INDEPENDENT AUDITOR'S REPORT

To the members of Northbridge Industrial Services plc

Opinion

We have audited the financial statements of Northbridge Industrial Services plc (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 December 2017 which comprise the consolidated statement of comprehensive income, the consolidated and company statements of financial position, the consolidated statement of cash flows, the consolidated and company statements of changes in equity and the notes to the financial statements, including a summary of the significant accounting policies.

The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 Reduced Disclosure Framework (United Kingdom Generally Accepted Accounting Practice).

In our opinion:

- the financial statements give a true and fair view of the state of the group and the parent company's affairs as at 31 December 2017 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group and the parent company, in accordance with the ethical requirements that are relevant to our audit of financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Use of our report

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.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current year and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on each of these matters.

Matter	Our response
Goodwill and intangible assets - impairment assessment *Refer to the Accounting Policies (page 29), Significant judgements and estimates (page 32) and Note 11 (pages 39–40)* We focused on this area because the determination of whether or not an impairment charge for goodwill and other intangible assets was necessary involves significant judgement about the future results of the individual cash generating units ("CGUs") and the wider economies in which they operate, particularly the long-term growth rates, profit margins and the discount rates.	For all CGUs with goodwill, or where impairment reviews are required under accounting standards, we evaluated the directors' forecasts of future cash flows, underlying assumptions and the process by which they were drawn up. This included comparing them to the latest Board approved budgets, which contained a sufficient level of detail to facilitate our testing, and assessing the integrity of the underlying assumptions. We also verified the integrity of the model used to determine the value in use to establish that it complied with the relevant accounting standards.

Key audit matters continued

Matter	Our response
Goodwill and intangible assets - impairment assessment *continued* The directors are required to conduct annual impairment reviews for Goodwill and also consider other assets, where impairment triggers are identified, to ensure the goodwill and other intangible assets are not impaired. Having conducted the impairment reviews, which require assessments of the value in use of each relevant CGUs in the absence of reliable information to determine the market values, the directors have concluded that no further impairments were required as explained within note 11 (page 39–40).	We challenged management's assessment of the long-term revenue growth rates and profit margins. This included considering the external evidence available to support the assumptions and by reassessing impact on the value in use by applying our own independent expectations to sensitise the assumptions. We found the assumptions used by the directors to be largely consistent with our expectations and materiality appropriate. We read and considered the disclosures made by the directors within the financial statements and found them to be consistent with our testing and compliant with the requirements of accounting standards.
Tangible fixed assets - useful economic lives and residual values *Refer to the Accounting Policies (page 29), Significant judgements and estimates (page 32) and Note 12 (page 41)* We focused on this area because the group's statement of financial position includes a significant level of hire fleet assets (net book value of £21,603,000) and the estimates of their useful economic lives and residual values have a significant impact on the financial statements both in terms of the annual depreciation charge, the profits recognised on the disposal of fixed assets and the carrying values at 31 December 2017. The directors are required to reassess useful economic lives and residual values annually in accordance with accounting standards to ensure they remain appropriate, and have done so, concluding that they are consistent with the accounting policies noted within note 1 (page 29).	We challenged the directors' assessment by: ▪ comparing the estimated useful economic lives and residual values of hire fleet assets with the policies adopted by other businesses in similar industries; ▪ Reviewing the profit or losses achieved on the sale of assets for indicators of changes required to the policies adopted; ▪ considering the impact on the useful economic lives of the directors' plans and expectations for the business, together with the impact of the current subdued trading conditions which have resulted in reduced utilisation of the assets; and ▪ considering whether the judgements underpinning the estimated useful economic lives were consistent with the judgements made by the directors' elsewhere in the financial statements. Based on our work, we found the directors' assessment to be reasonable.
Recoverability of accounts receivable *Refer to the Accounting Policies (page 31), Significant judgements and estimates (page 32) and Note 15 (page 42)* The group has significant operations within the oil and gas sector around the world and its accounts receivable include a number significant overdue debts in the Tasman oil tools operating segment. In recent years the segment has experienced a trend of increasing amounts of overdue debts, amounting to £1,883,000 and there is a provision in place against these amounts of £528,000 at 31 December 2017. Management apply a strict process, with Board oversight, in order to assess the level of provisions for impaired accounts receivable. They assess the exposures and level of provision regularly, undertaking a process by which they assess the recoverability of each individual debt to determine the appropriate provisions. This takes into consideration an assessment of credit risk, historic payment trends, security held and other local market intelligence and includes a review of the outcome of the amounts that were outstanding at 31 December 2016. No amendment to the group policy or approach was made during 2017.	We developed an understanding of the controls over credit control and assessments of debtor recoverability across the group. The group engagement team worked closely with the local BDO component teams in the Middle East, Singapore and Australia to ensure all relevant information, including the impact of local custom and practice was considered within our testing. We tested the integrity of the reports used to identify the levels of potentially impaired debt and the aging by customer; testing a sample to invoices, identifying no exceptions. We used these reports to identify a sample of debts to test the recoverability of the balances, focusing on large, overdue balances; which we did by agreeing them to post year-end cash receipts where possible or by reading correspondence with the customers concerned or other relevant evidence regarding the recoverability of the amounts due. We also assessed the adequacy of the provision by considering the historical collection patterns from the overdue customers to understand any emerging trends or patterns that might indicate additional concerns over the recoverability of the debts and we reviewed correspondence with the group's legal advisers where action had commenced or was being considered in support of debt recovery. We used this to challenge the assumptions therein and the resulting provisions and found them to be appropriate to the circumstances.

INDEPENDENT AUDITOR'S REPORT CONTINUED

To the members of Northbridge Industrial Services plc

Our application of materiality
We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and forming our opinions.

Materiality
The magnitude of an omission or misstatement that, individually or in aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. Materiality provides a basis for determining the nature and extent of our audit procedures.

We determined materiality for the Group to be £250,000 (2016 - £240,000), which was based on 1.0% of turnover. Taking into account the nature of the Group's cost base, the key drivers of performance and the current subsidiary trading levels, we consider this to be a more relevant measure than the loss for the year.

We determined materiality in respect of the audit of the Parent Company to be £235,000 (2016 - £228,000) using a benchmark of 2% of total assets, restricted to 95% of group materiality to allow for aggregation risk.

Performance materiality is the application of materiality to the individual accounts or balances and is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole. Performance materiality was set at £187,000 (2016 - £180,000) for the Group and £176,000 (2016 £171,000) for the Parent Company which represents 75% (2016 - 75%) of the above materiality levels.

Reporting threshold
An amount below which identified misstatements are not reported.

We agreed with the Audit Committee that we would report to them all uncorrected audit differences in excess of £12,500, which was set at 5% of materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We evaluated all uncorrected misstatements against both quantitative measures of materiality discussed above and in light of other relevant qualitative considerations when forming our opinion.

An overview of the scope of our audit
We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statement as a whole, taking into account the geographies in which the group operates the accounting processes, systems and controls and the industry in which the group operates.

The group comprises 14 trading companies, a parent Company, 4 intermediate holding company and 6 dormant companies. Having assessed the way in which the group is managed and reports its results, we identified 5 components, being the parent company and 4 trading components in the UK, Australia, Singapore and the United Arab Emirates that, in our view, required an audit of their complete financial information.

The audits of these 5 components were performed by either the group engagement team or by other BDO network firms operating under the direction of the group engagement team. We sent detailed group instructions to all of the component auditors, in which we identified and explained the areas where we wanted them to focus their work. Whilst materiality for the financial statements of a whole was set at £250,000, materiality for each component of the Group was restricted to being less than 95% of group materiality to allow for aggregation risk. We then held meetings and calls with them to discuss and agree their approach, materiality and reporting requirements. The group team also maintained oversight during the execution and completion phases of their work, receiving formal reports on their work, undertaking selected reviews of their audit working papers and attending the closing meetings for each component. This, together with the additional procedures performed at the group level, including analytical review procedures, gave us the evidence we needed for our opinion on the group financial statements as a whole.

The work over these components above gave us coverage of 84% of revenue, 89% of the loss and 82% of total assets and we performed analytical review procedures over the remaining trading entities to ensure we had the evidence needed to form our opinion on the financial statements as a whole.

Other information
The directors are responsible for the other information. The other information comprises the information included in the Annual Report and Accounts 2017, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information we are required to report that fact. We have nothing to report in this regard.

Opinions 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 the 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 any material misstatements in the strategic report or the directors' report.

We have nothing to report in respect of the following matters in relation to which 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; or
- the parent Company financial statements are not in agreement with the accounting records and returns; or
- 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.

Responsibilities of directors
As explained more fully in the directors' responsibilities statement set out on page 16, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group's and the parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Andrew Mair (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
Birmingham
United Kingdom
12 April 2018

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 2017

	Note	2017 £'000	2016 £'000
Revenue	2	**25,669**	23,786
Cost of sales		**(16,331)**	(14,653)
Gross profit		**9,338**	9,133
Operating costs			
Excluding exceptional costs		**(12,934)**	(12,688)
Exceptional costs		**—**	(1,358)
Total operating costs		**(12,934)**	(14,046)
Share of post-tax result of joint ventures		**(188)**	—
Loss from operations	3	**(3,784)**	(4,913)
Finance costs	8	**(597)**	(591)
Loss before taxation excluding exceptional costs		**(4,381)**	(4,146)
Exceptional costs	4	**—**	(1,358)
Loss before taxation		**(4,381)**	(5,504)
Taxation	9	**(245)**	(794)
Loss for the year attributable to the equity holders of the parent		**(4,626)**	(6,298)
Other comprehensive (loss)/income			
Exchange differences on translating foreign operations		**(1,519)**	6,846
Other comprehensive (loss)/income for the year, net of tax		**(1,519)**	6,846
Total comprehensive (loss)/income for the year attributable to equity holders of the parent		**(6,145)**	548
Loss per share			
– basic (pence)	10	**(17.9)**	(26.2)
– diluted (pence)	10	**(17.9)**	(26.2)

All amounts relate to continuing operations.

The notes on pages 28 to 52 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2017

	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 2017	2,611	27,779	2,810	4,529	(451)	4,507	41,785
Loss for the year	—	—	—	—	—	(4,626)	(4,626)
Other comprehensive income	—	—	—	(1,519)	—	—	(1,519)
Total comprehensive loss for the year	—	—	—	(1,519)	—	(4,626)	(6,145)
Share option expense	—	—	—	—	—	45	45
Balance at 31 December 2017	**2,611**	**27,779**	**2,810**	**3,010**	**(451)**	**(74)**	**35,685**

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**

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 28 to 52 form part of these financial statements.

CONSOLIDATED BALANCE SHEET

As at 31 December 2017

Company number: 05326580	Note	2017 £'000	2017 £'000	2016 £'000	2016 £'000
ASSETS					
Non-current assets					
Intangible assets	11	**12,833**		14,094	
Property, plant and equipment	12	**29,281**		35,623	
Investments accounted for using the equity method	13	**—**		—	
			42,114		49,717
Current assets					
Inventories	14	**3,429**		3,515	
Trade and other receivables	15	**9,322**		9,008	
Cash and cash equivalents		**1,903**		3,704	
			14,654		16,227
Total assets			**56,768**		65,944
LIABILITIES					
Current liabilities					
Trade and other payables	16	**5,383**		5,571	
Financial liabilities	17	**3,617**		4,367	
Other financial liabilities	17	**1,053**		1,123	
Current tax liabilities		**1,015**		673	
			11,068		11,734
Non-current liabilities					
Financial liabilities	17	**7,013**		8,804	
Deferred tax liabilities	18	**3,002**		3,621	
			10,015		12,425
Total liabilities			**21,083**		24,159
Total net assets			**35,685**		41,785
Capital and reserves attributable to equity holders of the Company					
Share capital	19		**2,611**		2,611
Share premium			**27,779**		27,779
Merger reserve			**2,810**		2,810
Foreign exchange reserve			**3,010**		4,529
Treasury share reserve			**(451)**		(451)
Retained earnings			**(74)**		4,507
Total equity			**35,685**		41,785

The notes on pages 28 to 52 form part of these financial statements. The financial statements were approved and authorised for issue by the Board and were signed on its behalf on 12 April 2018.

Eric Hook
Director

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2017

	Note	2017 £'000	2016 £'000
Cash flows from operating activities			
Net loss before taxation		**(4,381)**	(5,504)
Adjustments for:			
– amortisation of intangible assets	11	**750**	749
– amortisation of capitalised debt fee		**229**	117
– depreciation of property, plant and equipment	12	**6,227**	6,201
– profit on disposal of tangible fixed assets		**(255)**	(242)
– share of post-tax results of joint ventures		**188**	—
– finance costs	8	**597**	591
– share option expense	23	**45**	96
		3,400	2,008
Decrease in inventories		**42**	135
(Increase)/decrease in receivables		**(620)**	1,903
Decrease in payables		**(204)**	(2,283)
Cash generated from operations		**2,618**	1,763
Finance costs	8	**(597)**	(591)
Taxation		**(309)**	(351)
Hire fleet expenditure	12	**(542)**	(826)
Sale of assets within hire fleet		**350**	784
Net cash from operating activities		**1,520**	779
Cash flows from investing activities			
Investment in joint ventures		**(183)**	—
Increase in receivables from joint ventures		**(123)**	—
Payment of deferred consideration		**—**	(1,252)
Purchase of property, plant and equipment	12	**(123)**	(163)
Sale of property, plant and equipment		**70**	86
Net cash used in investing activities		**(359)**	(1,329)
Cash flows from financing activities			
Proceeds from share capital issued		**—**	5,260
Proceeds from bank borrowings		**820**	—
Repayment of bank borrowings		**(2,154)**	(4,078)
Repayment of finance lease creditors		**(780)**	(1,053)
Net cash (used in)/from financing activities		**(2,114)**	129
Net decrease in cash and cash equivalents		**(953)**	(421)
Cash and cash equivalents at beginning of period		**2,146**	2,175
Exchange (losses)/gains on cash and cash equivalents		**(20)**	392
Cash and cash equivalents at end of period	24	**1,173**	2,146

During the period, the Group acquired property, plant and hire equipment with an aggregate cost of £811,000 (2016: £989,000), of which £146,000 (2016: £nil) was acquired by means of finance leases. This includes £542,000 (2016: £826,000) of hire fleet additions, of which £nil (2016: £nil) was acquired by means of a finance lease.

The notes on pages 28 to 52 form part of these financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

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 IFRS") 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 53 to 58.

1.2 Basis of consolidation

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

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

- the size of the Company's voting rights relative to both the size and dispersion of other parties who hold voting rights or substantive potential voting rights held by the Company and by other parties;
- other contractual arrangements; and
- historical 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 Consolidated Balance Sheet, 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.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The consolidated financial statements incorporate a share of the results, assets and liabilities of joint ventures using the equity method of accounting, whereby the investment is carried at cost plus post-acquisition changes in the share of net assets of the joint venture, less any provision for impairment. Losses in excess of the consolidated interest in joint ventures are not recognised except where the Group has a constructive commitment to make good those losses. The results of joint ventures acquired or disposed of during the year are included in the Consolidated Statement of Comprehensive Income from the effective date of acquisition or up to the effective date of disposal, as appropriate.

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.

1. Accounting policies continued

1.4 Intangible assets and amortisation continued

Development products continued

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.

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 2010, 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 2010, 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 2010, 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 2010, 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 2010, 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

Financial statements

1. Accounting policies continued

1.7 Property, plant and equipment continued

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

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

1.8 Impairment of tangible and intangible assets excluding goodwill

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

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

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

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. Accounting policies continued

1.12 Pensions

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

1.13 Share-based payments

Where share options are awarded to employees, the fair value of the options at the date of grant is charged to profit or loss over the vesting period. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each balance sheet date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Market vesting conditions are factored 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.

Judgements – As part of the review the management are required to make judgements on certain areas such as the identification of CGUs, the allocation of assets and central costs to each CGU and the selection of discount rates

Accounting estimate – An impairment review requires management to make uncertain estimates concerning the cash flows, growth rates and working capital assumptions of the cash-generating units under review 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.

Judgement – Management are required to use their judgement to determine whether the events or changes in circumstances that may indicate an impairment have arisen.

Accounting estimate – An impairment review requires management to make uncertain estimates concerning the cash flows, growth rates and discount rates of the assets or cash-generating units under review (see notes 11 and 12).

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

Accounting estimate – the estimated useful economic lives of PPE is based on management's experience. When management identifies that actual useful economic lives differ materially from the estimates used to calculate depreciation, that charge is adjusted prospectively. Due to the significance of PPE investment to the group, variations between actual and estimated useful economic lives could impact operating results both positively and negatively and, as such, this is a key source of estimation uncertainty, although historically few changes to estimated useful economic lives have been required. The Group depreciation policy is detailed in note 1.7.

Trade receivable provisions

Accounting estimate – at each reporting date 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 15). The actual level of receivables collected may differ from the estimated levels of recovery, which could impact operating results positively or negatively.

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 7 "Statement of Cash Flows"	Endorsed	1 January 2017

Standards not yet effective

There are a number of standards and interpretations which have been issued by the International Accounting Standards Board that are effective in future accounting periods that the Group has decided not to adopt early. The most significant of these are:

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"	Endorsed	1 January 2019
Amendments to IFRS 2 – Classification and measurement of share-based payments transactions	Endorsed	1 January 2018

The Directors have carried out their assessment of the impact of the standards not yet effective.

IFRS 9 is effective for periods commencing on or after 1 January 2018. Whilst many parts of the standard are not applicable to the Group, the standard requires entities to use an expected credit loss model for impairment of financial assets instead of an incurred credit loss model. This is expected to impact the way in which the Group provides for bad and doubtful receivables. The Group has a relatively low volume of relatively high value of receivables and each debt will continue to be monitored in the same way and the current expectation is that it is unlikely to have a material impact on the overall level of provisions.

1. Accounting policies continued

1.20 New standards and interpretations continued

Standards not yet effective continued

IFRS 15 is effective for periods commencing on or after 1 January 2018. This standard introduces a new revenue recognition model and replaces IAS 18 "Revenue", IAS 11 "Construction Contracts", IFRIC 13 "Customer Loyalty Programmes", IFRIC 15 "Agreements for the Construction of Real Estate", IFRIC 18 "Transfer of Assets from Customers" and SIC-31 "Revenue – Barter Transactions Involving Advertising Services".

Most of the revenue generated by the Group is from short-term rental arrangements or from the sale of goods. The Group also generates revenue from a small number of longer-term rental contracts, service contracts that are occasionally sold with the Group's equipment and recharging the cost of repairing or replacing damaged or lost hire equipment. While the introduction of IFRS 15 is expected to have a significant impact for many companies, the Directors have carefully considered the potential effects in the context of the Group's revenues and have concluded that on adoption there will be no significant changes to the way in which the Group's performance obligations to customers are identified or deemed to be satisfied and; therefore, no material impact on the revenues recognised in the financial statements.

IFRS 16 will have an impact with operating lease commitments (see note 21) 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 78% (2016: 81%) of the Group's revenue. This includes the Crestchic, NTX, Crestchic France, NME, CME, CAP, USA and China businesses; and
- Tasman Oil Tools– this segment is involved in the hire and sale of oil tools and loadcells and contributes 22% (2016: 19%) of the Group's revenue. This includes the TOTAU, TOTNZ, TOTAE, TOTSEA businesses and the Group's 49% share of OTOT.

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 £'000	Total £'000	Other trading entities £'000	Other including consolidation adjustments £'000	**2017 Total £'000**
Revenue from external customers	20,244	5,587	25,831	—	(162)	**25,669**
Finance expense	(106)	(4)	(110)	—	(487)	**(597)**
Depreciation	(3,811)	(2,122)	(5,933)	—	(294)	**(6,227)**
Amortisation	—	(59)	(59)	—	(691)	**(750)**
Profit/(loss) before tax	1,695	(3,446)	(1,751)	—	(2,630)	**(4,381)**
Group amortisation of goodwill			(691)			
Head office costs			(1,138)			
Group finance costs			(487)			
Group depreciation costs			(294)			
Other			(20)			
Group loss before tax			(4,381)			

Financial statements

2. Segment information continued

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

	Crestchic Loadbanks and Transformers £'000	Tasman Oil Tools £'000	Total £'000	Other trading entities £'000	Other including consolidation adjustments £'000	**2017 Total £'000**
Balance sheet						
Non-current asset additions						
Tangible asset additions	668	203	871	—	(60)	**811**

	Crestchic Loadbanks and Transformers £'000	Tasman Oil Tools £'000	Total £'000
Reportable segment assets	55,480	21,618	77,098
Elimination of intercompany balances			(31,633)
Elimination of investments in subsidiaries			(1,503)
Non-segment goodwill			12,345
Non-segment fixed assets			727
Other			(266)
Total Group assets			56,768
Reportable segment liabilities	(30,606)	(15,830)	(46,436)
Elimination of intercompany balances			36,290
Deferred consideration			(1,053)
Non-segmental borrowings			(9,103)
Non-segmental deferred tax			(1,095)
Other			314
Total Group liabilities			(21,083)

	Crestchic Loadbanks and Transformers £'000	Tasman Oil Tools £'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)
Group amortisation of goodwill			(692)			
Head office costs			(1,024)			
Group finance costs			(445)			
Group depreciation costs			(274)			
Other			96			
Group loss before tax			(5,504)			

	Crestchic Loadbanks and Transformers £'000	Tasman Oil Tools £'000	Total £'000	Other trading entities £'000	Other including consolidation adjustments £'000	2016 Total £'000
Balance sheet						
Non-current asset additions						
Tangible asset additions	863	126	989	—	—	989

2. Segment information continued

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

	Crestchic Loadbanks and Transformers £'000	Tasman Oil Tools £'000	Total £'000
Reportable segment assets	68,521	19,839	88,360
Assets of other trading entities			4,206
Elimination of intercompany balances			(32,711)
Elimination of investments in subsidiaries			(8,890)
Non-segment goodwill			10,985
Non-segment fixed assets			1,070
Other			7
Non-segment cash balances			2,917
Total Group assets			65,944

	Crestchic Loadbanks and Transformers £'000	Tasman Oil Tools £'000	Total £'000
Reportable segment liabilities	(31,551)	(13,350)	(44,901)
Elimination of intercompany balances			39,128
Liabilities of other trading entities			(3,997)
Deferred consideration			(1,123)
Non-segmental borrowings			(11,318)
Non-segmental current and deferred tax			(1,686)
Other			(262)
Total Group liabilities			(24,159)

	External revenue by location of sale origination		Non-current assets by location	
	2017 £'000	2016 £'000	**2017 £'000**	2016 £'000
UK	**12,816**	10,330	**11,041**	11,819
Australia	**1,802**	1,203	**4,053**	5,022
United Arab Emirates	**4,046**	4,963	**7,678**	11,679
Singapore	**2,334**	3,944	**4,306**	5,272
New Zealand	**1,369**	702	**8,987**	10,139
Belgium	**1,236**	1,408	**3,073**	4,094
France	**892**	355	**4**	7
USA	**767**	370	**—**	—
China	**389**	511	**1,658**	1,685
Malaysia	**18**	—	**1,314**	—
	25,669	23,786	**42,114**	49,717

	External revenue by type		External revenue by type	
	2017 £'000	2016 £'000	**2017 %**	2016 %
Hire of equipment	**15,811**	15,827	**61.6**	66.5
Sale of product	**9,858**	7,959	**38.4**	33.5
	25,669	23,786	**100.0**	100.00

3. Loss from operations

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

	2017 £'000	2016 £'000
Amortisation of customer relationships	**750**	749
Depreciation of property, plant and equipment:		
– owned by the Company	**5,899**	5,663
– held under finance leases	**328**	538
Operating lease rentals:		
– property leases	**424**	511
– other operating leases	**73**	66
Foreign exchange losses/(gains)	**60**	(215)
Cost of inventories recognised as an expense during the year	**4,188**	3,172
Share-based payment remuneration	**45**	96

See note 7 for auditor's fees.

4. Exceptional costs

Exceptional items incurred during the year were as follows:

	2017 £'000	2016 £'000
Acquisition costs[1]	—	103
Reorganisation costs[2]	—	654
Redundancy costs[3]	—	497
Banking costs[4]	—	104
Exceptional items	—	1,358

(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.

(2) During the prior year, the Group continued to reorganise the Group. The Singapore branch of its Loadcell business was closed and a property in Australia had been vacated, which created an onerous lease. The costs associated with the closure of these operations were disclosed as exceptional.

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

(4) Costs associated with resetting bank covenants in the prior year were deemed to be exceptional.

5. Staff costs

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

	2017 £'000	2016 £'000
Wages and salaries	**7,285**	7,913
Social security costs	**774**	787
Other pension costs	**267**	257
Redundancy and compensation for loss of office costs	—	693
Share-based payments	**45**	96
	8,371	9,746

Of the share-based payments recognised in the year £45,000 (2016: £53,000) related to key management personnel. The key management personnel are deemed to be the Directors. Of the £8,059,000 (2016: £8,700,000) of wages and salaries and social security costs paid during the year £660,000 (2016: £715,000) related to key management personnel.

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

	2017 Number	2016 Number
Technical and production	**95**	100
Sales	**29**	33
Administration	**31**	34
	155	167

6. Directors' remuneration

	2017				2016		
	Salary £'000	Compensation for loss of office £'000	Benefits £'000	Total £'000	Salary £'000	Benefits £'000	Total £'000
P R Harris	**60**	**—**	**—**	**60**	60	—	60
E W Hook	**241**	**—**	**2**	**243**	241	2	243
I J Gardner	**146**	**—**	**27**	**173**	161	92	253
I C Phillips*	**118**	**—**	**1**	**119**	53	1	54
A K Mehta	**18**	**—**	**—**	**18**	17	—	17
M G Dodson	**9**	**8**	**—**	**17**	18	—	18
N Kaul**	**12**	**—**	**—**	**12**	—	—	—
D C Marshall***	**18**	**—**	**—**	**18**	18	—	18
	622	**8**	**30**	**660**	568	95	663

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

** N Kaul was appointed on 1 May 2017.

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

7. Auditor's remuneration

	2017 £'000	2016 £'000
Fees payable to the Group's auditor for the audit of the Group and Company	**25**	23
Fees payable to the Group's auditor and associates in respect of:		
– audit of subsidiaries	**113**	109
– other assurance services	**20**	20
– tax services	**40**	43

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

	2017 £'000	2016 £'000
On bank loans and overdrafts	**419**	419
On finance leases and hire purchase contracts	**90**	124
Other	**88**	48
	597	591

9. Income tax expense

	2017 £'000	2016 £'000
Current tax expense	**780**	518
Prior year under provision of tax	**15**	48
	795	566
Deferred tax (credit)/charge resulting from the origination and reversal of temporary differences	**(550)**	228
Taxation	**245**	794

9. Income tax expense continued

Factors affecting tax charge for the year

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

	2017 £'000	2016 £'000
Loss before taxation	**(4,381)**	(5,504)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.25% (2016: 20.00%)	**(843)**	(1,101)
Effects of:		
– income not subject to tax	**(325)**	(215)
– expenses not allowable for taxation purposes	**733**	505
– difference in taxation rates	**352**	(84)
– losses not recognised as a deferred tax asset	**313**	1,641
– prior year under provision of taxation and deferred taxation	**15**	48
Total taxation charge for the year	**245**	794

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

10. Earnings per share

	2017 £'000	2016 £'000
Numerator		
Loss used in basic and diluted EPS	**(4,626)**	(6,298)

	2017 Number	2016 Number
Denominator		
Weighted average number of shares used in basic EPS	**25,899,602**	24,004,258
Effects of share options	**—**	—
Weighted average number of shares used in diluted EPS	**25,899,602**	24,004,258

At the end of the year, the Company had in issue 1,594,451 (2016: 1,391,601) 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 2017	8,640	217	152	254	15,371	24,634
Exchange differences	(247)	—	—	—	(475)	(722)
At 31 December 2017	**8,393**	**217**	**152**	**254**	**14,896**	**23,912**
Amortisation and impairment						
At 1 January 2017	4,962	217	152	254	4,955	10,540
Exchange differences	(91)	—	—	—	(120)	(211)
Amortisation charge for the year	750	—	—	—	—	750
At 31 December 2017	**5,621**	**217**	**152**	**254**	**4,835**	**11,079**
Net book value						
At 31 December 2017	**2,772**	**—**	**—**	**—**	**10,061**	**12,833**
At 31 December 2016	3,678	—	—	—	10,416	14,094

11. Intangible assets continued

	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

The remaining amortisation periods for customer relationships are as shown below:

	Remaining amortisation period (years)	Carrying value (£'000)
TAU	0.58	197
NT	4.00	95
CAP	3.75	230
TME	1.88	107
TNZ	8.75	2,143

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:

	2017 £'000	2016 £'000
Crestchic	**2,192**	2,192
NT	**961**	923
CAP	**1,235**	1,248
TNZ	**5,673**	6,053
	10,061	10,416

Impairment of intangible assets

As described in detail in the Chairman and Chief Executive's Review, the downturn in the oil and gas industry following the fall in crude oil prices in 2015 has continued to have a significant impact on the revenues and profitability of the operations of the Group in certain locations. Sentiment in these markets has improved, the Group's revenues have started to increase in the second half of 2017, and the Board is confident that this will lead to increased activity which the Group is well placed to benefit from.

The Board recognised the full impact of the downturn and in 2015 made significant impairments against the carrying value of goodwill that arose on the acquisitions of TOTAU and TOTNZ.

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 forecast for Australia and New Zealand for 2018 are lower than forecast at this point last year but from the lows of the middle of 2016 revenue trends for both entities are now positive.

11. Intangible assets continued

Impairment of intangible assets continued

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 2022. Management does not believe that any CGU will see a material change in its market share. Other major assumptions are as follows:

2017	Discount rate %	Operating (gross) margin %	Wage inflation %
Crestchic	**13**	**50**	**3**
TOTAU	**15**	**45**	**8**
NTX	**13**	**50**	**1**
TOTNZ	**15**	**65**	**4**
CAP	**13**	**55**	**0**

2016	Discount rate %	Operating (gross) margin %	Wage inflation %
Crestchic	13	50	2
TOTAU	15	40	0
NTX	13	50	3
TOTNZ	15	65	3
CAP	13	40	0

The growth rates used for TOTAU and TOTNZ assume that revenue will broadly return to 2014 levels by 2022 and will continue at this level. 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 2017 are based on forecasts for the five-year period to 31 December 2022 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, NTX 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 TOTNZ is more sensitive to movements in the discount rate and growth inflation. A growth rate of 8% 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.

The recoverable amount for TOTAU is more sensitive to movements in the discount rate and growth inflation. A growth rate of 8% lower than forecast or a discount rate of 6% 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 2017	7,282	1,697	528	1,263	49,685	60,455
Exchange differences	(251)	(42)	(6)	(38)	(1,414)	(1,751)
Additions	—	60	175	34	542	811
Disposals*	—	(10)	(119)	(35)	(650)	(814)
At 31 December 2017	**7,031**	**1,705**	**578**	**1,224**	**48,163**	**58,701**
Depreciation						
At 1 January 2017	894	653	281	705	22,299	24,832
Exchange differences	(12)	(11)	(7)	(27)	(934)	(991)
Charge for the year	148	131	80	151	5,717	6,227
On disposals	—	(4)	(93)	(29)	(522)	(648)
At 31 December 2017	**1,030**	**769**	**261**	**800**	**26,560**	**29,420**
Net book value						
At 31 December 2017	**6,001**	**936**	**317**	**424**	**21,603**	**29,281**
At 31 December 2016	6,388	1,044	247	558	27,386	35,623

* The hire fleet disposals are first transferred to inventory before disposal to third parties.

12. Property, plant and equipment continued

	Land and buildings £'000	Plant and machinery £'000	Motor vehicles £'000	Furniture and fittings £'000	Hire fleet £'000	Total £'000
Cost						
At 1 January 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

Bank borrowings are secured on the Group's assets, including freehold land and buildings (see note 17).

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

	2017 £'000	2016 £'000
Motor vehicles	**155**	136
Plant and machinery	**—**	67
Hire fleet	**655**	2,699

During the year the Group received £325,000 (2016: £359,000) 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.

13. Investments in joint ventures

The Group holds a 49% interest in a joint venture incorporated in Malaysia, Olio Tasman Oil Tools Sdn BHD. The entity provides tools and equipment to hire for the oil and gas industry in Southeast Asia.

The impact of the joint venture on the consolidated financial statements is as follows:

	2017 £'000
Carrying amount of investment at 1 January	**—**
Investment in joint ventures during the year	**183**
Share of post-tax result of joint ventures	**(188)**
Share of post-tax result of joint ventures posted against receivables from joint ventures	**5**
Carrying amount of investment at 31 December	**—**

Current assets of the joint venture are £419,000 (2016: £nil) including £2,000 of cash and cash equivalents (2016: £nil). Non-current assets of the joint venture are £114,000 (2016: £nil). Net liabilities of the joint venture are £153,000 (2016: £nil), of which the Group's share is £75,000 (2016: £nil).

Total revenue and post-tax loss of the joint venture are £370,000 and £383,000 respectively (2016: £nil and £nil). Included in these results is a charge of £6,000 for depreciation (2016: £nil). The joint venture had no contingent liabilities or capital commitments at 31 December 2017 (2016: none).

14. Inventories

	2017 £'000	2016 £'000
Raw materials	**3,036**	3,136
Work in progress	**133**	186
Finished goods	**260**	193
	3,429	3,515

15. Trade and other receivables

	2017 £'000	2016 £'000
Due within one year		
Trade receivables	**8,182**	7,441
Less provision for impairment of receivables	**(868)**	(376)
Trade receivables – net	**7,314**	7,065
Other receivables	**670**	1,028
Receivables from joint ventures	**118**	—
Prepayments	**1,220**	915
	9,322	9,008

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

	2017 £'000	2016 £'000
Pound Sterling	**2,014**	1,084
Euro	**940**	615
US Dollar	**3,132**	3,430
Australian Dollar	**601**	418
UAE Dirham	**573**	598
Singapore Dollar	**322**	1,329
New Zealand Dollar	**113**	121
Other	**289**	498
	7,984	8,093

At 31 December 2017 trade receivables of £4,390,000 (2016: £4,331,000) were past due but not impaired. They relate to customers with no default history. The ageing of these receivables is as follows:

	2017 £'000	2016 £'000
Up to three months past due	**3,132**	2,343
Three to six months past due	**355**	975
Six to twelve months past due	**163**	663
Greater than twelve months past due	**740**	350
	4,390	4,331

Since the year end £2,388,000 of the £4,390,000 has been received from customers.

At 31 December 2017 trade receivables of £868,000 (2016: £376,000) 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:

	2017 £'000	2016 £'000
Less than twelve months	**244**	58
Greater than twelve months	**624**	318

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:

	2017 £'000	2016 £'000
Opening balance	**376**	496
Exchange differences	**(10)**	37
Amounts written off	**(11)**	(96)
Recovered amounts reversed	**(23)**	(138)
Increase in provisions	**536**	77
Closing balance	**868**	376

The maximum exposure to credit risk, including cash balances, at 31 December 2017 is £9,886,000 (2016: £11,797,000).

16. Current liabilities

Trade and other payables – current

	2017 £'000	2016 £'000
Trade payables	**2,632**	3,323
Social security and other taxes	**325**	356
Other payables	**257**	147
Accruals and deferred income	**2,169**	1,745
	5,383	5,571

17. Financial liabilities

Current

	2017 £'000	2016 £'000
Bank borrowings – secured	**3,368**	3,705
Capitalised debt fees	**(41)**	(92)
Total	**3,327**	3,613
Net obligations under finance leases and hire purchase agreements	**290**	754
Total	**3,617**	4,367

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 the 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:

	2017 £'000	2016 £'000
Expiry within one year	**3,368**	3,705
More than one year and less than two years	**6,738**	1,972
More than two years and less than five years	**6**	6,495
Total	**10,112**	12,172

Overdrawn balances of £730,000 (2016: £1,558,000) are repayable on demand and are included in bank borrowings which expire within one year.

At the year end the Group had £1.25 million of undrawn funds (2016: £1.5 million) on its revolving credit facility available. The Group has outstanding warranty guarantees totalling £139,000 (2016: £725,000) relating to the sales of manufactured equipment.

Other financial liabilities

	2017 £'000	2016 £'000
Deferred consideration for purchase of subsidiary	**1,053**	1,123
	1,053	1,123

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

2017	Minimum lease payments £'000	Interest £'000	Present value £'000
Not later than one year	**329**	**39**	**290**
Between one and five years	**306**	**37**	**269**
	635	**76**	**559**

Financial statements

17. Financial liabilities continued

Other financial liabilities continued

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

Non-current financial liabilities

	2017 £'000	2016 £'000
Bank borrowings – secured	**6,744**	8,467
Capitalised debt fees	**—**	(87)
Total	**6,744**	8,380
Net obligations under finance leases and hire purchase agreements	**269**	424
Total	**7,013**	8,804

Based upon the established market rates prevailing at 31 December 2017 the fair value of all financial liabilities is not materially different to the carrying value.

18. Deferred taxation

	2017 £'000	2016 £'000
Opening provision	**3,621**	2,987
Taken to Statement of Comprehensive Income in current year	**(550)**	228
Foreign exchange difference	**(69)**	406
Closing provision	**3,002**	3,621

The provision for deferred taxation is made up as follows:

	2017 £'000	2016 £'000
Accelerated capital allowances	**1,907**	2,176
Fair value adjustment to property, plant and equipment on acquisition	**366**	483
Fair value of intangibles on acquisition	**729**	962
	3,002	3,621

The Group has unrecognised tax losses carried forward of £1,954,000 (2016: £1,641,000). 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.

19. Share capital

	2017 £'000	2016 £'000
Allotted, called up and fully paid		
26,114,752 ordinary shares of 10 pence each (2016: 26,114,752 ordinary shares of 10 pence each)	**2,611**	2,611

	2017		2016	
	Number	£'000	Number	£'000
Ordinary shares of 10 pence each				
At beginning of year	**26,114,752**	**2,611**	18,640,708	1,864
Issue of new shares	**—**	**—**	7,474,044	747
At end of year	**26,114,752**	**2,611**	26,114,752	2,611

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

	2017 Number	2016 Number
Treasury shares held by the Company	**215,150**	215,150

19. Share capital continued

Capital management

The Group considers its capital to comprise its ordinary share capital, 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.

20. 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 £267,000 (2016: £257,000). No amounts were owing at the year end (2016: £nil).

21. Operating lease commitments

At 31 December 2017 the total future value of minimum lease payments is due as follows:

	2017 £'000	2016 £'000
Property		
Not later than one year	**414**	416
Later than one year and not later than five years	**426**	842
	840	1,258
Other assets		
Not later than one year	**47**	74
Later than one year and not later than five years	**41**	23
	88	97
Total	**928**	1,355

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

22. Subsidiaries

The following are the subsidiary undertakings of the Company:

Company name	Country of incorporation	Registered office	Percentage shareholding
Crestchic Ltd	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 Services Limited	United Kingdom	Second Avenue, Centrum 100, Burton DE14 2WF	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%*
Crestchic (Middle East) Technical Services LLC	United Arab Emirates	PO Box 211520, Dubai	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.

22. Subsidiaries continued

Of the subsidiaries listed, Crestchic Ltd 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.

23. Share-based payments

The Company operates two equity-settled share-based remuneration schemes: an HMRC-approved scheme and an unapproved scheme.

	2017		2016	
	Weighted average exercise price (pence)	Number	Weighted average exercise price (pence)	Number
Outstanding at the beginning of the year	**228**	**1,391,601**	267	1,156,801
Share options surrendered during the year	**228**	**(1,391,601)**	—	—
Granted during the year – replacements	**228**	**1,391,601**	90	280,000
Granted during the year – new	**102**	**231,750**	—	—
Share options lapsed during the year	**319**	**(28,900)**	317	(45,200)
Outstanding at the end of the year	**208**	**1,594,451**	228	1,391,601

The exercise price of options outstanding at the end of the year ranged between 89.50 pence and 453.50 pence (2016: 89.50 pence and 453.50 pence) and their weighted average contractual life was seven months (2016: one year seven months). The weighted average exercise price of the options is 208 pence (2016: 228 pence).

Of the total number of options outstanding at the end of the year, 953,768 (2016: 705,101) had vested and were exercisable at the end of the year. The schemes have been valued using the Black Scholes pricing model.

As a result of the significant fall in the Company's share price during 2015 and 2016, the share price in May 2016 was well below the exercise price of many of the outstanding awards made prior to 2016. The Remuneration Committee believed that the fall was due to adverse market conditions and decided to extend the life of all options granted between 2006 and 2014 to give option holders more time to exercise their options. It was agreed that the lives of the outstanding options granted would be extended as follows:

Option grant year	Extension period
2006–2010	Five years
2011	Four years
2012	Three years
2013	Two years
2014	One year

New approved and unapproved schemes were required to be established in 2017 and, to avoid making changes to the previous schemes, all of the outstanding options granted under the previous schemes have been surrendered and replaced by options granted under the new schemes with the same terms as the surrendered options.

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

	2017
Options granted during the year	**231,750**
Date of grant	**5 May 2017**
Fair value per option at measurement date	**102 pence**
Share price	**102 pence**
Exercise price	**102 pence**
Weighted average exercise price	**102 pence**
Weighted average exercise life	**Two years four months**
Expected volatility	**33%**
Earliest exercisable point	**Three years**
Option life	**Ten years**
Risk-free interest rate	**0.5%**

23. Share-based payments continued

	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	Two years four months
Expected volatility	33%
Earliest exercisable point	Three years
Option life	Ten years
Risk-free interest rate	0.5%

The volatility rate is based on the average share price movement during the year ended 31 December 2017 and during the year ended 31 December 2016.

The share-based remuneration expense for the year is £45,000 (2016: £96,000), of which £45,000 (2016: £53,000) relates to key management personnel.

The following share options were outstanding at 31 December 2017:

Type of scheme	Date of grant	**Number of shares 2017**	Number of shares 2016
Unapproved share option	30 May 2006	—	118,659
Unapproved share option	2 April 2007	—	102,746
Unapproved share option	9 April 2008	—	41,098
Unapproved share option	20 April 2009	—	53,098
Unapproved share option	30 September 2010	—	140,000
Unapproved share option	30 March 2011	—	19,737
Approved share option	30 March 2011	—	1,763
Unapproved share option	21 April 2011	—	75,000
Unapproved share option	18 April 2012	—	143,494
Approved share option	18 April 2012	—	9,506
Unapproved share option	18 April 2013	—	115,041
Approved share option	18 April 2013	—	19,959
Unapproved share option	10 April 2014	—	117,783
Approved share option	10 April 2014	—	15,717
Unapproved share option	17 April 2015	—	136,074
Approved share option	17 April 2015	—	9,926
Unapproved share option	10 May 2016	—	264,500
Approved share option	10 May 2016	—	7,500
Approved share option	5 May 2017	**152,299**	—
Unapproved share option	5 May 2017	**1,442,152**	—
		1,594,451	1,391,601

Financial statements

23. Share-based payments continued

Directors' share options

	Date of grant	Number of shares	Exercise price of shares (pence)	Normal exercise period	Scheme type
E W Hook	5 May 2017	118,659	100.64	05/05/2017–30/05/2021	Unapproved
E W Hook	5 May 2017	102,746	146.96	05/05/2017–02/04/2022	Unapproved
E W Hook	5 May 2017	41,098	150.86	05/05/2017–09/04/2023	Unapproved
E W Hook	5 May 2017	41,098	149.88	05/05/2017–20/04/2024	Unapproved
E W Hook	5 May 2017	120,000	186.00	05/05/2017–30/09/2025	Unapproved
E W Hook	5 May 2017	75,000	237.00	05/05/2017–21/04/2025	Unapproved
E W Hook	5 May 2017	60,000	281.50	05/05/2017–18/04/2025	Unapproved
E W Hook	5 May 2017	48,000	327.50	05/05/2017–18/04/2025	Unapproved
E W Hook	5 May 2017	50,000	453.50	05/05/2017–10/04/2025	Unapproved
E W Hook	5 May 2017	50,000	377.50	17/04/2018–17/04/2025	Unapproved
E W Hook	5 May 2017	100,000	89.50	10/05/2019–10/05/2026	Unapproved
E W Hook	5 May 2017	29,411	102.00	05/05/2020–05/05/2027	Approved
E W Hook	5 May 2017	20,589	102.00	05/05/2020–05/05/2027	Unapproved
I J Gardner	5 May 2017	20,000	281.50	05/05/2017–18/04/2025	Unapproved
I J Gardner	5 May 2017	16,000	327.50	05/05/2017–18/04/2025	Unapproved
I J Gardner	5 May 2017	20,000	453.50	05/05/2017–10/04/2025	Unapproved
I J Gardner	5 May 2017	20,000	377.50	17/04/2018–17/04/2025	Unapproved
I J Gardner	5 May 2017	20,000	89.50	10/05/2019–10/05/2026	Unapproved
I J Gardner	5 May 2017	20,000	102.00	05/05/2020–05/05/2027	Unapproved
I C Phillips	5 May 2017	10,000	281.50	05/05/2017–18/04/2025	Unapproved
I C Phillips	5 May 2017	8,000	327.50	05/05/2017–18/04/2025	Unapproved
I C Phillips	5 May 2017	3,898	453.50	05/05/2017–10/04/2025	Unapproved
I C Phillips	5 May 2017	4,102	453.50	05/05/2017–10/04/2025	Approved
I C Phillips	5 May 2017	6,981	377.50	17/04/2018–17/04/2025	Unapproved
I C Phillips	5 May 2017	3,019	377.50	17/04/2018–17/04/2025	Approved
I C Phillips	5 May 2017	20,000	89.50	10/05/2019–10/05/2026	Unapproved
I C Phillips	5 May 2017	20,000	102.00	05/05/2020–05/05/2027	Approved
		1,048,601			

	2017 Number of options	2016 Number of options
E W Hook	**856,601**	806,601
I J Gardner	**116,000**	96,000
I C Phillips	**76,000**	56,000
	1,048,601	958,601

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.

24. Note supporting cash flow statement

	2017 £'000	2016 £'000
Cash and cash equivalents comprises:		
– cash available on demand	**1,903**	3,704
– overdrawn balances	**(730)**	(1,558)
	1,173	2,146

24. Note supporting cash flow statement continued

	Non-current loans and borrowings (note 17) £'000	Current loans and borrowings (note 17) £'000	Total £'000
At 1 January 2017	8,804	4,367	13,171
Cash flows	(2,684)	570	(2,114)
Non-cash flows:			
Movement between cash and overdrawn balances	—	(830)	(830)
Effects of foreign exchange	—	28	28
Amortisation of debt fees	87	142	229
New finance leases	35	111	146
Loans and borrowings classified as non-current at 31 December 2016 becoming current during 2017	771	(771)	—
At 31 December 2017	**7,013**	**3,617**	**10,630**

25. Financial instruments

Financial instrument risk exposure and management

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

There have 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.

Further details regarding these policies are set out below:

Categories of financial assets and financial liabilities

	Loans and receivables at amortised cost	
	2017 £'000	2016 £'000
Current financial assets		
Trade and other receivables	**7,983**	8,093
Cash and cash equivalents	**1,903**	3,704
Total current financial assets	**9,886**	11,797

25. Financial instruments continued

Financial instrument risk exposure and management continued

Categories of financial assets and financial liabilities continued

	Financial liabilities measured at amortised cost	
	2017 £'000	2016 £'000
Current financial liabilities		
Trade and other payables	**5,058**	5,215
Loans and borrowings	**3,619**	4,367
Deferred consideration	**1,053**	1,123
Total current financial liabilities	**9,730**	10,705
Non-current financial liabilities		
Loans and borrowings	**7,013**	8,804
Total non-current financial liabilities	**7,013**	8,804
Total financial liabilities	**16,743**	19,509

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.

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

2017	**Up to 12 months £'000**	**Between 1 and 2 years £'000**	**Between 2 and 5 years £'000**
Trade and other payables	**5,058**	**—**	**—**
Loans and borrowings	**3,619**	**6,933**	**80**
Deferred consideration	**1,053**	**—**	**—**
	9,730	**6,933**	**80**

25. Financial instruments continued

Financial instrument risk exposure and management continued

Liquidity risk continued

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

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 a £659,000 balance drawn on this facility (2016: £nil).

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 £53,000 (2016: £66,000). 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. There were no forward contracts open at the year end.

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

	2017 Floating rate £'000	2016 Floating rate £'000
Pound Sterling	**277**	1,401
Euro	**1,146**	964
US Dollar	**233**	511
UAE Dirham	**93**	81
Australian Dollar	**11**	97
Singapore Dollar	**81**	657
Other	**62**	(7)
	1,903	3,704

The overdrawn balance has been presented in financial liabilities.

25. Financial instruments continued

Financial instrument risk exposure and management continued

Currency risk continued

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

	10% increase		10% decrease	
	Effect on loss before tax £'000	Effect on shareholders' equity £'000	Effect on loss before tax £'000	Effect on shareholders' equity £'000
31 December 2017				
Euro	**(54)**	**(159)**	**67**	**194**
US Dollar	**(129)**	**(192)**	**157**	**235**
UAE Dirham	**—**	**(45)**	**—**	**55**
Singapore Dollar	**—**	**(4)**	**—**	**5**
Australian Dollar	**—**	**20**	**—**	**(24)**
New Zealand Dollar	**—**	**2**	**—**	**(3)**
Other	**—**	**(33)**	**—**	**40**
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

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.

26. Related parties

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

As at the year end there was a net balance of £118,000 (2016: £nil) owed by joint ventures. These amounts are unsecured, have no fixed date of repayment and are repayable on demand. Amounts owed by joint ventures are assessed for recoverability and, where necessary, provided for in line with normal commercial transactions. Sales by the Group to joint ventures during the year amount to £18,000 (2016: £nil).

27. Post-balance sheet events

On 12 April the Group announced the extension of banking facilities with the Royal Bank of Scotland to 30 June 2021 and the issue of £4.0 million of loan notes. £3.2 million of the loan notes are convertible to ordinary shares of the Company at a conversion price of 125p pence per share. If not converted, the bonds are due for repayment in July 2021 although they include the option to extend the term of the instruments by two one-year periods on the consent of Northbridge and the bondholders. The interest rate on the bonds is 8% until July 2021 and 10% after this date.

This has simplified the Group's debt structure and has allowed the consolidation of its bank funding solely with RBS the Group's existing UK lead bank, and allowed KBC Bank to exit completely from the joint banking facility. The overall level of debt will not alter and will continue to amortise, however the new arrangement with RBS will now extend the Group's facility to June 2021 and capital repayments have been reduced accordingly. This will increase the Group's free cash resources and allow for further modest increases in capital expenditure as the recovery gathers pace

If the convertible loan notes are converted, then future Earnings Per Share will decrease.

PARENT COMPANY ACCOUNTS UNDER FRS 101

Parent company balance sheet
As at 31 December 2017

Company number: 05326580	Note	2017 £'000	2016 £'000
Fixed assets			
Fixed asset investments	4	**28,787**	28,787
		28,787	28,787
Current assets			
Debtors	6	**12,410**	13,220
Cash and cash equivalents		**65**	1,310
		12,475	14,530
Creditors: amounts falling due within one year	7	**(4,046)**	(3,402)
Net current assets		**8,429**	11,128
Total assets less current liabilities		**37,216**	39,915
Creditors: amounts falling due after more than one year	8	**(6,638)**	(8,075)
Net assets		**30,578**	31,840
Capital and reserves			
Called up share capital	10	**2,611**	2,611
Share premium account		**27,779**	27,779
Merger reserve		**2,810**	2,810
Treasury share reserve		**(451)**	(451)
Profit and loss account		**(2,171)**	(909)
Shareholders' funds		**30,578**	31,840

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 £1,307,000 (2016: £1,355,000).

The notes on pages 55 to 58 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 12 April 2018.

Eric Hook
Director

The Directors' Report is on pages 16 to 19 and the Strategic Report is on pages 6 to 13 of the annual report and accounts.

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2017

	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 2017	2,611	27,779	2,810	(451)	(909)	31,840
Loss for the year	—	—	—	—	(1,307)	(1,307)
Other comprehensive loss	—	—	—	—	—	—
Total comprehensive loss for the year	—	—	—	—	(1,307)	(1,307)
Share option expense	—	—	—	—	45	45
Balance at 31 December 2017	**2,611**	**27,779**	**2,810**	**(451)**	**(2,171)**	**30,578**

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

The notes on pages 55 to 58 form part of these financial statements.

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

For the year ended 31 December 2017

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.

For the year ended 31 December 2017

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

Accounting estimate – The Group is required to test whether investments have suffered any impairment. An impairment review requires management to make uncertain estimates concerning the cash flows, growth rates and discount rates of the assets or cash-generating units under review.

The cash flows, growth rates and discount rates of the assets or cash-generating units under review (see notes 11 and 12 of the Group financial statements).

Recoverability of amounts owed by Group undertakings

Accounting estimate – at each reporting date the Board assesses the requirement to make provisions against the carrying value of Group receivables based on the Group undertakings' net assets, cash balances and value in use. The actual level of receivables collected may differ from the estimated levels of recovery, which could impact operating results positively or negatively.

2. Staff costs

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

	2017 £'000	2016 £'000
Wages and salaries	**466**	443
Social security costs	**55**	52
Share-based payments	**45**	73
	566	568

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

	2017 Number	2016 Number
Full time – administration	**2**	2
Part-time – administration	**4**	4
	6	6

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 2017	28,787
Additions	—
At 31 December 2017	**28,787**

Subsidiary undertakings

Details of all subsidiary undertakings and their principal activities are included in note 22 of the Group financial statements.

5. Tangible fixed assets

	Fixtures and fittings £'000
Cost	
At 1 January 2017	43
Additions	—
At 31 December 2017	**43**
Depreciation	
At 1 January 2017	43
Charge for the year	—
At 31 December 2017	**43**
Net book value	
At 31 December 2017	**—**
At 31 December 2016	—

6. Debtors

	2017 £'000	2016 £'000
Amounts owed by Group undertakings	**12,368**	13,210
Other debtors	**29**	2
Prepayments and accrued income	**13**	8
	12,410	13,220

All amounts shown under debtors fall due for payment within one year.

7. Creditors: amounts falling due within one year

	2017 £'000	2016 £'000
Bank loans and overdraft net of capitalised debt fees	**2,466**	1,683
Amounts payable to Group undertakings	**1,469**	1,469
Trade creditors	**33**	46
Social security and other taxes	**—**	102
Other creditors	**78**	102
	4,046	3,402

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

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

	2017 £'000	2016 £'000
Bank loan net of capitalised debt fees	**6,638**	8,075

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 the Bank of Scotland on account of each Group company (as principal); and
- an assignment of keyman policies on Eric Hook.

For the year ended 31 December 2017

9. Financial instruments

Borrowing facilities

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

	2017 £'000	2016 £'000
Expiry within one year	**2,466**	1,683
More than one year and less than two years	**6,638**	1,715
More than two years and less than five years	**—**	6,360
Total	**9,104**	9,758

The Company has £1.25 million (2016: £1.5 million) undrawn on a revolving credit facility as at 31 December 2017.

10. Share capital

	2017 £'000	2016 £'000
Allotted, called up and fully paid		
26,114,752 ordinary shares of 10 pence each (2016: 26,114,752 ordinary shares of 10 pence each)	**2,611**	2,611

	2017		2016	
	Number	£'000	Number	£'000
Ordinary shares of 10 pence each				
At beginning of year	**26,114,752**	**2,611**	18,640,708	1,864
Issue of new shares	**—**	**—**	7,474,044	747
At end of year	**26,114,752**	**2,611**	26,114,752	2,611

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

	2017 Number	2016 Number
Treasury shares held by the Company	**215,150**	215,150

11. Post-balance sheet events

On 12 April the Group announced the extension of banking facilities with the Royal Bank of Scotland to 30 June 2021 and the issue of £4.0 million of loan notes. £3.2 million of the loan notes are convertible to ordinary shares of the company at a conversion price of 125p pence per share. If not converted, the bonds are due for repayment in July 2021 although they include the option to extend the term of the instruments by two one-year periods on the consent of Northbridge and the bondholders. The interest rate on the bonds is 8% until July 2021 and 10% after this date.

This has simplified the Group's debt structure and has allowed the consolidation of its bank funding solely with RBS the Group's existing UK lead bank, and allowed KBC Bank to exit completely from the joint banking facility. The overall level of debt will not alter and will continue to amortise, however the new arrangement with RBS will now extend the Group's facility to June 2021 and capital repayments have been reduced accordingly. This will increase the Group's free cash resources and allow for further modest increases in capital expenditure as the recovery gathers pace

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the eleventh Annual General Meeting of Northbridge Industrial Services plc will be held at the offices of Buchanan Communications, 107 Cheapside, London EC2V 6DN, on 31 May 2018, commencing at 12 noon for the following purposes:

Ordinary business

1. To receive and adopt the financial statements for the year ended 31 December 2017 together with the Directors' Report and the Independent Auditor's Report.
2. To re-elect as a Director D C Marshall, who retires in accordance with the Company's Articles of Association.
3. To re-elect as a Director A K Mehta, who retires in accordance with the Company's Articles of Association.
4. 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.
5. 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

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

   That, subject to the passing of resolution 5 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 5(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

7. To consider and, if thought 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
12 April 2018

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 29 May 2018 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, Link 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
Link Asset Services
65 Gresham Street
London EC2V 7NQ