NORTHBRIDGE

Northbridge Industrial Services plc

Annual report and accounts 2016

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.

Contents

This report can also be viewed online at **www.northbridgegroup.co.uk/ar16**

Read about **Our products and services** on pages 2 and 3

Read about **Our business and strategy** on pages 4 and 5

Highlights

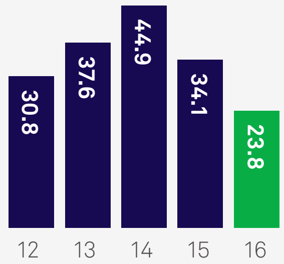
Key points

- Group revenue was 30.2% lower at £23.8 million (2015: £34.1 million)
- Continued positive cash generation from operations of £1.8 million (2015: £6.9 million)
- EBITDA (pre-exceptional) of £3.4 million (2015: £6.0 million)
- Loss before tax of £5.5 million (2015: £8.6 million) including exceptional costs of £1.4 million (2015: £7.2 million)
- Pre-exceptional operating costs 18.4% lower at £12.7 million (2015: £15.5 million)
- Net debt significantly reduced by 33.6% to £9.5 million (2015: £14.3 million)
- Net gearing decreased to 22.7% (2015: 39.8%)
- Tangible net assets of £27.7 million (2015: £23.1 million)
- Successful placing and open offer raised net £5.3 million
- Restructuring complete, reducing operating costs by £4 million on an annualised basis; management are now focusing on a market recovery

The Company has in place a set of key performance indicators (“KPIs”) to enable us to measure performance through the success of our strategy.

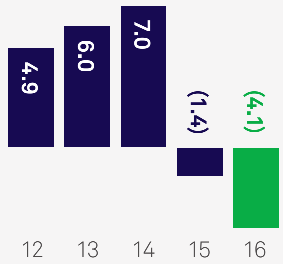
Revenue (£m)

23.8



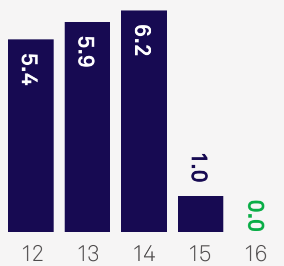
Pre-tax pre-exceptional (loss)/profit (£m)

(4.1)



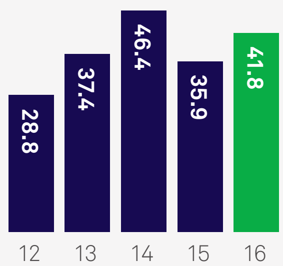
Dividend (p)

0.0



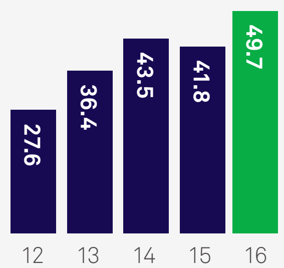
Net assets (£m)

41.8



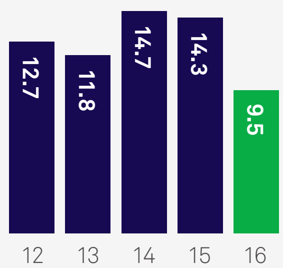
Hire fleet costs (£m)

49.7



Net debt (£m)

9.5



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.

Our products and services

We are a fully integrated global group with a product range that includes loadbanks, transformers and oil tools.

LOADBANKS

We supply:

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

Loadbanks are primarily 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

TRANSFORMERS

We supply:

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

Provides medium and low voltage transformers at various capacities with voltages from 230v to 36,000v. 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

OIL TOOLS

We supply:

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

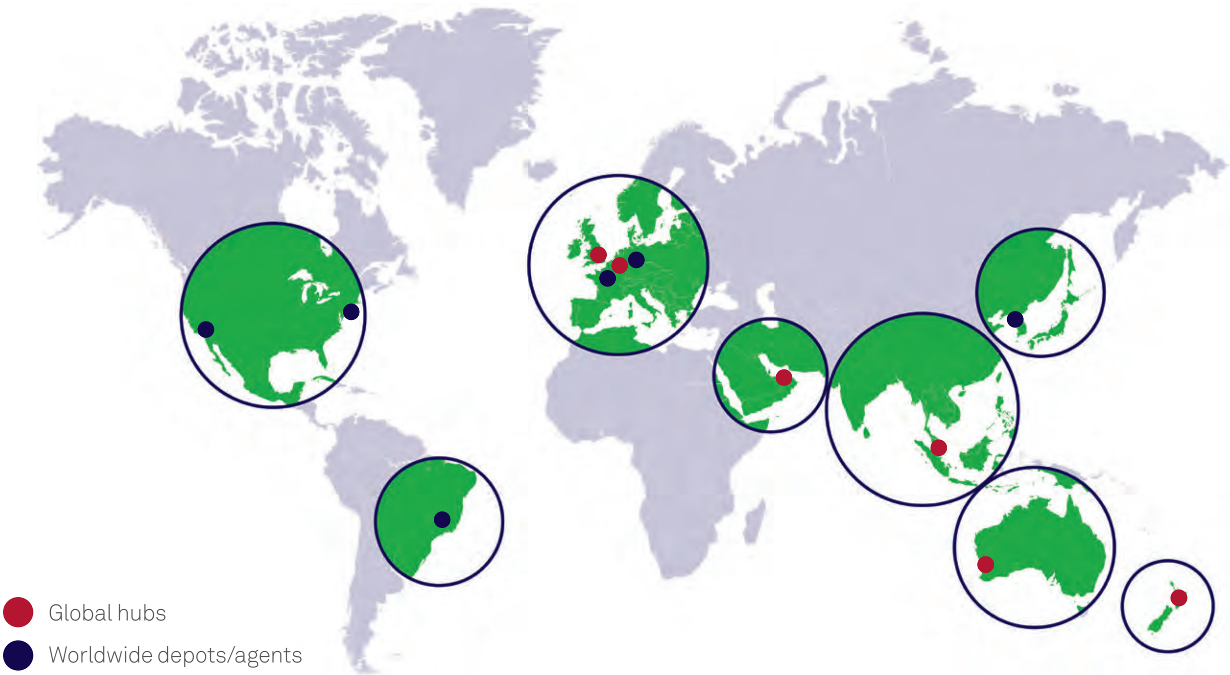
Well positioned in Australia, New Zealand and the Middle East to meet demand when it increases.

Equipment includes:

- Drill strings and collars
- Blowout preventers
- Stabilisers
- Mud pumps
- Loadcells
- Strain gauges
- Drilling instrumentation
- Power tongs and torque wrenches

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.

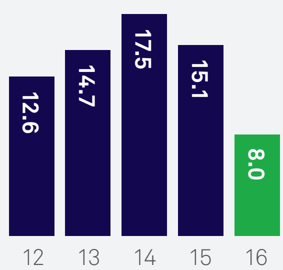


Strengths of Northbridge

- Exposure to strong global end markets with blue-chip clients
- Organic and acquisitive growth potential
- Geographic diversification with cross-selling potential
- Substantial and specialised hire fleet
- Significant cash generation

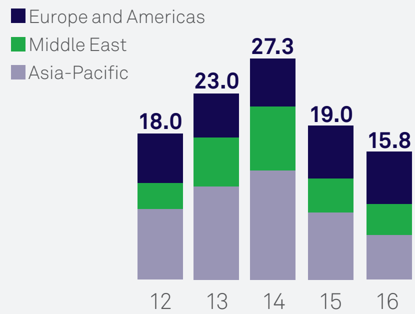
Group equipment sales (£m)

8.0



Rental revenue (£m)

15.8



Our business and strategy

The Group is now streamlined into two distinct core business activities, Crestchic Loadbanks and Tasman Oil Tools, and management has been reorganised to reflect this.

Our business model

NORTHBRIDGE

NORTHBRIDGE INDUSTRIAL SERVICES PLC

CRESTCHIC LOADBANKS AND TRANSFORMERS

CRESTCHIC

- Electrical testing and distribution equipment
- Manufacturing and rental

TASMAN OIL TOOLS

TASMAN OIL TOOLS

- MEAP region now trading from a single platform
- Shared hire fleet
- Involved in gas, oil and geothermal drilling

Our strategy

The Northbridge strategy is to consolidate and build its specialist industrial equipment businesses by:

1
Driving growth organically through investing in the hire fleet and improving quality systems and customer service

2
Using partnerships to increase geographical exposure

When considering further acquisitions, the main criteria will be:

3
Involvement in specialist electrical services or in drilling tools

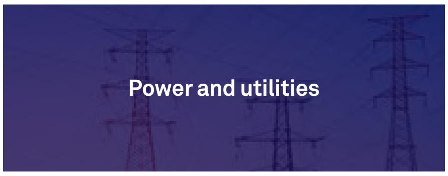
4
Active in the oil and gas or power related industry

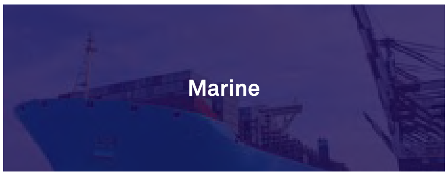
5
Capable of supplying a worldwide customer base

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.

Active end markets

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





Market opportunities

Oil and gas
- Growth potential in key markets as normal market conditions return
- A number of master service agreements signed with oil majors since 2015
- Geothermal drilling set to increase in New Zealand
- Energy consumption forecast to continue to rise over the next 20 years

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

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 and financial services
  - Digitisation – data centres, telecoms and process industries
  - Independent power producers ("IPP")
  - Balancing reserve/smart grids

Chairman and Chief Executive's review

Our reorganisation, which started in early 2015, continued into 2016 and has now been completed in a systematic and organised way.

SUMMARY

- Tasman's revenue was £4.5 million (2015: £10.5 million), a decline of 57.6%, and Crestchic's revenue was £19.3 million (2015: £22.8 million), a decline of 15.1%.
- Total net assets have increased by £5.9 million during the year to £41.8 million primarily due to the successful placing and open offer raising £5.3 million and a positive movement of £6.8 million in the foreign exchange reserve being offset by the loss after tax of £6.3 million.

We are pleased to present our review of the Group's trading performance for 2016.

Business review

We were encouraged by the first sustained recovery in the price of oil which became apparent in the last few weeks of 2016 as plans were announced by OPEC to manage supply and demand and reduce surplus oil stocks. However, the downturn in the oil and gas industries did impact the Group's revenues during 2016. Following the record low in the crude oil price in February 2016, the Group suffered its worst trading period in the second quarter but, since that point, the oil price has recovered and there was some modest stabilisation in the market. The second half of the year showed no further decline in performance and the Group continued to generate a positive operating cash flow.

The placing and open offer in April raised £5.3 million and was well supported by existing shareholders and additional new shareholders which include Gresham House and the Business Growth Fund. The proceeds of the equity raise were used to strengthen the balance sheet and support the business going forward. The net effect was to reduce bank debt, reduce the deferred consideration outstanding and make covenant compliance easier. Our banks, RBS and KBC, remain supportive of the Group and of our strategy.

The reduction in investment by the oil and gas majors over the last two years has particularly impacted drilling activities for both exploration and production. In addition, it also had a disruptive effect on marine engineering relating to the oil industry and therefore had a materially adverse effect on our business. Outside of Western Europe, much of our business is conducted with customers involved in some way with the oil, gas and extractive industries, usually marine or other power intensive industries, as well as oil tools. Northbridge, as part of its strategy, is fortunate to be diversified and to have other activities, mostly operating from Western Europe, which have been less impacted by the malaise of the oil industry, as they are more focused towards power

> "Having retained all our operating bases during the downturn and maintained relationships with all our customers, we will be able to exploit the high operational gearing and additional revenue will support bottom line growth."

Peter Harris
Chairman

Eric Hook
Chief Executive

reliability and utilities. Some of these activities have been counter-cyclical and have benefited from the much lower fuel price, with numerous contracts having been extended as well as winning new ones.

Our reorganisation, which we initiated in early 2015, continued into 2016 and has now been completed in a systematic and organised way. This included freezing all expansion capital and other non-essential fleet replacements, exiting all non-core businesses and converting their assets into cash and closing non-performing locations. Further streamlining has focused on reducing debt and overhead costs throughout the Group. Overhead costs have been reduced by £4 million on an annualised basis.

Substantial savings have now been made in the core business and the significant reduction of rents in Australia have given us the confidence to maintain our presence and operating readiness in that location. By taking these actions in the overseas businesses we were able to share cash and management resources without recourse to Group funds in the UK. Average headcount was reduced by 18% to 167 and by the year end still further to 150, a reduction of 30% from the peak in 2014.

We have made a conscious effort to maintain good relations with our customer base and continued to improve our quality assurance regime and the availability of our hire fleet during this difficult period. Modest, targeted capital expenditure has enabled us to focus loadbank investment on growing markets in North America and China.

The Group is now streamlined into two distinct core business activities, Crestchic Loadbanks and Tasman Oil Tools, and management has been reorganised to reflect this new structure.

Crestchic Loadbanks, which manufactures in the UK, sells and rents electrical equipment throughout the world with depots in the UK, France, Germany, Belgium, Dubai and Singapore. It has satellite operations and agents/distributors in China, the USA, Australia and Brazil. It has a particularly strong position in the Western European rental market which is more focused towards power reliability. Outside of the western economies, business is generated from offshore activities in oil and gas and shipping and in industrial and remote locations using large amounts of power. The recent downturn in the industries relating to oil and gas adversely affected this part of Crestchic's rental business; however, the growing demand from data centres and for power reliability more than compensated and overall rental showed an improvement from 2015.

Our start-up rental operation in North America had a solid start and the future is encouraging; however, this market operates with different frequencies and voltages to most of the rest of the world and will require further capital expenditure before it can be more broadly exploited. Our operation in China also had an encouraging start and now has a local presence with some permanently imported hire fleet. Marine construction tends to migrate to the most efficient yards and, with an increasing migration to China, we have needed to follow this trend.

On the lower margin sales side our two biggest markets, the US and South Korea, showed very little demand and volumes have been much lower than in previous periods. However, new markets involved in the UK Grid's balancing reserve and in renewables have begun to open up to us and we see a good future in this sector, not just in the UK, but across the developed world.

Tasman Oil Tools continued to suffer from a decline in rental revenue as investment in exploration and production continue to be cut by the national oil companies and the oil majors. Following the record low in oil prices in February 2016, our rental revenues also reached a record low, but stabilised in the second half. Since this time, the market seems to have bottomed out and sentiment is beginning to improve. Despite the "lower for longer" mantra, it is now expected, and there is evidence to support, that there will be a gradual improvement in investment over the next three years.

Net debt

£9.5m

2015: £14.3m

Hire fleet cost

£49.7m

2015: £41.8m

Cash generated from operations

£1.8m

2015: £6.9m

"New markets involved in the Grid's balancing reserve and in renewable have begun to open up to us and we see a good future in this additional sector, not just in the UK, but across the developed world."

Peter Harris
Chairman

Eric Hook
Chief Executive

Business review continued

Over the last few years, the industry has focused on cost cutting, reducing capital spending and maximising cash flow to lower its "break-even" point and it is now in a position where, to ensure future production and profitability, operators need to engage in exploration as new recoverable discoveries are at a 70-year low.

Current supply and demand approached equilibrium following OPEC's decision at its November 2016 meeting to agree a production cut from 1 January 2017. This is the first such agreement for 14 years and other non-OPEC producers have joined in. Early analysis appears to show that the policy is working; the price of oil has stabilised, and the current surplus will be eradicated in the next six to nine months. The planned IPO of Saudi Aramco within the next two years is also likely to lend support to a more orderly market for oil in the immediate future.

During this period Tasman concentrated on cutting costs, maintaining quality systems and the readiness and availability of the hire fleet. As well as keeping customer relationships in good order, we have been developing partnerships and agency agreements to open up new markets for our existing equipment and expand our services where we already operate.

Historically, all of Northbridge's overseas businesses have been managed as a single entity and, during the downturn, this enabled management resources to be directed to the areas of most need. Importantly, they were also able to share their cash resources, and this enabled us to support the loss-making but otherwise core activities of oil tool rental without recourse to Group funds in the UK. The very robust cash flows from the UK hire business was used to service the current debt and make the scheduled bank repayments on time as well as some modest capital investment.

Looking to the future, and with the belief that a recovery is near, the change in the organisation of the management structure between the two business activities of Crestchic and Tasman will give additional clarity and focus, enabling each business to better allocate resources and maximise future growth opportunities from the platform of the Group's substantial net assets of £41.8 million (2015: £35.9 million).

Financial performance

The impact of all these factors on the Group resulted in total revenue reducing by 30.2% to £23.8 million (2015: £34.1 million). Included in this figure, Tasman's revenue was £4.5 million (2015: £10.5 million), a decline of 57.6%, and Crestchic's revenue was £19.3 million (2015: £22.8 million), a decline of 15.1%. However, a strong performance from Crestchic's European rental business, with revenues up 16.8%, helped improve the revenue mix towards the more profitable hire activity. Hire revenue was 66.5% (2015: 55.6%) of the total revenue compared with sales revenue of 33.5% (2015: 44.4%). The decline in volumes for Tasman and the Crestchic sales businesses was almost all due to the downturn in the oil and gas industry.

The overall gross margin was 38.4% (2015: 43.4%). The decline in margin was due to lower utilisation in oil tools where we continue to charge a full depreciation on the whole hire fleet. Operating expenses were £12.7 million for the full year (2015: £15.5 million) and are now running at around £1.0 million a month, which is around £400,000 lower than the peak cost in the last quarter of 2014 when Tasman New Zealand was acquired. This current run rate also includes the additional costs of the Crestchic start-ups in China and the US.

Pre-exceptional losses for the year were £4.1 million (2015: £1.4 million). Exceptional costs relating to the ongoing rationalisation and restructuring programme, which has now drawn to a close, amounted to £1.4 million (2015: £7.2 million). The 2015 figure included an impairment charge to intangible assets of £4.9 million. The Directors have reviewed the carrying value of both tangible and intangible assets and have concluded that no further impairment charge is necessary. Pre-exceptional EBITDA was £3.4 million (2015: £6.0 million).

Crestchic Loadbanks and Northbridge Transformers (Crestchic)

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, is 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 an increasingly unreliable global power infrastructure and an increase in the size and remoteness of certain projects. 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 is based in Belgium, offers specialist transformers for rental throughout the world. NT is also able to use Crestchic's depots in the Middle East and in Singapore as a conduit for its activities. 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.

Crestchic has been impacted by the ongoing oil and gas downturn and sales of manufactured units were £6.8 million (2015: £11.9 million). Particularly affected were the two main markets of South Korea and the US. However, our rental activities enjoyed another record year and turnover was up 14.9% to £12.5 million (2015: £10.9 million), with this revenue more directed towards power reliability, utilities and data centres as well

CONTINUED STRONG DEMAND FOR CRESTCHIC'S PRODUCTS AND SERVICES

- UK manufacturing facility performing well
- Development of multi-voltage containerised product for the US

as marine engineering. Within the Crestchic rental figure, Northbridge Transformers had another record year, despite the absence of the COP21 climate change conference contract, and revenue was £1.8 million (2015: £1.6 million).

Overall gross margin was 47.2% (2015: 44.1%). The movement in mix towards the higher margin rental activity helped support an increase in overall margin, and, even on the lower volumes, equipment sales margins improved to 35.6% (2015: 32.1%).

Tasman Oil Tools (Tasman)

Tasman now operates from a single corporate platform, with an integrated website and management quality systems, with depots in Australia, Dubai and New Zealand. It offers a full range of downhole oil tools to the oil, gas and geothermal industries throughout the Middle East, the Far East and Australasia. This is predominantly a rental business and revenue has suffered as a result of the downturn in drilling activities in the regions it serves. Total turnover was £4.5 million, down from £10.5 million in 2015.

Gross margin fell to 10.2% (2015: 44.1%) due to lower utilisation of the rental fleet during the year and the fact that a full depreciation charge against the fleet is taken irrespective of the hire status. Lower rental volumes also lead to lower services charges to the customer, which also impacts both turnover and gross profits. Pre-exceptional losses were £3.6 million compared with a loss in 2015 of £0.7 million.

The downturn in the oil and gas industry affected this part of Northbridge's activities severely due to its very high operational gearing. Australia in particular, which operates from leasehold premises, was loss making at a cash level. Substantial reductions in rents were agreed during 2016 for the two depots we operate from in Australia and these will last until the leases end in 2020. The property in Darwin has been vacated and a new tenant is being actively sought. Every effort has been made to reduce all other costs in these businesses to avoid recourse to Group funds. The fact that this strategy has been successful so far gives us confidence that we can remain at an operating readiness to ensure we benefit from a cyclical upturn.

Additionally, we continued to maintain our QHSE systems to the highest level, maintained an ongoing relationship with our customer base and continued to seek other markets for our equipment. We particularly focused on agency agreements, partnerships and joint ventures in adjacent territories where we had no presence as well as master service agreements with the oil service majors. Tasman has a large, modern, unencumbered hire fleet which is well maintained and ready for rental. Any recovery will enable this operational gearing to start working in our favour as rental revenue builds.

Financial review

Foreign exchange

The weakening of Sterling during the year impacted the Group's losses and balance sheet. On a constant currency basis revenue would have been £1.4 million lower than reported at £22.4 million and the pre-exceptional loss before tax would have been £0.3 million lower at £3.8 million. A significant factor in the higher reported loss is due to depreciation being £6.2 million, which is £0.5 million higher than on a constant currency basis of £5.7 million. Reported pre-exceptional operating costs were £0.7 million higher at £12.7 million than the constant currency figure of £12.0 million.

As shown in note 2, the Group holds substantial assets overseas and this, coupled with the majority of the debt being in Sterling, has resulted in the value of the Group's balance sheet increasing by £6.8 million due to currency movements.

Revenue and profit before tax

The Group's revenues are derived principally by the rental of its hire fleet and also by the sale of manufactured and new equipment. The split of these revenues between the various reportable segments and activities compared with 2015 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 and divestments) any revenue movement, however small, will be highlighted at the operating profit level. This impact is often referred to as operational gearing. Gross profit for the year decreased to £9.1 million from £14.8 million, following the reduction of overall revenue.

Net finance costs for the year decreased slightly to £0.6 million (2015: £0.7 million), due to a decrease in the level of average net debt across the period following the placing and open offer in the first half of 2016.

The Group incurred exceptional costs during the year totalling £1.4 million (2015: £7.2 million). This was mainly due to the costs of exiting non-core businesses and the cost reduction exercise mentioned above.

Losses before tax (pre-exceptional) totalled £4.1 million (2015: £1.4 million). Total losses before tax totalled £5.5 million (2015: £8.6 million).

Earnings per share

The basic and diluted LPS of 26.2 pence (2015: 42.8 pence) have been arrived at in accordance with the calculations contained in note 10.

Balance sheet and debt

Total net assets have increased by £5.9 million during the year to £41.8 million primarily due to the successful placing and open offer raising £5.3 million and a positive movement of £6.8 million in the foreign exchange reserve being offset by the loss after tax of £6.3 million.

Net assets per share at the year end are 160 pence (2015: 192 pence).

The continued reorganisation programme has led to £0.8 million (2015: £2.5 million) being generated from the disposal of hire fleet assets. Hire fleet additions have been cut back to £0.8 million (2015: £4.8 million) during the year and have been concentrated on the Crestchic business.

Chairman and Chief Executive's review continued

Financial review continued

Balance sheet and debt continued

Trade receivables have reduced to £7.1 million (2015: £8.1 million), impacted by the decrease in revenue during the year. Cash and cash equivalents decreased marginally to £3.7 million (2015: £3.9 million) with the opportunity for good cash generation remaining in the current financial year.

Notwithstanding the trading losses seen during the year, the cost reductions and the proceeds from the placing and open offer have led to net debt (financial liabilities less cash and cash equivalents) decreasing to £9.5 million (2015: £14.3 million). Net gearing, calculated as net debt divided by total equity, decreased from 39.8% to 22.7%. A further reduction in net debt is targeted for 2017.

Cash flow

The Group continued to generate cash from operations totalling £1.8 million (2015: £6.9 million) during the year. From this, £0.8 million (2015: £4.1 million) was used to purchase new hire fleet equipment while £0.8 million (2015: £2.5 million) was generated from the sale of surplus assets.

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

The cash inflow from financing activities of £0.1 million (2015: £3.6 million outflow) included proceeds from the placing and open offer of £5.3 million and bank and hire purchase repayments of £5.1 million. The bank covenants were revised due to the continued lower EBITDA generated by the Group and all covenant tests were passed during the period up to the approval date of these financial statements.

The Group paid out £1.3 million (2015: £0.9 million) of deferred consideration.

Income tax expense

The overall income tax charge for the year totalled £0.8 million (2015: £0.4 million credit). If unutilised tax losses of £1.6 million had been recognised as a deferred tax asset the overall tax would have been a credit of £0.8 million. These losses relate to the Group's Australian entities and a deferred tax asset has prudently not been recognised at this balance sheet date, but the losses are available to be utilised against future profits. Any future recognition of a deferred tax asset will be dependent on these future profits by jurisdiction becoming more certain.

The Group manages taxes such that it pays the correct amount of tax in each country that it operates in, utilising available reliefs and engaging with local tax authorities and advisors as appropriate.

Strategy

The Northbridge strategy is to consolidate and build its specialist industrial equipment businesses by:

- driving growth organically through investing in the hire fleet and improving quality systems and customer service; and
- using partnerships to increase geographical exposure.

When considering further acquisitions, the main criteria will be:

- involvement in specialist electrical services or in drilling tools;
- active in the oil and gas or power related industry; and
- capable of supplying a worldwide 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.

Outlook

There can be no doubt as to the severity of the downturn affecting the oil and gas industry over the last two years and, like others, this has had an impact on our current trading. It has also conditioned us to look more sceptically at the pace of the future recovery and "lower for longer" remains the oil and gas industry's mantra. However, we do believe that there is a better trading environment on the way, supported by a more stable oil price as a result of more co-ordination by producer nations and a reducing surplus. In addition, the Initial Public Offering of Saudi Aramco scheduled for 2018/19 will also assist in the maintenance of an orderly market for the immediate future. The combination of cost reductions implemented by the international oil companies and the oil service majors has reduced the break-even level for new oil production. This means that more drilling activity by the E&P sector is likely over the next few years, as reserves, which are currently at a 70-year low, are replenished. Activity in the shipyards, where we provide power testing equipment, will take a bit longer to recover as our involvement comes more towards the end of the investment in new and recommissioned oil rigs, FPSOs, etc.

Northbridge is very well placed to benefit from a future recovery. While remaining cash generative, we have completed our restructuring and now have a much lower cost base with a large, well maintained and modern hire fleet and manageable gearing. We have also made further modest investment in the US and Chinese loadbank markets laying the foundation for future growth. The separation of the two trading subsidiaries into activity-based management will enable better focus going forward which will ensure all opportunities can be fully exploited. Having retained all our operating bases during the downturn and maintained relationships with all our customers, additional revenue coupled with our high operational gearing will support bottom line growth.

Peter Harris
Chairman
25 April 2017

Eric Hook
Chief Executive
25 April 2017

Principal risks and risk management

The Board is responsible for determining the level and nature of risks that are felt to be appropriate in delivering the Group's objectives and for implementing an appropriate Group risk management framework.

Principal risks and uncertainties

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 are felt to be appropriate in delivering the Group's objectives and for implementing 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	Change
Market and macroeconomic risks As evidenced by the impact of the sharply declining oil price in 2015 and early 2016, a downturn in the global economic conditions 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 the 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 the hire fleet to be relocated to mirror changes in localised utilisation, although equipment in the US (specific frequency) and China (permanently imported) are less flexible. 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. Though much of the cost base of the Group is fixed, the Group is prepared to take prompt and effective action to exit underperforming activities and reduce overhead costs to mitigate the impact of such an event.	▶
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 and better 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 overreliance 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.	▶
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 the Group 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.	▶

Principal risks and risk management continued

Change key:

- ▲ Increase
- ► No change
- ▼ Decrease

Description	Mitigation	Change
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 some fixed interest rate finance lease 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 operating within agreed parameters. The Group's bank borrowings are made up primarily of revolving facilities, finance leases and term loans. 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.	No change
People risk Retaining and attracting the best people is critical in ensuring the continued 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 intercompany basis within the Group.	No change
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 of foreign subsidiaries. Local management have responsibility for their own bank accounts, with bank balances 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 surplus 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.	Increase
Credit risk Exposure to credit risk arises principally from the Group's trade receivables. At 31 December 2016 the Group had £4,331,000 (2015: £4,777,000) of trade receivables which were past due but not impaired, of which £3,256,000 (2015: £3,864,000) has been collected since the year end. At 31 December 2016 trade receivables of £376,000 (2015: £496,000) 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 £96,000 (2015: £60,000) 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 it is felt appropriate.	Increase

This Strategic Report was approved by the Board on 25 April 2017 and signed by order of the Board by the Chief Executive.

Eric Hook
Chief Executive
25 April 2017

Governance and Financial statements

Board of Directors

Peter Harris

Non-executive Chairman

A R

Peter Harris, aged 65, 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 Lex Transfleet, Lex Multipart, Lex Commercials, Lex Defence and RAC Software Solutions. In April 2006, following the acquisition of RAC plc by Aviva plc, Peter was appointed chief executive of Dawson Holdings plc, the media supply chain business, from which he retired in June 2009. Peter is also chairman of 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 63, qualified as a chartered certified accountant ("FCCA") in 1983 and spent many years in financial roles, culminating in his 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.

Ian Gardner

Regional Managing Director

Ian Gardner, aged 50, joined the Group in 2007 and was instrumental in the start-up and subsequent growth of Northbridge Middle East and Northbridge Asia-Pacific and he now holds responsibility for the Group's activities in the Middle Eastern, Asia-Pacific and Australasia regions. Following the successful integration of the Tasman Oil Tools acquisitions, Ian has relocated back to Dubai, where the Group's regional headquarters are now based. Ian has over 25 years' experience in the industrial services and rental sector, with over 16 years being in international roles, and has championed start-ups and acquisitions and driven growth in Singapore and the Middle East, prior to joining the Group. Ian is a member of the Institute of Sales and Marketing.

Iwan Phillips

Finance Director

Iwan Phillips, aged 33, 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 was appointed the Group's Finance Director in 2016. He was appointed as Company Secretary in 2011.

Ash Mehta

Non-executive Director (independent)

A R

Ash Mehta, aged 51, qualified as a chartered accountant with KPMG, following which he worked in commercial finance roles in US multinationals. He has since held a number of senior financial roles in fully listed and AIM companies, and has extensive experience in IPO-type fundraisings and acquisitions. Ash was part-time Finance Director of the Group from 2007 to 2011 when he became a Non-executive Director of Northbridge. He is a member of the Remuneration and Audit Committees of the Company. Ash is currently Chief Financial Officer of Avicenna plc, a pharmacy retail and distribution group.

David Marshall

Non-executive Director (independent)

A R

David Marshall, aged 72, 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)

A R

Michael Dodson, aged 69, 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.

Committee key:

- A Audit Committee
- R Remuneration Committee
- C Committee Chairman

Directors' report

The Directors present their report and the financial statements for the year ended 31 December 2016.

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 and applicable UK accounting standards, 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.

After making appropriate enquiries, the Directors have formed a judgement, at the time of approving the financial statements, that the Group can have a reasonable expectation that adequate resources will be available for it to continue its operations for the foreseeable future, and consequently it is appropriate to adopt the going concern principle in the preparation of the financial statements. In forming this judgement, the Directors have reviewed the Group's budget for 2017 and the forecast for 2018 (including downside sensitivity scenarios), cash flow forecasts, contingency planning, the sufficiency of banking facilities and forecast compliance with banking covenants.

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 Group and 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 Group and 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 has acquired 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 industry.

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 in Europe;
- 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 ("TME") – hire of tools and equipment for the oil and gas industry in the Middle East; and
- Northbridge Transformers NV ("NT") – hire of specialist transformers in Europe.

Profit or loss
The loss for the year after taxation amounted to £6,298,000 (2015: £8,151,000).

The Directors are not proposing a final dividend (2015: £nil), resulting in dividends for the whole year of nil pence (2015: 1.0 pence) per share.

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 14 and 15 together with brief biographies.

P R Harris retires in accordance with the Company's Articles of Association and, being eligible, offers himself for re-election.

I J Gardner retires in accordance with the Company's Articles of Association and, being eligible, offers himself for re-election.

I C Phillips retires in accordance with the Company's Articles of Association having been appointed a Director since the last Annual General Meeting.

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 2016	1 January 2016	**31 December 2016**	1 January 2016
P R Harris	**1,577,475**	1,220,000	**—**	—
E W Hook	**650,000**	500,000	**806,601**	706,601
I J Gardner	**29,914**	16,581	**96,000**	76,000
I C Phillips (appointed on 29 June 2016)	**2,586**	—	**56,000**	—
A K Mehta	**183,636**	96,969	**—**	—
M G Dodson	**200,750**	75,750	**—**	—
D C Marshall	**—***	—*	**—**	—

* D C Marshall is a director of Western Selection PLC, a substantial shareholder in the Company, which held 3,223,632 (2015: 2,500,000) ordinary shares at 31 December 2016 and at the date of this report.

Between 1 January 2017 and the balance sheet approval date 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 2016:

	Number	%
Western Selection PLC	3,223,632	12.45
Gresham House Strategic Plc	2,815,000	10.87
Artemis Investment Management Ltd	2,716,001	10.49
Hargreave Hale Ltd	2,317,630	8.95
P R Harris	1,577,475	6.09
R G Persey	1,036,070	4.00
Lazard Frères Gestion SAS	1,001,796	3.87
BlackRock Inc	974,939	3.76

From 1 January 2017 to the balance sheet date, the Directors have not been notified of any changes to the substantial shareholdings above.

Directors' report continued

Purchase of own shares
At the year end and at the date of this report the Company held 215,150 (2015: 215,150) of its own shares, which represents 0.82% (2015: 1.15%) of the share capital of the Company.

Special business to be transacted at the Annual General Meeting
In addition to the ordinary business referred to in resolutions 1 to 7 of the Notice of Meeting, the Directors propose certain special business set out in resolutions 7 and 8 of the Notice of Meeting.

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, three Executive Directors and three Non-executive Directors. All Non-executive Directors are deemed independent.

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 auditor periodically and as necessary. This Committee is comprised of Michael Dodson, Peter Harris, Ash Mehta and David Marshall, who chairs the Committee. The 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 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, Ash Mehta 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 2016
The Board met on six 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	E W Hook	I J Gardner	I C Phillips*	M G Dodson	D C Marshall	A K Mehta
Board (scheduled)	6	6	6	6	3	5	6	6
Audit Committee	2	2	—	—	—	2	2	2
Remuneration Committee	2	2	—	—	—	2	2	2

* I C Phillips attended all Board meetings after his appointment on 29 June 2016.

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 24 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.

Auditor's independence
The non-audit work undertaken in the year by the Group's auditor, BDO LLP, was restricted to subsidiary financial reporting assistance and advice on tax matters for the Group.

Auditor
A resolution to re-appoint the independent auditor, 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 auditor is 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 auditor is aware of that information.

This report was approved by the Board on 25 April 2017 and signed by order of the Board by the Company Secretary.

Iwan Phillips
Company Secretary
25 April 2017

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 2016 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 2016 and of the Group's loss 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, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In light of the knowledge and understanding of the Group and the Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report.

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.

Andrew Mair (Senior Statutory Auditor)
For and on behalf of BDO LLP, statutory auditors
Birmingham
United Kingdom
25 April 2017

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 2016

	Note	2016 £'000	2015 £'000
Revenue	2	**23,786**	34,090
Cost of sales		**(14,653)**	(19,286)
Gross profit		**9,133**	14,804
Operating costs			
Excluding exceptional costs		**(12,688)**	(15,549)
Exceptional costs		**(1,358)**	(7,189)
Total operating costs		**(14,046)**	(22,738)
Loss from operations	3	**(4,913)**	(7,934)
Finance income		**—**	8
Finance costs	8	**(591)**	(655)
Loss before taxation excluding exceptional costs		**(4,146)**	(1,392)
Exceptional costs	4	**(1,358)**	(7,189)
Loss before taxation		**(5,504)**	(8,581)
Taxation	9	**(794)**	430
Loss for the year attributable to the equity holders of the parent		**(6,298)**	(8,151)
Other comprehensive income/(loss)			
Exchange differences on translating foreign operations		**6,846**	(1,156)
Other comprehensive income/(loss) for the year, net of tax		**6,846**	(1,156)
Total comprehensive income/(loss) for the year attributable to equity holders of the parent		**548**	(9,307)
Loss per share			
– basic (pence)*	10	**(26.2)**	(42.8)
– diluted (pence)*	10	**(26.2)**	(42.8)

* 2015 figures restated due to the effect of the issue of shares at a lower than market price in 2016.

All amounts relate to continuing operations.

The notes on pages 25 to 48 form part of these financial statements.

Consolidated statement of changes in equity

For the year ended 31 December 2016

	Share capital £'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 1 January 2016	1,864	23,266	2,810	(2,317)	(451)	10,709	35,881
Loss for the year	—	—	—	—	—	(6,298)	(6,298)
Other comprehensive income	—	—	—	6,846	—	—	6,846
Total comprehensive income/(loss) for the year	—	—	—	6,846	—	(6,298)	548
Issue of share capital	747	4,513	—	—	—	—	5,260
Share option expense	—	—	—	—	—	96	96
Balance at 31 December 2016	**2,611**	**27,779**	**2,810**	**4,529**	**(451)**	**4,507**	**41,785**

Consolidated statement of changes in equity

For the year ended 31 December 2015

	Share capital £'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 1 January 2015	1,859	23,188	2,810	(1,161)	(201)	19,928	46,423
Loss for the year	—	—	—	—	—	(8,151)	(8,151)
Other comprehensive loss	—	—	—	(1,156)	—	—	(1,156)
Total comprehensive loss for the year	—	—	—	(1,156)	—	(8,151)	(9,307)
Issue of share capital	5	78	—	—	—	—	83
Purchase of own shares	—	—	—	—	(250)	—	(250)
Deferred tax on share options	—	—	—	—	—	(245)	(245)
Share option expense	—	—	—	—	—	96	96
Dividends paid	—	—	—	—	—	(919)	(919)
Balance at 31 December 2015	1,864	23,266	2,810	(2,317)	(451)	10,709	35,881

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

Reserve	**Description and purpose**
Share capital	Amount subscribed for share capital.
Share premium	Amount subscribed for share capital in excess of nominal value.
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.

The notes on pages 25 to 48 form part of these financial statements.

Consolidated balance sheet

As at 31 December 2016

Company number: 05326580	Note	2016 £'000	2016 £'000	2015 £'000	2015 £'000
ASSETS					
Non-current assets					
Intangible assets	11	**14,094**		12,797	
Property, plant and equipment	12	**35,623**		35,556	
Deferred tax asset	17	**—**		316	
			49,717		48,669
Current assets					
Inventories	13	**3,515**		4,440	
Trade and other receivables	14	**9,008**		9,933	
Cash and cash equivalents		**3,704**		3,852	
			16,227		18,225
Total assets			**65,944**		66,894
LIABILITIES					
Current liabilities					
Trade and other payables	15	**5,571**		6,950	
Financial liabilities	16	**4,367**		6,044	
Other financial liabilities	16	**1,123**		1,160	
Current tax liabilities		**673**		538	
			11,734		14,692
Non-current liabilities					
Financial liabilities	16	**8,804**		12,090	
Other financial liabilities	16	**—**		928	
Deferred tax liabilities	17	**3,621**		3,303	
			12,425		16,321
Total liabilities			**24,159**		31,013
Total net assets			**41,785**		35,881
Capital and reserves attributable to equity holders of the Company					
Share capital	18		**2,611**		1,864
Share premium			**27,779**		23,266
Merger reserve			**2,810**		2,810
Foreign exchange reserve			**4,529**		(2,317)
Treasury share reserve			**(451)**		(451)
Retained earnings			**4,507**		10,709
Total equity			**41,785**		35,881

The notes on pages 25 to 48 form part of these financial statements. The financial statements were approved and authorised for issue by the Board and were signed on its behalf on 25 April 2017.

Eric Hook
Director

Consolidated cash flow statement

For the year ended 31 December 2016

	Note	2016 £'000	2015 £'000
Cash flows from operating activities			
Net loss before taxation		**(5,504)**	(8,581)
Adjustments for:			
– amortisation and impairment of intangible assets	11	**749**	5,733
– amortisation of capitalised debt fee		**117**	208
– depreciation of property, plant and equipment	12	**6,201**	5,881
– profit on disposal of property, plant and equipment		**(242)**	(458)
– non-cash movement in deferred consideration		**—**	(3)
– investment income		**—**	(8)
– finance costs	8	**591**	655
– share option expense	22	**96**	96
		2,008	3,523
Decrease in inventories		**135**	348
Decrease in receivables		**1,903**	2,762
(Decrease)/increase in payables		**(2,283)**	306
Cash generated from operations		**1,763**	6,939
Finance costs	8	**(591)**	(655)
Taxation		**(351)**	(942)
Hire fleet expenditure	12	**(826)**	(4,080)
Sale of assets within hire fleet		**784**	2,493
Net cash from operating activities		**779**	3,755
Cash flows from investing activities			
Finance income		**—**	8
Payment of deferred consideration		**(1,252)**	(941)
Purchase of property, plant and equipment	12	**(163)**	(494)
Sale of property, plant and equipment		**86**	109
Net cash used in investing activities		**(1,329)**	(1,320)
Cash flows from financing activities			
Proceeds from share capital issued		**5,260**	83
Proceeds from bank borrowings		**—**	12,957
Purchase of own shares		**—**	(250)
Repayment of bank borrowings		**(4,078)**	(13,957)
Repayment of finance lease creditors		**(1,053)**	(1,555)
Dividends paid in the year		**—**	(919)
Net cash from/(used in) financing activities		**129**	(3,641)
Net decrease in cash and cash equivalents		**(421)**	(1,206)
Cash and cash equivalents at beginning of period		**2,175**	3,427
Exchange gains/(losses) on cash and cash equivalents		**392**	(46)
Cash and cash equivalents at end of period	23	**2,146**	2,175

During the period, the Group acquired property, plant and hire equipment with an aggregate cost of £989,000 (2015: £5,365,000) of which £nil (2015: £791,000) was acquired by means of finance leases. This includes £826,000 (2015: £4,791,000) of hire fleet additions of which £nil (2015: £711,000) was acquired by means of a finance lease.

Notes to the consolidated financial statements

For the year ended 31 December 2016

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 (FRS 101) and are on pages 49 to 54.

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 or 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 on a straight line basis. The Group rents equipment under short-term arrangements that are cancellable by the customer on demand. These are treated as operating lease arrangements.

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 operating costs 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 within the operating costs line in the Statement of Comprehensive Income.

1. Accounting policies continued

1.4 Intangible assets and amortisation continued

Intangible assets in acquired companies

Intangible assets in acquired companies are valued by an independent expert valuer and amortised over their expected useful life within operating costs.

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

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

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 comprises 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 remeasured 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. Past impairment cannot be reversed.

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. Accounting policies continued

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.

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 substantively 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 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 between 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 reclassified to the foreign exchange reserve on consolidation.

1.12 Pensions

Contributions to defined contribution pension schemes are charged in the Statement of Comprehensive Income in the year to which they relate.

Notes to the consolidated financial statements continued

For the year ended 31 December 2016

1. Accounting policies continued

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 in to 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.

1.15 Financial instruments

(a) Financial assets

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

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

Loans and receivables

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

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

Impairment provisions are recognised when there is objective evidence (such as significant financial difficulties on the part of the counterparty or default or significant delay in payment) that the Group will be unable to collect all of the amounts due under the terms receivable, the amount of such a provision being the difference between the net carrying amount and the present value of the future expected cash flows associated with the impaired receivable. For trade receivables, such provisions are recorded in a separate allowance account with the loss being recognised within operating costs 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 liability 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, trade finance facilities 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 by 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 Deferred consideration

Deferred consideration in relation to business combinations is recognised at fair value on the business combination date.

1.17 Exceptional items

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

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 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 and other intangible assets 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 notes 11 and 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.

Useful economic life ("UEL") of hire fleet assets

The UEL of the Group's hire fleet is based on historical evidence and is reviewed periodically. The current reduced utilisation has not led to the reassessment of the UEL of any assets but this will continue to be monitored. The Group depreciation policy is detailed in note 1.7.

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). The Group does not believe that it has any significant risk from taxation periods that remain open to any potential enquiries.

Deferred tax assets

The Group recognises deferred tax assets when it is probable that sufficient taxable profit will be available relating to the same tax authority and same taxable entity. When evaluating whether sufficient future taxable profit is probable elements that are out of the Group's control, such as a market-based recovery, are not considered (see note 17).

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 in the Group's share price (see note 22).

Trade receivable provisions

The Board assesses the requirement to make provisions against the carrying value of trade receivables based on the age of the debt and the customers' ability to pay using market information and credit reports. In regions of the world such as the Middle East and Africa where such information is less likely to be available more consideration is attached to the knowledge and experience of local management (see note 14).

1.20 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)
Amendments to IAS 16 and IAS 38 – Clarification of Acceptable Methods of Depreciation and Amortisation	Endorsed	1 January 2016
Accounting for Acquisitions of Interests in Joint Operations: Amendments to IFRS 11	Endorsed	1 January 2016
Equity Method in Separate Financial Statements (Amendments to IAS 27)	Endorsed	1 January 2016
Annual Improvements to IFRSs 2010–2012 Cycle	Endorsed	1 January 2016

Standards not yet effective:

New standard or interpretation	EU endorsement status	Mandatory effective date (periods beginning)
IFRS 15 "Revenue from Contracts with Customers"	Endorsed	1 January 2018
IFRS 9 "Financial Instruments"	Endorsed	1 January 2018
IFRS 16 "Leases"	Expected in 2017	1 January 2019
Amendments to IAS 7 "Statement of Cash Flows"	Expected in Q2 2017	1 January 2017
Amendments to IFRS 2 "Share-based Payments"	Expected in H2 2017	1 January 2018

Notes to the consolidated financial statements continued

For the year ended 31 December 2016

1. Accounting policies continued

1.20 New standards and interpretations continued

The Directors have carried out their initial assessment of the impact of the standards not yet effective. The Group does not have or use complex financial instruments and does not have significant adjustments for credit risk and therefore IFRS 9 will have little or no impact.

Most of the revenue generated by the Group is from short-term rental arrangements or from the sale of goods and IFRS 15 will have little effect. The terms and conditions of certain longer-term rental contracts or service contracts that are occasionally sold with the Group's equipment will be reviewed to assess whether IFRS 15 will have any impact. Given the small number and magnitude of these type of contracts the initial assessment is that IFRS 15 will not have a material effect on the Group's reported revenue.

IFRS 16 will have an impact with operating lease commitments (see note 20) coming onto the balance sheet as debt and the right to use the asset being classified as an asset. This will increase net debt as well as EBITDA. The Directors will review the impact of IFRS 16 on forecasts and banking covenants in place beyond 2019.

1.21 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 two main reportable segments:

- Crestchic loadbanks and transformers – this segment is involved in the manufacture, hire and sale of loadbanks and transformers. It is the largest proportion of the Group's business and generated 81% (2015: 67%) of the Group's revenue. This includes the Crestchic, NT, Crestchic France, NME, CME, CAP, NIS Pte and China businesses; and
- Tasman oil tools and loadcells – this segment is involved in the hire and sale of oil tools and loadcells and contributes 19% (2015: 31%) of the Group's revenue. This includes the TAU, TNZ, TME 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.

Measurement of operating segment profit or loss and 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 items along with consolidation adjustments, which include goodwill and intangible assets. All inter-segment transactions are at arm's length.

	Crestchic loadbanks and transformers £'000	Tasman oil tools and loadcells £'000	Total £'000	Other trading entities £'000	Other including consolidation adjustments £'000	**2016 Total £'000**
Revenue from external customers	19,317	4,469	23,786	—	—	**23,786**
Finance expense	(131)	(15)	(146)	—	(445)	**(591)**
Depreciation	(3,766)	(2,161)	(5,927)	—	(274)	**(6,201)**
Amortisation	—	(57)	(57)	—	(692)	**(749)**
Profit/(loss) before tax before exceptional items	1,552	(3,648)	(2,096)	2	(2,052)	**(4,146)**
Exceptional items	(236)	(833)	(1,069)	(83)	(206)	**(1,358)**
Profit/(loss) before tax	1,316	(4,481)	(3,165)	(81)	(2,258)	**(5,504)**
Balance sheet						
Assets	68,521	19,839	88,360	4,206	(28,263)	**64,303**
Liabilities	(31,551)	(13,350)	(44,901)	(3,997)	26,380	**(22,518)**
	36,970	6,489	43,459	209	(1,883)	**41,785**
Non-current asset additions						
Intangible asset additions	863	126	989	—	—	**989**

The reconciling adjustments between the total segmental loss before tax and the loss before tax of the Group include amortisation (£692,000), exceptional costs (£289,000) and head office expenditure (£1,024,000). The reconciling adjustments between the total segmental net assets and the net assets of the Group include the head office net assets, other trading entity net assets and consolidation adjustments.

2. Segment information continued

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

	Crestchic loadbanks and transformers £'000	Tasman oil tools and loadcells £'000	Total £'000	Other trading entities £'000	Other including consolidation adjustments £'000	2015 Total £'000
Revenue from external customers	22,750	10,534	33,284	806	—	34,090
Finance income	—	6	6	—	2	8
Finance expense	(194)	(32)	(226)	(8)	(421)	(655)
Depreciation	(3,508)	(1,912)	(5,420)	(76)	(385)	(5,881)
Amortisation and impairment	(154)	(81)	(235)	—	(5,498)	(5,733)
Profit/(loss) before tax before exceptional items	2,075	(702)	1,373	(157)	(2,608)	(1,392)
Exceptional items	(360)	(986)	(1,346)	(850)	(4,993)	(7,189)
Profit/(loss) before tax	1,715	(1,688)	27	(1,007)	(7,601)	(8,581)
Balance sheet						
Assets	55,223	20,781	76,004	4,333	(13,443)	66,894
Liabilities	(24,983)	(12,357)	(37,340)	(4,108)	10,435	(31,013)
	30,240	8,424	38,664	225	(3,008)	35,881
Non-current asset additions						
Property, plant and equipment additions	1,600	3,675	5,275	90	—	5,365

The reconciling adjustments between the total segmental loss before tax and the loss before tax of the Group include a trading loss from other trading entities (£157,000), amortisation (£1,255,000), exceptional costs (£5,843,000) and head office expenditure (£1,188,000). The reconciling adjustments between the total segmental net assets and the net assets of the Group include the head office net assets, other trading entity net assets and consolidation adjustments.

	External revenue by location of sale origination		Non-current assets by location	
	2016 £'000	2015 £'000	**2016 £'000**	2015 £'000
UK	**10,700**	15,341	**11,819**	11,502
Australia	**1,203**	4,427	**5,022**	5,485
United Arab Emirates	**4,963**	4,726	**11,679**	11,319
Azerbaijan	**—**	715	**—**	—
Singapore	**3,944**	4,831	**5,272**	5,985
New Zealand	**702**	2,186	**10,139**	8,833
Belgium	**1,408**	1,221	**4,094**	4,263
China	**511**	110	**1,685**	959
Other	**355**	533	**7**	7
	23,786	34,090	**49,717**	48,353

	External revenue by type		External revenue by type	
	2016 £'000	2015 £'000	**2016 %**	2015 %
Hire of equipment	**15,827**	18,970	**66.5**	55.6
Sale of product	**7,959**	15,120	**33.5**	44.4
	23,786	34,090	**100.00**	100.0

3. Loss from operations

The operating loss is stated after charging/(crediting):

	2016 £'000	2015 £'000
Amortisation:		
– customer relationships	**749**	745
– order backlog	**—**	64
– non-competition agreements	**—**	30
Impairment:		
– customer relationships	**—**	403
– goodwill	**—**	4,491
Depreciation of property, plant and equipment:		
– owned by the Company	**5,663**	5,304
– held under finance leases	**538**	577
Operating lease rentals:		
– property leases	**511**	714
– other operating leases	**66**	72
Foreign exchange (gains)/losses	**(215)**	64
Cost of inventories recognised as an expense during the year	**3,172**	7,520
Share-based payment remuneration	**96**	96

See note 7 for auditor's fees.

4. Exceptional costs

Exceptional items incurred during the year were as follows:

	2016 £'000	2015 £'000
Acquisition costs(1)	**103**	227
Reorganisation costs(2)	**654**	1,266
Redundancy costs(3)	**497**	768
Impairment of intangible assets(4)	**—**	4,729
Banking costs(5)	**104**	199
Exceptional items	**1,358**	7,189

(1) The exceptional cost in 2016 relates to value added tax on acquisition costs that have been reclaimed by Her Majesty's Revenue and Customs. The costs on which the VAT was reclaimed were reported as exceptional in the years that they arose (2015: aborted acquisition costs and costs relating to the acquisition of Tasman Oil Tools Limited and Tasman Oil Tools Leasing Limited in 2014).

(2) During the year, the Group has continued to reorganise the Group. The Singapore branch of its Loadcell has been closed and a property in Australia has been vacated and created an onerous lease (2015: the Group sold the assets of its compressor hire business in the UK and its generator hire businesses in Dubai and Azerbaijan as well as closing the Vietnamese branch of its Singapore-based Loadcell business). The costs associated with the closure of these operations have been disclosed as exceptional.

(3) During the year and prior year the Group has suffered redundancy costs relating to ongoing subsidiaries that are deemed to be exceptional.

(4) In the prior year as part of the ongoing review of the Group's non-current assets, the Board recognised that the recoverable amounts relating to certain intangible assets were less than their carrying value. A full impairment totalling £483,000 was made against goodwill and customer relationships recognised on the acquisition of Loadcell in 2011, a full impairment of £2,642,000 was made against goodwill recognised on the acquisition of Tasman Australia in 2010 and an impairment of £1,604,000 was made against the goodwill recognised on the acquisition of Tasman New Zealand in 2014.

(5) Costs associated with resetting bank covenants have been deemed to be exceptional (2015: debt fees relating to loans superseded by new facilities agreed in May 2015 as well as costs associated with resetting bank covenants have been written off during the year and deemed to be exceptional).

5. Staff costs

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

	2016 £'000	2015 £'000
Wages and salaries	**8,222**	9,069
Social security costs	**814**	1,102
Other pension costs	**269**	353
Redundancy and compensation for loss of office costs	**722**	768
Share-based payments	**96**	96
	10,123	11,388

Of the share-based payments recognised in the year £53,000 (2015: £59,000) related to key management personnel. The key management personnel are deemed to be the Directors. Of the £9,036,000 (2015: £10,171,000) of wages and salaries and social security costs paid during the year £715,000 (2015: £975,000) related to key management personnel.

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

	2016 Number	2015 Number
Technical and production	**100**	117
Sales	**33**	41
Administration	**34**	45
	167	203

6. Directors' remuneration

	2016				2015				
	Salary £'000	Gain on share options £'000	Benefits £'000	Total £'000	Salary £'000	Gain on share options £'000	Benefits £'000	Compensation for loss of office £'000	Total £'000
P R Harris	**60**	**—**	**—**	**60**	60	—	—	—	60
E W Hook	**241**	**—**	**2**	**243**	241	—	2	—	243
I J Gardner	**161**	**—**	**92**	**253**	177	—	205	—	382
I C Phillips*	**53**	**—**	**1**	**54**	—	—	—	—	—
A K Mehta	**17**	**—**	**—**	**17**	12	21	—	—	33
M G Dodson	**18**	**—**	**—**	**18**	18	—	—	—	18
D C Marshall**	**18**	**—**	**—**	**18**	18	—	—	—	18
C W Robinson	**—**	**—**	**—**	**—**	98	—	1	143	242
	568	**—**	**95**	**663**	624	21	208	143	997

* I C Phillips was appointed a Director on 29 June 2016 and the remuneration above covers his time as a Director only.

** D C Marshall's fees are paid to a third party.

7. Auditor's remuneration

	2016 £'000	2015 £'000
Fees payable to the Group's auditor for the audit of the Group and Company	**23**	24
Fees payable to the Group's auditor and associates in respect of:		
– audit of subsidiaries	**109**	100
– audit related assurance services	**—**	18
– other assurance services	**20**	18
– tax services	**43**	38
– corporate finance services	**—**	24

Amounts paid to the Company's auditor 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 disclosed on a consolidated basis.

8. Finance costs

	2016 £'000	2015 £'000
On bank loans and overdrafts	**419**	525
On finance leases and hire purchase contracts	**124**	130
Other	**48**	—
	591	655

9. Income tax expense

	2016 £'000	2015 £'000
Current tax expense	**518**	855
Prior year under/(over) provision of tax	**48**	(144)
	566	711
Deferred tax charge/(credit) resulting from the origination and reversal of temporary differences	**228**	(1,141)
Taxation	**794**	(430)

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:

	2016 £'000	2015 £'000
Loss before taxation	**(5,504)**	(8,581)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 20% (2015: 20.25%)	**(1,101)**	(1,737)
Effects of:		
– income not subject to tax	**(215)**	(315)
– expenses not allowable for taxation purposes	**505**	1,532
– difference in taxation rates	**(84)**	234
– losses not recognised as a deferred tax asset	**1,641**	—
– prior year under/(over) provision of taxation and deferred taxation	**48**	(144)
Total taxation charge for the year	**794**	(430)

The standard rate of corporation tax in the UK is now 19% since 1 April 2017. The rate will decrease to 17% from 1 April 2020.

10. Earnings per share

	2016 £'000	2015 £'000
Numerator		
Loss used in basic and diluted EPS	**(6,298)**	(8,151)

	2016 Number	2015 Number
Denominator		
Weighted average number of shares used in basic EPS*	**24,004,258**	19,703,095
Effects of share options	**19,446**	—
Weighted average number of shares used in diluted EPS*	**24,023,704**	19,703,095

* 2015 figures restated due to the effect of the issue of shares at a lower than market price in 2016.

At the end of the year, the Company had in issue 1,134,099 (2015: 1,156,801) 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	Product development £'000	Non-competition agreements £'000	Goodwill £'000	Total £'000
Cost						
At 1 January 2016	7,517	217	152	254	13,675	21,815
Exchange differences	1,123	—	—	—	1,696	2,819
At 31 December 2016	**8,640**	**217**	**152**	**254**	**15,371**	**24,634**
Amortisation and impairment						
At 1 January 2016	3,777	217	152	254	4,618	9,018
Exchange differences	436	—	—	—	337	773
Amortisation charge for the year	749	—	—	—	—	749
At 31 December 2016	**4,962**	**217**	**152**	**254**	**4,955**	**10,540**
Net book value						
At 31 December 2016	**3,678**	**—**	**—**	**—**	**10,416**	**14,094**
At 31 December 2015	3,740	—	—	—	9,057	12,797

	Customer relationships £'000	Order backlog £'000	Product development £'000	Non-competition agreements £'000	Goodwill £'000	Total £'000
Cost						
At 1 January 2015	7,890	219	152	270	14,462	22,993
Exchange differences	(373)	(2)	—	(16)	(787)	(1,178)
At 31 December 2015	7,517	217	152	254	13,675	21,815
Amortisation and impairment						
At 1 January 2015	2,704	154	152	238	127	3,375
Exchange differences	(75)	(1)	—	(14)	—	(90)
Impairment charge for the year	403	—	—	—	4,491	4,894
Amortisation charge for the year	745	64	—	30	—	839
At 31 December 2015	3,777	217	152	254	4,618	9,018
Net book value						
At 31 December 2015	3,740	—	—	—	9,057	12,797
At 31 December 2014	5,186	65	—	32	14,335	19,618

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

	Remaining amortisation period (years)				Carrying value (£'000)			
	Customer relationships	Product development	Non-competition agreements	Order backlog	Customer relationships	Product development	Non-competition agreements	Order backlog
Crestchic	0.25	—	—	—	5	—	—	—
TAU	1.58	—	—	—	541	—	—	—
NT	5.00	—	—	—	114	—	—	—
CAP	4.75	—	—	—	294	—	—	—
OMM	2.88	—	—	—	179	—	—	—
TNZ	9.75	—	—	—	2,545	—	—	—

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:

	2016 £'000	2015 £'000
Crestchic	**2,192**	2,192
NT	**923**	798
CAP	**1,248**	1,067
TNZ	**6,053**	5,000
	10,416	9,057

11. Intangible assets continued

Impairment of intangible assets

As described in detail in the Chairman and Chief Executive's Review, the continued impact of the crude oil price has had a significant impact on the revenues and profitability of the operations of the Group in certain locations. The Board is confident that there will be a recovery in these markets, and that the Group is well placed to benefit from this when it arises, but it recognised in the prior year that this current period of uncertainty impacted on the carrying value of the goodwill in relation to the oil tool operations in Australia and New Zealand.

As described in the prior year Strategic Report, the Board recognised an impairment of the carrying value of goodwill, with further details disclosed in note 5. As described in the current year Strategic Report the Directors have reviewed the carrying value of both tangible and intangible assets and have concluded that no further impairment charge is necessary.

The Directors appreciate that the financial results seen in Australia and New Zealand in 2016 were lower than expected at this point last year with revenue dropping to its lowest in the second quarter. The second half has seen some improvement, albeit from a lower base, and as described in the Strategic Report the Directors are now more confident of a strong recovery over the years up to 2021.

The recoverable amounts of the above CGUs have been determined from value-in-use calculations based on cash flow projections derived from budgets covering a five-year period to 31 December 2021. Management does not believe that any CGU will see a material change in their market share. Other major assumptions are as follows:

2016	Discount rate %	Operating (gross) margin %	Wage inflation %
Crestchic	**13**	**50**	**2**
TAU	**15**	**40**	**0**
NT	**13**	**50**	**3**
TNZ	**15**	**65**	**3**
CAP	**13**	**40**	**0**

2015	Discount rate %	Operating (gross) margin %	Wage inflation %
Crestchic	13	50	3
TAU	15	50	0
NT	13	50	1
TNZ	15	60	0
CAP	13	40	0

The growth rates used for TAU and TNZ assume that revenue will broadly return to 2014 levels by 2021. The Board feels that these prudent projections are reasonable given the current market conditions. There are currently no active offshore rigs in New Zealand and the growth rate used takes into account the low starting point as well as an expected increase in geothermal drilling activity over the next five years. The growth rates that have been used in the value-in-use calculations as at 31 December 2016 are based on forecasts for the five-year period to 31 December 2021 which have been formally approved by the Board of Directors.

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

The recoverable amount for the Crestchic, NT and CAP CGUs significantly exceeds their 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.

The recoverable amount for TNZ is more sensitive to movements in the discount rate and growth inflation. A growth rate of 4% lower than forecast or a discount rate of 1.5% higher than used in the forecasts would lead to a reduction in the recoverable amount.

The recoverable amount for TAU is more sensitive to movements in the discount rate and growth inflation. A growth rate of 5% lower than forecast or a discount rate of 3.5% higher than used in the forecasts would lead to a reduction in the recoverable amount.

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 2016	6,740	1,429	632	1,383	41,781	51,965
Exchange differences	526	237	35	226	8,211	9,235
Transfer from inventory (net)	—	—	—	—	965	965
Additions	16	53	15	79	826	989
Disposals	—	(22)	(154)	(425)	(2,098)	(2,699)
At 31 December 2016	**7,282**	**1,697**	**528**	**1,263**	**49,685**	**60,455**
Depreciation						
At 1 January 2016	724	429	272	676	14,308	16,409
Exchange differences	19	103	29	113	4,031	4,294
Charge for the year	151	138	84	173	5,655	6,201
On disposals	—	(17)	(104)	(257)	(1,695)	(2,072)
At 31 December 2016	**894**	**653**	**281**	**705**	**22,299**	**24,832**
Net book value						
At 31 December 2016	**6,388**	**1,044**	**247**	**558**	**27,386**	**35,623**
At 31 December 2015	6,016	1,000	360	707	27,473	35,556

	Land and buildings £'000	Plant and machinery £'000	Motor vehicles £'000	Furniture and fittings £'000	Hire fleet £'000	Total £'000
Cost						
At 1 January 2015	6,652	1,259	796	1,284	43,457	53,448
Exchange differences	76	(58)	(17)	(20)	(686)	(705)
Transfer to inventory	—	—	—	—	(577)	(577)
Additions	12	251	108	203	4,791	5,365
Disposals	—	(23)	(255)	(84)	(5,204)	(5,566)
At 31 December 2015	6,740	1,429	632	1,383	41,781	51,965
Depreciation						
At 1 January 2015	574	371	349	571	12,470	14,335
Exchange differences	9	(52)	(14)	(19)	(289)	(365)
Transfer to inventory	—	—	—	—	(20)	(20)
Charge for the year	141	121	130	173	5,316	5,881
On disposals	—	(11)	(193)	(49)	(3,169)	(3,422)
At 31 December 2015	724	429	272	676	14,308	16,409
Net book value						
At 31 December 2015	6,016	1,000	360	707	27,473	35,556
At 31 December 2014	6,078	888	447	713	30,987	39,113

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:

	2016 £'000	2015 £'000
Motor vehicles	**136**	203
Plant and machinery	**67**	74
Hire fleet	**2,699**	3,003

During the year the Group received £359,000 (2015: £1,096,000) of compensation from third parties for items of PPE that were impaired, lost or given up. These amounts are included in revenue received from the sale of hire fleet assets.

Notes to the consolidated financial statements continued
For the year ended 31 December 2016

13. Inventories

	2016 £'000	2015 £'000
Raw materials	**3,136**	3,246
Work in progress	**186**	121
Finished goods	**193**	1,073
	3,515	4,440

14. Trade and other receivables

	2016 £'000	2015 £'000
Due within one year		
Trade receivables	**7,441**	8,611
Less provision for impairment of receivables	**(376)**	(496)
Trade receivables – net	**7,065**	8,115
Other receivables	**1,028**	935
Prepayments	**915**	883
	9,008	9,933

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

	2016 £'000	2015 £'000
Pound Sterling	**1,084**	1,826
Euro	**615**	1,239
US Dollar	**3,430**	3,030
Australian Dollar	**418**	830
UAE Dirham	**598**	510
Singapore Dollar	**1,329**	1,209
New Zealand Dollar	**121**	126
Other	**498**	280
	8,093	9,050

At 31 December 2016 trade receivables of £4,331,000 (2015: £4,777,000) were past due but not impaired. They relate to customers with no default history. The ageing of these receivables is as follows:

	2016 £'000	2015 £'000
Up to three months past due	**2,343**	3,911
Three to six months past due	**975**	588
Six to twelve months past due	**663**	278
Greater than twelve months past due	**350**	—
	4,331	4,777

Since the year end £3,256,000 of the £4,331,000 has been received from customers.

At 31 December 2016 trade receivables of £376,000 (2015: £496,000) were past due and are considered to be impaired due to the fact that the debts are old and/or due from customers in financial difficulty. The receivables relate to trade debtors. The ageing of these receivables is as follows:

	2016 £'000	2015 £'000
Less than twelve months	**58**	211
Greater than twelve months	**318**	285

14. Trade and other receivables continued

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:

	2016 £'000	2015 £'000
Opening balance	496	213
Exchange differences	37	—
Amounts written off	(96)	(60)
Recovered amounts reversed	(138)	—
Increase in provisions	77	343
Closing balance	376	496

The maximum exposure to credit risk, including cash balances, at 31 December 2016 is £10,239,000 (2015: £11,225,000).

15. Current liabilities

Trade and other payables – current

	2016 £'000	2015 £'000
Trade payables	3,323	4,376
Social security and other taxes	356	435
Other payables	147	92
Accruals and deferred income	1,745	2,047
	5,571	6,950

16. Financial liabilities

Current

	2016 £'000	2015 £'000
Bank borrowings – secured	3,705	5,194
Capitalised debt fees	(92)	(90)
Total	3,613	5,104
Net obligations under finance leases and hire purchase agreements	754	940
Total	4,367	6,044

The bank loans, trade finance facility and overdraft 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 Royal Bank of Scotland on account of each Group company (as principal); and
- an assignment in security of keyman policies.

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

	2016 £'000	2015 £'000
Expiry within one year	3,705	5,194
More than one year and less than two years	1,972	2,118
More than two years and less than five years	6,495	8,997
Total	12,172	16,309

Overdrawn balances of £1,558,000 (2015: £1,677,000) are repayable on demand and are included in bank borrowings which expire within one year.

The Group has £1.5 million of undrawn funds (2015: £1.0 million) on its revolving credit facility available. The Group has outstanding warranty guarantees totalling £725,000 (2015: £799,000) relating to the sales of manufactured equipment.

16. Financial liabilities continued

Other financial liabilities

	2016 £'000	2015 £'000
Deferred consideration for purchase of subsidiary	1,123	1,160
	1,123	1,160

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

2016	Minimum lease payments £'000	Interest £'000	Present value £'000
Not later than one year	797	43	754
Between one and five years	472	48	424
	1,269	91	1,178

2015	Minimum lease payments £'000	Interest £'000	Present value £'000
Not later than one year	1,015	75	940
Between one and five years	1,254	114	1,140
	2,269	189	2,080

Non-current financial liabilities

	2016 £'000	2015 £'000
Bank borrowings – secured	8,467	11,115
Capitalised debt fees	(87)	(165)
Total	8,380	10,950
Net obligations under finance leases and hire purchase agreements	424	1,140
Total	8,804	12,090

Non-current other financial liabilities

	2016 £'000	2015 £'000
Deferred consideration for purchase of subsidiary	—	928
	—	928

Based upon the established market rates prevailing at 31 December 2016 the fair value of all financial liabilities is not materially different to the carrying value.

17. Deferred taxation

	2016 £'000	2015 £'000
Opening provision	2,987	4,082
Taken to Statement of Comprehensive Income in current year	228	(1,140)
Taken to retained earnings	—	245
Foreign exchange difference	406	(200)
Closing provision	3,621	2,987

17. Deferred taxation continued

The provision for deferred taxation is made up as follows:

	2016 £'000	2015 £'000
Accelerated capital allowances	**2,176**	1,839
Fair value adjustment to property, plant and equipment on acquisition	**483**	489
Fair value of intangibles on acquisition	**962**	975
Losses carried forward	**—**	(316)
	3,621	2,987
Recognised as:		
Deferred tax asset	**—**	(316)
Deferred tax liabilities	**3,621**	3,303
	3,621	2,987

The Group has unrecognised tax losses carried forward of £1,641,000 (2015: £nil). These losses relate to the Group's Australian entities and a deferred tax asset has prudently not been recognised at this balance sheet date but the losses are available to be utilised against future profits. Any future recognition of a deferred tax asset will be dependent on these future profits becoming more certain.

18. Share capital

	2016 £'000	2015 £'000
Allotted, called up and fully paid		
26,114,752 ordinary shares of 10 pence each (2015: 18,640,708 ordinary shares of 10 pence each)	**2,611**	1,864

	2016		2015	
	Number	£'000	Number	£'000
Ordinary shares of 10 pence each				
At beginning of year	**18,640,708**	**1,864**	18,589,886	1,859
Issue of new shares	**7,474,044**	**747**	50,822	5
At end of year	**26,114,752**	**2,611**	18,640,708	1,864

During the year 6,000,000 shares were issued through a placing and 1,474,044 by way of an open offer. During the prior year 50,822 shares were issued as share options were exercised.

	2016 Number	2015 Number
Treasury shares held by the Company	**215,150**	152,150

Capital management

The Group considers its capital to comprise its ordinary share capital, shares not yet in issue, share premium, foreign exchange reserve, merger reserve 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.

19. Pension commitments

The Group operates defined contribution pension schemes. The assets of the scheme are held separately from those of the Group in independently administered funds. The pension cost charge represents contributions payable by the Group to the funds and amounted to £269,000 (2015: £353,000). No amounts were owing at the year end (2015: £nil).

Notes to the consolidated financial statements continued

For the year ended 31 December 2016

20. Operating lease commitments

At 31 December 2016 the total future value of minimum lease payments is due as follows:

	2016 £'000	2015 £'000
Property		
Not later than one year	**416**	458
Later than one year and not later than five years	**842**	1,195
	1,258	1,653
Other assets		
Not later than one year	**74**	65
Later than one year and not later than five years	**23**	38
	97	103
Total	**1,355**	1,756

The Group leases properties in locations where it does not own freehold property and also leases motor vehicles.

21. Subsidiaries

The following are the subsidiary undertakings of the Company:

Company name	Country of incorporation	Registered office	Percentage shareholding
Crestchic Limited	United Kingdom	Second Avenue, Centrum 100, Burton DE14 2WF	100%
Northbridge (Middle East) FZE	United Arab Emirates	PO Box 262519, Jebel Ali Free Zone, Dubai	100%
Crestchic (Middle East) FZE	United Arab Emirates	PO Box 262519, Jebel Ali Free Zone, Dubai	100%*
Loadbank Hire Service	United Kingdom	Second Avenue, Centrum 100, Burton DE14 2WF	100%
Northbridge Industrial Services Pte Limited	Singapore	5 Tuas Avenue 13, Singapore 638977	100%
Crestchic (Asia-Pacific) Pte Limited	Singapore	5 Tuas Avenue 13, Singapore 638977	100%*
Northbridge Transformers NV	Belgium	Antwerpsesteenweg 124b30, 2630 Aartselaar	100%
Crestchic France S.A.S.	France	15 Avenue Condorcet, 921240 St Michel Sur Orge, Paris	100%
Tasman Middle East FZE	United Arab Emirates	PO Box 262559, Jebel Ali Free Zone, Dubai	100%*
RDS (Technical) Ltd	Azerbaijan	11 ASAF Zeynally, Apartment 5, Baku, AZ1095	100%*
Tyne Technical Equipment Rental Services	United Arab Emirates	PO Box 211520	100%*
Tasman Oil Tools Pty Ltd	Australia	38 Station Street, Subiaco, Perth, WA 6008	100%*
Tasman Oil Tools Leasing Ltd	New Zealand	Vero Centre, 48 Shortland Street, Auckland	100%*
Tasman Oil Tools Ltd	New Zealand	Vero Centre, 48 Shortland Street, Auckland	100%*
Tasman Oil Tools (S.E.A.) SDN BHD	Malaysia	No.15 Jalan Dato' Abdullah Tahir, 80300 Johor Bahru, Johor	100%*
Northbridge NZ Holdings Ltd	New Zealand	Vero Centre, 48 Shortland Street, Auckland	100%*
RDS (Trading) Limited	United Kingdom	Second Avenue, Centrum 100, Burton DE14 2WF	100%*
Crestchic (Middle East) Technical Services LLC	United Arab Emirates	PO Box 211520, Dubai	100%*
Northbridge Loadcell Services Pte Limited	Singapore	5 Tuas Avenue 13, Singapore 638977	100%*
Tasman OMM Limited	United Arab Emirates	PO Box 262559, Jebel Ali Free Zone, Dubai	100%*
Duck Trading FZCO	United Arab Emirates	MO0229, Jebel Ali Free Zone, Dubai	100%*
Northbridge Australia Limited	United Kingdom	Second Avenue, Centrum 100, Burton DE14 2WF	100%*
Northbridge Australia Pty Limited	Australia	38 Station Street, Subiaco, Perth, WA 6008	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, RDS (Technical) Ltd, RDS (Trading) Limited, Duck Trading FZCO and Tyne Technical Equipment Rental Services are dormant companies. All the other subsidiaries are involved in the hire of specialist industrial equipment in the loadbank, transformer and oil tools rental markets.

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 consultants share option scheme.

	2016		2015	
	Weighted average exercise price (pence)	**Number**	Weighted average exercise price (pence)	Number
Outstanding at the beginning of the year	**267**	**1,156,801**	252	1,227,823
Granted during the year	**90**	**280,000**	378	200,500
Exercised during the year	**—**	**—**	163	(50,822)
Share options lapsed during the year	**317**	**(45,200)**	318	(220,700)
Outstanding at the end of the year	**228**	**1,391,601**	267	1,156,801

The exercise price of options outstanding at the end of the year ranged between 89.50 pence and 453.50 pence (2015: 100.64 pence and 453.50 pence) and their weighted average contractual life was one year seven months (2015: one year three months). The weighted average exercise price of the options is 228 pence (2015: 267 pence).

Of the total number of options outstanding at the end of the year, 705,101 (2015: 710,101) had vested and were exercisable at the end of the year. The schemes have been valued using the Black Scholes pricing model.

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

	2016
Options granted during the year	**280,000**
Date of grant	**10 May 2016**
Fair value per option at measurement date	**89.5 pence**
Share price	**89.5 pence**
Exercise price	**89.5 pence**
Weighted average exercise price	**89.5 pence**
Weighted average exercise life	**2 years 4 months**
Expected volatility	**33%**
Earliest exercisable point	**3 years**
Option life	**10 years**
Risk-free interest rate	**0.5%**

	2015
Options granted during the year	200,500
Date of grant	17 April 2015
Fair value per option at measurement date	377.5 pence
Share price	377.5 pence
Exercise price	377.5 pence
Weighted average exercise price	377.5 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%

The volatility rate is based on the average share price movement during the year ended 31 December 2016 and during the year ended 31 December 2015.

The share-based remuneration expense for the year is £96,000 (2015: £96,000) of which £53,000 (2015: £59,000) relates to key management personnel.

22. Share-based payments continued

The following share options were outstanding at 31 December 2016:

Type of scheme	Date of grant	Number of shares 2016	Number of shares 2015
Unapproved share option	30 May 2006	**118,659**	118,659
Unapproved share option	2 April 2007	**102,746**	102,746
Unapproved share option	9 April 2008	**41,098**	41,098
Unapproved share option	20 April 2009	**53,098**	53,098
Unapproved share option	30 September 2010	**140,000**	140,000
Unapproved share option	30 March 2011	**19,737**	19,737
Approved share option	30 March 2011	**1,763**	1,763
Unapproved share option	21 April 2011	**75,000**	75,000
Unapproved share option	18 April 2012	**143,494**	148,494
Approved share option	18 April 2012	**9,506**	9,506
Unapproved share option	18 April 2013	**115,041**	118,241
Approved share option	18 April 2013	**19,959**	22,459
Unapproved share option	10 April 2014	**117,783**	121,668
Approved share option	10 April 2014	**15,717**	19,832
Unapproved share option	17 April 2015	**136,074**	154,574
Approved share option	17 April 2015	**9,926**	9,926
Unapproved share option	10 May 2016	**264,500**	—
Approved share option	10 May 2016	**7,500**	—
		1,391,601	1,156,801

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	30/05/2009–30/05/2019	Unapproved
E W Hook	2 April 2007	102,746	146.96	02/04/2010–02/04/2020	Unapproved
E W Hook	9 April 2008	41,098	150.86	09/04/2011–09/04/2021	Unapproved
E W Hook	20 April 2009	41,098	149.88	20/04/2012–20/04/2022	Unapproved
E W Hook	30 September 2010	120,000	186.00	30/09/2013–30/09/2023	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	10/04/2017–10/04/2024	Approved
E W Hook	10 April 2014	43,385	453.50	10/04/2017–10/04/2024	Unapproved
E W Hook	17 April 2015	50,000	377.50	17/04/2018–17/04/2025	Unapproved
E W Hook	10 May 2016	100,000	89.50	10/05/2019–10/05/2026	Unapproved
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
I J Gardner	17 April 2015	20,000	377.50	17/04/2018–17/04/2025	Unapproved
I J Gardner	10 May 2016	20,000	89.50	10/05/2019–10/05/2026	Unapproved
I C Phillips	18 April 2012	10,000	281.50	18/04/2015–18/04/2022	Unapproved
I C Phillips	18 April 2013	8,000	327.50	18/04/2016–18/04/2023	Unapproved
I C Phillips	10 April 2014	3,898	453.50	18/04/2017–18/04/2024	Unapproved
I C Phillips	10 April 2014	4,102	453.50	18/04/2017–18/04/2024	Approved
I C Phillips	17 April 2015	6,981	377.50	17/04/2018–17/04/2025	Unapproved
I C Phillips	17 April 2015	3,019	377.50	17/04/2018–17/04/2025	Approved
I C Phillips	10 May 2016	20,000	89.50	10/05/2019–10/05/2026	Unapproved
		958,601			

22. Share-based payments continued

Directors' share options continued

	2016 Number of options	2015 Number of options
E W Hook	**806,601**	706,601
I J Gardner	**96,000**	76,000
I C Phillips	**56,000**	36,000
	958,601	818,601

Options are normally exercisable from the third anniversary from the date of grant and are exercisable subject to three-year EPS targets set by the Remuneration Committee.

23. Note supporting cash flow statement

	2016 £'000	2015 £'000
Cash and cash equivalents comprises:		
– cash available on demand	**3,704**	3,852
– overdrawn balances	**(1,558)**	(1,677)
	2,146	2,175

24. 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 not been changes to the Group's exposure to financial instrument risks and 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.

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 and trade finance facilities;
- trade and other payables;
- bank loans;
- finance leases; 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.

Notes to the consolidated financial statements continued

For the year ended 31 December 2016

24. Financial instruments continued

Financial instrument risk exposure and management continued

General objectives, policies and processes continued

Further details regarding these policies are set out below:

Categories of financial assets and financial liabilities

	Loans and receivables at amortised cost	
	2016 £'000	2015 £'000
Current financial assets		
Trade and other receivables	**8,093**	9,050
Cash and cash equivalents	**3,704**	3,852
Total current financial assets	**11,797**	12,902

	Financial liabilities measured at amortised cost	
	2016 £'000	2015 £'000
Current financial liabilities		
Trade and other payables	**5,215**	6,515
Loans and borrowings	**4,367**	6,044
Deferred consideration	**1,123**	1,160
Total current financial liabilities	**10,705**	13,719
Non-current financial liabilities		
Loans and borrowings	**8,804**	12,090
Deferred consideration	**—**	928
Total non-current financial liabilities	**8,804**	13,018
Total financial liabilities	**19,509**	26,737

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.

Trade receivables

Credit risk is managed locally by the management of each operating location. 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 or services will be provided 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 operating location 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.

24. Financial instruments continued

Financial instrument risk exposure and management continued

Liquidity risk continued

The following table sets out the contractual maturities (representing undiscounted contractual cash flows) of financial liabilities:

2016	**Up to 12 months £'000**	**Between 1 and 2 years £'000**	**Between 2 and 5 years £'000**
Trade and other payables	**5,215**	**—**	**—**
Loans and borrowings	**4,367**	**2,167**	**6,637**
Deferred consideration	**1,123**	**—**	**—**
	10,705	**2,167**	**6,637**

2015	Up to 12 months £'000	Between 1 and 2 years £'000	Between 2 and 5 years £'000
Trade and other payables	6,515	—	—
Loans and borrowings	6,044	2,846	9,244
Deferred consideration	1,160	928	—
	13,719	3,774	9,244

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. At the year end there was no balance drawn on this facility (2015: £1,348,000).

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 a decrease in post-tax loss for the year of £66,000 (2015: £91,000). A 0.5% increase in the interest rate would, on the same basis, have increased the post-tax loss 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:

	2016 Floating rate £'000	2015 Floating rate £'000
Pound Sterling	**1,401**	154
Euro	**964**	479
US Dollar	**511**	1,904
UAE Dirham	**81**	251
Australian Dollar	**97**	194
Singapore Dollar	**657**	640
New Zealand Dollar	**—**	178
Other	**(7)**	52
	3,704	3,852

Notes to the consolidated financial statements continued

For the year ended 31 December 2016

24. Financial instruments continued

Financial instrument risk exposure and management continued

Currency risk continued

The overdrawn balance has been presented in financial liabilities.

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 loss before tax £'000	Effect on shareholders' equity £'000	Effect on loss before tax £'000	Effect on shareholders' equity £'000
31 December 2016				
Euro	**(47)**	**(73)**	**58**	**90**
US Dollar	**(51)**	**(237)**	**62**	**289**
UAE Dirham	**—**	**(22)**	**—**	**27**
Singapore Dollar	**—**	**(51)**	**—**	**63**
Australian Dollar	**—**	**9**	**—**	**(10)**
New Zealand Dollar	**—**	**11**	**—**	**(13)**
Other	**—**	**(21)**	**—**	**26**
31 December 2015				
Euro	(72)	(44)	88	53
US Dollar	(167)	(269)	204	329
UAE Dirham	—	(33)	—	40
Singapore Dollar	—	(32)	—	39
Australian Dollar	—	(96)	—	117
New Zealand Dollar	—	(11)	—	13
Other	—	(24)	—	30

The effect on the profit or loss 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.

25. Related parties

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

26. Dividend

	2016 £'000	2015 £'000
Final dividend of nil pence (2015: 4.00 pence) per ordinary share proposed and paid during the year relating to the previous year's results	**—**	735
Interim dividend of nil pence (2015: 1.00 pence) per ordinary share paid during the year	**—**	184
	—	919

The Directors are not proposing a final dividend (2015: nil pence), resulting in dividends for the whole year of nil pence (2015: 1.00 pence) per share.

Parent company accounts under FRS 101

Parent company balance sheet
As at 31 December 2016

Company number: 05326580	Note	2016 £'000	2015 £'000
Fixed assets			
Fixed asset investments	4	**28,787**	28,764
		28,787	28,764
Current assets			
Debtors	6	**13,220**	13,257
Cash and cash equivalents		**1,310**	12
		14,530	13,269
Creditors: amounts falling due within one year	7	**(3,402)**	(3,922)
Net current assets		**11,128**	9,347
Total assets less current liabilities		**39,915**	38,111
Creditors: amounts falling due after more than one year	8	**(8,075)**	(10,272)
Net assets		**31,840**	27,839
Capital and reserves			
Called up share capital	10	**2,611**	1,864
Share premium account		**27,779**	23,266
Merger reserve		**2,810**	2,810
Treasury share reserve		**(451)**	(451)
Profit and loss account		**(909)**	350
Shareholders' funds		**31,840**	27,839

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 loss after tax was £1,355,000 (2015: £2,862,000).

The notes on pages 51 to 54 form part of these financial statements. The financial statements were approved and authorised for issue by the Board and were signed on its behalf on 25 April 2017.

Eric Hook
Director

The Directors' Report is on pages 16 to 19 and the Strategic Report is on pages 4 to 12 of the annual report and accounts.

Statement of changes in equity

For the year ended 31 December 2016

	Share capital £'000	Share premium £'000	Merger reserve £'000	Treasury share reserve £'000	Retained earnings £'000	Total £'000
Changes in equity						
Balance at 1 January 2016	1,864	23,266	2,810	(451)	350	27,839
Loss for the year	—	—	—	—	(1,355)	(1,355)
Other comprehensive loss	—	—	—	—	—	—
Total comprehensive loss for the year	—	—	—	—	(1,355)	(1,355)
Issue of share capital	747	4,513	—	—	—	5,260
Share option expense	—	—	—	—	96	96
Balance at 31 December 2016	**2,611**	**27,779**	**2,810**	**(451)**	**(909)**	**31,840**

Statement of changes in equity

For the year ended 31 December 2015

	Share capital £'000	Share premium £'000	Merger reserve £'000	Treasury share reserve £'000	Retained earnings £'000	Total £'000
Changes in equity						
Balance at 1 January 2015	1,859	23,188	2,810	(201)	4,035	31,691
Loss for the year	—	—	—	—	(2,862)	(2,862)
Other comprehensive loss	—	—	—	—	—	—
Total comprehensive loss for the year	—	—	—	—	(2,862)	(2,862)
Issue of share capital	5	78	—	—	—	83
Purchase of own shares	—	—	—	(250)	—	(250)
Share option expense	—	—	—	—	96	96
Dividends paid	—	—	—	—	(919)	(919)
Balance at 31 December 2015	1,864	23,266	2,810	(451)	350	27,839

The notes on pages 51 to 54 form part of these financial statements.

Notes to the parent company financial statements

For the year ended 31 December 2016

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 (FRS 101) and the Companies Act 2006. The policies have been consistently applied to all years presented.

Disclosure exemptions adopted

In preparing these financial statements the Company has taken advantage of all disclosure exemptions conferred by FRS 101. Therefore these financial statements do not include:

- certain comparative information as otherwise required by EU-endorsed IFRS;
- certain disclosures regarding the Company's capital;
- a statement of cash flows;
- the effect of future accounting standards not yet adopted;
- the disclosure of the remuneration of key management personnel; and
- disclosure of related party transactions with other wholly owned members of the Group headed by Northbridge Industrial Services plc.

In addition, and in accordance with FRS 101, further disclosure exemptions have been adopted because equivalent disclosures are included in the consolidated financial statements of Northbridge Industrial Services plc. These financial statements do not include certain disclosures in respect of:

- share-based payments;
- business combinations;
- assets held for sale and discontinued operations;
- financial instruments (other than certain disclosures required as a result of recording financial instruments at fair value);
- fair value measurement (other than certain disclosures required as a result of recording financial instruments at fair value); and
- impairment of assets.

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 in to 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

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.

Notes to the parent company financial statements continued

For the year ended 31 December 2016

1. Accounting policies continued

1.7 Dividends

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

1.8 Critical accounting estimates and judgements

The preparation of financial statements under FRS 101 requires the Company 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:

Impairment of investments

The Group is required to test whether investments have 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.

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.

Recoverability of amounts owed by Group undertakings

The recoverability of amounts owed by Group undertakings is periodically reviewed. To assess the recoverability of the debts the Group undertakings' net assets, cash balances and value in use are reviewed.

2. Staff costs

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

	2016 £'000	2015 £'000
Wages and salaries	443	512
Social security costs	52	65
Redundancy and compensation for loss of office costs	—	155
Share-based payments	73	67
	568	799

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

	2016 Number	2015 Number
Full time – Administration	2	3
Part-time – Administration	4	4
	6	7

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. All Directors except for I J Gardner are remunerated through the parent company.

4. Fixed asset investments

	Shares in Group undertakings £'000
Cost	
At 1 January 2016	28,764
Additions	23
At 31 December 2016	**28,787**

Subsidiary undertakings

Details of all subsidiary undertakings and their principal activities are included in note 21 of the Group financial statements.

5. Tangible fixed assets

	Fixtures and fittings £'000
Cost	
At 1 January 2016	43
Additions	—
At 31 December 2016	**43**
Depreciation	
At 1 January 2016	43
Charge for the year	—
At 31 December 2016	**43**
Net book value	
At 31 December 2016	**—**
At 31 December 2015	—

6. Debtors

	2016 £'000	2015 £'000
Amounts owed by Group undertakings	**13,210**	13,242
Other debtors	**2**	9
Prepayments and accrued income	**8**	6
	13,220	13,257

Deferred taxation

	2016 £'000	2015 £'000
Opening provision	**—**	95
Taken to the profit and loss account in current year	**—**	(95)
Closing provision	**—**	—

All amounts shown under debtors fall due for payment within one year. There are no unrecognised deferred tax assets (2015: none).

7. Creditors: amounts falling due within one year

	2016 £'000	2015 £'000
Bank loans and overdraft net of capitalised debt fees	**1,683**	2,457
Amounts payable to Group undertakings	**1,469**	1,274
Trade creditors	**46**	67
Social security and other taxes	**102**	—
Other creditors	**102**	124
	3,402	3,922

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

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

	2016 £'000	2015 £'000
Bank loan net of capitalised debt fees	**8,075**	10,272

All loans are wholly repayable within five years.

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 of keyman policies on Eric Hook.

Notes to the parent company financial statements continued

For the year ended 31 December 2016

9. Financial instruments

Borrowing facilities

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

	2016 £'000	2015 £'000
Expiry within one year	**1,683**	2,457
More than one year and less than two years	**1,715**	1,707
More than two years and less than five years	**6,360**	8,565
Total	**9,758**	12,729

The Company has £1.5 million (2015: £1.0 million) undrawn on a revolving credit facility as at 31 December 2016.

10. Share capital

	2016 £'000	2015 £'000
Allotted, called up and fully paid		
26,114,752 ordinary shares of 10 pence each (2015: 18,640,708 ordinary shares of 10 pence each)	**2,611**	1,864

	2016		2015	
	Number	£'000	Number	£'000
Ordinary shares of 10 pence each				
At beginning of year	**18,640,708**	**1,864**	18,589,886	1,859
Issue of new shares	**7,474,044**	**747**	50,822	5
At end of year	**26,114,752**	**2,611**	18,640,708	1,864

During the year 6,000,000 shares were issued through a placing and 1,474,044 by way of an open offer. During the prior year 50,822 shares were issued as share options were exercised.

	2016 Number	2015 Number
Treasury shares held by the Company	**215,150**	152,510

11. Dividends

	2016 £'000	2015 £'000
Final dividend of nil pence (2015: 4.00 pence) per ordinary share proposed and paid during the year relating to the previous year's results	**—**	735
Interim dividend of nil pence (2015: 1.00 pence) per ordinary share paid during the year	**—**	184
	—	919

The Directors are not proposing a final dividend (2015: nil pence), resulting in dividends for the whole year of nil pence (2015: 1.00 pence) per share.

Notice of Annual General Meeting

Notice is hereby given that the tenth Annual General Meeting of Northbridge Industrial Services plc will be held at the offices of Buchanan Communications, 107 Cheapside, London EC2V 6DN on 7 June 2017, commencing at 12 noon for the following purposes:

Ordinary business

1. To receive and adopt the financial statements for the year ended 31 December 2016 together with the Directors' Report and the Independent Auditor's Report.
2. To re-elect as a Director P R Harris, who retires in accordance with the Company's Articles of Association.
3. To re-elect as a Director I J Gardner, who retires in accordance with the Company's Articles of Association.
4. To elect as a Director I C Phillips, who retires in accordance with the Company's Articles of Association having been appointed a Director since the last Annual General Meeting.
5. To elect as a Director N Kaul, 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 auditor 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 its remuneration.
7. To consider and, if thought fit, pass the following ordinary resolution:

   That the Directors of the Company be and they are hereby generally and unconditionally authorised for the purposes of Section 551 of the Companies Act 2006 to exercise all the powers of the Company to allot shares and grant rights to subscribe for, or convert any security into, shares:

   (a) up to an aggregate nominal amount of £870,491.73 (such amount being equal to 33% of the Company's share capital and such amount to be reduced by the nominal amount allotted or granted from time to time under (b) below in excess of such sum);

   (b) comprising equity securities (as defined in Section 560 of the Companies Act 2006) up to an aggregate nominal amount of £870,491.73 (such amount to be reduced by the nominal amount allotted or granted from time to time under (a) above) in connection with or pursuant to an offer or invitation by way of rights issue in favour of:

      (i) holders of ordinary shares in proportion (as nearly as practicable) to the respective number of ordinary shares held by them on the record date for such allotment; and

      (ii) holders of any other class of equity securities entitled to participate therein or, if the Directors consider it necessary, as permitted by the rights of those securities, but subject to such exclusions or other arrangements as the Directors may consider necessary or appropriate to deal with fractional entitlements, treasury shares, record dates or legal, regulatory or practical difficulties which may arise under the laws of, or the requirements of, any regulatory body or stock exchange in any territory or any other matter whatsoever; and

   (c) such authority shall expire on the earlier of the conclusion of the next Annual General Meeting of the Company or the date falling 15 months after the date of the passing of this resolution.

Special business

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

   That, subject to the passing of resolution 6 above, the Directors of the Company be and they are hereby empowered pursuant to Section 570 of the Companies Act 2006 to allot equity securities (as defined in Section 560 of the Companies Act 2006) of the Company for cash pursuant to the authorities conferred by resolution 7 as if Section 561 of the Companies Act 2006 did not apply to any such allotment, provided that this power shall be limited to:

   (a) the allotment of equity securities for cash in connection with or pursuant to an offer or invitation (but in the case of the authority granted under resolution 6(b), by way of a rights issue only) in favour of holders of ordinary shares in proportion (as nearly as practicable) to the respective number of ordinary shares held by them on the record date for such allotment (and holders of any other class of equity securities entitled to participate therein or, if the Directors consider it necessary, as permitted by the rights of those securities) but subject to such exclusions or other arrangements as the Directors may deem necessary or appropriate to deal with fractional entitlements, treasury shares, record dates, or legal, regulatory or practical difficulties which may arise under the laws of, or the requirements of, any regulatory body or stock exchange in any territory or any other matter whatsoever;

   (b) the allotment of equity securities for cash in the case of the authority granted under resolution 6(a) above and, otherwise than pursuant to paragraph (a) of this resolution, up to an aggregate nominal amount of £261,148 (such amount being equal to 10% of the Company's share capital). This power shall expire at the conclusion of the next Annual General Meeting of the Company save that the Company may before such expiry make offers or agreements which would or might require equity securities to be allotted after such expiry and the Directors may allot the relevant securities in pursuance of such offer or agreement as if the authority conferred hereby had not expired; 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.

Notice of Annual General Meeting continued

Special business continued

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 the Companies Act 2006) 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
25 April 2017

Notes:

1. Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, the Company specifies that only those members entered in the Company's register of members at close of business on 5 June 2017 shall be entitled to attend and vote at the meeting in respect of the number of shares registered in their names at that time. Changes in the Company's register of members after that time shall be disregarded in determining the rights of any person to attend and vote at the meeting. If the meeting is adjourned, as at close of business on the day two days (excluding non-working days) before the date of the adjourned meeting shall apply for the purpose of determining the entitlement of members to attend and vote at the adjourned meeting.
2. A Form of Proxy is enclosed. To be valid, the Form of Proxy (and any power of attorney or other authority (if any) under which it is assigned) must by duly completed and signed and deposited at the office of the Company's registrars, Capita Asset Services, PXS, 34 Beckenham Road, Beckenham, Kent BR3 4TU, not less than 48 hours (excluding non-working days) before the time for holding the meeting (or any adjourned meeting). Completion of a Form of Proxy does not preclude a member from attending and voting in person at the meeting if (s)he so wishes.
3. In the case of joint holders of shares, the vote of the first named in the register of members who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of other joint holders.
4. A member that is a company or other organisation not having a physical presence cannot attend in person but can appoint someone to represent it. This can be done in one of two ways: either by the appointment of a proxy or of a corporate representative. Members considering the appointment of a corporate representative should check their own legal position, the Company's Articles of Association and the relevant provision of the Companies Act 2006.
5. If you wish to attend the AGM in person, you should make sure that you arrive at the venue for the AGM in good time before the commencement of the meeting. You may be asked to prove your identity in order to gain admission.

Registrars
Capita Asset Services
34 Beckenham Road
Beckenham
Kent BR3 4TU

Financial calendar

2017	
June	Annual General Meeting
June	Half year end
September	Interim results announced
October	Interim report published
December	Year end

2018	
April	Preliminary results announced
April	Annual report published

Company information

Secretary
I C Phillips

Company number
05326580

Registered office
Second Avenue
Centrum 100
Burton on Trent DE14 2WF
+44 (0)1283 531 645
www.northbridgegroup.co.uk

Country of incorporation of parent company
England and Wales

Legal form
Public limited company

Independent auditor
BDO LLP
Two Snowhill
Birmingham B4 6GA

Bankers
Royal Bank of Scotland Group
Cumberland Place
Nottingham NG1 7ZS

Solicitors
Freeths LLP
1 Heddon Street
Mayfair
London W1B 4BD

Nominated advisors and brokers
Stockdale Securities Limited
Beaufort House
15 St. Botolph Street
London EC3A 7BB

Registrars
Capita Asset Services
34 Beckenham Road
Beckenham
Kent BR3 4TU

consultancy, design and production by
designportfolio
design-portfolio.co.uk @WeAre_DP
Design Portfolio is committed to planting trees for every corporate communications project, in association with Trees for Cities.

NORTHBRIDGE

Northbridge Industrial Services plc
Second Avenue
Centrum 100
Burton on Trent DE14 2WF

+44 (0)1283 531 645
www.northbridgegroup.co.uk