Global industrial equipment group

NORTHBRIDGE

Northbridge Industrial Services plc
Annual report and accounts 2019

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

This report can also be viewed online at **www.northbridgegroup.co.uk/ar19**

Watch the CEO's webcast at **www.northbridgegroup.co.uk/ar19**

Why invest in Northbridge?

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

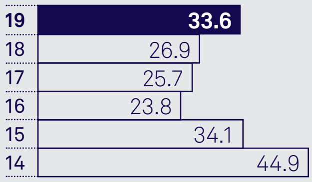
CONTENTS

HIGHLIGHTS OF 2019

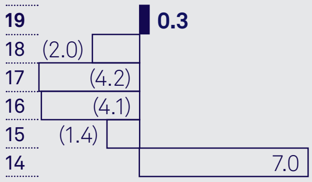
- 2019 was a strong year for the Group delivering earnings growth and cash generation
- Group revenue up 24.7% to £33.6 million (2018: £26.9 million)
- Gross profit up 40.3% to £15.8 million (2018: £11.3 million)
- EBITDA[1] up 52.9% to £7.0 million (2018: £4.6 million)
- Strong cash generation from operations[1] up 87.6% to £8.0 million (2018: £4.3 million)
- Strong balance sheet with net debt[1] down 25.9% to £6.4 million (2018: £8.7 million)
- Gearing[1] down to 18.4% (2018: 23.8%)
- Tasman returned to EBITDA positive
- Excellent all-round growth in Crestchic power reliability
- No immediate liquidity issues in light of COVID-19

1 Excluding the impact of IFRS 16; reconciliation included in the Financial Review.

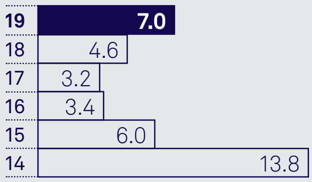
Revenue (£m)
33.6



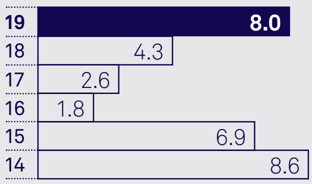
Pre-tax pre-exceptional (loss)/profit (£m)
0.3



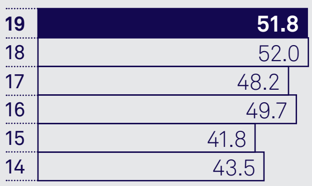
EBITDA[1] (£m)
7.0



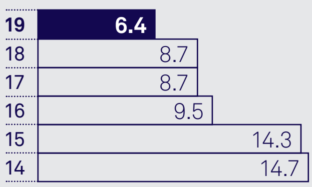
Cash generated from operations[1] (£m)
8.0



Hire fleet cost (£m)
51.8



Net debt[1] (£m)
6.4



OUR BUSINESS MODEL

OUR DIVISIONS

NORTHBRIDGE

Northbridge is an AIM-listed entity which wholly owns two distinct trading divisions, Crestchic and Tasman. The divisions' rental activities are similar in nature with some common customers.

CRESTCHIC

Specialists in electrical testing equipment

Manufacturing, sales, service and hire

Read about Crestchic on pages 6 and 7

TASMAN OIL TOOLS

Drilling tool and ancillary items rental into the gas, oil and geothermal industries

Read about Tasman on pages 8 and 9

OUR VALUE CREATION

All our markets demand very high levels of safety appreciation, working practices and qualification. We demand the same from our engineering design, factory production, rental operation and site engineers. Continuous training, certification and customer engagement are vital to keep our employees, customers and shareholders insulated from risk.

Our understanding of emerging market trends and technologies and our capacity to innovate enable us to keep pace with changing customer needs and provide high value-added solutions.

OUR STAKEHOLDERS

OUR CUSTOMERS

Our customer-focused, dedicated and collaborative approach adds value to customers as well as ourselves. Our loadbank design team works closely with customers to ensure the end product meets all of their needs.

Our size is ideally placed to be large enough for customers to benefit from production scale and experience, but nimble and flexible enough to undertake bespoke engineered solutions that both our rental and sales competitors often resist.

Highly focused teams concentrate on ensuring equipment availability is at the highest levels possible. This allows our customers to have the confidence to rely on us to meet their needs. The fast-paced and service-led construction, oil and gas and data centre markets demand this manner of operation.

OUR PARTNERS

Building successful partnerships is key to Northbridge. New products have been launched and new markets entered by partnering with local companies and utilising the relationships to access local markets. This enables us to establish a presence quickly and cost efficiently and leverages partners' local knowledge.

Within Crestchic, which offers a specialised service, this model is very flexible as many markets do not offer full time demand but often have major projects.

Our effectiveness in meeting our customers' needs is reliant on our strong relationships with our key suppliers.

OUR PEOPLE

The Group's employees are highly motivated, customer focused and highly experienced in their fields. Attracting, motivating and retaining the right people will be critical on our recovery path.

We have a very stable workforce with many long-term employees. Apprenticeship schemes are in place and we are committed to bringing young people into the business, whilst sponsoring their education and training.

We aim to attract and develop our staff and give them opportunities and pathways to progress. Many of our staff have secured promotions over the past few years and many job opportunities are taken by internal candidates.

OUR SHAREHOLDERS

Throughout the downturn in the oil and gas market we have striven to cost efficiently keep our customer-facing operations open and grow our market share.

In the early stages of the recovery we have invested in equipment to serve our customers. We believe that we are well positioned to capitalise on a sustained recovery and deliver outstanding returns to shareholders.

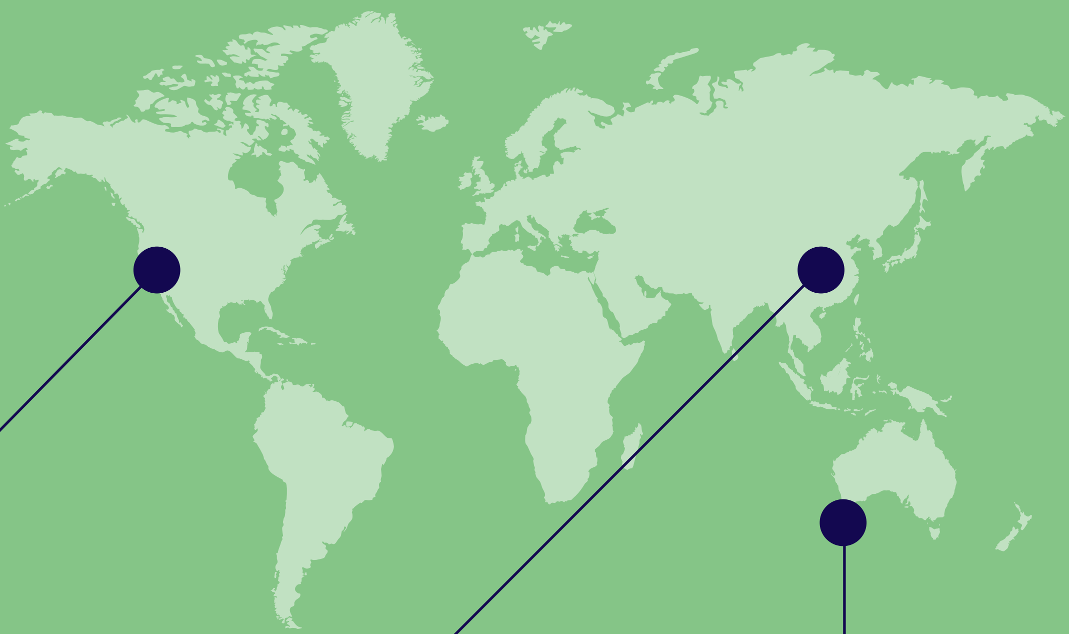
OUR STRATEGY

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

- driving growth organically through investing in the hire fleet and improving quality systems and customer service;
- using partnerships to increase geographical coverage;
- exploiting the opportunities offered by growth markets such as renewable energy sources and gas exploration; and
- selective acquisitions in our two divisions that:
  - add complementary products and services;
  - synergistically increase penetration in core markets; and
  - give access to markets in which we are not currently present.

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

OUR STRATEGY IN ACTION



UNITED STATES

The Crestchic business in the US continued its good progress and is expected to provide a long-term growth opportunity for the Group. An investment of £0.8 million was made in specialised rental fleet and this was made up of new equipment from the UK factory and judicious purchases of used Crestchic made equipment sold to customers in the US over the past few years. In December we relocated the business to our first specialised rental and service location in Pennsylvania. Overall revenue from sales and rental rose to £4.4 million (2018: £2.0 million) with all this increase coming from the sale of manufactured units. We continue to look for suitable trading partners for our rental operation in order to expand our footprint whilst minimising the overhead cost of operating in North America.

ASIA

Our joint venture in Malaysia with the local partner, Olio Resources SDN BHD, continued to make good progress as rental revenue increased by 32% to £2.7 million (2018: £2.1 million). The joint venture itself has a limited amount of rentable assets which are provided on assignment by the partners, and therefore relies on the Tasman depot in Malaysia (“TOTSEA”) to provide additional equipment when needed. TOTSEA is a wholly owned subsidiary of the Group and its revenue grew by 62.3% to £0.8 million (2018: £0.4 million). Tasman further expanded into Asia in 2019 following the purchase of the entire hire fleet of a competitor on the region in late 2018. Tasman opened a depot in Singapore and revenue for the first year of trading was £0.6 million, with the majority of this in the second half of the year.

AUSTRALIA

The recovery in Tasman has been driven by the improved performance of the Australian subsidiary. Since the downturn, which started in 2015, Tasman has been winning market share in country due to its willingness to support customers through its equipment availability and its reputation for excellent QHSE. Revenue was up 22.9% in 2019 on top of a 61.4% increase in 2018. The rental contracts showing the most promise are mostly related to natural gas, both for local grids in Australia and for LNG for wider export markets. The nearest customer base for liquified natural gas (“LNG”) is the large carbon-heavy economies of China, India, South Korea and Japan, all of which are using LNG as a method of reducing the carbon content of their electricity-generating output.

AT A GLANCE: CRESTCHIC

Designs, manufactures and hires loadbanks to test generators. From emergency standby systems in data centres, utilities and critical industries, to the commissioning of propulsion, accommodation and production power in marine engineering from commercial shipping to oil and gas production.

www.crestchicloadbanks.com

OUR LOCATIONS

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

CRESTCHIC GLOBAL HUBS:

Asia-Pacific: Singapore
Europe: Belgium
UAE: Dubai
UK: Burton on Trent
USA: California and Pennsylvania

CRESTCHIC AGENTS/DEPOTS:

China
France
Germany

OUR PRODUCTS AND SERVICES

LOADBANKS AND TRANSFORMERS

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

Loadbanks are primarily used for the commissioning and maintenance of independent power sources and systems such as diesel generators and gas turbines.

MAJOR INDUSTRIES WE SERVE:

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

Revenue

£25.4m

2018: £20.4m

"The continuing growth in data centres throughout Western Europe has given Crestchic two additional opportunities: firstly, in heat load management, by using loadbanks to simulate heat from computer servers in the commissioning phase, and secondly, in managing and proving back-up power sources at time of commissioning and ongoing maintenance."

Chris Caldwell
Managing Director, Crestchic

OPERATIONAL PERFORMANCE

- Best practice ISO attainment through accreditation in Quality (9001:2015), Environmental (ISO 14001) and Health & Safety (ISO 45001)
- Training for our people in management skills, safe site working, high voltage design and installation
- Continuous product development – new class leading control system with fibre optic communications
- Significant overhaul in our Middle East business leading to improved results and future opportunity list
- Development of dedicated US rental product to better serve the world's largest load testing market
- Supply chain assessments and benchmarking of key suppliers for quality and value in our manufacturing operations
- Staff manufacturing quality and cost saving initiatives continue to yield results
- Continued recruitment for factory staff in a competitive market

MARKET OPPORTUNITIES

WHAT WE DO

OFF GRID:

- Marine engineering and ship building:
  - Electric propulsion system
  - Navigation system
  - World's shipping fleet continues to grow
  - Cruise liners
- Oil and gas:
  - LNG industry/LNG transportation
  - FPSOs
- Power Generation:
  - Commissioning of large independent power sources for large energy intensive process such as mining and refining

ON GRID:

- Back-up power:
  - Diesel generator and turbine testing
  - Uninterruptible power supplies
  - Emergency power systems – hospitals, banks and financial services
  - Digitisation – data centres, telecoms and process industries
  - Balancing reserve/smart grids

OUR END MARKETS

AT A GLANCE: TASMAN

Tasman specialises in the rental of drilling tools suitable for use in the onshore and offshore oil and gas drilling, coal bed methane and geothermal drilling operations. Offering a broad range of drilling rental tools and well intervention equipment along with the reassurance of in-house maintenance and specialised services, Tasman has developed an understanding of its clients' requirements which drives its philosophy of operational excellence in the Eastern Hemisphere.

www.tasmanoiltools.com

OUR LOCATIONS

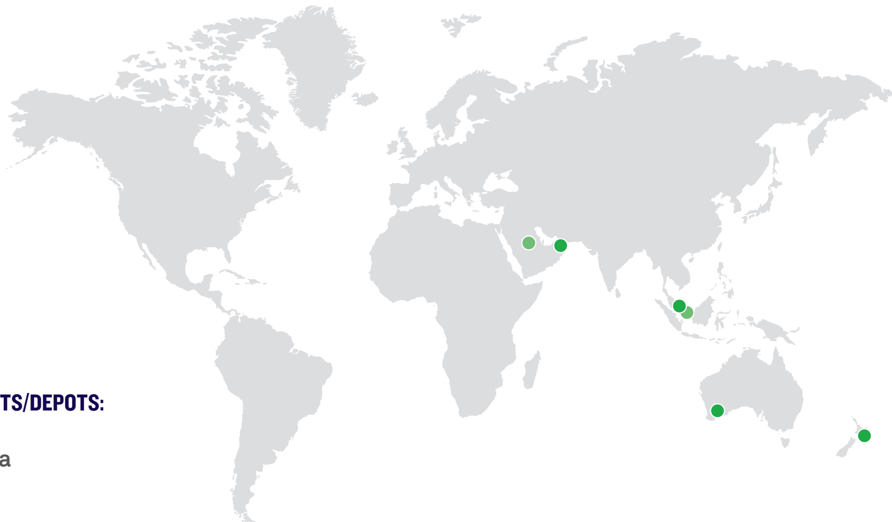
Operating through four major international hubs, with a regional support network of depots and agents, we are able to service the Eastern Hemisphere, for any demand for drilling rental tools, or service of the same.

TASMAN GLOBAL HUBS:

Australia: Perth
Malaysia: Kuala Lumpur
New Zealand: New Plymouth
UAE: Dubai

TASMAN AGENTS/DEPOTS:

Saudi Arabia
Singapore



OPERATIONAL PERFORMANCE

- Highest level of QHSE maintained
- Increased exposure to LNG in Australia
- Increased rental rates wherever possible
- Tight cost control in the Middle East
- Increased investment in the hire fleet to support secured contracts
- Tasman now utilising the assets purchased from a distressed competitor in late 2018 across all locations
- Depot in Singapore operation since early 2019 with encouraging revenue in the second half of the year
- First carbon capture drilling project
- Renegotiation of contracts within the joint venture in Malaysia on improved terms

Revenue

£8.2m

2018: £6.6m

"Tasman was able to purchase an entire and complementary hire fleet from a distressed competitor and this, together with further modest capital expenditure, has enabled momentum to continue."

Ian Gardner
Managing Director, Tasman Oil

OUR PRODUCTS AND SERVICES

OIL TOOLS

We supply over 4,000 different products to the onshore and offshore oil, gas and geothermal drilling industries.

Strategically positioned in Australasia, the Middle East and Southeast Asia to meet any future industry demand.

PRODUCTS AND SERVICES:

- Downhole drilling rental tools:
  - Bottom hole assembly
  - Tubulars
  - Handling tools
  - Mud management tools
- Fishing and re-entry tools
- Pressure control equipment rental
- Third-party tool servicing and management

MARKET OPPORTUNITIES

WHAT WE DO

- Growth potential in the targeted regional markets as normal market conditions return
- Comprehensive rental fleet offering, with the ability to rapidly respond to any demand, within the whole region
- Highest levels of QHSE maintained and accredited
- Drilling rig activity set to increase in all our regional markets
- Geothermal drilling set to increase in New Zealand
- Positioned to explore growth in product offering and geographical locations

OUR END MARKETS

CHAIRMAN'S STATEMENT

We believe that the underlying demand for our products and services remains robust and that we are well positioned to continue to benefit from that demand as and when the pandemic has been overcome.

Peter Harris
Chairman

I am encouraged to be able to report on the continued progress of the Northbridge Group throughout 2019 in both of its divisions, Tasman Oil Tools and Crestchic Loadbanks.

The Group is active in the energy, oil, gas, renewables and power reliability markets which, following the longest downturn in the industry's history, saw the first signs of a welcome change in sentiment in the oil and gas sector in 2018, and this continued through 2019.

Increased levels of activity initially had the largest impact on the trading of Tasman Oil Tools and this has now spread into the energy and resource-focused activities of Crestchic. In addition, the power reliability activities of Crestchic continue to perform well and have also benefited from our growing presence in the significant North American market.

We entered 2020 with strong order books and great optimism for continued improvement in our trading performance. Inevitably, our future expectations have been affected by the COVID-19 pandemic. The impact to date, which is discussed in more detail in the Chief Executive's Review, principal risks and uncertainties and basis of preparation note, has been limited, but we are seeing signs of some future contracts being deferred, which will inevitably have an effect over the course of the year. Also, if the major global economies slip into recession, however short lived, this will impact on energy demand which in turn may result in lower levels of exploration in the oil and gas sector.

Recognising this, we have put in place plans to reduce our costs, optimise working capital, minimise capital expenditure and secure the ongoing liquidity of the Group, which has already been strengthened significantly both by our refinancing in 2018 and strong cash generation in 2019.

It is again time to pay tribute to our people, whose loyalty, experience, specialist skills, unwavering focus on our customers and sheer hard work have, despite the problems posed by the pandemic, helped us keep our factories running, supply our rental equipment to the market and meet the needs of our customers in these challenging circumstances. Their safety and welfare are at the forefront of our plans to respond to the emerging situation. We are very fortunate to have such committed and capable colleagues across our worldwide businesses.

We believe that the underlying demand for our products and services remains robust and that we are well positioned to continue to benefit from that demand as and when the pandemic has been overcome. Our strategy for the future remains to continue to build on the platform that has now been created and, despite the unprecedented global situation at the date of this report, we still look forward to further growth in the coming years.

Peter Harris
Chairman
7 April 2020

CHIEF EXECUTIVE'S REVIEW

Moving into operating profits for the first time in four years enabled our cash generated from operations to improve very substantially.

Eric Hook
Chief Executive

2019 was an excellent year for the Group, with a first time return to annual profit before tax since 2014. This cemented our recovery from the downturn, which had affected our industries during the last four years. Both parts of the business, Tasman and Crestchic, played a full part in the recovery with excellent results also from North America (Crestchic) and Australia (Tasman).

Much of the cost of sales which includes depreciation is fixed and is less sensitive to volume. This operational gearing means that, as revenues improve, gross profit will grow proportionately faster. The beneficial impact of this during 2019 became more pronounced as the increase in revenue year on year of 24.7% led in turn to much larger increases in gross profit and EBITDA of 40.3% and 52.9% respectively. This was achieved despite a slight swing back to sales in the overall revenue mix, following the record opening order book for Crestchic Loadbanks at the beginning of the year.

As we have already noted in our trading update on 31 January 2020, orders for the sale of manufactured units of Crestchic products were again at a record level at the beginning of 2020.

Costs continue to be well controlled and the increase of 12.7% was predominantly due to our continued organic expansion of the power reliability business into North America and our new location for Tasman in Southeast Asia.

Moving into operating profit for the first time in four years enabled our cash generated from operations to improve very substantially, increasing by 87.6% to £8.0 million (2018: £4.3 million). The additional free cash flow enabled us to continue to invest in the hire fleet, which was split fairly evenly between Crestchic and Tasman. Despite this investment in working capital and hire fleet additions, net debt at the year end fell to £6.4 million (2018: £8.7 million) and year end gearing fell to only 18.4% (2018: 23.8%) including the convertible loan notes of £3.9 million.

Our joint venture in Malaysia ("OTOT") with the local partner, Olio Resources SDN BHD, continued to make good progress as rental revenue increased by 32% to £2.7 million (2018: £2.1 million). Our share of the losses also increased to £0.7 million as the legacy loss-making contracts from 2016 unwound but these were all renewed on improved terms at the end of November 2019, as part of the joint tender process with Petronas. The joint venture itself has a limited amount of rentable assets which are provided on assignment by the partners, and therefore relies on the Tasman depot in Malaysia ("TOTSEA") to provide additional equipment when needed. TOTSEA is a wholly owned subsidiary of the Group and its revenue grew by 62.3% to £0.8 million (2018: £0.4 million).

Revenue

£33.6m

2018: £26.9m

EBITDA

£7.0m

2018: £4.6m

Cash generated from operations

£8.0m

2018: £4.3m

CRESTCHIC – POWER RELIABILITY

Crestchic manufactures, sells and rents loadbanks and transformers, and supplies two main markets. Firstly, the developed world, where it is focused on supporting the power reliability, renewables and power security markets and secondly, emerging markets, where it is mostly focused on resources, typically shipyards, oil and gas facilities and mines.

Crestchic total turnover during the period was £25.4 million (2018: £20.4 million). Both outright sales of manufactured goods and rental revenue achieved good increases, and gross margins improved further to 51.0% (2018: 46.8%). The continued growth in renewables being added to grids in the developed world magnifies the need for properly tested backup systems to ensure resilience. The major power outage suffered by the East of England in August 2019, caused by two unrelated utility failures, has encouraged more sophisticated reliance testing as, in many cases, the existing backup systems failed to work properly. Crestchic loadbanks are the most advanced systems available in the western economies for this purpose and the roll-out of our new fibre optic control systems is also a world first. As in 2018, the year ended with the largest ever order book for the sale of manufactured equipment. This represents a sure sign of momentum in the demand for Crestchic's products in all markets.

Our business in the USA continued its good progress and is expected to provide a long-term growth opportunity for Crestchic. Judicious investment in specialised rental fleet and the relocation of underutilised equipment from other regions increased our footprint in North America. In December we relocated the business to our first specialised rental and service location in Pennsylvania. Overall revenue from sales and rental rose to £4.4 million (2018: £2.0 million) with all of this increase coming from the sale of manufactured units. We continue to look for suitable trading partners for our rental operation in order to expand our footprint whilst minimising the overhead cost of operating in North America.

The continuing growth in data centres throughout Western Europe has given Northbridge two additional opportunities, firstly in heat load management, by using loadbanks to simulate the heat from computer servers, and secondly in managing and proving backup power sources. Global investment in this type of "big data" is likely to grow for many years to come.

TASMAN OIL TOOLS

Our oil tool rental operations in Australia, New Zealand, Malaysia, Singapore and the Middle East continued to recover. This is evidenced most strongly in Australia with revenue up a further 22.9% on top of the 61.4% increase in 2018. Total revenue for the division in 2019 was £8.2 million (2018: £6.6 million). Rental during the period increased by 30% to £7.1 million (2018: £5.4 million), and we have continued to support this growth with further capital expenditure for specific contracts.

The increase in rental volumes in 2019, whilst still low historically, began to make a significant difference to the Group's overall profitability, and particularly to cash flows, with the Tasman businesses returning to positive territory at the EBITDA level. Rental rates are beginning to show signs of upward movement although this depends on the type of equipment and the location of the contract. The rental contracts showing the most promise are mostly related to natural gas, both for local grids in Australia and for LNG for wider export markets. The nearest customer base for liquified natural gas ("LNG") is the large carbon-heavy economies of China, India, South Korea and Japan, all of which are using LNG as a method of reducing the carbon content of their electricity-generating output.

"Actions to mitigate the financial impact on the Group's cash flow during the anticipated COVID-19 related downturn in business will include: reducing variable costs where possible, negotiating reductions in contracted fixed costs, restricting capital expenditure and taking advantage of the various bank and government support mechanisms."

Eric Hook
Chief Executive

These contracts are generally linked to long-term supply, usually index linked and not so volatile as the oil market. By maintaining our infrastructure and hire fleet whilst cutting costs, we have positioned the Company in a strong position for when market demand begins to recover more significantly.

The joint venture in Malaysia with our local partner, Olio Resources SDN BHD, started trading in full in 2018. Early results are encouraging, and the proportion of revenue generated from hiring Tasman tools into the joint venture started to increase.

Because of our improved trading position and cash flows, Tasman was able to purchase an entire and complementary hire fleet in late 2018, at a significant discount to its new replacement value, from a distressed competitor and this transaction. Together with further modest capital expenditure, this enabled the positive momentum to continue. This also reduced the average age of the Tasman fleet and enabled us to expand our footprint and services in Southeast Asia. We have also come out of the recent downturn with a much larger market share than we had at the beginning and at a minimal cost.

OUTLOOK

During the first quarter of 2020 trading continued with its improving trajectory from the last six months of 2019. This was particularly true for Tasman where year-on-year increases were most evident and, as indicated before, we had record factory orders for the sale of manufactured Crestchic units. The Crestchic rental operation was also performing to plan.

However, by the end of March the impact of the COVID-19 pandemic was becoming apparent and was felt in almost every location in which we operate. Whilst demand for our rental services remains stable, the closure of national borders, travel restrictions, lockdowns of increasing severity, and site access issues have made operation in our normal patterns extremely difficult. Some rig operators have been unable to change crews and commissioning of some larger power projects has lacked appropriate staff. It has also been difficult to move equipment across national boundaries and it has been impossible to give normal customer support, which is essential in our type of work. This has affected the rental operations of both Crestchic and Tasman.

Crestchic's sales orders have remained at a record level and continued to grow in the first quarter. To date, no order has yet been cancelled or otherwise delayed. However, factory output has inevitably been compromised as staffing has been reduced through self-isolation and social distancing has reduced productivity. Staff welfare has been our top priority and our staff are key to our future success.

Due to these restraints it is likely that our performance in quarter two and quarter three of 2020 will be adversely affected, although this is impossible to quantify currently, but we might see some recovery in quarter four and beyond.

Based on our assumptions we do not have an immediate liquidity problem, and actions to mitigate the financial impact on the Group's cash flow during this sharp downturn in business will include reducing variable costs where possible, negotiating reductions in contracted fixed costs, restricting capital expenditure and taking advantage of the various support mechanisms including loans, grants, payment holidays, etc. offered by the Governments of the countries in which we operate. These are predominantly offered to protect liquidity and employment and we have already received funds from the New Zealand Government for that purpose.

It is unclear at the time of writing, what the consequences of the very sharp reduction in crude oil prices witnessed in the last six weeks will be. This has been caused by the collapse of demand, firstly from China, but then across the world, exacerbated by increasing production from Saudi Arabia and the Gulf States. Although it seems likely that crude oil prices will remain low for some time particularly when stocks remain at record levels, there are now some early signs of key producing nations seeking to stabilise market prices. Actions to reduce supply may not be agreed by the producer nations until after the pandemic crisis is over; however, the peaks in virus deaths between China and Europe and then on to North America are only weeks apart, and therefore a more managed oil and gas market may emerge by 2021.

Tasman's operations, particularly in Australia and New Zealand, are focused towards gas production and geothermal fluids to a much greater extent now than they were in 2014, and demand for natural gas to supply local markets in Australia remains high, particularly as winter in the southern hemisphere approaches. Likewise, geothermal drilling in New Zealand, which ceased during its lockdown, will restart as the travel and work restrictions are relaxed.

The Group as a whole is well positioned to benefit from a recovery as we believe there will be an added focus on resilience and sustainability in all energy focused industries, and an upturn in demand for gas, geothermal and carbon capture in order to retain the remission in pollution caused by the reduction of industrial emissions since the beginning of the pandemic.

Eric Hook
Chief Executive
7 April 2020

FINANCIAL REVIEW

Year-end net debt stood at £6.4 million (2018: £8.7 million) which includes £3.9 million of convertible debt.

Iwan Phillips
Finance Director

IFRS 16

IFRS 16 addresses the accounting for leases and requires lessees to recognise all leases on their balance sheet with limited exemptions. This results in the recognition of a right-of-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. Limited exemptions apply for short-term leases (leases with a term of twelve months or less) and low value leases. The payments for the exempt leases are recognised as an expense in the income statement on a straight line basis over the lease term.

The Group has adopted IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application (£nil) is recognised in retained earnings at 1 January 2019. Accordingly, the comparative information has not been restated and continues to be reported under IAS 17 "Leases" and IFRIC 4 "Determining Whether an Arrangement Contains a Lease".

Full details of right-of-use assets and lease liabilities can be found in notes 14 and 29.

All ratios used in this report use the 2019 figures after adjusting for the impact of IFRS 16 so that they are directly comparable with the 2018 reported figures. The effect of IFRS 16 on these ratios is explained in the following table.

	31 December 2019 as reported	IFRS 16 impact	**31 December 2019 excluding IFRS 16 impact**	31 December 2018 as reported
Profit/(loss) before tax	315	35	**350**	(2,722)
Exceptional costs	—	—	**—**	712
Finance costs	868	(76)	**792**	654
Depreciation	5,403	107	**5,510**	5,379
Amortisation of right-of-use assets	822	(822)	**—**	—
Amortisation	380	—	**380**	576
EBITDA	7,788	(756)	**7,032**	4,599
Cash generated from operations	8,798	(756)	**8,042**	4,286

	31 December 2019 as reported	IFRS 16 impact	**31 December 2019 excluding IFRS 16 impact**	31 December 2018 as reported
Loans and borrowings	9,106	610*	**9,716**	10,996
Lease liabilities	1,918	(1,918)	**—**	—
Cash and cash equivalents	(3,272)	—	**(3,272)**	(2,302)
Net debt	7,752	(1,308)	**6,444**	8,694

* To be consistent with 2018, any leases which would have been classified as finance leases in the prior year have been added to loans and borrowings.

> "The Group's leverage has decreased from 1.9 as at 31 December 2018 to 0.9 as at 31 December 2019."

Iwan Phillips
Finance Director

Hire fleet cost

£51.8m

2018: £52.0m

Net debt

£6.4m

2018: £8.7m

REVENUE AND PROFIT BEFORE TAX

The Group's revenue is derived principally from the rental of its hire fleet and also from the sale of manufactured equipment. Notes 2 and 3 show the Group's revenue split by segment, geography and revenue type.

As many of the Group's costs are largely of a fixed nature in the short to medium term (with significant movements in the cost base being attributable to acquisitions, large capital expenditure and divestments) any revenue movement, however small, will be highlighted at the operating profit level. This operating gearing, and despite a slight a movement in revenue mix towards sales in the year and tight cost control, enabled an increase in gross profit of 40.3%.

Rental revenue made up 64% of total revenue in 2019 compared to 65% in 2018. Rental revenue within Tasman increased by 30% with the Australian entity driving the improvement with a 34% increase in hire revenue.

Pre-exceptional operating costs were £1.5 million higher in 2019 at £13.6 million (2018: £12.1 million). This was mainly due the costs of the new Tasman entity in Singapore, investment in staff and premises in the US and a modest increase in staff numbers across the Group.

Net finance costs increased in 2019 with a full year's interest charge on the £4.0 million of convertible loan notes and the addition of interest relating to IFRS 16 (£77,000). The profit before tax for the year was £0.3 million (2018: pre-exceptional loss before tax of £2.0 million).

EARNINGS PER SHARE

The basic and diluted loss per share ("LPS"), both of 0.8 pence (2018: 8.9 pence), have been arrived at in accordance with the calculations contained in note 11.

BALANCE SHEET AND DEBT

Total net assets at 31 December 2019 were £35.0 million compared with £36.5 million in 2018. The decrease in net assets during the year is mainly due to the decrease in the foreign exchange reserve.

Net assets per share at the year-end are 125 pence (2018: 132 pence).

Hire fleet additions in the year totalled £3.7 million (2018: £4.5 million) with investment made in both the Crestchic and Tasman businesses. Property, plant and equipment decreased from £28.9 million to £25.6 million during the year due to net additions of £2.7 million being more than offset by a negative movement of £0.5 million from the translation of assets held in foreign currency and a depreciation charge of £5.4 million.

Inventory levels have decreased during the year to £3.5 million (2018: £4.3 million) mainly due to the finished goods of £0.7 million held at the prior year end mostly being sold or capitalised into the hire fleet during 2019.

Trade receivables have increased slightly from £5.9 million to £6.0 million in the year. Collections during the year have been reasonable and a modest increase in provisions has been made.

Year-end net debt stood at £6.4 million (2018: £8.7 million) which includes £3.9 million debt convertible to equity at 125 pence per share. During the year the Group has been able to make investments in both fixed assets and working capital while decreasing debt.

Notwithstanding the investment seen during the year, the Group's leverage, as calculated by dividing net debt by EBITDA, has decreased from 1.9 as at 31 December 2018 to 0.9 as at 31 December 2019. Excluding the convertible debt, the leverage is 0.4 (2018: 1.1).

CASH FLOW

The Group continued to increase the cash generated from operating activities which totalled £8.0 million during the year (2018: £4.3 million). The Group closely monitors cash management and prioritises the repatriation of cash to the UK from its overseas subsidiaries.

TAX EXPENSE

The overall tax charge for the year totalled £0.6 million (2018: credit of £0.3 million). This was made up of a tax charge of £0.6 million (2018: £0.4 million) and a deferred tax credit of £0.0 million (2018: £0.7 million). The deferred tax credit was lower than expected due to the Government's decision to abolish the previously announced decrease in the UK corporation tax rate from 19% to 17%.

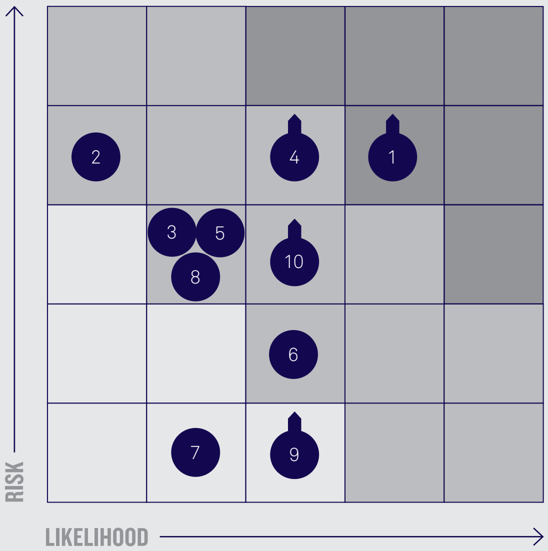
Losses relating to the Group's Australian entities have prudently not been recognised as a deferred tax asset at this balance sheet date, but the losses are available to be utilised against future profits. Any future recognition of a deferred tax asset will be dependent on these future profits by jurisdiction becoming more certain.

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

Iwan Phillips
Finance Director
7 April 2020

PRINCIPAL RISKS AND UNCERTAINTIES

The Board maintains a Group level risk register which is discussed at each Board meeting. The impact of each risk and the likelihood of it occurring are assessed periodically. Divisional management maintain their own sub-registers which feed into the Group register.



Risk management framework

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

THE BOARD

EXECUTIVE DIRECTORS

DIVISIONAL MANAGEMENT

SUBSIDIARY MANAGEMENT

Description	Mitigation	Change
1) COVID-19 The Group's revenues are derived from some labour-intensive activities such as the manufacture of loadbanks and the service and maintenance of equipment both within the Group's depots and on site. Pandemics such as COVID-19, which restrict the movement of people, both in terms of being able to be physically present at work and to be able to travel to customer sites across the world, will affect the Group's ability to produce loadbanks for third-party sales and service rental contracts. This may result in lower revenues, profits and cash flows.	The Group's activities are diverse, both in terms of industries and geographies. The loadbanks are used to test critical infrastructure such as hospitals and national electricity grids and a base level of revenue can reasonably be expected to continue. The oil tools are also used in industries that have been deemed essential by some governments and work will continue. The main manufacturing facility in Burton is able to follow all current government advice on social distancing and can continue to function, albeit on a reduced capacity. The engineering support teams are managing to service customers remotely through video conferencing. The senior management are discussing the on-going situation by telephone at least three times a week and updates to the full Board are being sent after each meeting.	
2) QHSE The Group's hire equipment is involved in safety-critical environments where a fault with the equipment or its misuse could cause serious injury or death. The Tasman equipment is mainly used in the oil, gas and geothermal drilling industry whereas the Crestchic equipment is involved in electrical testing that can produce lethal voltages.	The Group's divisions, Tasman and Crestchic, have detailed QHSE policies which are communicated to all staff. Tasman is certified under ISO 9001, ISO 14001 and OHSAS 18001 with Crestchic certified under ISO 9001, ISO 14001 and ISO 45001. Accident (and near-miss) reports are continually monitored and appropriate staff training is completed.	

PRINCIPAL RISKS AND UNCERTAINTIES CONTINUED

Description	Mitigation	Change
3) Bribery and corruption The global nature of its business exposes the Group to risk of unethical behaviour. The Group operates in countries with perceived high levels of corruption, tenders for projects and uses third-party sales agents in some counties where it does not have a permanent presence.	The Group has a clear bribery policy which is available on the website. All third-party agents are thoroughly vetted and are closely monitored. The Group has a whistleblowing process in place which is continually reviewed.	
4) Market and macroeconomic risks As evidenced by the impact of the sharply declining oil price in 2015 and early 2016, a downturn in global economic conditions or volatility in commodity prices creating uncertainty may result in lower rental activity and equipment sales levels. This may result in a poorer performance than expected, impacting revenues and margins. Any post-Brexit restrictions on the ability of the Group to move goods and services from the UK into the EU may result in lost revenue and/or increased costs.	The Group constantly monitors market conditions and can flex capital investment into the hire fleet accordingly. Products, services and demand vary by subsidiary with some of our products and services being subject to less market impact than others, enabling the hire fleet to be relocated to mirror changes in localised utilisation, although equipment in the US (specific frequency) and China (permanently imported) is less flexible. As the Group's global business continues to develop this will naturally increase and broaden both the market and revenue base, placing reduced reliance on specific markets and regions. Though much of the cost base of the Group is fixed, as recently shown, the Group is prepared to take prompt and effective action to exit underperforming activities and reduce overhead costs to mitigate the impact of market downturns. The Board has developed plans to mitigate the impact of any post-Brexit restrictions on the ability of the Group to move goods and services from the UK into the EU including moving assets to be permanently stored within the EU and employing further EU-based staff.	
5) Competition and commercial risk The Group's revenues are derived from the sale and rental of specialist complementary industrial equipment and services which can be impacted by competitor activity. There is a relatively small number of significant competitors serving the markets in which we operate, although we often compete against larger and better capitalised companies which could pose a significant threat because of financial capability, which may result in lower pricing and margins, loss of business, reduced utilisation rates and erosion of market share.	Competition for products and services provided by the Group varies by subsidiary with some of our products and services being subject to less market competition than others. As the Group's global business continues to develop this increases and broadens both the customer and revenue base, placing reduced reliance on individual customers. Our use of international hubs holding significant levels of equipment available for rent has enabled us to provide an enhanced and efficient customer service, and the ability to readily transport our hire fleet enables us to respond to changes in localised utilisation.	
6) Information technology The Group is dependent on its information technology ("IT") systems to operate its business efficiently, without failure or interruption. Whilst data within key systems is regularly backed up and systems are subject to virus protection, any systems failure or other major IT interruption could have a disruptive effect on the Group's business.	The geographically diverse nature of the Group reduces the global risk associated with IT failure or disruption. The use of recognised service providers and operating and communication platforms has strengthened the Group's technological infrastructure and reduced the risk of loss due to failure, breakdown, loss or corruption of data.	
7) Interest rate risk The Group delegates day-to-day control of its bank accounts to local management. All bank and other borrowings with the exception of the convertible loan notes attract variable interest rates. The Board accepts that this policy of not fixing interest rates for all borrowings neither protects the Group entirely from the risk of paying rates in excess of current market rates nor eliminates fully cash flow risk associated with interest payments.	The Group maintains strong relationships with all banking contacts. Group borrowings are reviewed, arranged and administered centrally with day-to-day control of bank accounts by local management being restricted to operating within agreed parameters. The Group's bank borrowings are made up primarily of revolving facilities invoice finance and term loans. The Group also utilises short-term trade finance and supplier finance facilities and finance leases. The Board considers that it currently achieves an appropriate balance of exposure to these risks, although this situation is constantly monitored.	

Description	Mitigation	Change
8) People risk Retaining and attracting the best people is critical in ensuring the continued success of the Group.	Northbridge offers well-structured reward and benefit packages, including share options, which are regularly reviewed. We try to ensure that our people fulfil their potential to the benefit of the individual and the Group by providing appropriate training and offering the possibility of career advancement on an intercompany basis within the Group.	
9) Foreign currency exchange risk The Group is exposed to movements in exchange rates for both foreign currency transactions and the translation of net assets and income of foreign subsidiaries. Local management has responsibility for its own bank accounts, with bank balances held in Euro, US Dollar, Australian Dollar, Singaporean Dollar, New Zealand Dollar and UAE Dirham accounts. Outstanding balances for trade receivables, trade payables and financial liabilities are also held in these currencies. The Board recognises that the ongoing Brexit negotiations will impact the volatility of Sterling.	The Board manages this risk by converting surplus non-functional currency into Sterling as appropriate, after allowing for future similar functional currency outlays. The Board regularly seeks the opinion of foreign currency professionals to advise on potential foreign currency fluctuations, especially when it is aware of future foreign currency requirements. It does not currently consider that the use of hedging facilities would provide a cost-effective benefit to the Group on an ongoing basis.	
10) Credit risk Exposure to credit risk arises principally from the Group's trade receivables. At 31 December 2019 the Group had £7,232,000 (2018: £7,169,000) of trade receivables and an expected credit loss provision of £1,277,000 (2018: £1,221,000). The Group increased provisions by £149,000 (2018: £866,000) during the year.	The Group's trade receivables are managed through stringent credit control practices both at a local and Group level, including assessing all new customers, requesting external credit ratings (which are factored into credit decisions), regularly reviewing established customers and obtaining credit insurance where it is felt appropriate. The Group trades in regions such as the Middle East and Africa where formal credit ratings are not always readily available. In these situations, trading history with the Group and market reputation are given greater weighting in credit decisions.	

This Strategic Report was approved by the Board on 7 April 2020 and signed by order of the Board by the Chief Executive.

Eric Hook
Chief Executive
7 April 2020

BOARD OF DIRECTORS

Peter Harris

Non-executive Chairman

A R

Peter Harris, aged 68, qualified as a chartered accountant having studied at Sheffield University. After a number of years in the accountancy profession he joined Borden Inc., a multinational food packaging and industrial product company, where he spent 13 years in a variety of senior financial roles. In 1994 Peter was appointed as finance director of RAC plc (formerly Lex Service Plc), a leading automotive services provider. In 1999 he became a group managing director of RAC plc, heading a number of businesses including Lex Transfleet, Lex Multipart, Lex Commercials, Lex Defence and RAC Software Solutions. In April 2006, following the acquisition of RAC plc by Aviva plc, Peter was appointed chief executive of Dawson Holdings plc, the media supply chain business, from which he retired in June 2009. Peter is also chairman of Atmaana Business Consulting Ltd and senior advisor to Chetwode SAS, a Paris-based financial services company, and a member of the Advisory Board of Sovam SAS, a French manufacturer of ground support equipment for the aviation industry. He is a member of the Remuneration and Audit Committees of the Company.

SKILLS AND EXPERIENCE

His extensive international business experience in the public company and charity environment, in which he has had experience of all the major executive and non-executive roles, and extensive experience in corporate governance, coupled with his ongoing career in business strategy consultancy, robustly qualify him for the role of Chairman of the Board.

Eric Hook

Chief Executive

Eric Hook, aged 66, qualified as a chartered certified accountant ("FCCA") in 1983 and spent many years in financial roles, culminating in his appointment as finance director of Harvey Plant Ltd, a subsidiary of Lex Service Plc. In 1994 Eric was appointed chief executive of Andrews Sykes Group Plc, the listed support services company, where he led the turnaround of the loss-making group. Eric left Andrews Sykes in 1999 to lead Longville Group, a private equity-backed consolidation of three industrial hire businesses. He expanded Longville organically and by acquisition to gain a market-leading position in pumps, fluid chillers and diesel generators. Eric left Longville Group to establish Northbridge Industrial Services in 2003.

SKILLS AND EXPERIENCE

His successful track record in the publicly quoted industrial equipment hire sector has given him the experience and credentials to lead the Group as its Chief Executive and to help devise and manage the delivery of its strategic goals and operational performance.

Ian Gardner

Divisional Managing Director

Ian Gardner, aged 53, joined the Group in 2007 and was instrumental in the start-up and subsequent growth of Northbridge Middle East and Northbridge Asia-Pacific and he now holds responsibility for the Group's oil and gas division, Tasman Oil Tools. Following the successful integration of the Tasman Oil Tools businesses, Ian is now residing in Kuala Lumpur, Malaysia, giving him access to the Tasman division and supporting the new joint venture within the region. Ian has over 28 years' experience in the industrial services and rental sector, with over 19 years being within international roles, and has championed start-ups and acquisitions and driven growth in Singapore and the Middle East, prior to joining the Group.

SKILLS AND EXPERIENCE

Ian brings to the Board the experience gained from his career in the industrial equipment sector prior to joining the Group which, together with his involvement since joining Northbridge in all the major areas of activity and development of the Group's operations, enables him to contribute to the Board on a broad range of operational and strategic issues, with particular emphasis on products, markets, customers and industry partners.

Iwan Phillips

Finance Director

Iwan Phillips, aged 36, studied at Warwick University before joining BDO in 2005, where he qualified as a chartered accountant in 2008. He spent five years at BDO, working on the audits of a variety of businesses but specialising in fully listed and AIM companies. Iwan joined Northbridge in 2010 as the Group Accountant and was appointed the Group's Finance Director in 2016. He was appointed as Company Secretary in 2011.

SKILLS AND EXPERIENCE

Iwan's professional training and long service, with continually expanding responsibilities at Northbridge, have given him the skills and experience to bring financial leadership and direction to the Board and to build, on behalf of the Board, secure and constructive relationships with the shareholders, bankers and other financial stakeholders of the Group.

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

Ash Mehta

Non-executive Director (independent)

A R

Ash Mehta, aged 54, qualified as a chartered accountant with KPMG, following which he worked in commercial finance roles in US multinationals. He has since held a number of senior financial roles in fully listed and AIM companies, and has extensive experience in IPO-type fundraisings and acquisitions. Ash was part-time Finance Director of the Group from 2007 to 2011 when he became a Non-executive Director of Northbridge. He is a member of the Remuneration and Audit Committees of the Company. He is currently chief financial officer of Rosslyn Data Technologies plc, an AIM-quoted data analytics business.

SKILLS AND EXPERIENCE

His professional qualification, together with his extensive experience in senior finance roles in listed companies, equips him to be an effective Chairman of the Audit Committee, his wide business experience in commercial finance roles allows him to offer a broad input into the Remuneration Committee and his senior management responsibilities, particularly in strategy formulation and corporate finance, are highly relevant to the general business of the Board.

Nitin Kaul

Non-executive Director (independent)

A R

Nitin Kaul, aged 45, studied at King's College and City Business School before joining Arthur Andersen in 1996, where he worked across various business lines in Europe, Asia and North America. He joined Tomkins plc in 2002 and spent over 13 years with the group in senior finance, M&A and operating roles, including heading various group businesses in the oil and gas vertical.

SKILLS AND EXPERIENCE

His extensive experience in senior roles in multinational businesses gives him the insight required for the chairmanship of the Remuneration Committee, his blend of finance and operational experience brings a relevant perspective to the Audit Committee and his international experience in senior management and business consultancy, coupled with a broad knowledge of the power and oil and gas markets, is of great value to the Board.

Judith Aldersey-Williams

Non-executive Director (independent)

A R

Judith Aldersey-Williams, aged 56, studied at Cambridge and Harvard before qualifying as a solicitor in 1989. She began her career as a commercial and competition lawyer in the City of London with Travers Smith before moving to Aberdeen and joining CMS, where she became a partner in 2007. In Aberdeen she has specialised in oil and gas law, advising operators and service companies, large and small, on regulatory issues, upstream contracts, procurement and construction contracts, IT and competition law. She is a member of the Audit and Remuneration Committees of the Company.

SKILLS AND EXPERIENCE

Judith's legal skills add to the range of professional experience on the Board. Her work in the oil and gas sector puts her at the forefront of complex industry legal issues and has given her a thorough understanding of the way the oil and gas industry works, both in operational and cultural terms, the risks it faces and how these are mitigated, which enables her to make a significant contribution to the Board and its Committees.

CORPORATE GOVERNANCE STATEMENT

In my capacity as Chairman I am pleased to present the Group's 2019 Corporate Governance Statement.

Good corporate governance is a key strategic pillar for the Group. The Group has chosen to adopt the principles of the QCA Code. The QCA Code identifies ten principles to be followed in order for companies to deliver growth in long-term shareholder value, encompassing an efficient, effective and dynamic management framework accompanied by good communication, to promote confidence and trust.

I am very pleased to say that we are able to report full compliance with each of the ten principles of the QCA Code and that our governance framework continues to help ensure that the Group operates effectively and with full regard to the Group's values and culture.

Peter Harris

This Corporate Governance Statement addresses how the Group complies the QCA Code; however, further disclosure relating to each principle can be found in other sections of the 2019 annual report and accounts (the "2019 Annual Report") as indicated opposite.

No.	Principle	Page number in the accounts
1.	Establish a strategy and business model which promotes long-term value for shareholders	2-5
2.	Seek to understand and meet shareholder needs and expectations	23
3.	Take into account wider stakeholder and social responsibilities, and their implications for long-term success	23
4.	Embed effective risk management, considering both opportunities and threats, throughout the organisation	17-19
5.	Maintain the Board as a well-functioning, balanced team led by the Chairman	22
6.	Ensure that between them the Directors have the necessary up-to-date experience, skills and capabilities	20-21
7.	Evaluate Board performance based on clear and relevant objectives, seeking continuous improvement	23
8.	Promote a corporate culture that is based on ethical values and behaviours	23
9.	Maintain governance structures and processes that are fit for purpose and support good decision making by the Board	22
10.	Communicate how the Company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders	23

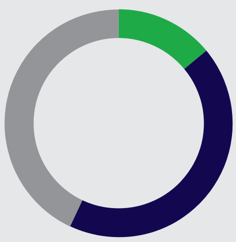
STRATEGY AND MODEL

The Group hires and sells specialist industrial equipment across the world through its two divisions, Crestchic Loadbanks and Transformers and Tasman Oil Tools. For further information on the strategy, please see the Strategic Report on pages 2 to 5 and for more information on the key challenges posed to the Group in executing the strategy, please see pages 17 to 19 of the 2019 Annual Report.

THE BOARD

The Board meets regularly to monitor the current state of business and to determine its future strategic direction.

Board composition



Non-executive Chairman	1
Executive Directors	3
Non-executive Directors	3

Day-to-day management of the Group is delegated to the Executive Directors, subject to formal delegated authority limits; however, certain matters are reserved for whole Board approval. These matters are reviewed periodically and include Board and Committee composition, strategy, funding decisions and corporate transactions among others. Directors are required to commit sufficient time to their roles to appropriately discharge their duties. All Directors are offered regular training to develop their knowledge and ensure they stay up to date on matters for which they have responsibility as a Board member.

During the year, the Board comprised a Non-executive Chairman, three Executive Directors and three Non-executive Directors.

BOARD COMMITTEES

The principal Committees established by the Directors are:

AUDIT COMMITTEE

The Committee meets at least twice a year and examines any matters relating to the financial affairs of the Group including the review of annual and interim results, internal control procedures and accounting practices. The Audit Committee meets with the auditor periodically and as necessary. This Committee is comprised of Nitin Kaul, Peter Harris, Judith Aldersey-Williams and Ash Mehta, who chairs the Committee. The Executive Directors may also attend meetings as appropriate to the business in hand but are not members of the Committee.

REMUNERATION COMMITTEE

The Remuneration Committee meets at least twice a year and reviews the performance of the Executive Directors and sets and reviews their remuneration and the terms of their service contracts, determines the payment of bonuses to Executive Directors and senior management and considers any bonus and option schemes which may be implemented by the Group. This Committee is comprised of Peter Harris, Ash Mehta, Judith Aldersey-Williams and Nitin Kaul, who chairs the Committee. Executive Directors may also attend meetings as appropriate to the business in hand but are not members of the Committee. None of the Executive Directors were present at meetings of the Committee during consideration of their own remuneration.

NOMINATIONS COMMITTEE

The Nominations Committee meets as and when required. It did not meet in 2019. The composition of the Nominations Committee varies but will always include the Chairman and at least one other Board member. The recommendations of the Nominations Committee are put to the full Board for approval.

ATTENDANCE AT BOARD AND OTHER MEETINGS FOR 2019

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

All Directors receive regular and timely information on the Group's operational and financial performance. Relevant information is circulated to the Directors in advance of meetings to ensure that they have sufficient time to read and consider papers and consider their content prior to the meeting. The meetings include at least annual detailed strategy reviews of each division.

All Directors have direct access to the advice and services of the Company Secretary and are able to take independent professional advice in the furtherance of their duties, if necessary, at the Company's expense. The Company Secretary is also the Finance Director. The Board feels this to be appropriate due to the Group's size and the fact there are no other employees with the necessary skills within the Group. This arrangement is continually being reviewed.

BOARD INDEPENDENCE

The Board has considered the independence of all Non-executive Directors and considers that all Non-executive Directors bring an independent judgement to bear, notwithstanding the varying lengths of service, the varying length of service concurrent with Chief Executive or any previous part-time Executive Director roles previously held within the Group.

BOARD EVALUATION

The Board undertook an internal evaluation in 2018 with the assistance of external advisors. The results of the evaluation were well received and have been adopted by the Board.

RELATIONS WITH SHAREHOLDERS

The Company encourages two-way communication with both its institutional and private investors and responds quickly to all queries received. The Chairman is available to the Group's major shareholders and ensures that their views are communicated fully to the Board.

The Board recognises the Annual General Meeting as an important opportunity to meet private shareholders. The Directors are available to listen to the views of shareholders informally immediately following the Annual General Meeting.

The Company will disclose outcomes of all votes at general meetings of shareholders in a clear and transparent manner either on the website or via an announcement.

Where a significant proportion of votes (20% of independent votes) have been cast against a resolution at any general meeting, the Company will provide an explanation of what actions it intends to take to understand the reasons behind that vote result, and, where appropriate, any different action it has taken, or will take, as a result of the vote.

The website includes historical annual reports and other governance-related material over the last five years.

SOCIAL RESPONSIBILITIES

The Group is committed to sustainable progress in all aspects of our business – for the environment, customers, suppliers and the communities we operate in.

The Group's stakeholders include shareholders, members of staff, customers, suppliers, regulators, industry bodies and creditors (including the Group's lending banks).

The principal ways in which their feedback on the Group is gathered are via meetings, direct conversations and social media.

CORPORATE CULTURE

The Board promotes the highest level of behaviour and ethics. The trading divisions adhere to the highest level of quality, health, safety and environment ("QHSE"). The Group's QHSE and anti-bribery policies can be found on its website.

	Board (scheduled)	Audit Committee	Remuneration Committee
Number of meetings in year	6	2	2
Attendance:			
P R Harris	●●●●●●	●●	●●
E W Hook	●●●●●●	—	—
I C Phillips	●●●●●●	—	—
I J Gardner	●●●●●●	—	—
J Aldersey-Williams	●●●●●●	●●	●●
N Kaul	●●●●●●	●●	●●
D C Marshall	●●	—	—
A K Mehta	●●●●●●	●●	●●

STATEMENT BY THE DIRECTORS IN PERFORMANCE OF THEIR STATUTORY DUTIES IN ACCORDANCE WITH S172(I) COMPANIES ACT 2006

The Board consider, both individually and together, that they have acted in the way they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole (having regard to the stakeholders and matters set out in s172(1)(a-f) of the Act) in the decisions taken during the year ended 31 December.

- Our strategy (see page 4) was designed to have a long-term beneficial impact on the Company and to contribute to its success in delivering a better quality service for customers across the world.
- Our employees and partners are fundamental to the delivery of our strategy. We aim to be a responsible employer in our approach to the pay and benefits our employees receive. The health, safety and well-being of our employees is one of our primary considerations in the way we do business (see page 3). We actively encourage employees to share their ideas with management and have various suggestion-box schemes across the Group.
- Our customers are at the forefront of our strategy and they will benefit from our future investments in equipment and our global expansion, whether organically or by acquisition (see page 3).
- Our key decisions in 2019 revolved around the way that capital is invested in the hire fleet. We engage with our customers and employees to ensure that the equipment we have available matches the demand in the market. Closely linked to this, Crestchic will be ready to fully roll out its new loadbank control system in 2020 which will improve the user experience for both employees and customers. This has been developed through deep engagement with employees and key customers.
- As the Board of Directors, our intention is to behave responsibly and ensure that management operates the business in a responsible manner, operating within the high standards of business conduct and good governance expected of a business such as ours (see pages 22 and 23) and in doing so, will contribute to the delivery of our strategy.
- As the Board of Directors, our intention is to behave responsibly towards our shareholders and treat them fairly and equally, so they too may benefit from the successful delivery of our strategy. On February 2020 we held a strategy day and invited our largest shareholders to engage with us.

DIRECTORS' REPORT

The Directors present their report and the financial statements for the year ended 31 December 2019.

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ANNUAL REPORT AND FINANCIAL STATEMENTS

The Directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

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

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

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

After making appropriate enquiries, the Directors have formed a judgement, at the time of approving the financial statements, that the Group can have a reasonable expectation that adequate resources will be available for it to continue its operations for the foreseeable future, and consequently it is appropriate to adopt the going concern principle in the preparation of the financial statements.

At the date of approval of these financial statements the Directors acknowledge that the issues connected to the post balance sheet event of COVID-19 and the decline in market oil price create significant difficulties in being able to forecast future trading and cash flows and that actual results achieved might be significantly different to management's current expectations in the forecasts prepared to assess funding requirements and going concern. This indicates the existence of material uncertainties which may cast significant doubt about the Group's ability to continue as a going concern. The financial statements do not include the adjustments that would be necessary if the Company is not able to achieve its forecasts or is unable to continue as a going concern.

Further detail is included in the basis of preparation note 1.1.

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

WEBSITE PUBLICATION

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

PRINCIPAL ACTIVITIES

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

The principal activities of the subsidiary companies are detailed in note 23.

PROFIT OR LOSS AND DIVIDENDS

The loss for the year after taxation amounted to £236,000 (2018: £2,409,000).

The Directors are not proposing a final dividend (2018: £nil), resulting in dividends for the whole year of nil pence (2018: nil pence) per share.

FUTURE DEVELOPMENTS
The future developments of the Group are included within the Strategic Report.

FINANCIAL INSTRUMENTS
Details of the use of financial instruments by the Group are contained in note 26 of the financial statements.

RISKS
The Group's assessment of credit, liquidity and cash flow risk is included within the Strategic Report.

PURCHASE OF OWN SHARES
At the year end and at the date of this report the Company held 215,150 (2018: 215,150) of its own shares, which represents 0.77% (2018: 0.77%) of the share capital of the Company.

DIRECTORS AND THEIR INTERESTS
The present Directors are detailed on pages 20 and 21 together with brief biographies.

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

	Ordinary shares of 10 pence each		Share options	
	31 December 2019	1 January 2019	**31 December 2019**	1 January 2019
P R Harris	**1,577,475**	1,577,475	**—**	—
E W Hook	**690,000**	680,000	**981,601**	906,601
I J Gardner	**29,914**	29,914	**166,000**	136,000
I C Phillips	**5,000**	2,586	**126,000**	96,000
A K Mehta	**183,636**	183,636	**—**	—
J Aldersey-Williams	**3,975**	—	**—**	—
N Kaul	**—**	—	**—**	—

Between 1 January 2020 and the balance sheet approval date there have been no changes to the above shareholdings or options. Further details on Directors' share options can be found in note 24.

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

SUBSTANTIAL SHAREHOLDINGS
The Company has been notified that the following investors held interests in 3% or more of the Company's issued share capital (net of shares held in treasury) at 31 December 2019:

	Number	%
Artemis Investment Management Ltd	3,864,188	13.85
Gresham House Strategic Plc	3,643,063	13.06
Western Selection PLC	3,300,000	11.83
Canaccord Genuity Group Inc	3,050,000	10.93
P R Harris	1,577,475	5.65
River and Mercantile	1,315,142	4.71
Cavendish Asset Management	1,188,736	4.26
R G Persey	1,092,910	3.92
Lazard Frères Gestion SAS	1,001,796	3.59

From 1 January 2020 to the balance sheet approval date, the Directors have not been notified of any changes to the substantial shareholdings above.

ANNUAL GENERAL MEETING
Due to the current restrictions relating to COVID-19 the date of the Annual General Meeting will be announced at a later date. The Notice of the Meeting will be made available on the website.

AUDITOR'S INDEPENDENCE

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

AUDITOR

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

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

This report was approved by the Board on 7 April 2020 and signed by order of the Board by the Company Secretary.

Iwan Phillips
Company Secretary
7 April 2020

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 2019 which comprise the consolidated statement of comprehensive income, consolidated and parent company balance sheets, consolidated cash flow statement, consolidated and parent company statements of changes in equity and the notes to the consolidated and parent company 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 2019 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.

MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

We draw attention to note 1 in the financial statements which refers to the potential impact of the issues connected to the COVID-19 pandemic and the connected decline in market oil price on the going concern status of the Group. As stated in note 1, these events or conditions, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

We identified going concern as a key audit matter based on our assessment of the significance of the risk and the effect on our audit strategy.

Our audit procedures in response to this key audit matter included the following:

- We critically reviewed the latest board approved cash flow forecasts for the Group, which covered 14 months from the date of approval of these financial statements. We challenged management's key assumptions in respect of revenue growth, cost increases and working capital assumptions.
- We recalculated management's forecast covenant compliance calculations until June 2021 and assessed the consistency of such calculations with the ratios stated in the relevant lender agreements.
- We assessed management's sensitivity analysis performed in respect of key assumptions underpinning the forecasts.
- As summarised in Note 1, management have modelled a reasonable downside scenario to incorporate the expected impact of the COVID-19 pandemic and the impact on the oil price. We challenged management on the completeness of the scenarios assessed as reasonably possible to impact the Group as a consequence of COVID-19 and decline in the oil price.
- We challenged the nature of mitigating actions identified by management in their assessment and the quantum ascribed to these mitigating actions.
- Scenarios modelled by management include a reverse stress test to analyse how long the business could operate with significantly subdued hire revenue without breaching banking covenants. We challenged the assumptions used to reduce revenue and control costs. The reverse stress test excluded scenarios of raising additional bank finance or altering bank covenants and the sale of hire fleet assets.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, 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.

In addition to the matter described in the "Material uncertainty related to going concern" section we have determined the matters described below to be the key audit matters to be communicated in our report.

Key audit matter	How we addressed the key audit matter in our audit
Goodwill and intangible assets – impairment assessment *Refer to the accounting policies and significant judgements and estimates (Note 1) and Intangible assets (note 12).* The directors are required to conduct annual impairment reviews for goodwill and also consider other assets where impairment triggers are identified, to ensure that any impairments are appropriately recognised. 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 determined this a key audit matter 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 used to generate the future cash flows and the process by which they were prepared. This included comparison against prior outturns. We also reviewed the integrity of the value in use model used to establish that it complied with the approach required by relevant accounting standards. We challenged management's assessment of the long-term revenue growth rates and profit margins included considering the external market trends available to support 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. Key observations: Based on our work performed, we found the directors' impairment reviews to be reasonable.
Tangible fixed assets – useful economic lives and residual values *Refer to the accounting policies and significant judgements and estimates (Note 1) and tangible fixed assets (note 13).* The directors 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. The group's statement of financial position includes a significant level of hire fleet assets (net book value of £18,500,000) and the judgements and estimates applied in determining 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 2019. These estimates require significant management judgement and there is a risk that use of inappropriate assumptions or forecasts could result in material misstatements in the financial statements.	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 profits or losses achieved on the sale of assets for indicators of changes required to the policies and the judgements adopted for useful economic lives and residual values adopted; ▪ considering whether the judgements supporting the estimated useful economic lives were consistent with the judgements made by the directors' elsewhere in the financial statements. Key observations: Based on our work performed, we found the directors' assessment of the useful economic lives and residual values of the intangibles to be reasonable.

INDEPENDENT AUDITOR'S REPORT CONTINUED

To the members of Northbridge Industrial Services plc

OUR APPLICATION OF MATERIALITY

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

MATERIALITY

The magnitude of an omission or misstatement that, individually or in aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. Materiality provides a basis for determining the nature and extent of our audit procedures. We determined materiality for the group to be £330,000 (2018 - £270,000), which was based on 1.0% of turnover, as this metric is considered to be the most significant determinant of the group's financial performance as the business recovers to profitability.

We determined materiality in respect of the audit of the parent company to be £313,000 (2018 - £256,000) being 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 £247,000 (2018 - £202,000) for the group and £234,000 (2018 - £192,000) for the parent company which represents 75% (2018 - 75%) of the above materiality levels.

REPORTING THRESHOLD

We agreed with the Audit Committee that we would report to them all uncorrected audit differences in excess of £16,500 (2018 - £13,500), 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 15 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 of greatest significance to the group audit. Whilst materiality for the financial statements of a whole was set at £330,000, materiality for each component of the group was £313,000. Only 1 of the components was financially significant to the group. 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 reviews of their audit working papers and attending the closing meetings for each component. Due to the increasing significance of the American and Chinese operations the group team completed a series of specific substantive tests and attended local sites to complete asset and inventory verification. 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 96% of revenue and 71% 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.

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

RESPONSIBILITIES OF DIRECTORS

As explained more fully in the Statement of Directors' responsibilities set out on page 25 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 at: 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.

Jonathan Gilpin (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
Birmingham
United Kingdom
7 April 2020

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 2019

	Note	2019 £'000	2018 £'000
Revenue	2	**33,600**	26,936
Cost of sales		**(17,802)**	(15,674)
Gross profit		**15,798**	11,262
Operating costs		**(13,634)**	(12,100)
Impairment loss on trade receivables:			
Excluding exceptional cost		**(149)**	(154)
Exceptional cost	4	**—**	(712)
Total impairment loss on trade receivables		**(149)**	(866)
Share of post-tax result of joint ventures		**(832)**	(364)
Profit/(loss) from operations	5	**1,183**	(2,068)
Finance costs	9	**(868)**	(654)
Profit/(loss) before tax excluding exceptional cost		**315**	(2,010)
Exceptional items	4	**—**	(712)
Profit/(loss) before taxation		**315**	(2,722)
Taxation	10	**(551)**	313
Loss for the year attributable to the equity holders of the parent		**(236)**	(2,409)
Other comprehensive (loss)/income			
Exchange differences on translating foreign operations		**(1,248)**	638
Other comprehensive (loss)/income for the year, net of tax		**(1,248)**	638
Total comprehensive loss for the year attributable to equity holders of the parent		**(1,484)**	(1,771)
Loss per share			
– basic (pence)	11	**(0.8)**	(8.9)
– diluted (pence)	11	**(0.8)**	(8.9)

All amounts relate to continuing operations.

The notes on pages 36 to 68 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2019

	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 2019	2,811	201	29,950	2,810	3,648	(451)	(2,510)	36,459
Loss for the year	—	—	—	—	—	—	(236)	(236)
Other comprehensive loss	—	—	—	—	(1,248)	—	—	(1,248)
Total comprehensive loss for the year	—	—	—	—	(1,248)	—	(236)	(1,484)
Share option expense	—	—	—	—	—	—	48	48
Balance at 31 December 2019	**2,811**	**201**	**29,950**	**2,810**	**2,400**	**(451)**	**(2,698)**	**35,023**

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 income/(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

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 36 to 68 form part of these financial statements.

CONSOLIDATED BALANCE SHEET

As at 31 December 2019

Company number: 05326580	Note	2019 £'000	2019 £'000	2018 £'000	2018 £'000
ASSETS					
Non-current assets					
Intangible assets	12	**11,633**		12,333	
Property, plant and equipment	13	**25,578**		28,872	
Right-of-use assets	14	**1,995**		—	
Investments accounted for using the equity method	15	**—**		—	
			39,206		41,205
Current assets					
Inventories	16	**3,547**		4,288	
Trade and other receivables	17	**9,070**		7,902	
Cash and cash equivalents		**3,272**		2,302	
			15,889		14,492
Total assets			**55,095**		55,697
LIABILITIES					
Current liabilities					
Trade and other payables	18	**6,242**		5,306	
Loans and borrowings	19	**2,043**		3,145	
Lease liabilities	14	**864**		—	
Current tax liabilities		**601**		660	
			9,750		9,111
Non-current liabilities					
Loans and borrowings	19	**7,063**		7,851	
Lease liabilities	14	**1,054**		—	
Deferred tax liabilities	20	**2,205**		2,276	
			10,322		10,127
Total liabilities			**20,072**		19,238
Total net assets			**35,023**		36,459
Capital and reserves attributable to equity holders of the Company					
Share capital	21		**2,811**		2,811
Convertible debt option reserve			**201**		201
Share premium			**29,950**		29,950
Merger reserve			**2,810**		2,810
Foreign exchange reserve			**2,400**		3,648
Treasury share reserve			**(451)**		(451)
Retained earnings			**(2,698)**		(2,510)
Total equity			**35,023**		36,459

The notes on pages 36 to 68 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 7 April 2020.

Eric Hook
Director

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2019

	Note	2019 £'000	2018 £'000
Cash flows from operating activities			
Net profit/(loss) before taxation		**315**	(2,722)
Adjustments for:			
– amortisation of intangible assets	12	**380**	576
– amortisation of right-of-use asset	14	**822**	—
– amortisation of capitalised debt fee		**93**	126
– depreciation of property, plant and equipment	13	**5,403**	5,379
– profit on disposal of tangible fixed assets		**(553)**	(537)
– share of post-tax results of joint ventures		**832**	364
– finance costs	9	**868**	654
– share option expense	24	**48**	50
		8,208	3,890
Decrease/(increase) in inventories		**712**	(853)
(Increase)/decrease in receivables		**(771)**	1,507
Increase/(decrease) in payables		**649**	(258)
Cash generated from operations		**8,798**	4,286
Taxation		**(563)**	(651)
Increase in receivables from joint ventures		**(1,394)**	(402)
Hire fleet expenditure	13	**(3,658)**	(4,469)
Sale of assets within hire fleet		**1,638**	844
Net cash from/(used in) operating activities		**4,821**	(392)
Cash flows from investing activities			
Investment in joint ventures	15	**(50)**	—
Payment of deferred consideration		**—**	(1,130)
Purchase of property, plant and equipment	13	**(201)**	(243)
Sale of property, plant and equipment		**38**	8
Net cash used in investing activities		**(213)**	(1,365)
Cash flows from financing activities			
Proceeds from share capital issued		**—**	2,371
Proceeds from loans and borrowings		**498**	10,923
Debt issue costs		**(24)**	(437)
Repayment of loans and borrowings		**(2,407)**	(9,116)
Principal paid on lease liabilities (2018: principal paid on finance leases)		**(901)**	(299)
Interest paid on lease liabilities (2018: interest paid on finance leases)		**(100)**	(45)
Interest paid on loans and borrowings		**(662)**	(529)
Net cash (used in)/from financing activities		**(3,596)**	2,868
Net increase in cash and cash equivalents		**1,012**	1,111
Cash and cash equivalents at beginning of period		**2,302**	1,173
Exchange (losses)/gains on cash and cash equivalents		**(42)**	18
Cash and cash equivalents at end of period		**3,272**	2,302

The notes on pages 36 to 68 form part of these financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

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 the 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 69 to 74.

Going concern

After making appropriate enquiries, the Directors have formed a judgement, at the time of approving the financial statements, that the Group can have a reasonable expectation that adequate resources will be available for it to continue its operations for the foreseeable future, and consequently it is appropriate to adopt the going concern principle in the preparation of the financial statements.

In forming this judgement, the Directors have reviewed the Group's latest forecasts for 2020 and 2021 (including downside sensitivity scenarios and reverse stress testing), cash flow forecasts, contingency planning, the sufficiency of banking facilities and forecast compliance with banking covenants.

The downside sensitivity scenarios included the possibility of the oil price remaining at close to $30 per barrel for some time and the potential effect of COVID-19.

As noted in the Chief Executive's Review, Tasman currently has a strong pipeline of work, which is ahead of 2019 levels, stretching throughout most of 2020. An oil price of close to $30 per barrel for a prolonged period may impact ad-hoc projects towards the end of 2020 and final investment decisions for larger projects in 2021.

Tasman is more prepared for a lower oil price than the last time the price was around $30 per barrel in 2015 as it is now more geographically diverse with operations in Southeast Asia and more of its revenue is derived from drilling for gas rather than oil.

The COVID-19 related downside sensitivities include a subdued period for Crestchic rental in the second and third quarters of 2020 with some modest improvement in the fourth quarter. Much of the testing that may be delayed because of COVID-19 is critical and will be carried out when possible to do so.

As noted in the Chief Executive's Review, the Crestchic factory is currently scheduled to be at capacity for at least the next six months and any effect from a global slowdown will not affect the level of Crestchic sales in 2020. If the current restrictions are in place for a longer period, the factory's ability to keep output at its current high level may be in doubt.

Even with a reasonable downside scenario considering the effect of COVID-19 and the current oil price there is sufficient cash flow to pass all bank covenants and to sustain the requirements of the business.

This model includes some mitigation that is under the Directors' control including a reduction in capital expenditure and a modest reduction in costs. The model does not contain the sale of any assets, but that option would be open to the Directors if required.

If trading conditions deteriorate further than expected the Board is encouraged by the approach of the various Governments and banks in the areas in which the Group operates and is confident that, if required, assistance will be available.

The main bank facilities are due for renewal on 30 June 2021 and the convertible loan notes are due for repayment in July 2021 if unconverted. The loan notes include an option to roll forward for one year with an increased coupon of 10% if agreed by both parties.

At the date of approval of these financial statements the Directors acknowledge that the issues connected to COVID-19 and the decline in market oil price create significant difficulties in being able to forecast future trading and cash flows and that actual results achieved might be significantly different to management's current expectations in the forecasts prepared to assess funding requirements and going concern. This indicates the existence of material uncertainties which may cast significant doubt about the Group's ability to continue as a going concern. The financial statements do not include the adjustments that would be necessary if the Company is not able to achieve its forecasts or is unable to continue as a going concern.

1. ACCOUNTING POLICIES CONTINUED

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; and
- 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 Contains 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.

Within trade and other receivables in the Consolidated Statement of Financial Position trade receivables represent invoiced rights to payment.

Within trade and other payables in the Consolidated Statement of Financial Position contract liabilities represent payments received in advance of revenue recognised.

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 LEASES

The majority of the Group's accounting policies for leases are set out in note 14.

Identifying leases

The Group accounts for a contract, or a portion of a contract, as a lease when it conveys the right to use an asset for a period of time in exchange for consideration. Leases are those contracts that satisfy the following criteria:

(a) there is an identified asset;

(b) the Group obtains substantially all the economic benefits from use of the asset; and

(c) the Group has the right to direct use of the asset.

The Group considers whether the supplier has substantive substitution rights. If the supplier does have those rights, the contract is not identified as giving rise to a lease. In determining whether the Group obtains substantially all the economic benefits from use of the asset, the Group considers only the economic benefits that arise from use of the asset, not those incidental to legal ownership or other potential benefits.

In determining whether the Group has the right to direct use of the asset, the Group considers whether it directs how and for what purpose the asset is used throughout the period of use. If there are no significant decisions to be made because they are predetermined due to the nature of the asset, the Group considers whether it was involved in the design of the asset in a way that predetermines how and for what purpose the asset will be used throughout the period of use. If the contract or portion of a contract does not satisfy these criteria, the Group applies other applicable IFRSs rather than IFRS 16.

1. ACCOUNTING POLICIES CONTINUED

1.6 GOODWILL

Goodwill represents the excess of the cost of a business combination over, in the case of business combinations completed prior to 1 January 2010, the Group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities acquired and, in the case of business combinations completed on or after 1 January 2010, the total fair value of the identifiable assets, liabilities and contingent liabilities acquired as at the acquisition date.

For business combinations completed prior to 1 January 2010, cost comprises the fair value of assets given, liabilities assumed and equity instruments issued, plus any direct cost of acquisition. Changes in the estimated value of contingent consideration arising on business combinations completed by this date are treated as an adjustment to cost and, in consequence, result in a change in the carrying value of goodwill.

For business combinations completed on or after 1 January 2010, cost comprises the fair value of assets given, liabilities assumed and equity instruments issued, plus the amount of any non-controlling interests in the acquiree, plus, if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree. Contingent consideration is included in cost at its acquisition date fair value and, in the case of contingent consideration classified as a financial liability, it is remeasured subsequently through profit or loss. For combinations completed on or after 1 January 2010, direct costs of acquisition are taken immediately as an expense.

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

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

1.7 PROPERTY, PLANT AND EQUIPMENT

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

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

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. ACCOUNTING POLICIES CONTINUED

1.9 INVENTORIES

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

1.10 CURRENT AND DEFERRED TAXATION

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

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

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

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

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

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

1.11 FOREIGN CURRENCIES

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

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

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

1.12 PENSIONS

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

1.13 SHARE-BASED PAYMENTS

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

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

1.14 TREASURY SHARES

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

1. ACCOUNTING POLICIES CONTINUED

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 impairment loss on trade receivables 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).

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 which 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

For the year ended 31 December 2019

1. ACCOUNTING POLICIES CONTINUED

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, 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. The carrying value of goodwill at 31 December 2019 was £9,873,000 with £5,506,000 relating to Tasman New Zealand. The key judgement in the discounted cash flow valuation models is the terminal cash flow. The future impact of COVID-19 was considered in assessing the key estimates.

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 property, plant and equipment 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. 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. When a specific doubt emerges over the ability of the customer to pay the debt the Board assesses whether a specific provision outside of the expected credit loss model is required.

The actual level of receivables collected may differ from the estimated levels of recovery, which could impact operating results positively or negatively. The level of collections experienced since the year end are as expected and have not been affected by COVID-19.

1. ACCOUNTING POLICIES CONTINUED

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	Mandatory effective date (periods beginning)
IFRS 16 "Leases"	1 January 2019
IFRIC 23 "Uncertainty over Income Tax Positions"	1 January 2019

Details of the impact these two standards have had are given in note 29. Other new and amended standards and interpretations issued by the IASB that will apply for the first time in the next annual financial statements are not expected to impact the Group as they are either not relevant to the Group's activities or require accounting which is consistent with the Group's current accounting policies.

Standards not yet effective

There are a number of standards, amendments to standards, and interpretations which have been issued by the IASB that are effective in future accounting periods that the Group has decided not to adopt early. The following amendments are effective for the period beginning 1 January 2020:

- IAS 1 "Presentation of Financial Statements" and IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" (Amendment – Definition of Material);
- IFRS 3 "Business Combinations" (Amendment – Definition of Business); and
- Revised Conceptual Framework for Financial Reporting.

In January 2020, the IASB issued amendments to IAS 1, which clarify the criteria used to determine whether liabilities are classified as current or non-current. These amendments clarify that current or non-current classification is based on whether an entity has a right at the end of the reporting period to defer settlement of the liability for at least twelve months after the reporting period. The amendments also clarify that "settlement" includes the transfer of cash, goods, services or equity instruments unless the obligation to transfer equity instruments arises from a conversion feature classified as an equity instrument separately from the liability component of a compound financial instrument. The amendments are effective for annual reporting periods beginning on or after 1 January 2022.

The Group is currently assessing the impact of these new accounting standards and amendments. The Group does not believe that the amendments to IAS 1 will have a significant impact on the classification of its liabilities, as the conversion feature in its convertible debt instruments is classified as an equity instrument and, therefore, does not affect the classification of its convertible debt as a non-current liability.

The Group does not expect any other standards issued by the IASB, but not yet effective, to have a material impact on the Group.

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.

For the year ended 31 December 2019

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.

	2019			2018		
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	**13,503**	**—**	**13,503**	12,395	—	12,395
Continental Europe	**2,112**	**—**	**2,112**	1,650	—	1,650
North and South America	**4,366**	**—**	**4,366**	1,952	—	1,952
Australia and New Zealand	**—**	**5,643**	**5,643**	—	4,787	4,787
Middle East	**2,781**	**1,194**	**3,975**	1,700	1,321	3,021
Asia	**2,647**	**1,354**	**4,001**	2,660	471	3,131
	25,409	**8,191**	**33,600**	20,357	6,579	26,936
Revenue type and timing of transfer of goods or service						
Hire – over time	**14,003**	**5,715**	**19,718**	11,339	4,402	15,741
Hire – point in time	**315**	**1,357**	**1,672**	665	1,038	1,703
Sales and service – point in time	**11,091**	**1,119**	**12,210**	8,353	1,139	9,492
	25,409	**8,191**	**33,600**	20,357	6,579	26,936

CONTRACT LIABILITIES

	2019 £'000	2018 £'000
At 1 January	**204**	286
Amounts recognised as revenue during the period	**(204)**	(286)
Cash received in advance of performance and not recognised as revenue during the period	**405**	204
At 31 December	**405**	204

Contract liabilities are included within "trade and other payables" on the face of the balance sheet. There were no contract assets in the current or prior year end.

Contracts liabilities arise when customers pay advanced deposits on units manufactured by Crestchic. These are generally recognised as revenue within four months and no deposits were recognised as revenue in a period longer than twelve months.

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 76% (2018: 78%) 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 24% (2018: 22%) of the Group's revenue. This includes the TOTAU, TOTNZ, TOTAE, TOTSEA and TOTAP businesses and the Group's 49% share of OTOT and TSPG.

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	**2019 Total £'000**
Revenue from external customers	25,408	8,192	33,600	—	**33,600**
Finance expense	(139)	(43)	(182)	(685)	**(867)**
Depreciation	(2,969)	(2,153)	(5,122)	(281)	**(5,403)**
Amortisation of right-of-use asset	(455)	(246)	(701)	(121)	**(822)**
Amortisation	—	(53)	(53)	(327)	**(380)**
Profit/(loss) before tax	4,811	(2,068)	2,743	(2,428)	**315**
Group amortisation of goodwill			(327)		
Head office costs			(1,471)		
Group finance costs			(685)		
Group depreciation costs			(281)		
Other			336		
Group loss before tax			315		

	Crestchic Loadbanks and Transformers £'000	Tasman Oil Tools £'000	Total £'000	Other including consolidation adjustments £'000	**2019 Total £'000**
Balance sheet					
Non-current asset additions					
Tangible asset additions	1,407	2,451	3,858	—	**3,858**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

For the year ended 31 December 2019

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
Reportable segment assets	54,054	26,711	80,765
Elimination of intercompany balances			(35,638)
Elimination of investments in subsidiaries			(1,668)
Non-segmental intangible assets			11,633
Non-segmental property, plant and equipment			7
Non-segmental right-of-use asset			65
Other			(69)
Total Group assets			55,095
Reportable segment liabilities	(28,500)	(24,829)	(53,329)
Elimination of intercompany balances			42,436
Non-segmental borrowings			(7,807)
Non-segmental lease liabilities			(409)
Non-segmental deferred tax			(693)
Other			(270)
Total Group liabilities			(20,072)

	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

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
Reportable segment assets	55,549	25,385	80,934
Elimination of intercompany balances			(36,208)
Elimination of investments in subsidiaries			(1,570)
Non-segmental intangible assets			11,899
Non-segmental 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)

	Non-current assets by location	
	2019 £'000	2018 £'000
UK	**9,668**	9,927
Continental Europe	**2,153**	2,569
Australia and New Zealand	**11,463**	11,953
Middle East	**5,519**	7,016
Asia	**8,408**	9,740
	37,211	41,205

4. EXCEPTIONAL COSTS

An exceptional cost was recognised in the prior year for £712,000 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 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

For the year ended 31 December 2019

5. PROFIT (2018: LOSS) FROM OPERATIONS

The operating profit (2018: loss) is stated after charging/(crediting):

	2019 £'000	2018 £'000
Amortisation of customer relationships	**380**	576
Amortisation of right-of-use assets	**822**	—
Depreciation of property, plant and equipment	**5,403**	5,379
Operating lease rentals:		
– property leases	**—**	456
– other operating leases	**—**	50
Foreign exchange losses/(gains)	**89**	(75)
Cost of inventories recognised as an expense during the year	**5,590**	3,784
Share-based payment remuneration	**48**	50

See note 8 for auditor's fees.

6. STAFF COSTS

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

	2019 £'000	2018 £'000
Wages and salaries	**8,142**	7,329
Social security costs	**852**	913
Other pension costs	**259**	261
Share-based payments	**48**	50
	9,301	8,553

Of the share-based payments recognised in the year £48,000 (2018: £50,000) related to key management personnel. The key management personnel are deemed to be the Directors. Of the £9,401,000 (2018: £8,242,000) of wages and salaries and social security costs paid during the year, £926,000 (2018: £713,000) related to key management personnel.

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

	2019 Number	2018 Number
Technical and production	**103**	98
Sales	**31**	29
Administration	**34**	32
	168	159

7. DIRECTORS' REMUNERATION

	2019				2018		
	Salary £'000	Bonus £'000	Benefits £'000	Total £'000	Salary £'000	Benefits £'000	Total £'000
P R Harris	**60**	**—**	**—**	**60**	60	—	60
E W Hook	**265**	**63**	**3**	**331**	241	3	244
I J Gardner	**165**	**30**	**64**	**259**	167	51	218
I C Phillips	**172**	**41**	**1**	**214**	136	1	137
A K Mehta	**18**	**—**	**—**	**18**	18	—	18
N Kaul*	**18**	**—**	**—**	**18**	18	—	18
J Aldersey-Williams*	**18**	**—**	**—**	**18**	—	—	—
D C Marshall**	**8**	**—**	**—**	**8**	18	—	18
	724	**134**	**68**	**926**	658	55	713

* J Aldersey-Williams was appointed on 1 January 2019.

** D C Marshall's fees are paid to a third party and he retired on 4 June 2019.

8. AUDITOR'S REMUNERATION

	2019 £'000	2018 £'000
Fees payable to the Group's auditor for the audit of the Group and Company	**34**	26
Fees payable to the Group's auditor and associates in respect of:		
– audit of subsidiaries	**100**	96
– other assurance services	**20**	9
– tax services	**52**	53

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

	2019 £'000	2018 £'000
On loans and borrowings	**651**	482
On lease liabilities (2018: finance leases)	**100**	45
Other	**117**	127
	868	654

10. INCOME TAX EXPENSE

	2019 £'000	2018 £'000
Current tax expense	**653**	475
Prior year over provision of tax	**(82)**	(81)
	571	394
Deferred tax credit resulting from the origination and reversal of temporary differences	**(20)**	(707)
Taxation	**551**	(313)

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:

	2019 £'000	2018 £'000
Profit/(loss) before taxation	**315**	(2,722)
Profit/(loss) multiplied by standard rate of corporation tax in the UK of 19% (2018: 19%)	**60**	(517)
Effects of:		
– income not subject to tax	**(66)**	(182)
– expenses not allowable for taxation purposes	**492**	226
– difference in taxation rates	**46**	68
– losses not recognised as a deferred tax asset	**100**	173
– prior year under provision of taxation and deferred taxation	**(82)**	(81)
Total taxation charge/(credit) for the year	**551**	(313)

The standard rate of corporation tax in the UK has been 19% since 1 April 2017.

For the year ended 31 December 2019

11. EARNINGS PER SHARE

	2019 £'000	2018 £'000
Numerator		
Loss used in basic and diluted EPS	**(236)**	(2,409)

	2019 Number	2018 Number
Denominator		
Weighted average number of shares used in basic EPS	**27,899,602**	26,957,136
Effects of share options	**—**	—
Weighted average number of shares used in diluted EPS	**27,899,602**	26,957,136

At the end of the year, the Company had in issue 2,086,951 (2018: 1,819,451) share options and £4,000,000 of convertible loan notes which can be converted to 3,200,000 (2018: 3,200,000) 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 2019	8,378	217	152	254	14,968	23,969
Exchange differences	(122)	—	—	—	(315)	(437)
At 31 December 2019	**8,256**	**217**	**152**	**254**	**14,653**	**23,532**
Amortisation and impairment						
At 1 January 2019	6,176	217	152	254	4,837	11,636
Exchange differences	(60)	—	—	—	(57)	(117)
Amortisation charge for the year	380	—	—	—	—	380
At 31 December 2019	**6,496**	**217**	**152**	**254**	**4,780**	**11,899**
Net book value						
At 31 December 2019	**1,760**	**—**	**—**	**—**	**9,873**	**11,633**
At 31 December 2018	2,202	—	—	—	10,131	12,333

	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

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

	Remaining amortisation period years	Carrying value £'000
NT	2.00	46
CAP	1.75	109
TNZ	6.75	1,605

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:

	2019 £'000	2018 £'000
Crestchic	**2,192**	2,192
NTX	**920**	972
CAP	**1,255**	1,284
TNZ	**5,506**	5,683
	9,873	10,131

IMPAIRMENT OF INTANGIBLE ASSETS

The oil and gas industry has been steadily recovering since the drop in oil prices in early 2015. This downturn had a significant impact on the revenues and profitability of the operations of the Group in certain locations, but all have shown good increases in trading since the bottom of the cycle in 2016. Tasman rental revenue increased a further 30% in 2019 and the upward trajectory continued in the first quarter of 2020.

Since the year end the oil price has dropped significantly due to the lower demand resulting from the COVID-19 outbreak and exacerbated by increasing production from Saudi Arabia and the Gulf States. The Board acknowledges that this is likely to impact the revenue of the oil and gas focused entities in the Group in the short-term; however, the Board is also confident that long-term prospects of these entities will be largely unaffected.

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 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. The entity has started 2020 well which coincides with an increase in offshore activity in the country.

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 2024. Management does not believe that any CGU will see a material change in its market share. Other major assumptions are as follows:

2019	**Discount rate %**	**Operating (gross) margin %**	**Wage inflation %**
Crestchic	**13**	**50**	**3**
NTX	**13**	**60**	**1**
TOTNZ	**15**	**55**	**5**
CAP	**13**	**55**	**2**

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

12. INTANGIBLE ASSETS CONTINUED

IMPAIRMENT OF INTANGIBLE ASSETS CONTINUED

The growth rates used for TOTNZ assume that revenue will broadly return to 2014 levels by 2024 and will continue at this level. The Board feels that these prudent projections are reasonable given the current market conditions. 2020 will see the first significant offshore campaign 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 2019 are based on forecasts for the five-year period to 31 December 2024 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 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 2.3% higher than used in the forecasts would lead to an impairment.

The recoverable amount for the Crestchic, NTX and CAP CGUs significantly exceeds their carrying amount and applying a similar reasonable sensitivity no impairment would be required. Given the level of the excess the Directors do not consider the impairment calculations to be sensitive.

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 2019	7,160	1,744	522	1,362	52,023	62,811
Reclassification due to adoption of IFRS 16 (note 29)	—	—	(204)	—	(775)	(979)
Exchange differences	(102)	(48)	(3)	(41)	(1,761)	(1,956)
Transfer from right-of-use assets at end of lease (note 14)	—	—	—	—	775	775
Additions	—	92	41	68	3,658	3,859
Disposals*	—	(15)	(149)	(31)	(2,144)	(2,338)
At 31 December 2019	**7,058**	**1,773**	**207**	**1,358**	**51,776**	**62,173**
Depreciation						
At 1 January 2019	1,188	877	269	902	30,703	33,939
Reclassification due to adoption of IFRS 16 (note 29)	—	—	(61)	—	(364)	(425)
Exchange differences	(12)	(31)	(3)	(31)	(1,414)	(1,492)
Transfer from right-of-use assets at end of lease (note 14)	—	—	—	—	383	383
Charge for the year	147	114	33	93	5,017	5,403
On disposals	—	(13)	(124)	(28)	(1,049)	(1,215)
At 31 December 2019	**1,323**	**947**	**113**	**935**	**33,276**	**36,594**
Net book value						
At 31 December 2019	**5,735**	**826**	**94**	**423**	**18,500**	**25,578**
At 31 December 2018	5,972	867	253	460	21,320	28,872

* 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 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.

Bank borrowings are secured on the Group's assets, including freehold land and buildings (see note 19).

The net carrying amount of property, plant and equipment includes the following amounts held under finance leases for the period ended 31 December 2018: motor vehicles £143,000 and hire fleet £410,000. For the period ended 31 December 2019, assets arising from leases where the Group is a lessee have been accounted for under IFRS 16. See note 14.

During the year the Group received £699,000 (2018: £763,000) 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. LEASES

All leases are accounted for by recognising a right-of-use asset and a lease liability except for:

- leases of low value assets; and
- leases with a duration of twelve months or less.

IFRS 16 was adopted on 1 January 2019 without restatement of comparative figures. For an explanation of the transitional requirements that were applied as at 1 January 2019, see note 29. The following policies apply subsequent to the date of initial application, 1 January 2019.

Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by reference to the rate inherent in the lease unless (as is typically the case) this is not readily determinable, in which case the Group's incremental borrowing rate on commencement of the lease is used. Variable lease payments are only included in the measurement of the lease liability if they depend on an index or rate. In such cases, the initial measurement of the lease liability assumes the variable element will remain unchanged throughout the lease term. Other variable lease payments are expensed in the period to which they relate.

On initial recognition, the carrying value of the lease liability also includes:

- amounts expected to be payable under any residual value guarantee;
- the exercise price of any purchase option granted in favour of the Group if it is reasonably certain to assess that option; and
- any penalties payable for terminating the lease, if the term of the lease has been estimated on the basis of a termination option being exercised.

Right-of-use assets are initially measured at the amount of the lease liability, reduced for any lease incentives received, and increased for:

- lease payments made at or before commencement of the lease;
- initial direct costs incurred; and
- the amount of any provision recognised where the Group is contractually required to dismantle, remove or restore the leased asset.

14. LEASES CONTINUED

Subsequent to initial measurement lease liabilities increase as a result of interest charged at a constant rate on the balance outstanding and are reduced for lease payments made. Right-of-use assets are amortised on a straight line basis over the remaining term of the lease or over the remaining economic life of the asset if, rarely, this is judged to be shorter than the lease term.

When the Group revises its estimate of the term of any lease (because, for example, it reassesses the probability of a lessee extension or termination option being exercised), it adjusts the carrying amount of the lease liability to reflect the payments to make over the revised term, which are discounted at the same discount rate that applied on lease commencement. The carrying value of lease liabilities is similarly revised when the variable element of future lease payments dependent on a rate or index is revised. In both cases an equivalent adjustment is made to the carrying value of the right-of-use asset, with the revised carrying amount being amortised over the remaining (revised) lease term.

When the Group renegotiates the contractual terms of a lease with the lessor, the accounting depends on the nature of the modification:

- if the renegotiation results in one or more additional assets being leased for an amount commensurate with the standalone price for the additional rights of use obtained, the modification is accounted for as a separate lease in accordance with the above policy;
- in all other cases where the renegotiation increases the scope of the lease (whether that is an extension to the lease term, or one or more additional assets being leased), the lease liability is remeasured using the discount rate applicable on the modification date, with the right-of-use asset being adjusted by the same amount; and
- if the renegotiation results in a decrease in the scope of the lease, both the carrying amount of the lease liability and right-of-use asset are reduced by the same proportion to reflect the partial or full termination of the lease with any difference recognised in profit or loss. The lease liability is then further adjusted to ensure its carrying amount reflects the amount of the renegotiated payments over the renegotiated term, with the modified lease payments discounted at the rate applicable on the modification date. The right-of-use asset is adjusted by the same amount.

NATURE OF LEASING ACTIVITIES (IN THE CAPACITY AS LESSEE)

The group leases a number of properties in the jurisdictions from which it operates. In some jurisdictions it is customary for lease contracts to provide for payments to increase each year by inflation and in others to be reset periodically to market rental rates. In some jurisdictions the periodic rent is fixed over the lease term.

The Group also leases certain items of plant and equipment. In some contracts for services with distributors, those contracts contain a lease of vehicles. Leases of plant, equipment and vehicles comprise only fixed payments over the lease terms.

The percentages in the table below reflect the current proportions of lease payments that are either fixed or variable. The sensitivity reflects the impact on the carrying amount of lease liabilities and right-of-use assets if there were an uplift of 5% on the balance sheet date to lease payments that are variable.

	Lease contracts number	Fixed payments	Variable payments	Sensitivity
Property leases with payments linked to inflation	1	—	1%	—
Property leases with periodic uplifts to market rentals	—	—	—	—
Property leases with fixed payments	7	61%	—	—
Vehicle and hire fleet leases	20	38%	—	—
	28	99%	1%	—

The Group sometimes negotiates break clauses in its property leases. On a case-by-case basis, the Group will consider whether the absence of a break clause would expose the Group to excessive risk.

Typically factors considered in deciding to negotiate a break clause include:

- the length of the lease term;
- the economic stability of the environment in which the property is located; and
- whether the location represents a new area of operations for the Group.

At 31 December 2019 there were no leases with break clauses.

14. LEASES CONTINUED

RIGHT-OF-USE ASSETS

	Land and buildings £'000	Motor vehicles £'000	Hire fleet £'000	Total £'000
At 1 January 2019	1,592	190	410	2,192
Additions	253	353	450	1,056
Amortisation	(649)	(128)	(45)	(822)
Transfer to PPE at end of lease (note 13)	—	—	(391)	(391)
Exchange differences	(38)	(2)	—	(40)
At 31 December 2019	**1,158**	**413**	**424**	**1,995**

LEASE LIABILITIES

	Land and buildings £'000	Motor vehicles £'000	Hire fleet £'000	Total £'000
At 1 January 2019	1,592	161	43	1,796
Additions	253	354	447	1,054
Interest expense	70	18	12	100
Lease payments	(692)	(189)	(120)	(1,001)
Exchange differences	(34)	3	—	(31)
At 31 December 2019	**1,189**	**347**	**382**	**1,918**

At 31 December 2019	Up to 3 months £'000	Between 3 and 12 months £'000	Between 1 and 2 years £'000	Between 2 and 5 years £'000
Lease liability	**322**	**542**	**585**	**468**

15. INVESTMENTS IN JOINT VENTURES

The Group holds a 49% interest in a joint venture incorporated in Malaysia, Olio Tasman Oil Tools SDN BHD ("OTOT"). The entity provides tools and equipment to hire for the oil and gas industry in Malaysia.

The Group holds a 49% interest in a joint venture incorporated in Saudi Arabia, Tasman Saudi Petro Gas Oil Tools Limited ("TSPG"). The entity provides tools and equipment to hire for the oil and gas industry in Saudi Arabia.

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

	2019 £'000	2018 £'000
Carrying amount of investment at 1 January	**—**	—
Investment in joint ventures during the year	**50**	—
Share of post-tax result of joint ventures	**(50)**	—
Carrying amount of investment at 31 December	**—**	—

OTOT

Current assets of the joint venture are £1,043,000 (2018: £1,126,000) including £19,000 of cash and cash equivalents (2018: £7,000). Non-current assets of the joint venture are £143,000 (2018: £133,000). Net liabilities of the joint venture are £2,246,000 (2018: £914,000), of which the Group's share is £1,101,000 (2018: £448,000).

Total revenue and post-tax loss of the joint venture are £2,723,000 and £1,378,000 respectively (2018: £2,064,000 and £742,000). Included in these results is a charge of £15,000 for depreciation (2018: £12,000). The joint venture had no contingent liabilities or capital commitments at 31 December 2019 (2018: none).

TSPG

Current assets of the joint venture are £66,000 (2018: £nil) including £43,000 of cash and cash equivalents (2018: £nil). Non-current assets of the joint venture are £2,241,000 (2018: £nil). Net liabilities of the joint venture are £214,000 (2018: £nil), of which the Group's share is £105,000 (2018: £nil).

Total revenue and post-tax loss of the joint venture are £19,000 and £320,000 respectively (2018: £nil and £nil). Included in these results is a charge of £95,000 for depreciation (2018: £nil). The joint venture had no contingent liabilities or capital commitments at 31 December 2019 (2018: none).

For the year ended 31 December 2019

16. INVENTORIES

	2019 £'000	2018 £'000
Raw materials	**3,166**	3,237
Work in progress	**81**	74
Finished goods	**300**	977
	3,547	4,288

Raw materials are stated after a provision for slow-moving inventory of £120,000 (2018: £98,000).

17. TRADE AND OTHER RECEIVABLES

	2019 £'000	As restated* 2018 £'000
Due within one year		
Trade receivables	**7,955**	7,675
Less provision for impairment of receivables	**(1,277)**	(1,221)
Trade receivables – net	**6,678**	6,454
Other receivables	**700**	706
Receivables from joint ventures	**768**	156
Prepayments	**924**	586
	9,070	7,902

* In the prior year £506,000 was disclosed as contract assets. This has been restated and included within trade receivables after a clarification of IFRS 15 which stated that if the rights to consideration were unconditional, the balance should be classified as a receivable and not a contract asset. The impact in the change in presentation has had no impact on the reported net assets or profit/loss of the Group or Company.

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:

	2019 £'000	2018 £'000
Pound Sterling	**1,352**	1,532
Euro	**1,268**	1,008
US Dollar	**2,195**	2,011
Australian Dollar	**748**	759
UAE Dirham	**129**	621
Singapore Dollar	**581**	600
New Zealand Dollar	**217**	247
Other	**276**	382
	7,378	7,160

The Group applies the IFRS 9 simplified approach to measuring expected credit losses using a lifetime expected credit loss provision rate for trade receivables. To measure expected credit losses on a collective basis, trade receivables and contract assets are grouped based on similar credit risk and ageing. There were no contract assets at 31 December 2019 or 2018.

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.

17. TRADE AND OTHER RECEIVABLES CONTINUED

	2019		
	Gross trade receivables £'000	**Expected credit loss %**	**Expected credit loss £'000**
Specific provision above the expected credit loss model	**1,132**		**1,132**
Europe and North America	**3,231**	**0.0%**	**—**
Middle East	**1,698**	**6.4%**	**109**
Asia	**553**	**2.5%**	**14**
Australia and New Zealand	**1,341**	**1.6%**	**22**
Total	**7,955**		**1,277**

	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	3,069	0.5%	15
Middle East	1,537	6.4%	99
Asia	1,033	4.5%	46
Australia and New Zealand	994	1.9%	19
Total	7,675		1,221

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.

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:

	2019 £'000	2018 £'000
Opening balance	**1,221**	868
Exchange differences	**(36)**	(10)
Amounts written off	**—**	(403)
Recovered amounts reversed	**(57)**	(100)
Increase in provisions	**149**	866
Closing balance	**1,277**	1,221

The maximum exposure to credit risk, including cash balances, at 31 December 2019 is £11,418,000 (2018: £9,618,000).

18. CURRENT LIABILITIES

TRADE AND OTHER PAYABLES – CURRENT

	2019 £'000	2018 £'000
Trade payables	**3,472**	2,995
Social security and other taxes	**239**	322
Other payables	**149**	319
Contract liabilities	**405**	204
Accruals	**1,977**	1,465
	6,242	5,305

For the year ended 31 December 2019

19. LOANS AND BORROWINGS

CURRENT

	2019 £'000	As restated* 2018 £'000
Bank borrowings – secured	**2,141**	2,711
Other loans	**35**	480
Capitalised debt fees	**(133)**	(136)
Total	**2,043**	3,055
Net obligations under finance leases and hire purchase agreements	**—**	90
Total	**2,043**	3,145

* £113,000 previously disclosed within finance leases restated to be included within other loans.

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:

	2019 £'000	As restated 2018 £'000
Expiry within one year	**2,176**	3,191
More than one year and less than two years	**1,364**	1,361
More than two years and less than five years – non-convertible debt	**1,862**	2,758
More than two years and less than five years – convertible debt	**3,905**	3,845
Total	**9,307**	11,155

There were no overdrawn balances at the year end (2018: £nil). Other loans in 2018 included a £367,000 short-term supply chain finance working capital facility. The balance on this facility was £nil at the year end.

At the year end the Group had no undrawn funds (2018: £nil) on its revolving credit facility of £0.5 million (2018: £0.5 million) available. The Group has outstanding warranty and deposit guarantees totalling £249,000 (2018: £83,000) relating to the sales of manufactured equipment.

NON-CURRENT LOANS AND BORROWINGS

	2019 £'000	As restated* 2018 £'000
Bank borrowings – secured	**3,204**	4,109
Other loans	**22**	10
Convertible debt	**3,905**	3,845
Capitalised debt fees	**(68)**	(180)
Total	**7,063**	7,784
Net obligations under finance leases and hire purchase agreements	**—**	67
Total	**7,063**	7,851

* £10,000 previously disclosed within finance leases restated to be included within other loans.

Based upon the established market rates prevailing at 31 December 2019 the fair value of all financial liabilities is not materially different to the carrying value.

19. LOANS AND BORROWINGS CONTINUED

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%.

20. DEFERRED TAXATION

	2019 £'000	2018 £'000
Opening provision	**2,276**	3,002
Taken to Statement of Comprehensive Income in current year	**(20)**	(707)
Foreign exchange difference	**(51)**	(19)
Closing provision	**2,205**	2,276

The provision for deferred taxation is made up as follows:

	2019 £'000	2018 £'000
Accelerated capital allowances	**1,513**	1,408
Fair value adjustment to property, plant and equipment on acquisition	**210**	284
Fair value of intangibles on acquisition	**482**	584
	2,205	2,276

The Group has unrecognised tax losses carried forward of £1,246,000 (2018: £1,327,000). 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.

21. SHARE CAPITAL

	2019 £'000	2018 £'000
Allotted, called up and fully paid		
28,114,752 ordinary shares of 10 pence each (2018: 28,114,752 ordinary shares of 10 pence each)	**2,811**	2,811

	2019		2018	
	Number	£'000	Number	£'000
Ordinary shares of 10 pence each				
At beginning of year	**28,114,752**	**2,811**	26,114,752	2,611
Issue of new shares	**—**	**—**	2,000,000	200
At end of year	**28,114,752**	**2,811**	28,114,752	2,811

	2019 Number	2018 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 Chief Executive's Review.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

For the year ended 31 December 2019

22. 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 £259,000 (2018: £261,000). No amounts were owing at the year end (2018: £nil).

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	191 S Keim Street, Pottstown, PA, 19464	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.

	2019		2018	
	Weighted average exercise price (pence)	**Number**	Weighted average exercise price (pence)	Number
Outstanding at the beginning of the year	**198**	**1,819,451**	208	1,594,451
Granted during the year – new	**157.5**	**300,000**	130	230,000
Share options lapsed during the year	**111**	**(32,500)**	96	(5,000)
Outstanding at the end of the year	**194**	**2,086,951**	198	1,819,451

The exercise price of options outstanding at the end of the year ranged between 89.50 pence and 453.50 pence (2018: 89.50 pence and 453.50 pence) and their weighted average contractual life was six months (2018: six months). The weighted average exercise price of the options is 194 pence (2018: 198 pence).

Of the total number of options outstanding at the end of the year, 1,093,201 (2018: 1,093,201) had vested and were exercisable at the end of the year. The schemes have been valued using the Black Scholes pricing model.

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

	2019
Options granted during the year	**300,000**
Date of grant	**18 April 2019**
Fair value per option at measurement date	**157.5 pence**
Share price	**157.5 pence**
Exercise price	**157.5 pence**
Weighted average exercise price	**157.5 pence**
Weighted average exercise life	**Two years four months**
Expected volatility	**33%**
Earliest exercisable point	**Three years**
Option life	**Ten years**
Risk-free interest rate	**0.75%**

	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%

The volatility rate is based on the average share price movement during the year ended 31 December 2019 and during the year ended 31 December 2018.

The share-based remuneration expense for the year is £48,000 (2018: £50,000), of which £25,000 (2018: £24,000) relates to key management personnel.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

For the year ended 31 December 2019

24. SHARE-BASED PAYMENTS CONTINUED

The following share options were outstanding at 31 December 2019:

Type of scheme	Date of grant	Number of shares 2019	Number of shares 2018
Approved share option	5 May 2017	**112,587**	112,587
Unapproved share option	5 May 2017	**1,456,864**	1,476,664
Approved share option	16 May 2018	**37,399**	37,399
Unapproved share option	16 May 2018	**182,601**	192,601
Approved share option	18 April 2019	**19,317**	—
Unapproved share option	18 April 2019	**278,183**	—
		2,086,951	1,819,451

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
E W Hook	18 April 2019	75,000	157.50	18/04/2022–18/04/2029	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 J Gardner	18 April 2019	30,000	157.50	18/04/2022–18/04/2029	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
I C Phillips	18 April 2019	30,000	157.50	18/04/2022–18/04/2029	Unapproved
		1,273,601			

24. SHARE-BASED PAYMENTS CONTINUED
DIRECTORS' SHARE OPTIONS CONTINUED

	2019 Number of options	2018 Number of options
E W Hook	**981,601**	906,601
I J Gardner	**166,000**	136,000
I C Phillips	**126,000**	96,000
	1,273,601	1,138,601

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

	Non-current loans and borrowings (note 19) £'000	Current loans and borrowings (note 19) £'000	Total £'000
At 1 January 2019	7,851	3,145	10,996
Cash flows	(1,051)	(882)	(1,933)
Non-cash flows:			
Finance lease reclassified to lease liabilities	(88)	(69)	(157)
Amortisation of debt fees	140	—	140
Equity element of convertible loan notes	60	—	60
Loans and borrowings classified as non-current at 31 December 2018 becoming current during 2019	151	(151)	—
At 31 December 2019	**7,063**	**2,043**	**9,106**

	Non-current loans and borrowings (note 19) £'000	Current loans and borrowings (note 19) £'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

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;

26. FINANCIAL INSTRUMENTS CONTINUED

FINANCIAL INSTRUMENT RISK EXPOSURE AND MANAGEMENT CONTINUED

Principal financial instruments continued

- convertible loan notes;
- finance leases; and
- deferred consideration.

General objectives, policies and processes

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

The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Group's competitiveness and flexibility.

Categories of financial assets and financial liabilities

	Loans and receivables at amortised cost	
	2019 £'000	2018 £'000
Current financial assets		
Trade and other receivables	**7,738**	7,160
Cash and cash equivalents	**3,272**	2,302
Total current financial assets	**10,650**	9,462

	Financial liabilities measured at amortised cost	
	2019 £'000	2018 £'000
Current financial liabilities		
Trade and other payables	**6,003**	4,983
Loans and borrowings	**2,043**	3,145
Total current financial liabilities	**8,046**	8,128
Non-current financial liabilities		
Loans and borrowings	**7,063**	7,851
Total non-current financial liabilities	**7,063**	7,851
Total financial liabilities	**15,109**	15,979

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:

2019	**Up to 12 months £'000**	**Between 1 and 2 years £'000**	**Between 2 and 5 years £'000**
Trade and other payables	**6,003**	**—**	**—**
Loans and borrowings	**2,043**	**1,296**	**5,767**
	8,046	**1,296**	**5,767**

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

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 £26,000 (2018: £34,000). A 0.5% increase in the interest rate would, on the same basis, have increased the post-tax loss by the same amount.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

For the year ended 31 December 2019

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:

	2019 Floating rate £'000	2018 Floating rate £'000
Pound Sterling	**779**	237
Euro	**1,124**	592
US Dollar	**914**	912
UAE Dirham	**169**	71
Australian Dollar	**72**	185
Singapore Dollar	**89**	40
New Zealand Dollar	**6**	143
Other	**119**	122
	3,272	2,302

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 2019				
Euro	**(81)**	**(198)**	**98**	**242**
US Dollar	**(69)**	**(172)**	**85**	**210**
UAE Dirham	**—**	**(39)**	**—**	**48**
Singapore Dollar	**—**	**(22)**	**—**	**28**
Australian Dollar	**—**	**50**	**—**	**(61)**
New Zealand Dollar	**—**	**44**	**—**	**(55)**
Other	**—**	**(14)**	**—**	**18**
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

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

There is no ultimate controlling party.

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 £768,000 (2018: £156,000) owed by joint ventures. The gross balance is £1,903,000 (2018: £534,000) with a provision due to the losses of the joint venture of £1,135,000 (2018: £378,000). 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 £764,000 (2018: £471,000).

28. CAPITAL COMMITMENTS

At the year end the Group was committed to capital expenditure of £1,126,000 (2018: £511,000).

29. EFFECTS OF CHANGES IN ACCOUNTING POLICIES

The Group adopted IFRS 16 and IFRIC 23 with a transition date of 1 January 2019. The Group has chosen not to restate comparatives on adoption of both standards and, therefore, the revised requirements are not reflected in the prior year financial statements. Rather, these changes have been processed at the date of initial application (i.e. 1 January 2019) and recognised in the opening equity balances. Details of the impact these two standards have had are given below. Other new and amended standards and interpretations issued by the IASB did not impact the Group as they are either not relevant to the Group's activities or require accounting which is consistent with the Group's current accounting policies.

IFRS 16 "LEASES"

Effective 1 January 2019, IFRS 16 has replaced IAS 17 "Leases" and IFRIC 4 "Determining Whether an Arrangement Contains a Lease".

IFRS 16 provides a single lessee accounting model, requiring the recognition of assets and liabilities for all leases, together with options to exclude leases where the lease term is twelve months or less, or where the underlying asset is of low value. IFRS 16 substantially carries forward the lessor accounting in IAS 17, with the distinction between operating leases and finance leases being retained. The Group does not have significant leasing activities acting as a lessor.

Transition method and practical expedients utilised

The Group adopted IFRS 16 using the modified retrospective approach, with recognition of transitional adjustments on the date of initial application (1 January 2019), without restatement of comparative figures. The Group elected to apply the practical expedient to not reassess whether a contract is, or contains a lease at the date of initial application. Contracts entered into before the transition date that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed. The definition of a lease under IFRS 16 was applied only to contracts entered into or changed on or after 1 January 2019.

IFRS 16 provides for certain optional practical expedients, including those related to the initial adoption of the standard. The Group applied the following practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17:

(a) apply a single discount rate to a portfolio of leases with reasonably similar characteristics;

(b) exclude initial direct costs from the measurement of right-of-use assets at the date of initial application for leases where the right-of-use asset was determined as if IFRS 16 had been applied since the commencement date; and

(c) reliance on previous assessments on whether leases are onerous as opposed to preparing an impairment review under IAS 36 as at the date of initial application.

As a lessee, the Group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred substantially all of the risks and rewards of ownership. Under IFRS 16, the Group recognises right-of-use assets and lease liabilities for most leases. However, the Group has elected not to recognise right-of-use assets and lease liabilities for some leases of low value assets based on the value of the underlying asset when new or for short-term leases with a lease term of twelve months or less.

Classification under IAS 17	Right-of-use assets	Lease liabilities
All non-investment property operating leases	Office space: right-of-use assets are measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued payments. All other: the carrying value that would have resulted from IFRS 16 being applied from the date of the leases, subject to the practical expedients noted above.	Measured at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate as at 1 January 2019. The Group's incremental borrowing rate is the rate at which a similar borrowing could be obtained from an independent creditor under comparable terms and conditions. The weighted average rate applied was 5%.
Finance leases	Measured based on the carrying values for the lease assets and liabilities immediately before the date of initial application (i.e. carrying values brought forward, unadjusted).	

For the year ended 31 December 2019

29. EFFECTS OF CHANGES IN ACCOUNTING POLICIES CONTINUED

IFRS 16 "LEASES" CONTINUED

Transition method and practical expedients utilised continued

The following table presents the impact of adopting IFRS 16 on the balance sheet as at 1 January 2019:

	Adjustments	31 December 2018 £'000	IFRS 16 £'000	1 January 2019 £'000
Assets				
Property, plant and equipment	(a)	28,872	(553)	28,319
Right-of-use assets	(b)	—	2,192	2,192
Liabilities				
Loans and borrowings	(c)	10,996	(157)	10,839
Lease liabilities	(d)	—	1,796	1,796

(a) PPE was adjusted to reclassify leases previously classified as finance type to right-of-use assets. The adjustment reduced the cost of PPE by £978,000 and accumulated depreciation by £425,000 for a net adjustment of £553,000.

(b) The adjustment to right-of-use assets was as follows:

	£'000
Adjustment noted in (a) – finance type leases	553
Operating type leases	1,639
Right-of-use assets	2,192

(c) Loans and borrowings were adjusted to reclassify leases previously classified as finance type to lease liabilities.

(d) The following table reconciles the minimum lease commitments disclosed in the Group's 31 December 2018 annual financial statements to the amount of lease liabilities recognised on 1 January 2019:

	£'000
Minimum operating lease commitment at 31 December 2018	878
Leases omitted in error*	912
Minimum operating lease commitment at 31 December 2018 (restated)	1,790
Less: short-term leases not recognised under IFRS 16	(10)
Undiscounted lease payments	1,780
Less: effect of discounting using the incremental borrowing as at the date of initial application	(141)
Lease liabilities for leases classified as operating type under IAS 17	1,639
Plus: leases previously classified as finance type under IAS 17 (as restated)	157
Lease liability at 1 January 2019	1,796

* Property leases excluded from operating lease commitments as disclosed in the prior year annual report in error.

IFRIC 23 "UNCERTAINTY OVER INCOME TAX TREATMENTS"

IFRIC 23 provides guidance on the accounting for current and deferred tax liabilities and assets in circumstances in which there is uncertainty over income tax treatments. The interpretation requires:

- the Group to determine whether uncertain tax treatments should be considered separately, or together as a group, based on which approach provides better predictions of the resolution;
- the Group to determine if it is probable that the tax authorities will accept the uncertain tax treatment; and
- if it is not probable that the uncertain tax treatment will be accepted, measure the tax uncertainty based on the most likely amount or expected value, depending on whichever method better predicts the resolution of the uncertainty. This measurement is required to be based on the assumption that each of the tax authorities will examine amounts they have a right to examine and have full knowledge of all related information when making those examinations.

There is no effect on the financial statements from the adoption of IFRIC 23.

30. POST BALANCE SHEET EVENT

Since the balance sheet date COVID-19 has spread across the globe. Its financial effect on the Group is currently uncertain but more details on the risks involved are included in the Chief Executive's Review and the principal risks and uncertainties.

PARENT COMPANY ACCOUNTS UNDER FRS 101

Parent company balance sheet
As at 31 December 2019

Company number: 05326580	Note	2019 £'000	2018 £'000
Fixed assets			
Tangible fixed assets	5	**7**	10
Fixed asset investments	4	**28,787**	28,787
		28,794	28,797
Current assets			
Debtors	6	**15,149**	18,483
Cash and cash equivalents		**293**	45
		15,442	18,528
Creditors: amounts falling due within one year	7	**(2,739)**	(2,891)
Net current assets		**12,703**	15,637
Total assets less current liabilities		**41,497**	44,434
Creditors: amounts falling due after more than one year	8	**(6,595)**	(7,767)
Net assets		**34,902**	36,667
Capital and reserves			
Called up share capital	10	**2,811**	2,811
Convertible loan note reserve		**201**	201
Share premium account		**29,950**	29,950
Merger reserve		**2,810**	2,810
Treasury share reserve		**(451)**	(451)
Profit and loss account		**(419)**	1,346
Shareholders' funds		**34,902**	36,667

Northbridge Industrial Services plc has taken advantage of Section 408 of the Companies Act 2006 and has not included its own profit and loss account in these financial statements. The Company's loss after tax was £1,813,000 (2018: profit of £3,467,000).

The notes on pages 71 to 74 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 7 April 2020.

Eric Hook
Director

The Directors' Report is on pages 25 to 27 and the Strategic Report is on pages 2 to 19 of the annual report and accounts.

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2019

	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 2019	2,811	201	29,950	2,810	(451)	1,346	36,667
Loss for the year	—	—	—	—	—	(1,813)	(1,813)
Other comprehensive loss	—	—	—	—	—	—	—
Total comprehensive loss for the year	—	—	—	—	—	(1,813)	(1,813)
Share option expense	—	—	—	—	—	48	48
Balance at 31 December 2019	**2,811**	**201**	**29,950**	**2,810**	**(451)**	**(419)**	**34,902**

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 income	—	—	—	—	—	—	—
Total comprehensive income 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

The notes on pages 71 to 74 form part of these financial statements.

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

For the year ended 31 December 2019

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 into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether the market vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

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

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

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

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS CONTINUED

For the year ended 31 December 2019

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:

	2019 £'000	2018 £'000
Wages and salaries	**679**	483
Social security costs	**69**	59
Share-based payments	**48**	50
	796	592

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

	2019 Number	2018 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 Ian Gardner are remunerated through the parent company.

4. FIXED ASSET INVESTMENTS

	Shares in Group undertakings £'000
Cost	
At 1 January 2019	28,787
Additions	—
At 31 December 2019	**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 2019	54
Additions	—
At 31 December 2019	**54**
Depreciation	
At 1 January 2019	44
Charge for the year	3
At 31 December 2019	**47**
Net book value	
At 31 December 2019	**7**
At 31 December 2018	10

6. DEBTORS

	2019 £'000	2018 £'000
Amounts owed by Group undertakings	**15,135**	18,350
Other debtors	**6**	22
Prepayments	**8**	111
	15,149	18,483

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

7. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2019 £'000	2018 £'000
Bank loans and overdraft net of capitalised debt fees	**1,212**	1,209
Amounts payable to Group undertakings	**1,274**	1,469
Trade creditors	**79**	131
Other creditors	**174**	82
	2,739	2,891

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

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS CONTINUED

For the year ended 31 December 2019

8. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2019 £'000	2018 £'000
Bank loans net of capitalised debt fees	**2,690**	3,922
Convertible debt	**3,905**	3,845
	6,595	7,767

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:

	2019 £'000	2018 £'000
Expiry within one year	**1,212**	1,209
More than one year and less than two years	**6,595**	1,225
More than two years and less than five years	**—**	6,542
Total	**7,807**	8,976

The Company has £nil (2018: £nil) undrawn on a revolving credit facility as at 31 December 2019.

10. SHARE CAPITAL

	2019 £'000	2018 £'000
Allotted, called up and fully paid		
28,114,752 ordinary shares of 10 pence each (2018: 28,114,752 ordinary shares of 10 pence each)	**2,811**	2,811

	2019		2018	
	Number	£'000	Number	£'000
Ordinary shares of 10 pence each				
At beginning of year	**28,114,752**	**2,811**	26,114,752	2,611
Issue of new shares	**—**	**—**	2,000,000	200
At end of year	**28,114,752**	**2,811**	28,114,752	2,811

	2019 Number	2018 Number
Treasury shares held by the Company	**215,150**	215,150

FINANCIAL CALENDAR

2020

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

2021

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
SHORE CAPITAL
Cassini House
57 St. James's Street
London SW1A 1LD

REGISTRARS
LINK ASSET SERVICES
65 Gresham Street
London EC2V 7NQ

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designportfolio

NORTHBRIDGE

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

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