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 2018 which comprise the consolidated statement of comprehensive income, the consolidated and parent company balance sheets, the consolidated cash flow statement, the consolidated and parent company statements of changes in equity and the notes to the financial statements, including a summary of 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's and of the parent company's affairs as at 31 December 2018 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 the 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.

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's 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 period 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 these matters.

Matter	Our response
Goodwill and intangible assets – impairment assessment *Refer to the accounting policies and significant judgements and estimates (Note 1).* 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 these impairment reviews which, in the absence of reliable information to determine the market values, require assessments of the value in use of each relevant cash generating unit ("CGUs"), the directors have concluded that no further impairments were required as explained within Note 12. We focused on this area because the determination of whether or not an impairment of goodwill and other intangible assets was necessary involves significant judgement including the determination of CGUs, the allocation of trading results and assets to CGUs and an assessment of the future results for each CGU and the wider economies in which they operate. This includes consideration of the long-term growth rates, profit margins and the discount rates.	For all CGUs with goodwill, or where impairment reviews are required, we evaluated the directors' determination of the CGUs and the allocation of assets and trading results thereto, considering forecast future cash flows, the integrity of the underlying assumptions and the process by which they were prepared. This included comparing them to the latest Board approved budgets and comparison against prior outturns. We also verified the integrity of the value in use model used to establish that it complied with the approach required by relevant accounting standards. Our consideration of management's assessment of the long-term revenue growth rates and profit margins included considering the external evidence available to support the assumptions and we also applied our own independent expectations to sensitise the assumptions. 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.

INDEPENDENT AUDITOR'S REPORT CONTINUED

To the members of Northbridge Industrial Services plc

Key audit matters continued

Matter	Our response
Tangible fixed assets – useful economic lives and residual values *Refer to the accounting policies and significant judgements and estimates (Note 1).* The directors are required to reassess useful economic lives and residual values annually in accordance with accounting standards to ensure they remain appropriate. Having done so, they have concluded that they remain appropriate, with no evidence suggesting any revisions are required. 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 £21,320,000) 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 2018.	We challenged the directors' conclusion that no revisions were required to the previously adopted useful economic lives and residual values by: ■ comparing the estimated useful economic lives and residual values of the 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 emerging improved trading conditions, which is expected to result in increasing utilisation of the assets in future years; and ■ considering whether the judgements supporting the estimated useful economic lives were consistent with the judgements made by the directors' elsewhere in the financial statements.
Recoverability of accounts receivable *Refer to the accounting policies and significant judgements and estimates (Note 1) and Notes 4 and 16.* The group has exposures to debts around the world and its accounts receivable include a number of significant overdue balances. The group has experienced a trend of increasing amounts of overdue debts, particularly within the Middle East, with the increased risk of impairments arising. Applying the expected credit loss model, with specific provisions against identified customer accounts with a significant known credit risk, a provision of £1,221,000 has been established at 31 December 2018. Management apply a strict process, with regular Board oversight, in order to assess the level of provisions for impaired accounts receivable. They assess the exposures and level of provision through 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 expected credit loss which is established from historic payment trends and future market sentiment, security held and other local market intelligence.	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. We tested the management's calculations to identify the level of provisions against potentially impaired debts, including testing the integrity of the reports used and the ageing of the accounts receivable balances by agreeing a sample of entries to underlying documentation. In addition to the application of an expected credit loss approach, management also identified specific historic debts which fell outside of the forward looking expected credit loss model. For these balances, we challenged management's assessment of the need for additional provisions. To test completeness of the overall provision; we tested a sample of accounts receivable 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.

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 £270,000 (2017 – £250,000), which was based on 1.0% of turnover.

We determined materiality in respect of the audit of the parent company to be £256,000 (2017 – £235,000) using a benchmark of 2% of total assets, restricted to 95% of group materiality.

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 £202,000 (2017 – £187,000) for the group and £192,000 (2017 – £176,000) for the parent company which represents 75% (2017 – 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 £13,500 (2017 – £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 £270,000, materiality for each component of the group was £256,000. 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 85% of revenue, 80% of the loss and 85% 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, 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.

INDEPENDENT AUDITOR'S REPORT CONTINUED

To the members of Northbridge Industrial Services plc

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 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, 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 statement of directors' responsibilities set out on page 20, 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 the 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: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report
This report is made solely to the parent 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 parent 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 parent company and the parent company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Andrew Mair (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
Birmingham
United Kingdom
11 April 2019

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 2018

	Note	2018 £'000	2017 £'000
Revenue	2	**26,936**	25,669
Cost of sales		**(15,674)**	(16,331)
Gross profit		**11,262**	9,338
Operating costs		**(12,100)**	(12,398)
Impairment loss on trade receivables:			
Excluding exceptional cost		**(154)**	(536)
Exceptional cost	4	**(712)**	—
Total impairment loss on trade receivables		**(866)**	(536)
Share of post-tax result of joint ventures		**(364)**	(188)
Loss from operations	5	**(2,068)**	(3,784)
Finance costs	9	**(654)**	(597)
Loss before tax excluding exceptional cost		**(2,010)**	(4,381)
Exceptional items	4	**(712)**	—
Loss before taxation		**(2,722)**	(4,381)
Taxation	10	**313**	(245)
Loss for the year attributable to the equity holders of the parent		**(2,409)**	(4,626)
Other comprehensive income/(loss)			
Exchange differences on translating foreign operations		**638**	(1,519)
Other comprehensive income/(loss) for the year, net of tax		**638**	(1,519)
Total comprehensive loss for the year attributable to equity holders of the parent		**(1,771)**	(6,145)
Loss per share			
– basic (pence)	11	**(8.9)**	(17.9)
– diluted (pence)	11	**(8.9)**	(17.9)

All amounts relate to continuing operations.

The notes on pages 31 to 56 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2018

	Share capital £'000	Convertible debt option reserve £'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 2018	2,611	—	27,779	2,810	3,010	(451)	(74)	35,685
Loss for the year	—	—	—	—	—	—	(2,409)	(2,409)
Other comprehensive income	—	—	—	—	638	—	—	638
Total comprehensive loss for the year	—	—	—	—	638	—	(2,409)	(1,771)
Purchase of non-controlling interest	—	—	—	—	—	—	(77)	(77)
Issue of ordinary shares	200	—	2,171	—	—	—	—	2,371
Issue of convertible loan notes	—	201	—	—	—	—	—	201
Share option expense	—	—	—	—	—	—	50	50
Balance at 31 December 2018	**2,811**	**201**	**29,950**	**2,810**	**3,648**	**(451)**	**(2,510)**	**36,459**

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

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

Reserve	Description and purpose
Share capital	Amount subscribed for share capital.
Convertible debt option reserve	Amount of proceeds on issue of convertible debt relating to the equity component (i.e. option to convert the debt into 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 31 to 56 form part of these financial statements.

CONSOLIDATED BALANCE SHEET

As at 31 December 2018

		2018		2017	
Company number: 05326580	Note	£'000	£'000	£'000	£'000
ASSETS					
Non-current assets					
Intangible assets	12	12,333		12,833	
Property, plant and equipment	13	28,872		29,281	
Investments accounted for using the equity method	14	—		—	
			41,205		42,114
Current assets					
Inventories	15	4,288		3,429	
Trade and other receivables	16	7,902		9,322	
Cash and cash equivalents		2,302		1,903	
			14,492		14,654
Total assets			55,697		56,768
LIABILITIES					
Current liabilities					
Trade and other payables	17	5,306		5,383	
Financial liabilities	18	3,145		3,617	
Other financial liabilities	18	—		1,053	
Current tax liabilities		660		1,015	
			9,111		11,068
Non-current liabilities					
Financial liabilities	18	7,851		7,013	
Deferred tax liabilities	19	2,276		3,002	
			10,127		10,015
Total liabilities			19,238		21,083
Total net assets			36,459		35,685
Capital and reserves attributable to equity holders of the Company					
Share capital	20		2,811		2,611
Convertible debt option reserve			201		—
Share premium			29,950		27,779
Merger reserve			2,810		2,810
Foreign exchange reserve			3,648		3,010
Treasury share reserve			(451)		(451)
Retained earnings			(2,510)		(74)
Total equity			36,459		35,685

The notes on pages 31 to 56 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 11 April 2019.

Eric Hook
Director

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2018

	Note	2018 £'000	2017 £'000
Cash flows from operating activities			
Net loss before taxation		**(2,722)**	(4,381)
Adjustments for:			
– amortisation of intangible assets	12	**576**	750
– amortisation of capitalised debt fee		**126**	229
– depreciation of property, plant and equipment	13	**5,379**	6,227
– profit on disposal of tangible fixed assets		**(537)**	(255)
– share of post-tax results of joint ventures		**364**	188
– finance costs	9	**654**	597
– share option expense	24	**50**	45
		3,890	3,400
(Increase)/decrease in inventories		**(853)**	42
Decrease/(increase) in receivables		**1,507**	(620)
Decrease in payables		**(258)**	(204)
Cash generated from operations		**4,286**	2,618
Finance costs		**(574)**	(597)
Taxation		**(651)**	(309)
Increase in receivables from joint ventures		**(402)**	(123)
Hire fleet expenditure	13	**(4,469)**	(542)
Sale of assets within hire fleet		**844**	350
Net cash (used in)/from operating activities		**(966)**	1,397
Cash flows from investing activities			
Investment in joint ventures		**—**	(183)
Payment of deferred consideration		**(1,130)**	—
Purchase of property, plant and equipment	13	**(243)**	(123)
Sale of property, plant and equipment		**8**	70
Net cash used in investing activities		**(1,365)**	(236)
Cash flows from financing activities			
Proceeds from share capital issued		**2,371**	—
Proceeds from bank and other borrowings		**10,923**	909
Debt issue costs		**(437)**	(89)
Repayment of bank and other borrowings		**(9,116)**	(2,154)
Repayment of finance lease creditors		**(299)**	(780)
Net cash from/(used in) financing activities		**3,442**	(2,114)
Net increase/(decrease) in cash and cash equivalents		**1,111**	(953)
Cash and cash equivalents at beginning of period		**1,173**	2,146
Exchange gains/(losses) on cash and cash equivalents		**18**	(20)
Cash and cash equivalents at end of period	25	**2,302**	1,173

During the period, the Group acquired property, plant and hire equipment with an aggregate cost of £4,732,000 (2017: £811,000), of which £20,000 (2017: £146,000) was acquired by means of finance leases. This includes £4,469,000 (2017: £542,000) of hire fleet additions, of which £nil (2017: £nil) was acquired by means of a finance lease.

The notes on pages 31 to 56 form part of these financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

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 57 to 62.

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 which 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 consideration receivable by the Group in respect of goods and services supplied exclusive of value-added tax and trade discounts. The Group does not enter contracts with variable consideration.

Revenue is recognised using a five-step process:

- Identify the contract with the customer
- Identify separate performance obligations in the contract
- Determine the transaction price
- Allocate the transaction price to the performance conditions
- Recognise revenue when each performance obligation is satisfied

Revenue is recognised as follows:

Hire of equipment – Over time on a straight line basis as the performance obligation is satisfied.

Ancillary revenue and transport related to the hire of equipment – At a point in time when the performance obligation is satisfied.

Sale and service of equipment – At a point in time when the performance obligation is satisfied.

Revenue generated from the hire of equipment is recognised over time as the customer obtains the benefit of the equipment over time.

1. Accounting policies continued

1.3 Revenue continued

IFRIC 4 "Determining Whether an Arrangement Constitutes a Lease" requires that any arrangement that is dependent on the use of a specific asset or assets and that conveys a right to use the asset is accounted for as a lease. The Directors have used their judgement to consider the requirements of IFRIC 4 and concluded that none of the Group's contracts are dependent on the use of a specific asset or assets as the Group can swap in and out the rental fleet required to provide the services to our customers.

1.4 Intangible assets and amortisation

Development products

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

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

Capitalised development costs are amortised over seven years. The amortisation expense is included within the operating costs line in the Statement of Comprehensive Income.

Development expenditure not satisfying the above criteria and expenditure on the research phase of internal projects are recognised within the operating costs line in the Statement of Comprehensive Income.

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. Accounting policies continued

1.7 Property, plant and equipment

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

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

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

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

1.8 Impairment of tangible and intangible assets excluding goodwill

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

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

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

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. Accounting policies continued

1.11 Foreign currencies

Transactions entered into by Group entities in a currency other than the currency of the primary economic environment in which they operate (their "functional currency") are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the balance sheet date. Exchange differences arising on the retranslation of unsettled monetary assets and liabilities are recognised in the Statement of Comprehensive Income.

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

Exchange differences recognised in the Statement of Comprehensive Income of the Group's entities' separate financial statements on the translation of long-term monetary items forming part of the Group's net investment in the overseas operation concerned are reclassified to the foreign exchange reserve on consolidation.

1.12 Pensions

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

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.

Amortised cost

These assets arise principally from the provision of goods and services to customers (e.g. trade receivables), but also incorporate other types of financial assets where the objective is to hold these assets in order to collect contractual cash flows and the contractual cash flows are solely payments of principal and interest. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.

Impairment provisions for current and non-current trade receivables are recognised based on the simplified approach within IFRS 9 using a provision matrix in the determination of the lifetime expected credit losses. During this process the probability of the non-payment of the trade receivables is assessed. This probability is then multiplied by the amount of the expected loss arising from default to determine the lifetime expected credit loss for the trade receivables. For trade receivables, which are reported net, such provisions are recorded in a separate provision account with the loss being recognised within cost of sales in the Consolidated 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.

Impairment provisions for receivables from related parties and loans to related parties are recognised based on a forward-looking expected credit loss model. The methodology used to determine the amount of the provision is based on whether there has been a significant increase in credit risk since initial recognition of the financial asset. For those where the credit risk has not increased significantly since initial recognition of the financial asset, twelve-month expected credit losses along with gross interest income are recognised. For those for which credit risk has increased significantly, lifetime expected credit losses along with the gross interest income are recognised. For those that are determined to be credit impaired, lifetime expected credit losses along with interest income on a net basis are recognised.

From time to time, the Group elects to renegotiate the terms of trade receivables due from customers with which it has previously had a good trading history. Such renegotiations will lead to changes in the timing of payments rather than changes to the amounts owed and, in consequence, the new expected cash flows are discounted at the original effective interest rate and any resulting difference to the carrying value is recognised in the Consolidated Statement of Comprehensive Income (operating profit).

1. Accounting policies continued

1.15 Financial instruments continued

(a) Financial assets continued

Amortised cost continued

The Group's financial assets measured at amortised cost comprise trade and other receivables and cash and cash equivalents in the Consolidated Statement of Financial Position. Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and – for the purpose of the Statement of Cash Flows – bank overdrafts. Bank overdrafts are shown within loans and borrowings in current liabilities on the Consolidated Statement of Financial Position.

(b) Financial liabilities

The Group classifies its financial liabilities into one of three 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;
- 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; and
- liability components of convertible loan notes.

The proceeds received on issue of the Group's convertible debt are allocated into their liability and equity components. The amount initially attributed to the debt component equals the discounted cash flows using a market rate of interest that would be payable on a similar debt instrument that does not include an option to convert. Subsequently, the debt component is accounted for as a financial liability measured at amortised cost until extinguished on conversion or maturity of the bond. The remainder of the proceeds is allocated to the conversion option and is recognised in the "Convertible debt option reserve" within shareholders' equity, net of income tax effects.

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.

1.18 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 is 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 12.

1. Accounting policies continued

1.19 Critical accounting estimates and judgements continued

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 is required to use its judgement to determine whether the events or changes in circumstances may indicate an impairment has 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 12 and 13).

Useful economic life ("UEL") and residual value 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 – When a receivable is recognised a provision is created using the expected loss model. When a specific doubt emerges over the ability of the customer to pay the debt the Board assesses whether a provision above the initial expected loss is required. This is 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. 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:

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

The effect on the financial statements of implementing IFRS 15 is explained in note 2.

Revenue is now recognised when contractual performance obligations are met where previously revenue was recognised when the risks and rewards had passed to the customer.

The expected loss model is now being used to calculate under IFRS 9 versus the incurred loss model previously used. This change has not led to any restatement of any prior year balances.

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 16 "Leases"	Endorsed	1 January 2019
IFRIC 23 "Uncertainty over Income Tax Positions"	Endorsed	1 January 2019

IFRS 16 applies to accounting periods beginning on or after 1 January 2019 and requires lessees to recognise all leases on balance sheet with limited exemptions for short-term leases and low value leases. This will result in the recognition of a right-to-use asset and corresponding liability on the balance sheet, with the associated depreciation and interest expense being recorded in the income statement over the lease period. The Group has completed its impact assessment of this standard and the expected impact of applying IFRS 16 in its first full year of application is detailed below:

- The total annual income statement charge is not expected to be materially affected.
- EBITDA is expected to increase by around £0.4 to £0.5 million as the expense is now depreciation and interest.
- Recognition of a right-of-use asset and lease liability in the range of £0.8 to £0.9 million with no impact on net assets.

The Group plans to apply IFRS 16 initially on 1 January 2019, using a modified retrospective approach. Therefore, any cumulative effect of adopting IFRS 16 will be recognised as an adjustment to the opening balance of retained earnings at 1 January 2019, with no restatement of comparatives.

IFRIC 23 clarifies how to recognise and measure current and deferred income tax assets and liabilities when there is uncertainty over income tax treatments.

1. Accounting policies continued

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. Revenue from contracts with customers

Disaggregation of revenues

The Group has disaggregated revenue into various categories in the following table which is intended to:

- depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic date; and
- enable users to understand the relationship with revenue segment information provided in note 3.

	2018			2017		
Revenue by location of sale origination	Crestchic Loadbanks and Transformers £'000	Tasman Oil Tools £'000	Total £'000	Crestchic Loadbanks and Transformers £'000	Tasman Oil Tools £'000	Total £'000
UK	**12,395**	**—**	**12,395**	12,816	—	12,816
Continental Europe	**1,650**	**—**	**1,650**	2,128	—	2,128
North and South America	**1,952**	**—**	**1,952**	767	—	767
Australia and New Zealand	**—**	**4,787**	**4,787**	—	3,171	3,171
Middle East	**1,700**	**1,321**	**3,021**	1,809	2,236	4,045
Asia	**2,660**	**471**	**3,131**	2,724	18	2,742
	20,357	**6,579**	**26,936**	20,244	5,425	25,669
Revenue type and timing of transfer of goods or service						
Hire – over time	**11,339**	**4,402**	**15,741**	10,930	3,452	14,382
Hire – point in time	**665**	**1,038**	**1,703**	279	988	1,267
Sales and service in point in time	**8,353**	**1,139**	**9,492**	9,035	985	10,020
	20,357	**6,579**	**26,936**	20,244	5,425	25,669

Contract assets

	2018 £'000	2017 £'000
At 1 January	**506**	343
Transfers in the period from contract assets to trade receivables	**(357)**	(343)
Excess revenue recognised over cash (or rights to cash) being recognised during the period	**357**	506
At 31 December	**506**	506

Contract assets and contract liabilities are included within "trade and other receivables" and "trade and other payables" respectively on the face of the balance sheet. There were no contract liabilities at 31 December 2018 (2017: £nil).

They arise when revenue is recognised in line with IFRS 15 but invoices have not been raised. The majority of invoices are raised when revenue can be recognised in line with IFRS 15.

In 2017 revenue was recognised at a point in time for a sale of goods but it is was agreed to invoice the customer in 36 monthly instalments. The contract assets as at 31 December 2018 included £149,000 (2017: £229,000) in respect of this contract.

All other contract assets relate to short-term delays in invoicing. Other than the £149,000 noted above, all amounts included within contract assets as at 31 December 2017 were transferred to trade receivables during 2018. Contract assets are not discounted given they are short term in nature.

Effect of the adoption of IFRS 15

There has been no material effect from the adoption of IFRS on the 2017 balances shown in these financial statements. Accrued revenue balances previously included within prepayments have been reclassified as "contract assets" within "trade and other receivables".

3. 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% (2017: 79%) 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% (2017: 21%) of the Group's revenue. This includes the TOTAU, TOTNZ, TOTAE, TOTSEA businesses and the Group's 49% share of OTOT.

For the year ended 31 December 2018

3. Segment information continued

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 including consolidation adjustments £'000	**2018 Total £'000**
Revenue from external customers	20,357	6,579	26,936	—	**26,936**
Finance expense	(69)	(4)	(73)	(581)	**(654)**
Depreciation	(3,329)	(1,762)	(5,091)	(288)	**(5,379)**
Amortisation	—	(58)	(58)	(518)	**(576)**
Pre-exceptional profit/(loss) before tax	2,190	(1,932)	258	(2,268)	**(2,010)**
Exceptional cost	(712)	—	(712)	—	**(712)**
Profit/(loss) before tax	1,478	(1,932)	(454)	(2,268)	**(2,722)**
Group amortisation of goodwill			(518)		
Head office costs			(1,071)		
Group finance costs			(582)		
Group depreciation costs			(288)		
Other			191		
Group loss before tax			2,722		

	Crestchic Loadbanks and Transformers £'000	Tasman Oil Tools £'000	Total £'000	Other including consolidation adjustments £'000	**2018 Total £'000**
Balance sheet					
Non-current asset additions					
Tangible asset additions	446	4,275	4,721	11	**4,732**

	Crestchic Loadbanks and Transformers £'000	Tasman Oil Tools £'000	Total £'000
Reportable segment assets	55,549	25,385	80,934
Elimination of intercompany balances			(36,208)
Elimination of investments in subsidiaries			(1,570)
Non-segment intangible assets			11,899
Non-segment property, plant and equipment			658
Other			(16)
Total Group assets			55,697
Reportable segment liabilities	(33,212)	(22,020)	(55,232)
Elimination of intercompany balances			45,931
Non-segmental borrowings			(8,977)
Non-segmental deferred tax			(868)
Other			(92)
Total Group liabilities			(19,238)

3. 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 including consolidation adjustments £'000	2017 Total £'000
Revenue from external customers	20,244	5,425	25,669	—	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)		

	Crestchic Loadbanks and Transformers £'000	Tasman Oil Tools £'000	Total £'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 intangible assets			12,345
Non-segment property, plant and equipment			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)

	Non-current assets by location	
	2018 £'000	2017 £'000
UK	**9,927**	11,041
Continental Europe	**2,569**	3,077
Australia and New Zealand	**11,953**	13,040
Middle East	**7,016**	7,678
Asia	**9,740**	7,278
	41,205	42,114

4. Exceptional costs

An exceptional cost was recognised in the year for £712,000 (2017: £nil) as a result of a post balance sheet event.

The exceptional cost relates to a full provision against a debt in Dubai from revenue recognised in 2013 and 2014. The contract with the customer stated that payment should be made on a "back-to-back" basis and the customer claimed not to have been paid. The legal advice received stated that "back-to-back" was not time unlimited and legal action commenced in early 2016. As at 31 December 2018 the Group had been successful at two court hearings and the full amount had been secured by the court. In late February 2019 the Court of Cessation ruled that the legal action was premature and the security on the full amount was released.

Although the customer has always acknowledged the debt and there are no signs that cast any doubt on the customer's ability to pay, the latest court judgement casts some doubt as to the enforceability of the debt. Due to this post balance sheet event, in line with IFRS 9, a full provision has been made against the debt. The Directors remain confident that the debt will be paid in full but appreciate enforcement may be difficult and that the timing of any receipts is uncertain. The Directors are still being advised as to the next steps to take to recover the debt.

The Directors believe that it is appropriate to disclose the provision resulting from the court's decision as an exceptional event.

5. Loss from operations

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

	2018 £'000	2017 £'000
Amortisation of customer relationships	576	750
Depreciation of property, plant and equipment:		
– owned by the Company	5,254	5,899
– held under finance leases	125	328
Operating lease rentals:		
– property leases	456	424
– other operating leases	50	73
Foreign exchange (gains)/losses	(75)	60
Cost of inventories recognised as an expense during the year	3,784	4,188
Share-based payment remuneration	50	45

See note 8 for auditor's fees.

6. Staff costs

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

	2018 £'000	2017 £'000
Wages and salaries	7,329	7,285
Social security costs	913	774
Other pension costs	261	267
Share-based payments	50	45
	8,553	8,371

Of the share-based payments recognised in the year £50,000 (2017: £45,000) related to key management personnel. The key management personnel are deemed to be the Directors. Of the £8,242,000 (2017: £8,059,000) of wages and salaries and social security costs paid during the year, £713,000 (2017: £660,000) related to key management personnel.

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

	2018 Number	2017 Number
Technical and production	98	95
Sales	29	29
Administration	32	31
	159	155

7. Directors' remuneration

	2018				2017			
	Salary £'000	Compensation for loss of office £'000	Benefits £'000	Total £'000	Salary £'000	Compensation for loss of office £'000	Benefits £'000	Total £'000
P R Harris	60	—	—	60	60	—	—	60
E W Hook	241	—	3	244	241	—	2	243
I J Gardner	167	—	51	218	146	—	27	173
I C Phillips	136	—	1	137	118	—	1	119
A K Mehta	18	—	—	18	18	—	—	18
M G Dodson	—	—	—	—	9	8	—	17
N Kaul*	18	—	—	18	12	—	—	12
D C Marshall**	18	—	—	18	18	—	—	18
	658	—	55	713	622	8	30	660

* N Kaul was appointed on 1 May 2017.

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

8. Auditor's remuneration

	2018 £'000	2017 £'000
Fees payable to the Group's auditor for the audit of the Group and Company	26	25
Fees payable to the Group's auditor and associates in respect of:		
– audit of subsidiaries	96	113
– other assurance services	9	20
– tax services	53	40

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

9. Finance costs

	2018 £'000	2017 £'000
On bank loans and overdrafts	482	419
On finance leases and hire purchase contracts	45	90
Other	127	88
	654	597

10. Income tax expense

	2018 £'000	2017 £'000
Current tax expense	475	780
Prior year (over)/underprovision of tax	(81)	15
	394	795
Deferred tax credit resulting from the origination and reversal of temporary differences	(707)	(550)
Taxation	(313)	245

10. 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:

	2018 £'000	2017 £'000
Loss before taxation	**(2,722)**	(4,381)
Loss multiplied by standard rate of corporation tax in the UK of 19% (2017: 19.25%)	**(517)**	(843)
Effects of:		
– income not subject to tax	**(182)**	(325)
– expenses not allowable for taxation purposes	**226**	733
– difference in taxation rates	**68**	352
– losses not recognised as a deferred tax asset	**173**	313
– prior year under provision of taxation and deferred taxation	**(81)**	15
Total taxation (credit)/charge for the year	**(313)**	245

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.

11. Earnings per share

	2018 £'000	2017 £'000
Numerator		
Loss used in basic and diluted EPS	**(2,409)**	(4,626)

	2018 Number	2017 Number
Denominator		
Weighted average number of shares used in basic EPS	**26,957,136**	25,899,602
Effects of share options	**—**	—
Effects of convertible debt	**—**	—
Weighted average number of shares used in diluted EPS	**26,957,136**	25,899,602

At the end of the year, the Company had in issue 1,819,451 (2017: 1,594,451) share options and £4,000,000 of convertible loan notes which can be converted to 3,200,000 (2017: nil) ordinary shares at a price of 125 pence per share which have not been included in the calculation of diluted EPS because their effects are anti-dilutive. These share options and convertible loan notes could be dilutive in the future.

12. Intangible assets

	Customer relationships £'000	Order backlog £'000	Product development £'000	Non-competition agreements £'000	Goodwill £'000	Total £'000
Cost						
At 1 January 2018	8,393	217	152	254	14,896	23,912
Exchange differences	(15)	—	—	—	72	57
At 31 December 2018	**8,378**	**217**	**152**	**254**	**14,968**	**23,969**
Amortisation and impairment						
At 1 January 2018	5,621	217	152	254	4,835	11,079
Exchange differences	(21)	—	—	—	2	(19)
Amortisation charge for the year	576	—	—	—	—	576
At 31 December 2018	**6,176**	**217**	**152**	**254**	**4,837**	**11,636**
Net book value						
At 31 December 2018	**2,202**	**—**	**—**	**—**	**10,131**	**12,333**
At 31 December 2017	2,772	—	—	—	10,061	12,833

12. Intangible assets continued

	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

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

	Remaining amortisation period (years)	Carrying value (£'000)
NT	3.00	72
CAP	2.75	176
TME	0.88	53
TNZ	7.75	1,901

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:

	2018 £'000	2017 £'000
Crestchic	**2,192**	2,192
NT	**972**	961
CAP	**1,284**	1,235
TNZ	**5,683**	5,673
	10,131	10,061

Impairment of intangible assets

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. The improvement in sentiment in these markets noted last year has led to an improved performance in 2018. The Board is confident that this will continue with the Group well placed to benefit from a continued increase in activity in the market.

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. All intangible assets that were recognised on the acquisition of TOTAU have now been fully impaired or amortised.

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 New Zealand for 2019 are lower than forecast at this point last year but from the lows of the middle of 2016 the revenue trend for the entity is now positive.

12. 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 2023. Management does not believe that any CGU will see a material change in its market share. Other major assumptions are as follows:

2018	Discount rate %	Operating (gross) margin %	Wage inflation %
Crestchic	**13**	**50**	**3**
NTX	**13**	**60**	**1**
TOTNZ	**15**	**65**	**5**
CAP	**13**	**55**	**2**

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	—

The growth rates used for TOTNZ assume that revenue will broadly return to 2014 levels by 2023 and will continue at this level. The Board feels that these prudent projections are reasonable given the current market conditions. 2019 will see the first offshore rigs in New Zealand since the downturn 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 2018 are based on forecasts for the five-year period to 31 December 2023 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 5% lower than forecast or a discount rate of 2.5% higher than used in the forecasts would lead to an impairment.

13. 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 2018	7,031	1,705	578	1,224	48,163	58,701
Exchange differences	129	(17)	(1)	19	938	1,068
Additions	—	57	30	176	4,469	4,732
Disposals*	—	(1)	(85)	(57)	(1,547)	(1,690)
At 31 December 2018	**7,160**	**1,744**	**522**	**1,362**	**52,023**	**62,811**
Depreciation						
At 1 January 2018	1,030	769	261	800	26,560	29,420
Exchange differences	8	(21)	—	10	518	515
Charge for the year	150	130	84	149	4,866	5,379
On disposals	—	(1)	(76)	(57)	(1,241)	(1,375)
At 31 December 2018	**1,188**	**877**	**269**	**902**	**30,703**	**33,939**
Net book value						
At 31 December 2018	**5,972**	**867**	**253**	**460**	**21,320**	**28,872**
At 31 December 2017	6,001	936	317	424	21,603	29,281

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

13. 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 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.

Bank borrowings are secured on the Group's assets, including freehold land and buildings (see note 18).

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

	2018 £'000	2017 £'000
Motor vehicles	**143**	155
Hire fleet	**410**	655

During the year the Group received £763,000 (2017: £325,000) 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.

14. 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:

	2018 £'000	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	**—**	(183)
Carrying amount of investment at 31 December	**—**	—

Current assets of the joint venture are £1,126,000 (2017: £419,000) including £7,000 of cash and cash equivalents (2017: £2,000). Non-current assets of the joint venture are £133,000 (2017: £114,000). Net liabilities of the joint venture are £914,000 (2017: £153,000), of which the Group's share is £448,000 (2017: £75,000).

Total revenue and post-tax loss of the joint venture are £2,064,000 and £742,000 respectively (2017: £370,000 and £383,000). Included in these results is a charge of £12,000 for depreciation (2017: £6,000). The joint venture had no contingent liabilities or capital commitments at 31 December 2018 (2017: none).

15. Inventories

	2018 £'000	2017 £'000
Raw materials	**3,237**	3,036
Work in progress	**74**	133
Finished goods	**977**	260
	4,288	3,429

Raw materials are stated after a provision for slow-moving inventory of £98,000 (2017: £24,000).

16. Trade and other receivables

	2018 £'000	2017 £'000
Due within one year		
Trade receivables	**7,169**	8,182
Less provision for impairment of receivables	**(1,221)**	(868)
Trade receivables – net	**5,948**	7,314
Other receivables	**706**	670
Receivables from joint ventures	**156**	118
Contract assets	**506**	506
Prepayments	**586**	714
	7,902	9,322

The receivables from joint ventures are after provisions as detailed in note 27.

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

	2018 £'000	2017 £'000
Pound Sterling	**1,506**	2,014
Euro	**1,008**	940
US Dollar	**1,711**	3,132
Australian Dollar	**759**	601
UAE Dirham	**592**	573
Singapore Dollar	**569**	322
New Zealand Dollar	**210**	113
Other	**299**	289
	6,654	7,984

The Group applies the IFRS 9 simplified approach to measuring expected credit losses using a lifetime expected credit loss provision rate for trade receivables and contract assets. To measure expected credit losses on a collective basis, trade receivables and contract assets are grouped based on similar credit risk and ageing. The contract assets have similar risk characteristics to the trade receivables for similar types of contracts. Given the low level of contract assets of £506,000 (2017: £506,000) and the history of no impairment losses the expected credit loss is 0% for both years.

The expected loss rates are based on the Group's historical credit losses experienced over the three-year period prior to the period end. The historical loss rates are then adjusted for current and forward-looking information on macroeconomic factors affecting the Group's customers.

	2018		
	Gross trade receivables £'000	**Expected credit loss %**	**Expected credit loss £'000**
Specific provision above the expected credit loss model	**1,042**		**1,042**
Europe and North America	**3,043**	**0.5%**	**15**
Middle East	**1,208**	**8.0%**	**99**
Asia	**919**	**5.0%**	**46**
Australia and New Zealand	**957**	**2.0%**	**19**
Total	**7,169**		**1,221**

	2017		
	Gross trade receivables £'000	Expected credit loss %	Expected credit loss £'000
Specific provision above the expected credit loss model	620		620
Europe and North America	3,549	0.5%	18
Middle East	2,112	8.0%	171
Asia	1,056	4.0%	42
Australia and New Zealand	845	2.0%	17
Total	8,182		868

Specific provisions above the expected credit loss model relate to non-recurring business and are separated in the above tables to avoid distortion of the underlying expected credit loss as it is deemed to have no impact on the future losses of the business.

16. Trade and other receivables continued

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

	2018 £'000	2017 £'000
Opening balance	**868**	376
Exchange differences	**(10)**	(10)
Amounts written off	**(403)**	(11)
Recovered amounts reversed	**(100)**	(23)
Increase in provisions	**866**	536
Closing balance	**1,221**	868

The maximum exposure to credit risk, including cash balances, at 31 December 2018 is £9,668,000 (2017: £9,886,000).

17. Current liabilities

Trade and other payables – current

	2018 £'000	2017 £'000
Trade payables	**2,995**	2,632
Social security and other taxes	**322**	325
Other payables	**319**	257
Accruals and deferred income	**1,669**	2,169
	5,305	5,383

18. Financial liabilities

Current

	2018 £'000	2017 £'000
Bank borrowings – secured	**2,711**	3,368
Other loans	**367**	—
Capitalised debt fees	**(136)**	(41)
Total	**2,942**	3,327
Net obligations under finance leases and hire purchase agreements	**203**	290
Total	**3,145**	3,617

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 borrowing facilities drawn at 31 December which are repayable as follows:

	2018 £'000	2017 £'000
Expiry within one year	**3,078**	3,368
More than one year and less than two years	**1,351**	6,738
More than two years and less than five years – non-convertible debt	**2,758**	6
More than two years and less than five years – convertible debt	**3,845**	—
Total	**11,032**	10,112

Overdrawn balances of £nil (2017: £730,000) are repayable on demand and are included in bank borrowings which expire within one year. The other loans relate to a £367,000 (2017: £nil) short-term supply chain finance working capital facility.

At the year end the Group had £nil of undrawn funds (2017: £1.25 million) on its revolving credit facility of £0.5 million (2017: £7.0 million) available. The Group has outstanding warranty guarantees totalling £83,000 (2017: £139,000) relating to the sales of manufactured equipment.

For the year ended 31 December 2018

18. Financial liabilities continued

Other financial liabilities

	2018 £'000	2017 £'000
Deferred consideration for purchase of subsidiary	—	1,053
	—	1,053

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

2018	Minimum lease payments £'000	Interest £'000	Present value £'000
Not later than one year	229	26	203
Between one and five years	92	15	77
	321	41	280

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

Non-current financial liabilities

	2018 £'000	2017 £'000
Bank borrowings – secured	4,109	6,744
Convertible debt	3,845	—
Capitalised debt fees	(180)	—
Total	7,774	6,744
Net obligations under finance leases and hire purchase agreements	77	269
Total	7,851	7,013

Based upon the established market rates prevailing at 31 December 2018 the fair value of all financial liabilities is not materially different to the carrying value.

Convertible debt

In April 2018 the parent company issued 4,000 8% convertible loan notes at a face value of £1,000 each. The loan notes are repayable in three years from the issue date at their face value of £4,000,000 or can be converted at any time into shares at the holder's option at the rate of 0.8 shares per £1 of loan, i.e. at 125 pence per share. If both the Group and the holder agree the repayment date can be extended by up to two one-year periods at an interest rate of 10%.

The value of the liability component and the equity conversion component was determined at the date the instrument was issued. The fair value of the liability component, included in non-current borrowings, at inception was calculated using a market interest rate for an equivalent instrument without conversion option. The discount rate applied was 10%.

19. Deferred taxation

	2018 £'000	2017 £'000
Opening provision	3,002	3,621
Taken to Statement of Comprehensive Income in current year	(707)	(550)
Foreign exchange difference	(19)	(69)
Closing provision	2,276	3,002

19. Deferred taxation continued

The provision for deferred taxation is made up as follows:

	2018 £'000	2017 £'000
Accelerated capital allowances	**1,408**	1,907
Fair value adjustment to property, plant and equipment on acquisition	**284**	366
Fair value of intangibles on acquisition	**584**	729
	2,276	3,002

The Group has unrecognised tax losses carried forward of £1,327,000 (2017: £1,323,000). These losses relate to the Group's Australian entities and a deferred tax asset has 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.

20. Share capital

	2018 £'000	2017 £'000
Allotted, called up and fully paid		
28,114,752 ordinary shares of 10 pence each (2017: 26,114,752 ordinary shares of 10 pence each)	**2,811**	2,611

	2018		2017	
	Number	£'000	Number	£'000
Ordinary shares of 10 pence each				
At beginning of year	**26,114,752**	**2,611**	26,114,752	2,611
Issue of new shares	**2,000,000**	**200**	—	—
At end of year	**28,114,752**	**2,811**	26,114,752	2,611

During the year 2,000,000 shares were issued through a placing.

	2018 Number	2017 Number
Treasury shares held by the Company	**215,150**	215,150

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.

21. 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 £261,000 (2017: £267,000). No amounts were owing at the year end (2017: £nil).

22. Operating lease commitments

At 31 December 2018 the total future value of minimum lease payments is due as follows:

	2018 £'000	2017 £'000
Property		
Not later than one year	**416**	414
Later than one year and not later than five years	**416**	426
	832	840
Other assets		
Not later than one year	**30**	47
Later than one year and not later than five years	**16**	41
	46	88
Total	**878**	928

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

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23. 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%*
Crestchic (Asia-Pacific) PTE Limited	Singapore	5 Tuas Avenue 13, Singapore 638977	100%*
Crestchic Inc.	USA	235 Sweet Spring Rd, Glenmoore, PA,19343	100%*
Crestchic Shanghai	China	855 Chengshan Road, Shanghai 200125	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%*
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	100%*
Tasman Asia-Pacific Pte Ltd	Singapore	77 Robinson Road, Singapore 068896	100%
Northbridge NZ Holdings Ltd	New Zealand	Vero Centre, 48 Shortland Street, Auckland	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%*
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%*
Loadbank Hire Services Limited	United Kingdom	Second Avenue, Centrum 100, Burton DE14 2WF	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%*

* These subsidiaries are indirectly held by the Company.

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, 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.

24. Share-based payments

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

	2018		2017	
	Weighted average exercise price (pence)	**Number**	Weighted average exercise price (pence)	Number
Outstanding at the beginning of the year	**208**	**1,594,451**	228	1,391,601
Share options surrendered during the year	**—**	**—**	228	(1,391,601)
Granted during the year – replacements	**—**	**—**	228	1,391,601
Granted during the year – new	**130**	**230,000**	102	231,750
Share options lapsed during the year	**96**	**(5,000)**	319	(28,900)
Outstanding at the end of the year	**198**	**1,819,451**	208	1,594,451

The exercise price of options outstanding at the end of the year ranged between 89.50 pence and 453.50 pence (2017: 89.50 pence and 453.50 pence) and their weighted average contractual life was six months (2017: seven months). The weighted average exercise price of the options is 198 pence (2017: 208 pence).

Of the total number of options outstanding at the end of the year, 1,093,201 (2017: 953,768) had vested and were exercisable at the end of the year. The schemes have been valued using the Black Scholes pricing model.

24. Share-based payments continued

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

	2018
Options granted during the year	**230,000**
Date of grant	**16 May 2018**
Fair value per option at measurement date	**130 pence**
Share price	**130 pence**
Exercise price	**130 pence**
Weighted average exercise price	**130 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	**0.75%**

	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%

The volatility rate is based on the average share price movement during the year ended 31 December 2018 and during the year ended 31 December 2017.

The share-based remuneration expense for the year is £50,000 (2017: £45,000), of which £24,000 (2017: £45,000) relates to key management personnel.

The following share options were outstanding at 31 December 2018:

Type of scheme	Date of grant	Number of shares 2018	Number of shares 2017
Approved share option	5 May 2017	**152,299**	152,299
Unapproved share option	5 May 2017	**1,437,152**	1,442,152
Approved share option	16 May 2018	**37,399**	—
Unapproved share option	16 May 2018	**192,601**	—
		1,819,451	1,594,451

24. 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
E W Hook	16 May 2018	50,000	130.00	16/05/2021–16/05/2028	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 J Gardner	16 May 2018	20,000	130.00	16/05/2021–16/05/2028	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
I C Phillips	16 May 2018	5,015	130.00	16/05/2021–16/05/2028	Approved
I C Phillips	16 May 2018	14,985	130.00	16/05/2021–16/05/2028	Unapproved
		1,138,601			

	2018 Number of options	2017 Number of options
E W Hook	**906,601**	856,601
I J Gardner	**136,000**	116,000
I C Phillips	**96,000**	76,000
	1,138,601	1,048,601

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.

25. Note supporting cash flow statement

	2018 £'000	2017 £'000
Cash and cash equivalents comprises:		
– cash available on demand	**2,302**	1,903
– overdrawn balances	**—**	(730)
	2,302	1,173

25. 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 2018	7,013	3,617	10,630
Cash flows	1,017	54	1,071
Non-cash flows:			
Movement between cash and overdrawn balances	—	(730)	(730)
Amortisation of debt fees	24	136	160
Equity element of convertible loan notes	(155)	—	(155)
New finance leases	10	10	20
Loans and borrowings classified as non-current at 31 December 2017 becoming current during 2018	(58)	58	—
At 31 December 2018	**7,851**	**3,145**	**10,996**

	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
Equity element of convertible loan notes	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

26. 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 and other loans;
- convertible loan notes;
- finance leases; and
- deferred consideration.

26. Financial instruments continued

Financial instrument risk exposure and management continued

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.

Categories of financial assets and financial liabilities

	Loans and receivables at amortised cost	
	2018 £'000	2017 £'000
Current financial assets		
Trade and other receivables	**6,654**	7,983
Cash and cash equivalents	**2,302**	1,903
Total current financial assets	**8,956**	9,886

	Financial liabilities measured at amortised cost	
	2018 £'000	2017 £'000
Current financial liabilities		
Trade and other payables	**4,983**	5,058
Loans and borrowings	**3,145**	3,619
Deferred consideration	**—**	1,053
Total current financial liabilities	**8,128**	9,730
Non-current financial liabilities		
Loans and borrowings	**7,851**	7,013
Total non-current financial liabilities	**7,851**	7,013
Total financial liabilities	**15,979**	16,743

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.

26. Financial instruments continued

Financial instrument risk exposure and management continued

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:

2018	**Up to 12 months £'000**	**Between 1 and 2 years £'000**	**Between 2 and 5 years £'000**
Trade and other payables	**4,983**	**—**	**—**
Loans and borrowings	**3,145**	**1,308**	**6,543**
	8,128	**1,308**	**6,543**

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

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 and other borrowings are made up of term loans, a revolving credit facility, short-term trade finance and invoice facilities and a supply chain finance facility.

The annualised effect of a 0.5% decrease in the interest rate at the balance sheet date on the variable rate bank facilities carried at that date would, all other variables held constant, have resulted in a decrease in post-tax loss for the year of £34,000 (2017: £53,000). A 0.5% increase in the interest rate would, on the same basis, have increased the post-tax loss by the same amount.

For the year ended 31 December 2018

26. Financial instruments continued

Financial instrument risk exposure and management continued

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:

	2018 Floating rate £'000	2017 Floating rate £'000
Pound Sterling	**237**	277
Euro	**592**	1,146
US Dollar	**912**	233
UAE Dirham	**71**	93
Australian Dollar	**185**	11
Singapore Dollar	**40**	81
New Zealand Dollar	**143**	18
Other	**122**	44
	2,302	1,903

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 2018				
Euro	**(65)**	**(126)**	**79**	**155**
US Dollar	**(123)**	**(155)**	**151**	**189**
UAE Dirham	**—**	**(35)**	**—**	**43**
Singapore Dollar	**—**	**(26)**	**—**	**31**
Australian Dollar	**—**	**(25)**	**—**	**30**
New Zealand Dollar	**—**	**5**	**—**	**(6)**
Other	**—**	**(31)**	**—**	**37**
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

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.

27. Related parties

The employee benefits and share-based payments expense for the key management personnel are disclosed in note 6 and note 7.

As at the year end there was a net balance of £156,000 (2017: £118,000) owed by joint ventures. The gross balance is £534,000 (2017: £122,000) with a provision due to the losses of the joint venture of £378,000 (2017: £4,000). 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 £471,000 (2017: £18,000).

28. Capital commitments

At the year end the Group was committed to capital expenditure of £511,000 (2017: £nil).

PARENT COMPANY ACCOUNTS UNDER FRS 101

Parent company balance sheet
As at 31 December 2018

Company number: 05326580	Note	2018 £'000	2017 £'000
Fixed assets			
Tangible fixed assets	3	**10**	—
Fixed asset investments	4	**28,787**	28,787
		28,797	28,787
Current assets			
Debtors	6	**18,483**	12,410
Cash and cash equivalents		**45**	65
		18,528	12,475
Creditors: amounts falling due within one year	7	**(2,891)**	(4,046)
Net current assets		**15,637**	8,429
Total assets less current liabilities		**44,434**	37,216
Creditors: amounts falling due after more than one year	8	**(7,767)**	(6,638)
Net assets		**36,667**	30,578
Capital and reserves			
Called up share capital	10	**2,811**	2,611
Convertible loan note reserve		**201**	—
Share premium account		**29,950**	27,779
Merger reserve		**2,810**	2,810
Treasury share reserve		**(451)**	(451)
Profit and loss account		**1,346**	(2,171)
Shareholders' funds		**36,667**	30,578

Northbridge Industrial Services plc has taken advantage of Section 408 of the Companies Act 2006 and has not included its own profit and loss account in these financial statements. The Company's profit after tax was £3,467,000 (2017: loss of £1,307,000).

The notes on pages 59 to 62 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 11 April 2019.

Eric Hook
Director

The Directors' Report is on pages 20 to 22 and the Strategic Report is on pages 2 to 15 of the annual report and accounts.

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2018

	Share capital £'000	Convertible loan note reserve £'000	Share premium £'000	Merger reserve £'000	Treasury share reserve £'000	Retained earnings £'000	Total £'000
Changes in equity							
Balance at 1 January 2018	2,611	—	27,779	2,810	(451)	(2,171)	30,578
Profit for the year	—	—	—	—	—	3,467	3,467
Other comprehensive loss	—	—	—	—	—	—	—
Total comprehensive loss for the year	—	—	—	—	—	3,467	3,467
Issue of ordinary shares	200	—	2,171	—	—	—	2,371
Issue of convertible loan notes	—	201	—	—	—	—	201
Share option expense	—	—	—	—	—	50	50
Balance at 31 December 2018	**2,811**	**201**	**29,950**	**2,810**	**(451)**	**1,346**	**36,667**

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

The notes on pages 59 to 62 form part of these financial statements.

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

For the year ended 31 December 2018

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. Non-financial assets are subject to impairment tests whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Where the carrying value of an asset exceeds its recoverable amount (i.e. the higher of value in use and fair value less costs to sell), the asset is written down accordingly.

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. Accounting policies continued

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.

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 were reviewed (see notes 12 and 13 of the Group financial statements).

Recoverability of amounts owed by Group undertakings

Accounting estimate – When a Group receivable is recognised a provision is created using the expected loss model. When a specific doubt emerges over the ability of the Group undertaking to pay the debt the Board assesses whether a provision above the initial expected loss is required. This is based on the Group undertakings' net assets, cash balances, value in use and future cash flows. 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:

	2018 £'000	2017 £'000
Wages and salaries	**483**	466
Social security costs	**59**	55
Share-based payments	**50**	45
	592	566

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

	2018 Number	2017 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 7 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 2018	28,787
Additions	—
At 31 December 2018	**28,787**

Subsidiary undertakings

Details of all subsidiary undertakings and their principal activities are included in note 23 of the Group financial statements.

5. Tangible fixed assets

	Fixtures and fittings £'000
Cost	
At 1 January 2018	43
Additions	11
At 31 December 2018	**54**
Depreciation	
At 1 January 2018	43
Charge for the year	1
At 31 December 2018	**44**
Net book value	
At 31 December 2018	**10**
At 31 December 2017	—

6. Debtors

	2018 £'000	2017 £'000
Amounts owed by Group undertakings	**18,350**	12,368
Other debtors	**22**	29
Prepayments	**111**	13
	18,483	12,410

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

7. Creditors: amounts falling due within one year

	2018 £'000	2017 £'000
Bank loans and overdraft net of capitalised debt fees	**1,209**	2,466
Amounts payable to Group undertakings	**1,469**	1,469
Trade creditors	**131**	33
Other creditors	**82**	78
	2,891	4,046

Bank securities are detailed in note 18 to the Group financial statements.

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

	2018 £'000	2017 £'000
Bank loan net of capitalised debt fees	**7,767**	6,638

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 and Iwan Phillips.

9. Financial instruments

Borrowing facilities

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

	2018 £'000	2017 £'000
Expiry within one year	**1,209**	2,466
More than one year and less than two years	**1,225**	6,638
More than two years and less than five years	**6,542**	—
Total	**8,976**	9,104

The Company has £nil (2017: £1.25 million) undrawn on a revolving credit facility as at 31 December 2018.

10. Share capital

	2018 £'000	2017 £'000
Allotted, called up and fully paid		
28,114,752 ordinary shares of 10 pence each (2017: 26,114,752 ordinary shares of 10 pence each)	**2,811**	2,611

	2018		2017	
	Number	£'000	Number	£'000
Ordinary shares of 10 pence each				
At beginning of year	**26,114,752**	**2,611**	26,114,752	2,611
Issue of new shares	**2,000,000**	**200**	—	—
At end of year	**28,114,752**	**2,811**	26,114,752	2,611

During the year 2,000,000 shares were issued through a placing.

	2018 Number	2017 Number
Treasury shares held by the Company	**215,150**	215,150

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the twelfth Annual General Meeting of Northbridge Industrial Services plc will be held at the offices of Buchanan Communications, 107 Cheapside, London EC2V 6DN, on 4 June 2019, commencing at 12 noon for the following purposes:

Ordinary business

1. To receive and adopt the financial statements for the year ended 31 December 2018 together with the Directors' Report and the Independent Auditor's Report.
2. To re-elect as a Director E W Hook, who retires in accordance with the Company's Articles of Association.
3. To re-elect as a Director I J Gardner, who retires in accordance with the Company's Articles of Association.
4. To elect as a Director J Aldersey-Williams, who retires in accordance with the Company's Articles of Association having been appointed a Director since the last Annual General Meeting.
5. 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.
6. 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 £937,158.40 (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 £937,158.40 (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

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

   That, subject to the passing of resolution 6 above, the Directors of the Company be and they are hereby empowered pursuant to Section 570 of the Companies Act 2006 to allot equity securities (as defined in Section 560 of the Companies Act 2006) of the Company for cash pursuant to the authorities conferred by resolution 6 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 7(b), by way of a rights issue only) in favour of holders of ordinary shares in proportion (as nearly as practicable) to the respective number of ordinary shares held by them on the record date for such allotment (and holders of any other class of equity securities entitled to participate therein or, if the Directors consider it necessary, as permitted by the rights of those securities) but subject to such exclusions or other arrangements as the Directors may deem necessary or appropriate to deal with fractional entitlements, treasury shares, record dates, or legal, regulatory or practical difficulties which may arise under the laws of, or the requirements of, any regulatory body or stock exchange in any territory or any other matter whatsoever;

   (b) the allotment of equity securities for cash in the case of the authority granted under resolution 6(a) above and, otherwise than pursuant to paragraph (a) of this resolution, up to an aggregate nominal amount of £281,148 (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.
8. 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;

Special business continued

8. continued

(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
11 April 2019

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 31 May 2019 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. You can vote either:
   - by logging on to www.signalshares.com and following the instructions;
   - you may request a hard copy form of proxy directly from the registrars, Link Asset Services, at enquiries@linkgroup.co.uk, or on Tel: 0371 664 0300. Calls cost 12 pence per minute plus your phone company's access charge. Calls outside the United Kingdom will be charged at the applicable international rate. Lines are open between 9.00am to 5.30pm, Monday to Friday excluding public holidays in England and Wales; or
   - in the case of CREST members, by utilising the CREST electronic proxy appointment service in accordance with the procedures set out below.
3. To be valid, your proxy vote and in the case of requesting a hard copy the form of proxy (and any power of attorney or other authority (if any) under which it is assigned) must be 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.
4. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the meeting (and any adjournment of the meeting) by using the procedures described in the CREST Manual (available from www.euroclear.com/site/public/EUI). CREST personal members or other CREST sponsored members, and those CREST members who have appointed a service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.
5. In order for a proxy appointment or instruction made by means of CREST to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications and must contain the information required for such instructions, as described in the CREST Manual. The message must be transmitted so as to be received by the issuer's agent (ID RA10) by 12 noon on 31 May 2019. For this purpose, the time of receipt will be taken to mean the time (as determined by the timestamp applied to the message by the CREST application host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time, any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.
6. CREST members and, where applicable, their CREST sponsors or voting service providers should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular message. Normal system timings and limitations will, therefore, apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member, or sponsored member, or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting system providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.
7. 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.
8. 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.
9. If you wish to attend the Annual General Meeting in person, you should make sure that you arrive at the venue for the Annual General Meeting 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

FINANCIAL CALENDAR

2019	
June	Annual General Meeting
June	Half year end
September	Interim results announced
October	Interim report published
December	Year end

2020	
April	Preliminary results announced
April	Annual report published

COMPANY INFORMATION

Secretary
I C Phillips

Company number
05326580

Registered office
Second Avenue
Centrum 100
Burton on Trent DE14 2WF

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

Country of incorporation of parent company
England and Wales

Legal form
Public limited company

Independent auditor
BDO LLP
Two Snowhill
Birmingham B4 6GA

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

Solicitors
Freeths LLP
1 Heddon Street
Mayfair
London W1B 4BD

Nominated advisors and brokers
Stockdale Securities Limited
100 Wood Street
London EC2V 7AN

Registrars
Link Asset Services
65 Gresham Street
London EC2V 7NQ

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