and by acquisition."
>
> **Eric Hook**
> **Chief Executive**

Description	Mitigation
People risk	
Retaining and attracting the best people is critical in ensuring the continued growth and success of the group.	Northbridge offers well structured reward and benefit packages which are regularly reviewed. We try to ensure that our people fulfil their potential to the benefit of the individual and the Group by providing appropriate training and offering the possibility of career advancement on an inter-company basis within the Group.
Interest rate risk	
The Group delegates day-to-day control of its bank accounts to local management. Most Group borrowings and overdrafts attract variable interest rates although the Group has entered into capping arrangements for certain variable interest rate borrowings and has also more recently entered into some fixed interest rate agreements. The Board accepts that this policy of not fixing interest rates for all borrowings neither protects the Group entirely from the risk of paying rates in excess of current market rates nor eliminates fully cash flow risk associated with interest payments.	The Group maintains strong relationships with all banking contacts. Group borrowings are reviewed, arranged and administered centrally with day-to-day control of bank accounts by local management being restricted to operation within agreed parameters. The Group's bank borrowings are made up primarily of revolving facilities, finance leases, mortgage and term loans. The rate on part of the term loan has been capped at the margin plus a maximum LIBOR rate of 2% for the remaining term of the loan. The Group also utilises short-term trade finance facilities, a temporary overdraft facility and leasing arrangements. The Board considers that it currently achieves an appropriate balance of exposure to these risks although this situation is constantly monitored.
Foreign currency exchange risk	
The Group is exposed to movements in exchange rates for both foreign currency transactions and the translation of net assets and income statements of foreign subsidiaries. As local management have responsibility for their own bank accounts, cash at bank balances are held in Euro, US Dollar, Australian Dollar, Singaporean Dollar, New Zealand Dollar and UAE Dirham accounts. Outstanding balances for trade receivables, trade payables and financial liabilities are also held in these currencies.	The Board manages this risk by converting non-functional currency into Sterling as appropriate, after allowing for future similar functional currency outlays. The Board regularly seeks the opinion of foreign currency professionals to advise on potential foreign currency fluctuations especially when it is aware of future foreign currency requirements. It does not currently consider that the use of hedging facilities would provide a cost-effective benefit to the Group on an ongoing basis.
Credit risk	
Exposure to credit risk arises principally from the Group's trade receivables. At 31 December 2014 the Group had £6,401,000 (2013: £5,489,000) of trade receivables which were past due but not impaired of which £5,223,000 (2013: £4,831,000) has been collected since the year end. At 31 December 2014 trade receivables of £213,000 (2013: £582,000) were past due and are considered to be impaired due to the fact that the debts are old and due from customers in financial difficulty. During the year the Group wrote off £152,000 (2013: £18,000) of debts considered unrecoverable.	The Group's trade receivables are managed through stringent credit control practices both at a local and Group level including assessing all new customers, requesting external credit ratings (which are factored into credit decisions), regularly reviewing established customers and obtaining credit insurance where felt appropriate.

This strategic report was approved by the Board on 14 April 2015 and signed by order of the Board by the Chief Executive.

Eric Hook
Chief Executive
14 April 2015

Board of Directors

Peter Harris
Non-executive Chairman

Peter Harris, aged 63, qualified as a chartered accountant having studied at Sheffield University. After a number of years in the accountancy profession he joined Borden Inc., a multinational food packaging and industrial product company, where he spent 13 years in a variety of senior financial roles. In 1994 Peter was appointed as finance director of RAC plc (formerly Lex Service Plc), a leading automotive services provider. In 1999 he became a group managing director of RAC plc, heading a number of businesses including LexTransfleet, Lex Multipart, Lex Commercials, Lex Defence and RAC Software Solutions. In April 2006, following the acquisition of RAC plc by Aviva plc, Peter was appointed chief executive of Dawson Holdings plc, the media supply chain business, from which he retired in June 2009. Peter is also chairman of Atmaana Business Consulting Ltd and LHA London Ltd. He is a member of the Remuneration and Audit Committees of the Company.

Eric Hook
Chief Executive

Eric Hook, aged 61, qualified as a chartered certified accountant ("FCCA") in 1983 and spent many years in financial roles, culminating in the appointment as finance director of Harvey Plant Ltd, a subsidiary of Lex Service Plc. In 1994 Eric was appointed chief executive of Andrews Sykes Group Plc, the listed support services company, where he led the turnaround of the loss-making group. Eric left Andrews Sykes in 1999 to lead the Longville Group, a private equity backed consolidation of three industrial hire businesses. He expanded Longville organically and by acquisition to gain a market-leading position in pumps, fluid chillers and diesel generators. Eric left the Longville Group to establish Northbridge Industrial Services in 2003.

Craig Robinson
Finance Director

Craig Robinson, aged 52, was appointed as a Director on 2 February 2011 and became Finance Director on 1 April 2011. He was previously finance director of the AIM quoted company Michelmersh Brick Holdings Plc which he joined in April 2002. He is a fellow of the Chartered Association of Certified Accountants and he spent eight years working in practice before moving into the construction industry in the early 1990s. In 1998, he joined Morgan Sindall plc and was appointed as finance director of its Midlands-based subsidiary Wheatley Construction Limited.

Ian Gardner
Regional
Managing Director

Ian Gardner, aged 48, joined the Group in 2007 and was instrumental in the start-up and subsequent growth of Northbridge Middle East and he is also responsible for the Group's activities in the Asia-Pacific region and Australia. Following the acquisition of Tasman Oil Tools and the start-up of Northbridge Asia-Pacific in 2011, Ian relocated from Dubai to Singapore, where the Group's regional headquarters are now based. Ian has 25 years' experience in the industrial services and rental sector and also has extensive overseas experience; Ian is a member of the Institute of Sales and Marketing.

Ash Mehta
Non-executive Director

Ash Mehta, aged 49, qualified as a chartered accountant with KPMG in 1992 following which he worked in commercial finance roles in US multinationals. Since 1999 he has held a number of senior financial roles in fully listed and AIM companies, including Ultrasis plc and Raft International plc, and has extensive experience in IPO-type fundraisings and acquisitions. In 2006, Ash founded Orchard Growth Partners, a professional services firm offering part-time and interim finance director services, which he grew until selling it to the management team of Orchard in 2010. Ash was part-time Finance Director of the Group from April 2007 to March 2011 when he become a Non-executive Director of Northbridge. He is currently chief financial officer of Adlens Group, an international variable focus lens technology company.

David Marshall
Non-executive Director (independent)

David Marshall, aged 70, is chairman of a number of public listed companies, including Western Selection PLC, which is a substantial shareholder of Northbridge Industrial Services plc. In recent years he has taken a leading role in the reorganisation and development of a number of medium-sized listed companies in the UK and overseas. He is a member of the Remuneration and Audit Committees of the Company.

Michael Dodson
Non-executive Director (independent)

Michael Dodson, aged 67, is a fellow of the Institutions of Chemical and Electrical Engineers and a chartered engineer. He has a degree in chemical engineering from Imperial College plus a master's degree from London Business School. He has held directorships in over 20 companies ranging from large utilities, through MOD agencies to high-tech start-ups. He is a member of the Remuneration and Audit Committees of the Company.

Iwan Phillips
Company Secretary

Iwan Phillips, aged 31, studied at Warwick University before joining BDO in 2005 where he qualified as a chartered accountant in 2008. He spent five years at BDO, working on the audits of a variety of businesses but specialising in fully listed and AIM companies. Iwan joined Northbridge in 2010 as the Group Accountant and is now the Group Financial Controller. He was appointed as Company Secretary in 2011.

Directors' report

The Directors present their report and the financial statements for the year ended 31 December 2014.

Statement of Directors' responsibilities in respect of the annual report and financial statements
The Directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

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

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

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

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

Website publication
The Directors are responsible for ensuring the annual report and the financial statements are made available on a website. Financial statements are published on the Company's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Company's website is the responsibility of the Directors. The Directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

Principal activities
The Company was incorporated for the purpose of acquiring companies that manufacture, hire and sell specialist industrial equipment.

In particular it seeks to acquire specialist niche businesses that have the potential for expansion into complete outsourcing providers, capable of supplying a non-cyclical customer base including utility companies, the public sector and the oil and gas industries.

The principal activities of the subsidiary companies are as follows:

- Crestchic Ltd – design, manufacture, sale and hire of loadbank equipment which is primarily used for the commissioning and maintenance of independent power sources such as diesel generators and gas turbines;
- Crestchic France S.A.S. – sale and hire of loadbank equipment which is primarily used for the commissioning and maintenance of independent power sources such as diesel generators and gas turbines;
- Tasman Oil Tools Pty Ltd ("TAU") – hire of tools and equipment for the oil and gas industry in Australia;
- Tasman Oil Tools Ltd ("TNZ") – hire of tools and equipment for the oil and gas industry in New Zealand;
- Crestchic (Middle East) FZE ("CME") – hire of equipment for the oil and gas industry in the Middle East;
- Northbridge (Middle East) FZE ("NME") – hire of equipment for the oil and gas industry in the Middle East;
- Northbridge Industrial Services Pte Limited ("NIS Pte") – hire of equipment for the oil and gas industry in the Asia-Pacific region;
- Crestchic (Asia-Pacific) Pty Limited ("CAP") – hire of equipment for the oil and gas industry in the Asia-Pacific region;
- Tasman Middle East FZE (formerly Tasman OMM FZE) ("TME") – hire of tools and equipment for the oil and gas industry in the Middle East;
- Northbridge Transformers NV ("NT") – hire of specialist transformers;
- Northbridge Loadcell Services Pty ("Loadcell") – hire of oilfield instrumentation for the oil and gas industry in the Asia-Pacific region;
- Tyne Technical Equipment Rental Services ("TTERS") – hire and service of generators and associated equipment to the oil and gas industries in the Middle East;
- RDS (Technical) Ltd ("RDS") – hire and service of generators and associated equipment to the oil and gas industries in the Caspian region; and
- Allied Industrial Resources Limited ("AIR") – hire of specialised high flow/high pressure compressors together with specialist dryer units for the oil and gas industry.

Profit
The profit for the year after taxation amounted to £5,072,000 (2013: £5,255,000).

The Directors are proposing a final dividend of 4.00 pence (2013: 3.90 pence) per share totalling £737,000 (2013: £676,000), resulting in dividends for the whole year of 6.20 pence (2013: 5.90 pence) per share. Subject to shareholder approval the dividend will be paid on 3 June 2015 to those shareholders on the register of members on 15 May 2015.

Future developments
The future developments of the Group are included within the Strategic report.

Directors and their interests
The present Directors are detailed on pages 16 and 17 together with brief biographies.

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

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

I J Gardner was appointed as a Director on 7 July 2014. He retires in accordance with the Company's Articles of Association having been appointed a Director since the last Annual General Meeting and, being eligible, offers himself for re-election.

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

	Ordinary shares of 10 pence each		Share options	
	31 December 2014	1 January 2014	**31 December 2014**	1 January 2014
P R Harris	**1,120,000**	1,097,051	**—**	—
E W Hook	**340,000**	300,000	**656,601**	646,601
C W Robinson	**1,850**	1,850	**86,000**	66,000
A K Mehta	**14,147**	14,147	**50,822**	50,822
I J Gardner (appointed 7 July 2014)	**16,581**	—	**56,000**	—
M G Dodson	**75,750**	89,250	**—**	—
D C Marshall	**—***	—*	**—**	—

* D C Marshall is a director of Western Selection PLC, a substantial shareholder in the Company, which held 1,875,000 (2013: 2,000,000) ordinary shares at 31 December 2014 and at the date of this report.

Between 1 January 2014 and the date of this report there have been no changes to the above shareholdings or options. Further details on Directors' share options can be found in note 22.

Directors' indemnity insurance
Qualifying third party indemnity insurance was in place, for the benefit of the Directors, during the year and at the date of this report.

Substantial shareholdings
The Company has been notified that the following investors held interests in 3% or more of the Company's issued share capital (net of shares held in treasury) at 31 December 2014:

	Number	%
Artemis Investment Management Ltd	2,252,039	12.21
Western Selection plc	1,875,000	10.17
Blackrock Inc.	1,669,126	9.05
Investec Wealth	1,548,464	8.40
Hargreave Hale Ltd	1,144,850	6.21
P R Harris	1,120,000	6.07
R G Persey	678,645	3.68

From 31 December 2014 to the balance sheet date, the Directors have not been notified of any changes to the substantial shareholdings above.

Purchase of own shares
At the year end the Company held 152,150 (2013: 152,150) of its own shares which represents 0.82% (2013: 0.87%) of the share capital of the Company. Between 1 January 2014 and the date of this report a further 63,000 shares have been purchased by the Company increasing the total shares held to 215,150 which represents 1.16% of the capital of the Company.

All of the shares have been purchased to be held in treasury, to satisfy any obligations under the share-based payments scheme.

Directors' report continued

Purchase of own shares continued

Special business to be transacted at the Annual General Meeting

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

Resolution 7 will renew the powers of the Board to allot, pursuant to Section 551 of the Companies Act 2006, the unissued ordinary shares of the Company. The authority sought by this resolution will replace the existing powers of the Directors which expire on the date of the Annual General Meeting and will provide the Directors with the flexibility to issue further ordinary shares if they deem it appropriate to do so.

Resolution 8 is a special resolution that disapplies shareholders' pre-emption rights and grants authority to the Directors, without the need for further specific shareholder approval, to make allotments of equity securities for cash by way of rights issues, where practical considerations such as fractions and foreign securities laws make this desirable, and other issues up to an aggregate nominal amount equal to 10% of the issued share capital of the Company.

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

Corporate governance

The Directors acknowledge the importance of good corporate governance and, whilst the Group is not required to comply with the UK Corporate Governance Code, they apply its principles so far as is practicable, taking into account the Company's size and stage of development.

The Board meets regularly to monitor the current state of business and to determine its future strategic direction. During the year the Board comprised a Non-executive Chairman, two Executive Directors and three Non-executive Directors. Two of the Non-executive Directors are independent of executive management and do not participate in share option or other executive remuneration schemes, nor do they qualify for pension benefits.

Board committees

The principal committees established by the Directors are:

Audit Committee

The committee meets at least twice a year and examines any matters relating to the financial affairs of the Group including the review of annual and interim results, internal control procedures and accounting practices. The Audit Committee meets with the auditors periodically and as necessary. This committee is comprised of Michael Dodson, Peter Harris and David Marshall, who chairs the committee. The Finance Director and other Executive Directors may also attend meetings as appropriate to the business in hand but are not members of the committee.

Remuneration Committee

The Remuneration Committee reviews the performance of the Executive Directors and any senior management and sets and reviews their remuneration and the terms of their service contracts, determines the payment of bonuses to Executive Directors and senior management and considers any bonus and option schemes which may be implemented by the Group. This committee is comprised of David Marshall, Peter Harris and Michael Dodson, who chairs the committee. Executive Directors may also attend meetings as appropriate to the business in hand but are not members of the committee. None of the Executive Directors were present at meetings of the committee during consideration of their own remuneration.

Attendance at Board and other meetings for 2014

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

	Number of meetings in year	P R Harris	C W Robinson	M G Dodson	I J Gardner*	E W Hook	D C Marshall	A K Mehta
Board (scheduled)	7	7	7	6	3	7	7	6
Audit Committee	2	2	—	2	—	—	2	—
Remuneration Committee	2	2	—	2	—	—	2	—

* I J Gardner attended three of the four Board meetings since his appointment on 7 July 2014.

Relations with shareholders
The Company holds meetings from time to time with institutional shareholders to discuss the Company's strategy and financial performance. The Annual General Meeting is used to communicate with private and institutional investors.

Financial instruments
Details of the use of financial instruments by the Group are contained in note 25 of the financial statements.

Cash flow risk
The Group's assessment of cash flow risk is included within the Strategic report.

Post balance sheet events
There are no post balance sheet events to report.

Auditors' independence
The non-audit work undertaken in the year by the Group's auditors, BDO LLP, was restricted to due diligence work and advice on tax matters for the Group.

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

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

This report was approved by the Board on 14 April 2015 and signed by order of the Board by the Company Secretary.

Iwan Phillips
Company Secretary
14 April 2015

Independent auditor's report

To the shareholders of Northbridge Industrial Services plc

We have audited the financial statements of Northbridge Industrial Services plc for the year ended 31 December 2014 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Changes in Equity, the Consolidated Balance Sheet, the Company Balance Sheet, the Consolidated Cash Flow Statement and the related notes. The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and International Financial Reporting Standards ("IFRS") as adopted by the European Union. The financial reporting framework that has been applied in preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

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

Scope of the audit of the financial statements
A description of the scope of an audit of financial statements is provided on the FRC's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements
In our opinion:

- the financial statements give a true and fair view of the state of the Group's and the parent company's affairs as at 31 December 2014 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRS as adopted by the European Union;
- the parent company's financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

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

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

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

Stephen Ward (Senior Statutory Auditor)
For and on behalf of BDO LLP, statutory auditors
Birmingham
United Kingdom
14 April 2015

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

Consolidated statement of comprehensive income

For the year ended 31 December 2014

	Note	2014 £'000	2013 £'000
Revenue	1, 2	**44,871**	37,594
Cost of sales		**(23,150)**	(17,285)
Gross profit		**21,721**	20,309
Operating costs			
Excluding exceptional items		**(14,229)**	(13,864)
Exceptional items	4	**(655)**	637
Total operating costs		**(14,884)**	(13,227)
Profits from operations	3	**6,837**	7,082
Finance income		**33**	54
Finance costs	8	**(570)**	(530)
Profit before taxation excluding exceptional items		**6,955**	5,969
Exceptional items	4	**(655)**	637
Profit before taxation		**6,300**	6,606
Taxation	9	**(1,228)**	(1,351)
Profit for the year attributable to the equity holders of the parent		**5,072**	5,255
Other comprehensive income			
Exchange differences on translating foreign operations		**472**	(2,638)
Other comprehensive income for the year, net of tax		**472**	(2,638)
Total comprehensive income for the period attributable to equity holders of the parent		**5,544**	2,617
Earnings per share			
– basic (pence)		**28.8**	32.7
– diluted (pence)		**28.0**	31.8

All amounts relate to continuing operations.

The notes on pages 27 to 52 form part of these financial statements.

Consolidated statement of changes in equity

For the year ended 31 December 2014

	Share capital £'000	Shares to be issued £'000	Share premium £'000	Merger reserve £'000	Foreign exchange reserve £'000	Treasury share reserve £'000	Retained earnings £'000	Total £'000
Changes in equity								
Balance at 31 December 2013	1,740	311	19,318	849	(1,633)	(201)	17,009	37,393
Profit for the year	—	—	—	—	—	—	5,072	5,072
Other comprehensive income	—	—	—	—	472	—	—	472
Total comprehensive income for the year	—	—	—	—	472	—	5,072	5,544
Issue of share capital	119	(311)	4,102	1,961	—	—	—	5,871
Share issue costs	—	—	(232)	—	—	—	—	(232)
Deferred tax on share options	—	—	—	—	—	—	(200)	(200)
Payment of deferred consideration	—	—	—	—	—	—	(968)	(968)
Share option expense	—	—	—	—	—	—	96	96
Dividends paid	—	—	—	—	—	—	(1,081)	(1,081)
Balance at 31 December 2014	**1,859**	**—**	**23,188**	**2,810**	**(1,161)**	**(201)**	**19,928**	**46,423**

Consolidated statement of changes in equity

For the year ended 31 December 2013

	Share capital £'000	Shares to be issued £'000	Share premium £'000	Merger reserve £'000	Foreign exchange reserve £'000	Treasury share reserve £'000	Retained earnings £'000	Total £'000
Changes in equity								
Balance at 31 December 2012	1,562	—	13,367	849	1,005	(201)	12,228	28,810
Profit for the year	—	—	—	—	—	—	5,255	5,255
Other comprehensive income	—	—	—	—	(2,638)	—	—	(2,638)
Total comprehensive income for the year	—	—	—	—	(2,638)	—	5,255	2,617
Issue of share capital	178	311	6,281	—	—	—	—	6,770
Share issue costs	—	—	(330)	—	—	—	—	(330)
Deferred tax on share options	—	—	—	—	—	—	333	333
Share option expense	—	—	—	—	—	—	96	96
Dividends paid	—	—	—	—	—	—	(903)	(903)
Balance at 31 December 2013	1,740	311	19,318	849	(1,633)	(201)	17,009	37,393

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

Reserve	**Description and purpose**
Share capital account	Amount subscribed for share capital.
Shares to be issued reserve	Amount subscribed for share capital which has been committed to but not yet issued.
Share premium account	Amount subscribed for share capital.
Merger reserve	Excess of the fair value of shares issued over their nominal value when such shares are issued as part of the consideration to acquire at least a 90% equity holding in another company.
Foreign exchange reserve	Amount arising on the retranslation of foreign subsidiaries.
Treasury share reserve	Amount used to purchase ordinary shares for holding in treasury.
Retained earnings	All other net gains and losses and transactions with owners (e.g. dividends) not recognised elsewhere.

Consolidated balance sheet

As at 31 December 2014

Company number: 05326580	Note	2014 £'000	2014 £'000	2013 £'000	2013 £'000
ASSETS					
Non-current assets					
Intangible assets	11	**19,618**		10,656	
Property, plant and equipment	12	**39,113**		34,457	
			58,731		45,113
Current assets					
Inventories	13	**4,249**		3,847	
Trade and other receivables	14	**12,858**		11,950	
Cash and cash equivalents		**3,427**		3,513	
			20,534		19,310
Total assets			**79,265**		64,423
LIABILITIES					
Current liabilities					
Trade and other payables	15	**6,510**		7,474	
Financial liabilities	16	**4,726**		7,873	
Other financial liabilities	16	**1,021**		144	
Current tax liabilities		**887**		989	
			13,144		16,480
Non-current liabilities					
Financial liabilities	16	**13,372**		7,436	
Other financial liabilities	16	**2,244**		364	
Deferred tax liabilities	17	**4,082**		2,750	
			19,698		10,550
Total liabilities			**32,842**		27,030
Total net assets			**46,423**		37,393
Capital and reserves attributable to equity holders of the Company					
Share capital	18		**1,859**		1,740
Shares to be issued			**—**		311
Share premium			**23,188**		19,318
Merger reserve			**2,810**		849
Foreign exchange reserve			**(1,161)**		(1,633)
Treasury share reserve			**(201)**		(201)
Retained earnings			**19,928**		17,009
Total equity			**46,423**		37,393

The notes on pages 27 to 52 form part of these financial statements. The financial statements were approved and authorised for issue by the Board and were signed on its behalf on 14 April 2015.

Eric Hook
Director

Consolidated cash flow statement

For the year ended 31 December 2014

	Note	2014 £'000	2013 £'000
Cash flows from operating activities			
Net profit before taxation		**6,300**	6,606
Adjustments for:			
– amortisation and impairment of intangible assets	11	**895**	667
– amortisation of capitalised debt fee		**55**	62
– depreciation of property, plant and equipment	12	**5,451**	3,894
– profit on disposal of property, plant and equipment		**(423)**	(737)
– negative goodwill	4	**—**	(1,131)
– non-cash settlement of contingent consideration		**—**	60
– non-cash movement in deferred consideration		**(190)**	—
– investment income		**(33)**	(54)
– finance costs	8	**570**	530
– share option expense	22	**96**	96
		12,721	9,993
Increase in inventories		**(215)**	(1,615)
Decrease/(increase) in receivables		**1,096**	(1,901)
(Decrease)/increase in payables		**(5,016)**	2,609
Cash generated from operations		**8,586**	9,086
Finance costs	8	**(570)**	(530)
Taxation		**(1,180)**	(1,204)
Hire fleet expenditure	12	**(5,966)**	(4,830)
Sale of assets within hire fleet		**2,154**	991
Net cash from operating activities		**3,024**	3,513
Cash flows from investing activities			
Finance income		**33**	54
Acquisition of subsidiary undertaking (net of cash acquired)	23	**(4,126)**	(6,499)
Payment of deferred consideration		**(2,306)**	(20)
Purchase of property, plant and equipment	12	**(1,052)**	(422)
Sale of property, plant and equipment		**112**	89
Net cash used in investing activities		**(7,339)**	(6,798)
Cash flows from financing activities			
Proceeds from share capital issued		**3,721**	6,137
Proceeds from bank borrowings		**4,721**	4,018
Repayment of bank borrowings		**(1,962)**	(1,533)
Repayment of finance lease creditors		**(1,166)**	(1,405)
Dividends paid in the year		**(1,081)**	(903)
Net cash from financing activities		**4,233**	6,314
Net (decrease)/increase in cash and cash equivalents		**(82)**	3,029
Cash and cash equivalents at beginning of period		**3,513**	459
Exchange (losses)/gains on cash and cash equivalents		**(4)**	25
Cash and cash equivalents at end of period	24	**3,427**	3,513

During the period the Group acquired property, plant and hire equipment with an aggregate cost of £8,324,000 (2013: £5,496,000) of which £1,306,000 (2013: £244,000) was acquired by means of finance leases. This includes £7,029,000 (2013: £5,008,000) of hire fleet additions of which £1,063,000 (2013: £178,000) was acquired by means of finance lease.

Notes to the consolidated financial statements

For the year ended 31 December 2014

1. Accounting policies

1.1 Basis of preparation of financial statements

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

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

The parent company's financial statements have been prepared under applicable United Kingdom accounting standards and are on pages 53 to 58.

1.2 Basis of consolidation

Where the company has control over an investee, it is classified as a subsidiary. The company controls an investee if all three of the following elements are present: power over the investee, exposure to variable returns from the investee, and the ability of the investor to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

De-facto control exists in situations where the company has the practical ability to direct the relevant activities of the investee without holding the majority of the voting rights. In determining whether de-facto control exists the company considers all relevant facts and circumstances, including:

- the size of the company's voting rights relative to both the size and dispersion of other parties who hold voting rights substantive potential voting rights held by the company and by other parties;
- other contractual arrangements; and
- historic patterns in voting attendance.

The consolidated financial statements present the results of the company and its subsidiaries ("the Group") as if they formed a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full.

The consolidated financial statements incorporate the results of business combinations using the acquisition method. In the statement of financial position, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the consolidated statement of comprehensive income from the date on which control is obtained. They are deconsolidated from the date on which control ceases.

1.3 Revenue

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

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

1.4 Intangible assets and amortisation

Development products

Expenditure on internally developed products is capitalised if it can be demonstrated that:

- it is technically feasible to develop the product for it to be sold;
- adequate resources are available to complete the development;
- there is an intention to complete and sell the product;
- the Group is able to sell the product;
- sale of the product will generate future economic benefits; and
- expenditure on the project can be measured reliably.

Capitalised development costs are amortised over seven years. The amortisation expense is included within the selling and distribution cost line in the statement of comprehensive income.

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

Intangible assets in acquired companies

Intangible assets in acquired companies are valued by an independent expert valuer and amortised over their expected useful life under administrative expenses.

Current experience has shown this to be over the periods shown below:

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

For the year ended 31 December 2014

1. Accounting policies continued

1.5 Leasing and hire purchase

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

Where substantially all of the risks and rewards incidental to ownership are retained by the lessor (an "operating lease"), the total rentals payable under the lease are charged to the statement of comprehensive income on a straight line basis over the lease term.

1.6 Goodwill

Goodwill represents the excess of the cost of a business combination over, in the case of business combinations completed prior to 1 January 2011, the Group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities acquired and, in the case of business combinations completed on or after 1 January 2011, the total fair value of the identifiable assets, liabilities and contingent liabilities acquired as at the acquisition date.

For business combinations completed prior to 1 January 2011, cost comprises the fair value of assets given, liabilities assumed and equity instruments issued, plus any direct cost of acquisition. Changes in the estimated value of contingent consideration arising on business combinations completed by this date are treated as an adjustment to cost and, in consequence, result in a change in the carrying value of goodwill.

For business combinations completed on or after 1 January 2011, cost comprised the fair value of assets given, liabilities assumed and equity instruments issued, plus the amount of any non-controlling interests in the acquiree plus, if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree. Contingent consideration is included in cost at its acquisition date fair value and, in the case of contingent consideration classified as a financial liability, it is re-measured subsequently through profit or loss. For combinations completed on or after 1 January 2011, direct costs of acquisition are taken immediately as an expense.

Goodwill is capitalised as an intangible asset with any impairment in carrying value being charged to the consolidated statement of comprehensive income. Where the fair value of identifiable assets, liabilities and contingent liabilities exceeds the fair value of consideration paid, the excess is credited in full to profit or loss.

Impairment tests on goodwill are undertaken annually on 31 December. The Company carries out an impairment review by evaluating the recoverable amount, which is the higher of the fair value less costs to sell and value in use. In assessing the value-in-use amount, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

1.7 Property, plant and equipment

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

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

In the course of ordinary activities items from the hire fleet may be sold. The sale proceeds and the related cost of sales arising from the sale of hire fleet assets are included within revenue and cost of sales. Cash payments to acquire or manufacture hire fleet assets and cash received on the sale of hire fleet assets are included with cash flows from operating activities.

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

1.8 Impairment of tangible and intangible assets excluding goodwill

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indications exist, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit ("CGU") to which the asset belongs.

Recoverable amount is the higher of the fair value less costs to sell and value in use. In assessing the value-in-use amount, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset or CGU is estimated to be less than its carrying amount, the carrying amount of the asset or CGU is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

1. Accounting policies continued

1.8 Impairment of tangible and intangible assets excluding goodwill continued

Where an impairment loss subsequently reverses, the carrying amount of the asset or CGU is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset or CGU in prior years. A reversal of an impairment loss is recognised immediately in profit or loss unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

1.9 Inventories

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

1.10 Current and deferred taxation

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

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

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

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

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

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

1.11 Foreign currencies

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

On consolidation, the results of overseas operations are translated into Sterling at rates approximating to those ruling when the transactions took place. All assets and liabilities of overseas operations, including goodwill arising on the acquisition of those operations, are translated at the rate ruling at the balance sheet date. Exchange differences arising on translating the opening net assets at opening rate and the results of overseas operations at actual rate are recognised directly in other comprehensive income and are credited/(debited) to the foreign exchange reserve.

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

1.12 Pensions

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

1.13 Share-based payments

Where share options are awarded to employees, the fair value of the options at the date of grant is charged to profit or loss over the vesting period. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each balance sheet date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether the market vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

Where the terms and conditions of the options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to profit or loss over the vesting period.

1.14 Treasury shares

Consideration paid for the purchase of treasury shares is recognised directly in equity. The cost of treasury shares held is presented as a separate reserve (the “treasury share reserve”). Any excess of the consideration received on the sale of treasury shares over the weighted average cost of the shares sold is credited to the share premium account.

For the year ended 31 December 2014

1. Accounting policies continued

1.15 Financial instruments

(a) Financial assets

The Group's financial assets fall into the category discussed below, with the allocation depending to an extent on the purpose for which the asset was acquired. The Group has not classified any of its financial assets as held to maturity.

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

Loans and receivables

These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (e.g. trade receivables) and deposits held at banks, but may also incorporate other types of contractual monetary asset. They are initially recognised at fair value plus transaction costs that are directly attributable to the acquisition or issue and subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.

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

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

(b) Financial liabilities

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

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

Other financial liabilities include the following items:

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

Fair value is calculated discounting estimated future cash flows using a market rate of interest.

Financial instruments are recognised when the Group becomes party to the contractual terms of the instrument and derecognised when it is extinguished i.e. when the obligation specified in the contract is discharged or cancelled or expires.

1.16 Exceptional items

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

1.17 Critical accounting estimates and judgements

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

Estimated impairment of goodwill

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

Impairment of assets

Property, plant and equipment are reviewed for impairment if events or changes in circumstances indicate that the carrying amount may not be recoverable. When a review for impairment is conducted (see note 12), the recoverable amount of an asset or a CGU is determined based on value-in-use calculations prepared on the basis of management's assumptions and estimates.

Income taxes

The Group recognises expected liabilities for tax based on an estimation of the likely taxes due, which requires significant judgement as to the ultimate tax determination of certain items. Where the actual liability arising from these issues differs from these estimates, such differences will have an impact on income tax and deferred tax provisions in the period when such determination is made (see note 9).

Share-based payments

A key factor in determining the value of the share options is the likelihood of vesting. The likelihood of vesting is estimated based on the past behaviour of option holders and the changes on the Group's share price.

1. Accounting policies continued

1.18 Segmental reporting

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

1.19 New standards and interpretations

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

New standard or interpretation	EU endorsement status	Mandatory effective date (periods beginning)
IAS 27 Separate Financial Statements	Endorsed	1 January 2014
IAS 28 Investments in Associates and Joint Ventures	Endorsed	1 January 2014
Amendments to IFRS 10, IFRS 11 and IFRS 12 – Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance	Endorsed	1 January 2014
Amendments to IAS 32 – Offsetting Financial Assets and Financial Liabilities	Endorsed	1 January 2014
Amendments to IFRS 10, IFRS 12 and IAS 27 – Investment Entities	Endorsed	1 January 2014
Amendments to IAS 36 – Recoverable Amounts Disclosures for Non-financial Assets	Endorsed	1 January 2014
Amendments to IAS 39 – Novation of Derivatives and Continuation of Hedge Accounting	Endorsed	1 January 2014
IFRIC 21 Levies	Endorsed	1 January 2014

Standards not yet effective:

New standard or interpretation	EU endorsement status	Mandatory effective date (periods beginning)
Annual Improvements to IFRSs 2010–2012 Cycle	Endorsed	1 July 2014
Annual Improvements to IFRSs 2011–2013 Cycle	Endorsed	1 July 2014
Amendments to IAS 16 and IAS 38 – Clarification of Acceptable Methods of Depreciation and Amortisation	Expected Q1 2015	1 January 2016
Equity Method in Separate Financial Statements (Amendments to IAS 27)	Expected Q3 2015	1 January 2016
Annual Improvements to IFRSs 2012–2014 Cycle	Expected Q3 2015	1 January 2016
IFRS 15 Revenue from Contracts with Customers	Expected Q2 2015	1 January 2017
IFRS 9 Financial Instruments	To be confirmed	1 January 2018
Disclosure Initiative: Amendments to IAS 1	Expected Q4 2015	1 January 2016

1.20 Dividends

Interim dividends are recognised when they are paid. Final dividends are recognised when they are approved by shareholders at the Annual General Meeting.

2. Segment information

The Group currently has three main reportable segments:

- Europe – this segment is involved in the manufacture, hire and sale of specialist industrial equipment. It is the largest proportion of the Group's business and generated 43% (2013: 43%) of the Group's revenue. This includes the Crestchic, NT, AIR and Crestchic France businesses;
- Middle East – this segment is involved in the hire of specialist industrial equipment and contributes 20% (2013: 19%) of the Group's revenue. This includes the NME, RDS, TME and TTERS businesses; and
- Asia-Pacific – this segment is involved in the hire and sale of specialist industrial equipment and generated 37% (2013: 38%) of the Group's revenue. This includes the Tasman, NIS Pty, CAP, TNZ and Loadcell businesses.

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

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

For the year ended 31 December 2014

2. Segment information continued

Measurement of operating segment profit or loss, assets and liabilities

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

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

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

	Europe £'000	Middle East £'000	Asia-Pacific £'000	Total £'000	Inter-company £'000	Other including consolidation adjustments £'000	**2014 Total £'000**
Revenue from external customers	19,249	8,820	16,802	44,871	—	—	**44,871**
Inter-segment revenue	2,228	—	1,166	3,394	(3,394)	—	**—**
Finance income	12	—	21	33	—	—	**33**
Finance expense	(214)	(40)	(21)	(275)	—	(295)	**(570)**
Depreciation	(1,728)	(1,396)	(2,208)	(5,332)	—	(119)	**(5,451)**
Amortisation and impairment	(29)	(47)	(160)	(236)	—	(659)	**(895)**
Profit before tax before exceptional items	2,882	1,338	4,669	8,889	—	(1,934)	**6,955**
Exceptional items	(117)	(19)	(519)	(655)	—	—	**(655)**
Profit before tax	2,765	1,319	4,150	8,234	—	(1,934)	**6,300**
Balance sheet							
Assets	28,212	23,486	32,720	84,418	(45,885)	40,732	**79,265**
Liabilities	(15,296)	(7,768)	(16,962)	(40,026)	46,546	(39,362)	**(32,842)**
	12,916	15,718	15,758	44,392	661	1,370	**46,423**
Non-current asset additions							
Property, plant and equipment additions	3,113	4,268	1,798	9,179	(859)	4	**8,324**
Investment additions	9,766	193	12,227	22,186	(22,186)	—	**—**
Intangible asset additions	—	—	9,505	9,505	—	—	**9,505**

The reconciling adjustments between the total segmental profit before tax and the profit before tax of the Group include amortisation (£660,000) and head office expenditure (£1,156,000). The reconciling adjustments between the total segmental net assets and the net assets of the Group include the addition of the head office net assets and consolidation adjustments.

	Europe £'000	Middle East £'000	Asia-Pacific £'000	Total £'000	Inter-company £'000	Other including consolidation adjustments £'000	2013 Total £'000
Revenue from external customers	16,305	6,998	14,291	37,594	—	—	37,594
Inter-segment revenue	3,501	—	11	3,512	(3,512)	—	—
Finance income	50	—	4	54	—	—	54
Finance expense	(252)	(43)	(25)	(320)	—	(210)	(530)
Depreciation	(1,680)	(750)	(1,312)	(3,742)	—	(152)	(3,894)
Amortisation	(35)	(6)	(65)	(106)	—	(561)	(667)
Profit before tax before exceptional items	4,283	1,374	2,739	8,396	41	(2,468)	5,969
Exceptional items	—	1,131	—	1,131	—	(494)	637
Profit before tax	4,283	2,505	2,739	9,527	41	(2,962)	6,606
Balance sheet							
Assets	26,888	22,412	27,967	77,267	(34,639)	21,795	64,423
Liabilities	(16,091)	(13,484)	(16,428)	(46,003)	35,361	(16,388)	(27,030)
	10,797	8,928	11,539	31,264	722	5,407	37,393
Non-current asset additions							
Property, plant and equipment additions	2,440	1,899	2,195	6,534	(1,041)	3	5,496
Investment additions	—	2,226	6,480	8,706	(8,706)	—	—
Intangible asset additions	—	280	1,728	2,008	—	—	2,008

The reconciling adjustments between the total segmental profit before tax and the profit before tax of the Group include amortisation (£561,000) and head office expenditure (£1,474,000). The reconciling adjustments between the total segmental net assets and the net assets of the Group include the addition of the head office net assets and consolidation adjustments.

2. Segment information continued

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

	External revenue by location of sale origination		Non-current assets by location	
	2014 £'000	2013 £'000	**2014 £'000**	2013 £'000
UK	**17,951**	15,046	**14,879**	12,677
Australia	**8,902**	9,140	**8,652**	9,592
United Arab Emirates	**7,763**	5,910	**11,112**	8,305
Azerbaijan	**1,057**	1,088	**564**	691
Singapore	**6,491**	5,151	**7,808**	9,217
New Zealand	**1,409**	—	**11,939**	—
Belgium	**794**	942	**3,767**	4,621
Other	**504**	317	**10**	10
	44,871	37,594	**58,731**	45,113

	External revenue by type		External revenue by type	
	2014 £'000	2013 £'000	**2014 %**	2013 %
Hire of equipment	**27,308**	22,982	**60.9**	61.1
Sale of product	**17,563**	14,612	**39.1**	38.9
	44,871	37,594	**100.0**	100.0

3. Profit from operations

The operating profit is stated after charging:

	2014 £'000	2013 £'000
Amortisation:		
– customer relationships	**655**	577
– order backlog	**85**	22
– deferred research and development expenditure	**—**	5
– non-competition agreements	**56**	63
Impairment of goodwill	**99**	—
Depreciation of property, plant and equipment:		
– owned by the Company	**4,791**	3,088
– held under finance leases	**660**	806
Operating lease rentals:		
– property leases	**719**	739
– other operating leases	**65**	75
Foreign exchange gains	**(38)**	(44)
Cost of inventories recognised as an expense during the year	**9,823**	5,808
Share-based payment remuneration	**96**	96

See note 7 for auditors' fees.

Notes to the consolidated financial statements continued

For the year ended 31 December 2014

4. Exceptional items

Exceptional items incurred during the year were as follows:

	2014 £'000	2013 £'000
Acquisition costs[(1)]	**454**	494
Loss on disposal of property, plant and equipment[(2)]	**71**	—
Relocation costs[(3)]	**31**	—
Impairment of goodwill[(4)]	**99**	—
Negative goodwill[(5)]	**—**	(1,131)
Exceptional items	**655**	(637)

(1) The exceptional costs relate to the acquisition of Tasman Oil Tools Limited and Tasman Oil Tools Leasing Limited (2013: settlement costs on acquisition of Loadcell and fees incurred on the acquisition of Crestchic (Asia-Pacific) Pte Limited and the trade and assets of Oilfield Material Management Limited). In line with IFRS 3 (revised) acquisition costs have been charged to profit and loss.

(2) As part of the ongoing review of the Group's assets, the Board has recognised that certain rental assets have not achieved the levels of utilisation that are considered acceptable in comparison to Group activities. The items highlighted were sold during the year and the loss on disposal is considered an exceptional cost.

(3) During the year the operations of the two acquisitions made in 2013 (Crestchic (Asia-Pacific) Pte Limited and the trade and assets of Oilfield Material Management Limited) were moved to existing Northbridge sites in Singapore and Dubai. The costs associated with the moves are recognised as exceptional.

(4) As part of the ongoing review of potential goodwill impairment, the Board has recognised that the recoverable amount of the goodwill related to the acquisition of Loadcell in 2011 is lower than its carrying value. An impairment charge of £99,000 has been recognised in the period and shown as an exceptional cost.

(5) The fair value of the trade and assets of Oilfield Material Management Limited purchased in 2013 was deemed to be in excess of the fair value of the consideration paid. In line with IFRS 3 the negative goodwill was taken to profit and loss.

5. Staff costs

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

	2014 £'000	2013 £'000
Wages and salaries	**8,981**	7,506
Social security costs	**1,038**	987
Other pension costs	**379**	308
Share-based payments	**96**	96
	10,494	8,897

Of the share-based payments recognised in the year £53,000 (2013: £62,000) related to key management personnel. Of the £10,019,000 of wages and salaries and social security costs paid during the year £918,000 (2013: £1,102,000) related to key management personnel.

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

	2014 Number	2013 Number
Technical and production	**118**	110
Sales	**42**	33
Administration	**49**	39
	209	182

6. Directors' remuneration

	2014					2013				
	Salary £'000	Bonus £'000	Gain on share options £'000	Benefits £'000	Total £'000	Salary £'000	Bonus £'000	Gain on share options £'000	Benefits £'000	Total £'000
P R Harris	60	—	—	—	60	48	—	236	—	284
E W Hook	241	—	141	3	385	200	122	—	2	324
C W Robinson	135	—	—	1	136	118	35	—	1	154
I J Gardner*	88	—	—	74	162	—	—	—	—	—
A K Mehta	12	—	—	—	12	12	—	—	—	12
J W Gould	—	—	—	—	—	78	—	48	12	138
M G Dodson	18	—	—	—	18	16	—	—	—	16
D C Marshall**	18	—	—	—	18	16	—	—	—	16
	572	—	141	78	791	488	157	284	15	944

* I J Gardner was appointed a Director on 7 July 2014 and the remuneration above covers his time as a Director only.
** D C Marshall's fees are paid through a third party.

7. Auditors' remuneration

	2014 £'000	2013 £'000
Fees payable to the Group's auditors for the audit of the consolidated financial statements	24	28
Fees payable to the Group's auditors and associates in respect of:		
– audit	111	83
– audit related assurance services	9	9
– tax compliance	27	27
– other tax services	25	39
– corporate finance services	67	97

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

8. Finance costs

	2014 £'000	2013 £'000
On bank loans and overdrafts	420	379
On finance leases and hire purchase contracts	150	151
	570	530

9. Income tax expense

	2014 £'000	2013 £'000
Current tax expense	1,342	1,277
Prior year under/(over) provision of tax	73	(105)
	1,415	1,172
Deferred tax expense resulting from the origination and reversal of temporary differences	(187)	179
Taxation	1,228	1,351

For the year ended 31 December 2014

9. Income tax expense continued

Factors affecting tax charge for the year

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

	2014 £'000	2013 £'000
Profit before taxation	**6,300**	6,606
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 21.50% (2013: 23.25%)	**1,355**	1,536
Effects of:		
– Group adjustments not allowable for taxation	**19**	99
– income not subject to tax	**(384)**	(189)
– expenses not allowable for taxation purposes	**265**	224
– difference in taxation rates	**(100)**	(214)
– prior year (over)/under provision of taxation and deferred taxation	**73**	(105)
Total taxation charge for the year	**1,228**	1,351

The standard rate of corporation tax in the UK is now 20% since 1 April 2015.

10. Earnings per share

	2014 £'000	2013 £'000
Numerator		
Earnings used in basic and diluted EPS	**5,072**	5,255

	2014 Number	2013 Number
Denominator		
Weighted average number of shares used in basic EPS	**17,628,831**	16,067,459
Effects of share options	**457,729**	437,926
Weighted average number of shares used in diluted EPS	**18,086,560**	16,505,385

At the end of the year, the Company had in issue 180,500 (2013: nil) share options which have not been included in the calculation of diluted EPS because their effects are anti-dilutive. These share options could be dilutive in the future.

11. Intangible assets

	Customer relationships £'000	Order backlog £'000	Development £'000	Non-competition agreements £'000	Goodwill £'000	Total £'000
Cost						
At 1 January 2014	5,124	215	152	277	7,406	13,174
Exchange differences	90	4	—	(7)	227	314
Acquired through business combination	2,676	—	—	—	6,829	9,505
At 31 December 2014	**7,890**	**219**	**152**	**270**	**14,462**	**22,993**
Amortisation and impairment						
At 1 January 2014	2,082	67	152	189	28	2,518
Exchange differences	(33)	2	—	(7)	—	(38)
Impairment charge for the year	—	—	—	—	99	99
Amortisation charge for the year	655	85	—	56	—	796
At 31 December 2014	**2,704**	**154**	**152**	**238**	**127**	**3,375**
Net book value						
At 31 December 2014	**5,186**	**65**	**—**	**32**	**14,335**	**19,618**
At 31 December 2013	3,042	148	—	88	7,378	10,656

11. Intangible assets continued

	Customer relationships £'000	Order backlog £'000	Development £'000	Non-competition agreements £'000	Goodwill £'000	Total £'000
Cost						
At 1 January 2013	4,939	45	152	331	6,890	12,357
Exchange differences	(536)	(7)	—	(54)	(594)	(1,191)
Acquired through business combination	721	177	—	—	1,110	2,008
At 31 December 2013	5,124	215	152	277	7,406	13,174
Amortisation and impairment						
At 1 January 2013	1,709	45	147	161	28	2,090
Exchange differences	(204)	—	—	(35)	—	(239)
Charge for the year	577	22	5	63	—	667
At 31 December 2013	2,082	67	152	189	28	2,518
Net book value						
At 31 December 2013	3,042	148	—	88	7,378	10,656
At 31 December 2012	3,230	—	5	170	6,862	10,267

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

	Remaining amortisation period (years)				Carrying value £'000			
	Customer relationships	Development	Non-competition agreements	Order backlog	Customer relationships	Development	Non-competition agreements	Order backlog
Crestchic	1.25	—	—	—	76	—	—	—
LHS	2.25	—	—	—	63	—	—	—
RDS	2.75	—	—	—	12	—	—	—
TAU	3.58	—	0.58	—	1,100	—	31	—
Northbridge Transformers	7.00	—	—	—	147	—	—	—
Loadcell	7.00	—	—	—	436	—	—	—
CAP	6.75	—	—	0.75	363	—	—	65
OMM	4.88	—	—	—	242	—	—	—
TNZ	11.75	—	—	—	2,747	—	—	—

Impairment of goodwill

Certain goodwill balances are denominated in foreign currencies and are therefore subject to currency fluctuations.

The carrying amount of goodwill is allocated to the CGUs as follows:

	2014 £'000	2013 £'000
Crestchic	**2,192**	2,192
Tasman	**2,804**	2,873
Northbridge Transformers	**847**	903
CAP	**1,084**	1,066
TNZ	**7,159**	—
Other	**249**	344
	14,335	7,378

Crestchic was acquired by the Group in March 2006 giving rise to goodwill of £1,890,000. The goodwill arising on the trade and assets of LHS in March 2007 was £304,000. LHS has been integrated into Crestchic such that the two businesses now operate as a single CGU. The total goodwill allocated to this CGU is £2,192,000.

TAU was acquired by the Group in July 2010 giving rise to goodwill of £3,086,000, Northbridge Transformers was acquired by the Group in December 2011 giving rise to goodwill of £923,000, CAP was acquired by the Group in September 2013 giving rise to goodwill of £1,110,000 and TNZ was acquired by the Group in September 2014 giving rise to goodwill of £6,829,000.

Notes to the consolidated financial statements continued

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11. Intangible assets continued

Impairment of goodwill continued

The recoverable amount of all of the above CGUs have been determined from value-in-use calculations based on cash flow projections from budgets covering a five-year period to 31 December 2019. Management does not believe that any CGU will see a change in their market share. Other major assumptions are as follows:

2014	Discount rate %	Operating (gross) margin %	Growth rate %	Wage inflation %
Crestchic	**12**	**50**	**3**	**3**
TAU	**12**	**65**	**3**	**3**
Northbridge Transformers	**13**	**35**	**3**	**3**
TNZ	**12**	**65**	**3**	**3**
CAP	**12**	**50**	**3**	**3**

2013	Discount rate %	Operating (gross) margin %	Growth rate %	Wage inflation %
Crestchic	12	50	3	3
TAU	12	70	3	3
Northbridge Transformers	13	50	3	3
CAP	13	50	3	3

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

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

12. Property, plant and equipment

	Land and buildings £'000	Plant and machinery £'000	Motor vehicles £'000	Furniture and fittings £'000	Hire fleet £'000	Total £'000
Cost						
At 1 January 2014	5,536	987	691	932	36,437	44,583
Exchange differences	37	(16)	6	11	358	396
On acquisition of business	635	58	18	12	2,762	3,485
Transfer to inventory	—	—	—	—	(133)	(133)
Reclassification	—	—	—	54	(54)	—
Additions	444	248	270	333	7,029	8,324
Disposals	—	(18)	(189)	(58)	(2,942)	(3,207)
At 31 December 2014	**6,652**	**1,259**	**796**	**1,284**	**43,457**	**53,448**
Depreciation						
At 1 January 2014	451	300	322	401	8,652	10,126
Exchange differences	10	(15)	5	3	165	168
Transfer to inventory	—	—	—	—	(46)	(46)
Reclassification	—	—	—	49	(49)	—
Charge for the year	113	93	128	153	4,964	5,451
On disposals	—	(7)	(106)	(35)	(1,216)	(1,364)
At 31 December 2014	**574**	**371**	**349**	**571**	**12,470**	**14,335**
Net book value						
At 31 December 2014	**6,078**	**888**	**447**	**713**	**30,987**	**39,113**
At 31 December 2013	5,085	687	369	531	27,785	34,457

12. Property, plant and equipment continued

	Land and buildings £'000	Plant and machinery £'000	Motor vehicles £'000	Furniture and fittings £'000	Hire fleet £'000	Total £'000
Cost						
At 1 January 2013	5,490	864	740	900	27,576	35,570
Exchange differences	(36)	(113)	(17)	(70)	(2,124)	(2,360)
On acquisition of business	—	77	3	53	6,771	6,904
Additions	82	167	112	127	5,008	5,496
Disposals	—	(8)	(147)	(78)	(794)	(1,027)
At 31 December 2013	5,536	987	691	932	36,437	44,583
Depreciation						
At 1 January 2013	355	295	326	332	6,256	7,564
Exchange differences	(5)	(64)	(11)	(31)	(901)	(1,012)
Charge for the year	101	76	110	114	3,493	3,894
On disposals	—	(7)	(103)	(14)	(196)	(320)
At 31 December 2013	451	300	322	401	8,652	10,126
Net book value						
At 31 December 2013	5,085	687	369	531	27,785	34,457
At 31 December 2012	5,135	569	414	568	21,320	28,006

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

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

	2014 £'000	2013 £'000
Motor vehicles	**212**	114
Plant and machinery	**82**	89
Hire fleet	**4,375**	4,874

During the year the Group received £1,301,000 (2013: £775,000) of compensation from third parties for items of PPE that were impaired, lost or given up.

13. Inventories

	2014 £'000	2013 £'000
Raw materials	**3,598**	3,225
Work in progress	**476**	447
Finished goods	**175**	175
	4,249	3,847

14. Trade and other receivables

	2014 £'000	2013 £'000
Due within one year		
Trade receivables	**11,417**	9,953
Less provision for impairment of receivables	**(213)**	(582)
Trade receivables – net	**11,204**	9,371
Other receivables	**908**	1,344
Prepayments	**746**	1,235
	12,858	11,950

Notes to the consolidated financial statements continued

For the year ended 31 December 2014

14. Trade and other receivables continued

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

	2014 £'000	2013 £'000
Pound Sterling	**2,463**	2,508
Euro	**1,093**	1,334
US Dollar	**4,380**	2,419
Australian Dollar	**1,555**	1,735
UAE Dirham	**702**	927
Singapore Dollar	**1,377**	1,696
New Zealand Dollar	**451**	—
Other	**91**	96
	12,112	10,715

At 31 December 2014 trade receivables of £6,401,000 (2013: £5,489,000) were past due but not impaired. They relate to customers with no default history. The ageing of these receivables is as follows:

	2014 £'000	2013 £'000
Up to three months past due	**4,251**	4,668
Three to six months past due	**1,640**	654
Six to twelve months past due	**335**	165
Greater than twelve months past due	**175**	2
	6,401	5,489

Since the year end £5,223,000 of the £6,401,000 has been received from customers.

At 31 December 2014 trade receivables of £213,000 (2013: £582,000) were past due and are considered to be impaired due to the fact that the debts are old and due from customers in financial difficulty. The receivables relate to trade debtors. The ageing of these receivables is as follows:

	2014 £'000	2013 £'000
Less than twelve months	**133**	490
Greater than twelve months	**80**	92

The Group records impairment losses on its trade receivables separately from gross receivables. The movements on this allowance account during the year are summarised below:

	2014 £'000	2013 £'000
Opening balance	**582**	77
Amounts written off	**(152)**	(18)
Recovered amounts reversed	**(176)**	—
On acquisition of subsidiary	**15**	356
(Decrease)/increase in provisions	**(56)**	167
Closing balance	**213**	582

The maximum exposure to credit risk, including cash balances, at 31 December 2014 is £15,539,000 (2013: £14,228,000).

15. Current liabilities

Trade and other payables – current

	2014 £'000	2013 £'000
Trade payables	**4,211**	3,911
Social security and other taxes	**417**	272
Other payables	**201**	471
Accruals and deferred income	**1,681**	2,820
	6,510	7,474

16. Financial liabilities

Current

	2014 £'000	2013 £'000
Bank borrowings – secured	**3,759**	6,928
Capitalised debt fees	**(66)**	(82)
Total	**3,693**	6,846
Net obligations under finance leases and hire purchase agreements	**1,033**	1,027
Total	**4,726**	7,873

The fair value of the Group's bank loans at the balance sheet date was £15,373,000 (2013: £12,600,000). For the Group's other loans and borrowings, the carrying amounts are a reasonable approximation of the financial instruments' fair values.

The bank loans are secured by:

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

The trade finance facility is secured over specific trade receivables.

Since the year-end date certain bank facilities have been refinanced which has decreased the amounts due in less than one year.

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

	2014		2013	
	Floating rate £'000	Fair value £'000	Floating rate £'000	Fair value £'000
Expiry within one year	**3,759**	**3,759**	6,928	6,928
More than one year and less than two years	**2,138**	**2,138**	1,264	1,264
More than two years and less than five years	**9,476**	**9,476**	3,661	3,661
More than five years	**—**	**—**	747	747
Total	**15,373**	**15,373**	12,600	12,600

Fair value has been established at the market rate prevailing as at 31 December 2014.

Other financial liabilities

	2014 £'000	2013 £'000
Deferred consideration for purchase of subsidiary	**1,021**	144
	1,021	144

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

2014	Minimum lease payments £'000	Interest £'000	Present value £'000
Not later than one year	**1,124**	**91**	**1,033**
Between one and five years	**2,035**	**140**	**1,895**
	3,159	**231**	**2,928**

2013	Minimum lease payments £'000	Interest £'000	Present value £'000
Not later than one year	1,114	87	1,027
Between one and five years	2,036	153	1,883
	3,150	240	2,910

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16. Financial liabilities continued

Non-current financial liabilities

	2014 £'000	2013 £'000
Bank borrowings – secured	**11,614**	5,672
Capitalised debt fees	**(137)**	(119)
Total	**11,477**	5,553
Net obligations under finance leases and hire purchase agreements	**1,895**	1,883
	13,372	7,436

Non-current other financial liabilities

	2014 £'000	2013 £'000
Deferred consideration for purchase of subsidiary	**2,244**	364
	2,244	364

17. Deferred taxation

	2014 £'000	2013 £'000
Opening provision	**2,750**	2,601
Taken to statement of comprehensive income in current year	**(187)**	179
Taken to retained earnings	**200**	(333)
On acquisition	**1,307**	563
Foreign exchange difference	**12**	(260)
Closing provision	**4,082**	2,750

The provision for deferred taxation is made up as follows:

	2014 £'000	2013 £'000
Accelerated capital allowances	**2,506**	2,436
Fair value adjustment to property, plant and equipment on acquisition	**600**	103
Fair value of intangibles on acquisition	**1,336**	751
Share-based payments	**(360)**	(540)
	4,082	2,750

18. Share capital

	2014 £'000	2013 £'000
Authorised		
30,000,000 ordinary shares of 10 pence each (2013: 30,000,000 ordinary shares of 10 pence each)	**3,000**	3,000
Allotted, called up and fully paid		
18,589,886 ordinary shares of 10 pence each (2013: 17,397,503 ordinary shares of 10 pence each)	**1,859**	1,740

	2014		2013	
	Number	£'000	Number	£'000
Ordinary shares of 10 pence each				
At beginning of year	**17,397,503**	**1,740**	15,616,981	1,562
Issue of new shares	**1,192,383**	**119**	1,780,522	178
At end of year	**18,589,886**	**1,859**	17,397,503	1,740

During the year 642,202 shares were issued through a placing, 365,132 shares issued as vendor consideration and 185,049 shares were issued as share options were exercised.

	2014 Number	2013 Number
Treasury shares held by the Company	**152,150**	152,150

18. Share capital continued

Capital management

The Group considers its capital to comprise its ordinary share capital, shares not yet in issue, share premium and accumulated retained earnings. In managing its capital, the Group's primary objective is to ensure its continued ability to provide a consistent return for its equity shareholders through a combination of capital growth and distributions.

In order to achieve this objective, the Group monitors its gearing to balance risks and returns at an acceptable level and also to maintain a sufficient funding base to enable the Group to meet its working capital and strategic investment needs. In making decisions to adjust its capital structure to achieve these aims, either through altering its dividend policy, new share issues or the reduction of debt, the Group considers not only its short-term position but also its long-term operational and strategic objectives. Gearing is a key performance indicator and is discussed in the Chairman and Chief Executive's Review and Finance Director's Report.

19. Pension commitments

The Group operates defined contribution pension schemes. The assets of the scheme are held separately from those of the Company in an independently administered fund. The pension cost charge represents contributions payable by the Group to the funds and amounted to £379,000 (2013: £308,000).

20. Operating lease commitments

At 31 December 2014 the total future value of minimum lease payments are due as follows:

	2014 £'000	2013 £'000
Property		
Not later than one year	**578**	688
Later than one year and not later than five years	**120**	284
	698	972
Other assets		
Not later than one year	**68**	65
Later than one year and not later than five years	**66**	62
	134	127
Total	**832**	1,099

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

Notes to the consolidated financial statements continued

For the year ended 31 December 2014

21. Principal subsidiaries

The following are the principal subsidiary undertakings of the Company:

Company name	Country of incorporation	Percentage shareholding
Crestchic Limited	United Kingdom	100%
Northbridge (Middle East) FZE	United Arab Emirates	100%
Crestchic (Middle East) FZE	United Arab Emirates	100%*
Loadbank Hire Service	United Kingdom	100%
Northbridge Industrial Services Pte Limited	Singapore	100%
Crestchic (Asia-Pacific) Pte Limited	Singapore	100%*
Northbridge Transformers NV	Belgium	100%
Crestchic France S.A.S.	France	100%
Tasman Middle East FZE (formerly Tasman OMM FZE)	United Arab Emirates	100%*
Allied Industrial Resources Ltd	United Kingdom	100%*
RDS (Technical) Ltd	Azerbaijan	100%*
Tyne Technical Equipment Rental Services	United Arab Emirates	100%*
Tasman Oil Tools Pty Ltd	Australia	100%*
Tasman Oil Tools Leasing Ltd	New Zealand	100%*
Tasman Oil Tools Ltd	New Zealand	100%*
Northbridge NZ Holdings Ltd	New Zealand	100%*
RDS (Trading) Limited	United Kingdom	100%*
Crestchic (Middle East) Technical Services LLC	United Arab Emirates	100%*
Northbridge Loadcell Services Pte Limited	Singapore	100%*
Tasman OMM Limited	United Arab Emirates	100%*
Duck Trading FZCO	United Arab Emirates	100%*
Northbridge Australia Limited	United Kingdom	100%*
Northbridge Australia Pty Limited	Australia	100%*

* These subsidiaries are indirectly held by the Company.

Of the subsidiaries listed, Crestchic is involved in both the manufacture and hire of loadbanks. Northbridge Australia Limited, Northbridge Australia Pty Limited, Northbridge NZ Holdings Ltd and Tasman OMM Limited are holding companies. Loadbank Hire Services Limited and RDS (Trading) Limited are dormant companies. All the other subsidiaries are involved in the hire of specialist industrial equipment.

22. Share-based payments

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

	2014		2013	
	Weighted average exercise price (pence)	**Number**	Weighted average exercise price (pence)	Number
Outstanding at the beginning of the year	**213**	**1,232,372**	183	1,257,794
Granted during the year	**201**	**180,500**	328	193,400
Exercised during the year	**454**	**(185,049)**	133	(218,822)
Share options lapsed during the year	**—**	**—**	—	—
Outstanding at the end of the year	**252**	**1,227,823**	213	1,232,372

The exercise price of options outstanding at the end of the year ranged between 100.64 pence and 453.50 pence (2013: 100.64 pence and 327.50 pence) and their weighted average contractual life was one year three months (2013: one year seven months). The weighted average exercise price of the options is 251.97 pence (2013: 213.11 pence).

Of the total number of options outstanding at the end of the year, 662,923 (2013: 637,972) had vested and were exercisable at the end of the year. The schemes have been valued using the Black Scholes pricing model.

22. Share-based payments continued

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

	2014
Options granted during the year	**180,500**
Date of grant	**10 April 2014**
Fair value per option at measurement date	**453.5 pence**
Share price	**453.5 pence**
Exercise price	**453.5 pence**
Weighted average exercise price	**453.5 pence**
Weighted average exercise life	**2 years 3 months**
Expected volatility	**33%**
Earliest exercisable point	**3 years**
Option life	**10 years**
Risk-free interest rate	**0.5%**

	2013
Options granted during the year	193,400
Date of grant	18 April 2013
Fair value per option at measurement date	327.5 pence
Share price	327.5 pence
Exercise price	327.5 pence
Weighted average exercise price	327.5 pence
Weighted average exercise life	1 year 4 months
Expected volatility	33%
Earliest exercisable point	3 years
Option life	10 years
Risk-free interest rate	0.5%

The volatility rate is based on the average share price movement during the year ended 31 December 2014 and during the year ended 31 December 2013.

The share-based remuneration expense for the year is £96,000 (2013: £96,000) of which £53,000 (2013: £62,000) relates to key management personnel.

Notes to the consolidated financial statements continued

For the year ended 31 December 2014

22. Share-based payments continued

The following share options were outstanding at 31 December 2014:

Type of scheme	Date of grant	Number of shares 2014	Number of shares 2013
Unapproved share option	30 May 2006	**118,659**	130,760
Approved share option	30 May 2006	**—**	27,899
Non-executive and consultant share option	2 April 2007	**18,494**	18,494
Unapproved share option	2 April 2007	**102,746**	102,746
Non-executive and consultant share option	9 April 2008	**6,164**	6,164
Unapproved share option	9 April 2008	**41,098**	41,098
Non-executive and consultant share option	20 April 2009	**6,164**	6,164
Unapproved share option	20 April 2009	**53,098**	58,647
Non-executive and consultant share option	30 September 2010	**20,000**	20,000
Unapproved share option	30 September 2010	**140,000**	170,000
Unapproved share option	30 March 2011	**49,737**	94,270
Approved share option	30 March 2011	**1,763**	10,730
Unapproved share option	21 April 2011	**92,342**	112,342
Approved share option	21 April 2011	**12,658**	12,658
Unapproved share option	18 April 2012	**13,506**	13,506
Approved share option	18 April 2012	**193,494**	213,494
Unapproved share option	18 April 2013	**154,241**	170,241
Approved share option	18 April 2013	**23,159**	23,159
Unapproved share option	10 April 2014	**156,347**	—
Approved share option	10 April 2014	**24,153**	—
		1,227,823	1,232,372

Directors' share options

	Date of grant	Number of shares	Exercise price of shares (pence)	Normal exercise period	Scheme type
E W Hook	30 May 2006	118,659	100.64	30/05/2009–30/05/2016	Unapproved
E W Hook	2 April 2007	102,746	146.96	02/04/2010–02/04/2017	Unapproved
E W Hook	9 April 2008	41,098	150.86	09/04/2011–09/04/2018	Unapproved
E W Hook	20 April 2009	41,098	149.88	20/04/2012–20/04/2019	Unapproved
E W Hook	30 September 2010	120,000	186.00	30/09/2013–30/09/2020	Unapproved
E W Hook	21 April 2011	75,000	237.00	21/04/2014–21/04/2021	Unapproved
E W Hook	18 April 2012	60,000	281.50	18/04/2015–18/04/2022	Unapproved
E W Hook	18 April 2013	48,000	327.50	18/04/2016–18/04/2023	Unapproved
E W Hook	10 April 2014	6,615	453.50	18/04/2017–18/04/2024	Approved
E W Hook	10 April 2014	43,385	453.50	18/04/2017–18/04/2024	Unapproved
A K Mehta	2 April 2007	18,494	146.96	02/04/2010–02/04/2017	Non-executive/consultants
A K Mehta	9 April 2008	6,164	150.86	09/04/2011–09/04/2018	Non-executive/consultants
A K Mehta	20 April 2009	6,164	149.88	20/04/2012–20/04/2019	Non-executive/consultants
A K Mehta	30 September 2010	20,000	186.00	30/09/2013–30/09/2020	Non-executive/consultants
I J Gardner	18 April 2012	20,000	281.50	18/04/2015–18/04/2022	Unapproved
I J Gardner	18 April 2013	16,000	327.50	18/04/2016–18/04/2023	Unapproved
I J Gardner	10 April 2014	20,000	453.50	18/04/2017–18/04/2024	Unapproved
C W Robinson	21 April 2011	12,658	237.00	21/04/2014–21/04/2021	Approved
C W Robinson	21 April 2011	17,342	237.00	21/04/2014–21/04/2021	Unapproved
C W Robinson	18 April 2012	20,000	281.50	18/04/2015–18/04/2022	Unapproved
C W Robinson	18 April 2013	16,000	327.50	18/04/2016–18/04/2023	Unapproved
C W Robinson	10 April 2014	20,000	453.50	18/04/2017–18/04/2024	Unapproved
		849,423			

22. Share-based payments continued

Directors' share options continued

	2014 Number of options	2013 Number of options
E W Hook	**656,601**	646,601
I J Gardner*	**56,000**	—
A K Mehta	**50,822**	50,822
C W Robinson	**86,000**	66,000
	849,423	763,423

* I J Gardner was appointed on 7 July 2014.

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

23. Acquisitions during the year

Tasman Oil Tools Ltd and Tasman Oil Tools Leasing Limited ("TNZ")

On 23 September 2014, the Group purchased 100% of TNZ. TNZ is registered in New Zealand and its principal business is the hire of oil tools. The fair value of the total consideration is £12,227,000, which was satisfied by £6,235,000 in cash on acquisition, £1,918,000 in shares, £1,188,000 in deferred consideration paid in December 2014 and £2,886,000 of deferred consideration. Acquisition expenses of £454,000 have been taken to profit or loss (see note 4).

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

	£'000	£'000
Fair value of assets acquired		
Property, plant and equipment	3,485	
Cash	2,109	
Trade receivables	1,889	
Other current assets	133	
Taxation asset	72	
Contract and customer related intangible assets (recognised on acquisition)	2,676	
Trade payables and other payables	(3,659)	
Deferred taxation on intangible assets	(749)	
Deferred taxation on property, plant and equipment	(558)	
		5,398
Consideration		
Cash paid on acquisition	6,235	
Shares	1,918	
Deferred cash consideration paid	1,188	
Deferred cash consideration	2,886	
		12,227
Goodwill		**6,829**

Current assets acquired include trade receivables with a book and fair value of £1,889,000 representing contractual receivables of £1,904,000. Whilst the Group will make every effort to collect all contractual receivables, at the time of acquisition it was deemed unlikely that this £15,000 would be collectable.

The net cash sum expended on the acquisition in 2014 was as follows:

	£'000
Cash paid as consideration on acquisition	6,235
Less cash acquired on acquisition	(2,109)
Net cash movement	**4,126**

The acquisition was in line with the Group's stated strategy of acquiring earnings-enhancing specialist businesses in niche sectors which are capable of further organic growth. TNZ is an excellent fit with the Group's existing business and the acquisition will serve to consolidate the oil tools operations in the Asia-Pacific region.

Notes to the consolidated financial statements continued

For the year ended 31 December 2014

23. Acquisitions during the year continued

Tasman Oil Tools Ltd and Tasman Oil Tools Leasing Limited ("TNZ") continued

The main factors which led to the recognition of goodwill were the presence of certain intangible assets in the acquired entity. These included the assembled workforce of the acquired entity which did not qualify for separate recognition. Moreover, elements of goodwill such as the strong position in a market were typically not contractual or separable from the entity. They remain within goodwill.

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

From the acquisition date to 31 December 2014, TNZ contributed £1,409,000 to Group revenues and £438,000 to Group profit after tax. If the acquisition had occurred on the first day of the accounting period Group revenue would have been £49,098,000 and Group profit for the period after tax would have been £7,281,000.

Prior year

Crestchic (Asia-Pacific) Pte Limited ("CAP")

On 13 September 2013, the Group purchased 100% of CAP. CAP is registered in Singapore and its principal business is the hire of loadbanks and transformers. The fair value of the total consideration is £6,480,000, which was satisfied by £5,357,000 in cash on acquisition and £1,123,000 of deferred consideration paid in November. Acquisition expenses of £236,000 have been taken to profit or loss (see note 4).

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

	£'000	£'000
Fair value of assets acquired		
Property, plant and equipment	4,210	
Cash	1,329	
Trade receivables	579	
Other current assets	56	
Contract and customer related intangible assets (recognised on acquisition)	618	
Finance lease debt	(532)	
Trade payables and other payables	(281)	
Taxation liabilities	(46)	
Deferred taxation on intangible assets	(105)	
Deferred taxation on property, plant and equipment	(458)	
		5,370
Consideration		
Cash paid on acquisition	5,357	
Deferred cash consideration paid	1,123	
		6,480
Goodwill		**1,110**

Current assets acquired include trade receivables with a book and fair value of £579,000 representing contractual receivables of the same value.

The net cash sum expended on the acquisition in 2013 was as follows:

	£'000
Cash paid as consideration	6,480
Less cash acquired on acquisition	(1,329)
Net cash movement	**5,151**

The acquisition was in line with the Group's stated strategy of acquiring earnings-enhancing specialist businesses in niche sectors which are capable of further organic growth. CAP is an excellent fit with the Group's existing business and the acquisition will serve to consolidate the operations in Singapore and across the Far East.

The main factors which led to the recognition of goodwill were the presence of certain intangible assets in the acquired entity. These included the assembled workforce of the acquired entity which did not qualify for separate recognition. Moreover, elements of goodwill such as the strong position in a market were typically not contractual or separable from the entity. They remain within goodwill.

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

From the acquisition date to 31 December 2013, CAP contributed £757,000 to Group revenues and £165,000 to Group profit after tax. If the acquisition had occurred on the first day of the accounting period Group revenue would have been £39,264,000 and Group profit for the period after tax would have been £6,738,000.

23. Acquisitions during the year continued

Prior year continued

Oilfield Material Management Limited ("OMM BVI")

On 15 November 2013, the Group purchased the trade and assets of OMM BVI and transferred them into Tasman OMM FZE ("TOMM"), a newly incorporated entity in Dubai. TOMM's principal business is the hire of tools and equipment for the oil and gas industry in the region. The fair value of the total consideration is £2,226,000, which was satisfied by £1,395,000 in cash on acquisition, £303,000 in shares on acquisition and £528,000 of deferred consideration. Acquisition expenses of £187,000 have been taken to profit or loss (see note 4).

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

	£'000	£'000
Fair value of assets acquired		
Property, plant and equipment	2,694	
Contract and customer related intangible assets (recognised on acquisition)	280	
Trade receivables	979	
Cash	47	
Other current assets	272	
Trade and other creditors	(792)	
Financial liabilities	(123)	
		3,357
Consideration		
Cash	1,395	
Shares	303	
Deferred consideration	528	
		2,226
Negative goodwill		**1,131**

£121,000 of the deferred consideration is due to be paid during 2016 with the remainder paid in equal monthly instalments over a period of 36 months post acquisition.

Current assets acquired include trade receivables with a book and fair value of £979,000 representing contractual receivables of £1,335,000. Whilst the Group will make every effort to collect all contractual receivables, it considers that a provision of £356,000 is reasonable given that there is some doubt surrounding the collection of certain receivables.

The net cash sum expended on the acquisition in 2013 was as follows:

	£'000
Cash paid as consideration	1,395
Less cash acquired on acquisition	(47)
Net cash movement	**1,348**

The acquisition was in line with the Group's stated strategy of acquiring earnings-enhancing specialist businesses in niche sectors which are capable of further organic growth. TOMM is an excellent fit with the Group's existing business, particularly in the Middle East region, building on the previous acquisition of Tasman in Australia.

The negative goodwill has been recognised within exceptional operating costs. The negative goodwill represents the fair value attributed to the assets acquired less liabilities, in excess of the consideration paid for the trade and assets of OMM BVI.

From the acquisition date to 31 December 2013, TOMM contributed £408,000 to Group revenues and a loss of £125,000 to Group profit after tax. It is not practicable to calculate the effect of acquiring TOMM on the first day of the accounting period on the Group revenue and Group profit after tax for the period.

24. Note supporting cash flow statement

	2014 £'000	2013 £'000
Cash and cash equivalents comprises:		
– cash available on demand	**3,427**	3,513

For the year ended 31 December 2014

25. Financial instruments

Financial instrument risk exposure and management

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

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

Principal financial instruments

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

- trade receivables;
- cash at bank;
- bank overdrafts;
- trade and other payables;
- bank loans;
- finance leases;
- contingent consideration; and
- deferred consideration.

General objectives, policies and processes

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

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

Categories of financial assets and financial liabilities

	Loans and receivables at amortised cost	
	2014 £'000	2013 £'000
Current financial assets		
Trade and other receivables	**12,112**	10,715
Cash and cash equivalents	**3,427**	3,513
Total current financial assets	**15,539**	14,228

	Financial liabilities measured at amortised cost	
	2014 £'000	2013 £'000
Current financial liabilities		
Trade and other payables	**6,093**	7,202
Loans and borrowings	**4,726**	7,873
Deferred consideration	**1,021**	144
Total current financial liabilities	**11,840**	15,219
Non-current financial liabilities		
Loans and borrowings	**13,372**	7,436
Deferred consideration	**2,244**	364
Total non-current financial liabilities	**15,616**	7,800
Total financial liabilities	**27,456**	23,019

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

Credit risk

Credit risk arises principally from the Group's trade receivables. It is the risk that the counterparty fails to discharge its obligation in respect of the instrument. Credit risk also arises from cash and cash equivalents and deposits with banks. The quality of the cash and debtors is considered to be high through trading with a well established customer base and arrangements with reputable banks.

25. Financial instruments continued

Financial instrument risk exposure and management continued

Trade receivables

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

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

Management teams at each subsidiary receive monthly ageing reports and these are used to chase relevant customers for outstanding balances. The Executive team of the Group also receives monthly reports analysed by trade receivable balance and ageing profile of each of the key customers individually. The Board receives periodic reports summarising the ageing position and any significant issues regarding credit risk.

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

Liquidity risk

Liquidity risk arises from the Group's management of working capital and the finance charges and principal repayments on its debt instruments. It is the risk that the Group will encounter difficulty in meeting its financial obligations as they fall due. The Group's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities when they become due. To achieve this aim, it seeks to maintain cash balances or agreed facilities to meet expected requirements for a period of at least twelve months. The cash position is continually monitored and the overdraft facilities are utilised at the appropriate time to ensure that there is sufficient cash and that the optimum interest rate is obtained. The Board monitors annual cash budgets against actual cash position on a monthly basis.

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

Market risk

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

Interest rate risk

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

The Group's bank borrowings are made up of term loans and a revolving credit facility. The Group also utilises a short-term trade finance facility.

The annualised effect of a 0.5% decrease in the interest rate at the balance sheet date on the variable rate bank facilities carried at that date would, all other variables held constant, have resulted in an increase in post-tax profit for the year of £76,000 (2013: £52,000). A 0.5% increase in the interest rate would, on the same basis, have decreased post-tax profit by the same amount.

Currency risk

Foreign exchange risk arises when individual Group operations enter into transactions denominated in a currency other than their functional currency. It is the Group's policy to convert all non-functional currency to Sterling at the first opportunity after allowing for similar functional currency outlays. It does not consider that the wide use of hedging facilities would provide a cost-effective benefit to the Group, although in certain circumstances where large balances denominated in a foreign currency are due short-term forward contracts are used.

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

	2014 Floating rate £'000	2013 Floating rate £'000
Pound Sterling	**(757)**	567
Euro	**781**	775
US Dollar	**1,322**	701
United Arab Emirates Dirham	**183**	72
Australian Dollar	**695**	702
Singapore Dollar	**724**	529
New Zealand Dollar	**113**	—
Other	**366**	167
	3,427	3,513

Notes to the consolidated financial statements continued

For the year ended 31 December 2014

25. Financial instruments continued

Financial instrument risk exposure and management continued

Currency risk continued

The following table shows the impact (due to the retranslation of non-functional currency monetary assets and liabilities in the Group's operations) of a 10% movement in the Group's principal foreign currency exchange rates at the year-end date:

	10% increase		10% decrease	
	Effect on profit before tax £'000	Effect on shareholders' equity £'000	Effect on profit before tax £'000	Effect on shareholders' equity £'000
31 December 2014				
Euro	**(68)**	**(3)**	**83**	**3**
US Dollar	**(174)**	**(395)**	**213**	**482**
United Arab Emirates Dirham	**—**	**(40)**	**—**	**49**
Singapore Dollar	**—**	**(128)**	**—**	**157**
Australian Dollar	**—**	**(125)**	**—**	**152**
New Zealand Dollar	**—**	**22**	**—**	**(26)**
Other	**—**	**(36)**	**—**	**44**
31 December 2013				
Euro	(116)	168	141	(206)
US Dollar	(103)	(192)	126	235
United Arab Emirates Dirham	—	(1)	—	1
Singapore Dollar	—	(82)	—	99
Australian Dollar	—	(81)	—	100
Other	—	(18)	—	23

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

26. Related parties

The employee benefits and share-based payments expense for the key management personnel are disclosed in note 5 and note 6.

27. Dividends

	2014 £'000	2013 £'000
Final dividend of 3.90 pence (2013: 3.575 pence) per ordinary share proposed and paid during the year relating to the previous year's results	**676**	559
Interim dividend of 2.20 pence (2013: 2.00 pence) per ordinary share paid during the year	**405**	344
	1,081	903

The Directors are proposing a final dividend of 4.00 pence (2013: 3.90 pence) per share totalling £737,000 (2013: £676,000), resulting in dividends for the whole year of 6.20 pence (2013: 5.90 pence) per share. The dividend has not been accrued at the balance sheet date.

Parent company accounts under UK GAAP

Parent company balance sheet
As at 31 December 2014

Company number: 05326580	Note	2014 £'000	2013 £'000
Fixed assets			
Fixed asset investments	4	**29,472**	19,679
Tangible fixed assets	5	**1**	2
		29,473	19,681
Current assets			
Cash and cash equivalents		**620**	1,033
Debtors	6	**14,902**	14,907
		15,522	15,940
Creditors: amounts falling due within one year	7	**(3,032)**	(5,493)
Net current assets		**12,490**	10,447
Total assets less current liabilities		**41,963**	30,128
Creditors: amounts falling due after more than one year	8	**(10,272)**	(3,880)
Net assets		**31,691**	26,248
Capital and reserves			
Called up share capital	11	**1,859**	1,740
Shares to be issued	12	**—**	311
Share premium account	12	**23,188**	19,318
Merger reserve	12	**2,810**	849
Treasury share reserve	12	**(201)**	(201)
Profit and loss account	12	**4,035**	4,231
Shareholders' funds	13	**31,691**	26,248

The financial statements were approved and authorised for issue by the Board and were signed on its behalf on 14 April 2015.

Eric Hook
Director

The notes on pages 54 to 58 form part of these financial statements.

The Directors' Report is on pages 18 to 21 and the Strategic Report is on pages 6 to 15 of the annual report and accounts.

Notes to the parent company financial statements

For the year ended 31 December 2014

1. Accounting policies

1.1 Basis of preparation of financial statements
The financial statements have been prepared under the historical cost convention and in accordance with applicable UK Accounting Standards and the Companies Act 2006.

1.2 Investments
Investments in subsidiaries are stated at cost less provision for impairment.

1.3 Deferred taxation
Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date except that the recognition of deferred tax assets is limited to the extent that the Company anticipates making sufficient taxable profits in the future to absorb the reversal of the underlying timing differences.

Deferred tax balances are not discounted.

1.4 Share options
When share options are awarded to employees, the fair value of the options at the date of the grant is charged to the profit and loss account over the vesting period. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each balance sheet date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether the market vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

Where the terms and conditions of the options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to the profit and loss account over the vesting period.

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

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

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

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

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

1.8 Cash flow statement
The Company has taken advantage of the exemption conferred by FRS 1 “Cash Flow Statements” (revised 1996) not to prepare a cash flow statement on the grounds that at least 90% of the voting rights in the Company are controlled within the Group headed by Northbridge Industrial Services plc and the Company is included in consolidated financial statements.

1.9 Dividends
Interim dividends are recognised when they are paid. Final dividends are recognised when they approved by shareholders at the Annual General Meeting.

2. Company profit and loss account

Northbridge Industrial Services plc has taken advantage of Section 408 of the Companies Act 2006 and has not included its own profit and loss account in these financial statements. The Company’s profit after tax was £789,000 (2013: £2,248,000).

3. Directors’ remuneration

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

4. Fixed asset investments

	Shares in Group undertakings £'000
Cost	
At 31 December 2013	19,679
Additions	9,793
At 31 December 2014	**29,472**

Subsidiary undertakings

The following are the principal subsidiary undertakings of the Company:

Company name	Country of incorporation	Percentage shareholding
Crestchic Limited	United Kingdom	100%
Northbridge (Middle East) FZE	United Arab Emirates	100%
Crestchic (Middle East) FZE	United Arab Emirates	100%*
Loadbank Hire Service	United Kingdom	100%
Northbridge Industrial Services Pte Limited	Singapore	100%
Crestchic (Asia-Pacific) Pte Limited	Singapore	100%*
Northbridge Transformers NV	Belgium	100%
Crestchic France S.A.S.	France	100%
Tasman Middle East FZE (formerly Tasman OMM FZE)	United Arab Emirates	100%*
Allied Industrial Resources Ltd	United Kingdom	100%*
RDS (Technical) Ltd	Azerbaijan	100%*
Tyne Technical Equipment Rental Services	United Arab Emirates	100%*
Tasman Oil Tools Pty Ltd	Australia	100%*
Tasman Oil Tools Leasing Ltd	New Zealand	100%*
Tasman Oil Tools Ltd	New Zealand	100%*
Northbridge NZ Holdings Ltd	New Zealand	100%*
RDS (Trading) Limited	United Kingdom	100%*
Crestchic (Middle East) Technical Services LLC	United Arab Emirates	100%*
Northbridge Loadcell Services Pte Limited	Singapore	100%*
Tasman OMM Limited	United Arab Emirates	100%*
Duck Trading FZCO	United Arab Emirates	100%*
Northbridge Australia Limited	United Kingdom	100%*
Northbridge Australia Pty Limited	Australia	100%*

* These subsidiaries are indirectly held by the Company.

5. Tangible fixed assets

	Fixtures and fittings £'000
Cost	
At 1 January 2014	43
Additions	—
At 31 December 2014	**43**
Depreciation	
At 1 January 2014	41
Charge for the year	1
At 31 December 2014	**42**
Net book value	
At 31 December 2014	**1**
At 31 December 2013	2

Notes to the parent company financial statements continued

For the year ended 31 December 2014

6. Debtors

	2014 £'000	2013 £'000
Amounts owed by Group undertakings	**14,804**	14,758
Other debtors	**—**	40
Prepayments and accrued income	**3**	30
Deferred taxation	**95**	79
	14,902	14,907

Deferred taxation

	2014 £'000	2013 £'000
Opening provision	**79**	185
Taken to the profit and loss account in current year	**16**	(106)
Closing provision	**95**	79

The provision for deferred taxation is made up as follows:

	2014 £'000	2013 £'000
Deferred tax on share options	**95**	79

7. Creditors: amounts falling due within one year

	2014 £'000	2013 £'000
Bank loans and overdraft net of capitalised debt fees	**1,531**	3,814
Trade creditors	**93**	144
Other creditors	**134**	261
Amounts payable to Group undertakings	**1,274**	1,274
	3,032	5,493

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

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

	2014 £'000	2013 £'000
Bank loan net of capitalised debt fees	**10,632**	3,880

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

	2014 £'000	2013 £'000
Bank loan net of debt fees, repayable by instalments	**—**	456

The bank loan is secured by:

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

9. Financial instruments

Borrowing facilities

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

	2014 £'000	2013 £'000
Expiry within one year	**1,531**	3,814
More than one year and less than two years	**1,719**	680
More than two years and less than five years	**8,913**	2,752
More than five years	**—**	448
Total	**12,163**	7,964

The Company has no undrawn, uncommitted borrowing facilities at 31 December 2014.

10. Share-based payments

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

	2014		2013	
	Weighted average exercise price (pence)	Number	Weighted average exercise price (pence)	Number
Outstanding at the beginning of the year	**213**	**1,232,372**	183	1,257,794
Granted during the year	**201**	**180,500**	328	193,400
Exercised during the year	**454**	**(185,049)**	133	(218,822)
Share options lapsed during the year	**—**	**—**	—	—
Outstanding at the end of the year	**252**	**1,227,823**	213	1,232,372

The exercise price of options outstanding at the end of the year ranged between 100.64 pence and 453.50 pence (2013: 100.64 pence and 327.50 pence) and their weighted average contractual life was one year three months (2013: one year three months). The weighted average exercise price of the options is 251.97 pence (2013: 213.11 pence).

Of the total number of options outstanding at the end of the year, 662,923 (2013: 637,972) had vested and were exercisable at the end of the year. The schemes have been valued using the Black Scholes pricing model.

Details of the share options issued during the year, share options outstanding at 31 December 2014 and Directors' share options are detailed in note 22 to the consolidated financial statements.

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

All options are exercisable subject to three-year EPS targets set by the Remuneration Committee.

11. Share capital

	2014 £'000	2013 £'000
Authorised		
30,000,000 ordinary shares of 10 pence each (2013: 30,000,000 ordinary shares of 10 pence each)	**3,000**	3,000
Allotted, called up and fully paid		
18,589,886 ordinary shares of 10 pence each (2013: 17,397,503 ordinary shares of 10 pence each)	**1,859**	1,740

	2014		2013	
	Number	£'000	Number	£'000
Ordinary shares of 10 pence each				
At beginning of year	**17,397,503**	**1,740**	15,616,981	1,562
Issue of new shares	**1,192,383**	**119**	1,780,522	178
At end of year	**18,859,886**	**1,859**	17,397,503	1,740

Notes to the parent company financial statements continued

For the year ended 31 December 2014

11. Share capital continued

During the year 642,202 shares were issued through a placing, 365,132 shares issued as vendor consideration and 185,049 shares were issued as share options were exercised.

	2014 Number	2013 Number
Treasury shares held by the Company	**152,510**	152,510

12. Reserves

	Shares to be issued £'000	Share premium account £'000	Merger reserve £'000	Treasury share reserve £'000	Profit and loss account £'000
At 1 January 2014	311	19,318	849	(201)	4,231
Issue of shares during the year	(311)	3,870	1,961	—	—
Profit retained for the year	—	—	—	—	789
Dividends paid during the year	—	—	—	—	(1,081)
Share option expense for the year	—	—	—	—	96
At 31 December 2014	**—**	**23,188**	**2,810**	**(201)**	**4,035**

13. Reconciliation of movement in shareholders' funds

	2014 £'000	2013 £'000
Opening shareholders' funds	**26,248**	18,367
Profit for the year	**789**	2,248
Dividends paid during the year	**(1,081)**	(903)
Shares issued during the year	**5,639**	6,440
Share option expense	**96**	96
Closing shareholders' funds	**31,691**	26,248

14. Dividends

	2014 £'000	2013 £'000
Final dividend of 3.90 pence (2013: 3.575 pence) per ordinary share proposed and paid during the year relating to the previous year's results	**676**	559
Interim dividend of 2.20 pence (2013: 2.00 pence) per ordinary share paid during the year	**405**	344
	1,081	903

The Directors are proposing a final dividend of 4.00 pence (2013: 3.90 pence) per share totalling £737,000 (2013: £675,000), resulting in dividends for the whole year of 6.20 pence (2013: 5.90 pence) per share. The dividend has not been accrued at the balance sheet date.

Notice of Annual General Meeting

Notice is hereby given that the eighth Annual General Meeting of Northbridge Industrial Services plc will be held at the offices of Buchanan Communications, 107 Cheapside, London EC2V 6DN on 28 May 2015, commencing at 12 noon for the following purposes:

Ordinary business

1. To receive and adopt the financial statements for the year ended 31 December 2014 together with the Directors' Report and the Independent Auditor's Report.
2. To declare a final dividend of 4.0 pence per share for the year.
3. To re-elect as a Director D C Marshall who retires in accordance with the Company's Articles of Association.
4. To re-elect as a Director M G Dodson who retires in accordance with the Company's Articles of Association.
5. To elect as a Director I J Gardner who retires in accordance with the Company's Articles of Association having been appointed a Director since the last Annual General Meeting.
6. To re-appoint BDO LLP as auditors to the Company to hold office until the next general meeting at which accounts are laid before the Company and to authorise the Directors to determine their remuneration.

Special business

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

   That the Directors be generally and are unconditionally authorised pursuant to Section 551 of the Companies Act 2006 (the "Act") to exercise all powers of the Company to allot, make offers or agreements to allot or grant rights to subscribe for or convert other securities into relevant securities of the Act, provided that:

   a) such authority shall be limited to an aggregate nominal amount of £1,141,011;
   b) this authority shall expire at the sooner of the close of the following Annual General Meeting or the expiry of 15 months from the date of passing of this resolution; and
   c) the Company may before such expiry date make an offer or agreement which would or might require relevant securities to be allotted after such expiry.

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

   That the Directors be and are generally empowered (in substitution for any specific authority conferred upon the Directors pursuant to Section 570 of the Act) to allot equity securities pursuant to Section 570 of the Act wholly for cash pursuant to the authority referred to in resolution 6 as if Section 561 of the Act did not apply to any such allotment provided that such power shall be limited to the allotment of equity securities:

   a) in connection with a rights issue;
   b) the allotment (otherwise than pursuant to sub-paragraph 7(a) above of equity securities up to an aggregate nominal amount of £185,899 representing 10% of the issued share capital; and
   c) such authority shall expire on the earlier of the conclusion of the next Annual General Meeting of the Company or the date falling 15 months after the date of the passing of this resolution.

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

   That, subject to the Company's Articles of Association and Section 701 of the Companies Act 2006, the Company be and is hereby generally and unconditionally authorised to make one or more market purchases (within the meaning of Section 163(3) of that Act) of its own ordinary shares on such terms and in such manner as the Directors of the Company shall determine, provided that:

   a) the maximum aggregate number of ordinary shares hereby authorised to be acquired is 10% of the present issued share capital of the Company;
   b) the maximum price which may be paid for each ordinary share is no more than 5% above the average of the price of the ordinary shares of the Company (derived from the London Stock Exchange Daily Official List) for the five business days prior to the date of purchase and the minimum price per ordinary share is the nominal value thereof in each case exclusive of any expenses payable by the Company;
   c) the authority hereby given shall expire at the conclusion of the next Annual General Meeting of the Company save that the Company may make a purchase of ordinary shares after expiry of such authority in execution of a contract of purchase that was made under and before the expiry of such authority; and
   d) any shares purchased will be held in treasury and may be resold at any time.

By order of the Board

Iwan Phillips
Company Secretary
14 April 2015

Financial calendar

2015

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

2016

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

Company information

Secretary
I C Phillips

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05326580

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Design Portfolio plants ten trees for each of its corporate report projects, in association with Trees for Cities.

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