

INDEPENDENT AUDITOR'S REPORT

To the members of Northbridge Industrial Services plc

OPINION ON THE FINANCIAL STATEMENTS

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 2020 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006;
- 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.

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 2020 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated and Parent Company Balance Sheets, the Consolidated Cash Flow Statement, the Consolidated and Parent Company Statements of Changes in Equity and the notes to the financial statements, including a summary of significant accounting policies.

The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and International Accounting Standards in conformity with the requirements of the Companies Act 2006. 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).

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

INDEPENDENCE

We remain independent of the Group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

CONCLUSIONS RELATING TO GOING CONCERN

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the Directors' assessment of the Group and the parent company's ability to continue to adopt the going concern basis of accounting included:

- obtaining an understanding of how the Directors undertook the going concern assessment process to determine if we considered it to be appropriate for the circumstances;
- critically reviewing the latest Board approved cash flow forecasts for the Group, which for a period of 12 months from the date of approval of these financial statements. We challenged management's key assumptions to historic results and our understanding of the business in respect of revenue growth, cost increases and working capital assumptions;
- recalculating management's forecast covenant compliance calculations until June 2022 and assessing the consistency of such calculations with the ratios stated in the relevant lender agreements;
- assessing management's sensitivity analysis performed in respect of key assumptions underpinning the forecasts;
- challenging management on the completeness and accuracy of its downside scenario forecast, assessed as reasonably possible to impact the Group as a continuing consequence of COVID-19;
- performing "stress tested" sensitivity analysis to assess the quantum of adverse variance against forecast that could be sustained without creating material uncertainties over the going concern assessment;
- an analysis of post year-end trading results compared to forecast and current year to evaluate the accuracy and achievability of forecasts; and
- an evaluation of the adequacy of disclosures in relation to going concern under applicable accounting standards.

CONCLUSIONS RELATING TO GOING CONCERN CONTINUED

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

OVERVIEW

		2020	2019
Key audit matters	Goodwill and intangible assets – impairment assessment	✓	✓
	Tangible fixed assets – useful economic lives and residual values	✓	✓
Materiality	Group financial statements as a whole		
	£340,000 (2019: £330,000) based on 1% (2019: 1%) of revenue		

AN OVERVIEW OF THE SCOPE OF OUR AUDIT

Our Group audit was scoped by obtaining an understanding of the Group and its environment, including the Group's system of internal control, and assessing the risks of material misstatement in the financial statements. We also addressed the risk of management override of internal controls, including assessing whether there was evidence of bias by the Directors that may have represented a risk of material misstatement.

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, four intermediate holding companies and six dormant companies.

Having assessed the way in which the Group is managed and reports its results, we identified five significant components, being the parent company and four trading components in the United Kingdom, Australia, Singapore and the United Arab Emirates that, in our view, required an audit of their complete financial information. The audits of these five components were performed by either the Group engagement team or by other BDO network firms operating under the direction of the Group engagement team.

The work over these components above gave us coverage of 95% of revenue and 83% 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.

OUR INVOLVEMENT WITH COMPONENT AUDITORS

For the work performed by component auditors, we determined the level of involvement needed in order to be able to conclude whether sufficient appropriate audit evidence has been obtained as a basis for our opinion on the Group financial statements as a whole. Our involvement with component auditors included the following:

- issuing detailed Group reporting instructions which set out key aspects of the audit such as component materiality, significant audit and accounting issues from a Group perspective and the key audit procedures to be performed in order to address these;
- reviewing the Group reporting documents submitted by each component auditor along with the work performed on their audit files to ensure the work performed was sufficient for our purposes and consistent with Group instructions; and
- virtually attending the completion meeting with each component audit team, and local and Group management.

INDEPENDENT AUDITOR'S REPORT CONTINUED

To the members of Northbridge Industrial Services plc

AN OVERVIEW OF THE SCOPE OF OUR AUDIT CONTINUED 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) that 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.

Key audit matter

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. In the absence of reliable information to determine the market values, these reviews require assessments of the value in use of each relevant cash-generating unit ("CGUs").

Due to COVID-19 and the decline in oil prices being an indicator of impairment, an impairment review of the Group's goodwill was conducted for the interim period to 30 June 2020 and again at 31 December 2020. The review at 30 June 2020 resulted in an impairment of £5,621,000 to goodwill and £1,515,000 to customer relationships reducing their carrying value to £nil which was initially recognised in the interim report as at 30 June 2020.

The impairment reviews at 31 December 2020 did not identify any further impairments to CGUs but did reduce headroom within these calculations.

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.

How we addressed the key audit matter in our audit

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 and comparison to forecasts used in the going concern assessment.

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 including considering the external market trends available to support the assumptions. We challenged the discount rates applied using sensitivity analysis.

We considered whether the disclosures made by the Directors within the financial statements were compliant with the requirements of accounting standards.

Key observations:

Based on our work performed, consider the judgements made by the Directors in conducting their impairment reviews to be reasonable.

AN OVERVIEW OF THE SCOPE OF OUR AUDIT CONTINUED

KEY AUDIT MATTERS CONTINUED

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.

The Group's Statement of Financial Position includes a significant level of hire fleet assets (net book value of £17,519,000) 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 2020. 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 and therefore we consider this to be a key audit matter.

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; and
- considering whether the judgements supporting the estimated useful economic lives were consistent with the judgements made by the Directors elsewhere in the financial statements.

Key observations:

Based on our work performed, we found the Directors' assessment of the useful economic lives and residual values of the tangible fixed assets to be reasonable.

OUR APPLICATION OF MATERIALITY

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements.

In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality, to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

INDEPENDENT AUDITOR'S REPORT CONTINUED

To the members of Northbridge Industrial Services plc

OUR APPLICATION OF MATERIALITY CONTINUED

Based on our professional judgement, we determined materiality for the financial statements as a whole and performance materiality as follows:

	Group financial statements		Parent company financial statements	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Materiality	340	330	320	313
Basis for determining materiality	1% of consolidated turnover		95% of group materiality	
Rationale for the benchmark applied	Revenue is the key driver of the business' value and is the underlying driver for management's key measure of performance.		Calculated as a percentage of Group materiality for Group reporting purposes.	
Performance materiality	255	248	240	235
Basis for determining performance materiality	Set at 75% of materiality		Set at 75% of materiality	

COMPONENT MATERIALITY

We set materiality for each component of the Group at £320,000 based on 95% of Group materiality. In the audit of each component, we further applied performance materiality levels of 75% of the component materiality to our testing to ensure that the risk of errors exceeding component materiality was appropriately mitigated.

REPORTING THRESHOLD

We agreed with the Audit Committee that we would report to them all uncorrected audit differences in excess of £15,000 (2019: £16,500), 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.

OTHER INFORMATION

The Directors are responsible for the other information. The other information comprises the information included in the Annual Report and Accounts, 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. 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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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.

OTHER COMPANIES ACT 2006 REPORTING

Based on the responsibilities described below and our work performed during the course of the audit, we are required by the Companies Act 2006 and ISAs (UK) to report on certain opinions and matters as described below.

Strategic Report and Directors' Report	<p>In our opinion, based on the work undertaken in the course of the audit:</p> <ul style="list-style-type: none"> ▪ 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. <p>In light of the knowledge and understanding of the Group and parent company and their environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report.</p>
Matters on which we are required to report by exception	<p>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:</p> <ul style="list-style-type: none"> ▪ adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or ▪ the parent company financial statements are not in agreement with the accounting records and returns; or ▪ certain disclosures of Directors' remuneration specified by law are not made; or ▪ we have not received all the information and explanations we require for our audit.

RESPONSIBILITIES OF DIRECTORS

As explained more fully in the Directors' Responsibilities Statement, 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.

EXTENT TO WHICH THE AUDIT WAS CAPABLE OF DETECTING IRREGULARITIES, INCLUDING FRAUD

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

We gained an understanding of the legal and regulatory framework applicable to the Group and the industry in which it operates and considered the risk of acts by the Group which were contrary to applicable laws and regulations, including fraud. These included, but were not limited to, compliance with the Companies Act 2006, the AIM listing rules, and accounting standards.

We communicated key estimate and judgements, relevant identified laws and regulations, and potential fraud and irregularity risks to all engagement team members and component auditors, and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit. We designed audit procedures at Group and component levels to respond to these matters.

INDEPENDENT AUDITOR'S REPORT CONTINUED

To the members of Northbridge Industrial Services plc

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS CONTINUED EXTENT TO WHICH THE AUDIT WAS CAPABLE OF DETECTING IRREGULARITIES, INCLUDING FRAUD CONTINUED

We focused on areas that could give rise to a material misstatement in the Group financial statements. Our testing included, but was not limited to:

- enquiries of management;
- review of minutes of Board meetings throughout the year;
- obtaining an understanding of the control environment in monitoring compliance with laws and regulations;
- identifying and testing a sample of journal entries, to identify any outside of the normal course of business or indicative of manipulation of the financial statements;
- verification of the consolidation and, in particular, manual or late journals posted at consolidated level;
- challenge of key estimates and judgements, including those applied to key audit matters, applied by management in the financial statements to check that they are free from management bias;
- consideration of management's assessment of related parties and any other unusual transactions and evaluating the process for identifying and monitoring any such transactions; and
- consideration of the total unadjusted audit differences for indications of bias or deliberate misstatement.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available 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
13 April 2021

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 2020

	Note	2020 Before exceptional costs £'000	2020 Exceptional items (note 4) £'000	2020 Total £'000	2019 £'000
Revenue	2	33,977	—	33,977	33,600
Cost of sales		(19,284)	—	(19,284)	(17,802)
Gross profit		14,693	—	14,693	15,798
Operating costs		(13,262)	—	(13,262)	(13,634)
Other operating income	5	437	—	437	—
Impairment loss on trade receivables		(167)	—	(167)	(149)
Share of post-tax result of joint ventures		(579)	—	(579)	(832)
Profit from operations	5	1,122	—	1,122	1,183
Exceptional costs	4	—	(7,751)	(7,751)	—
Finance costs		(746)	—	(746)	(868)
Profit/(loss) before taxation		376	(7,751)	(7,375)	315
Taxation	10	(562)	425	(137)	(551)
Loss for the year attributable to the equity holders of the parent		(186)	(7,326)	(7,512)	(236)
Other comprehensive income/(loss)					
Exchange differences on translating foreign operations		112	—	112	(1,248)
Other comprehensive income/(loss) for the year, net of tax		112	—	112	(1,248)
Total comprehensive loss for the year attributable to equity holders of the parent		(74)	(7,326)	(7,400)	(1,484)
Loss per share					
– basic (pence)	11			(26.9)	(0.8)
– diluted (pence)	11			(26.9)	(0.8)

All amounts relate to continuing operations. There were no exceptional items in 2019.

The notes on pages 39 to 69 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2020

	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 2020	2,811	201	29,950	2,810	2,400	(451)	(2,698)	35,023
Loss for the year	—	—	—	—	—	—	(7,512)	(7,512)
Other comprehensive income	—	—	—	—	112	—	—	112
Total comprehensive income/(loss) for the year	—	—	—	—	112	—	(7,512)	(7,400)
Share option expense	—	—	—	—	—	—	44	44
Balance at 31 December 2020	2,811	201	29,950	2,810	2,512	(451)	(10,166)	27,667

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

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 39 to 69 form part of these financial statements.

CONSOLIDATED BALANCE SHEET

As at 31 December 2020

Company number: 05326580	Note	2020		2019	
		£'000	£'000	£'000	£'000
ASSETS					
Non-current assets					
Intangible assets	12	4,473		11,633	
Property, plant and equipment	13	24,460		25,578	
Right-of-use assets	14	2,359		1,995	
Investments accounted for using the equity method	15	—		—	
			31,292		39,206
Current assets					
Inventories	16	4,542		3,547	
Trade and other receivables	17	8,583		9,070	
Cash and cash equivalents		4,323		3,272	
			17,448		15,889
Total assets			48,740		55,095
LIABILITIES					
Current liabilities					
Trade and other payables	18	7,374		6,242	
Loans and borrowings	19	2,345		2,043	
Lease liabilities	14	897		864	
Current tax liabilities		546		601	
			11,162		9,750
Non-current liabilities					
Loans and borrowings	19	6,619		7,063	
Lease liabilities	14	1,292		1,054	
Deferred tax liabilities	20	2,000		2,205	
			9,911		10,322
Total liabilities			21,073		20,072
Total net assets			27,667		35,023
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		2,512		2,400	
Treasury share reserve		(451)		(451)	
Retained earnings		(10,166)		(2,698)	
Total equity			27,667		35,023

The notes on pages 39 to 69 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 13 April 2021.

Peter Harris
Director

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2020

	Note	2020 £'000	2019 £'000
Cash flows from operating activities			
Net (loss)/profit before taxation		(7,375)	315
Adjustments for:			
– amortisation of intangible assets	12	201	380
– impairment of intangible assets		7,136	—
– amortisation of right-of-use assets	14	887	822
– amortisation of capitalised debt fee		103	93
– depreciation of property, plant and equipment	13	5,059	5,403
– profit on disposal of tangible fixed assets		(543)	(553)
– share of post-tax results of joint ventures		579	832
– finance costs	9	746	868
– share option expense	24	44	48
		6,837	8,208
(Increase)/decrease in inventories		(988)	712
Decrease/(increase) in receivables		226	(771)
Increase in payables		988	649
		7,063	8,798
Cash generated from operations			
Taxation		(471)	(563)
Increase in receivables from joint ventures		(323)	(1,394)
Hire fleet expenditure	13	(3,770)	(3,658)
Sale of assets within hire fleet		836	1,638
		3,335	4,821
Net cash from operating activities			
Cash flows from investing activities			
Investment in joint ventures	15	—	(50)
Purchase of property, plant and equipment	13	(272)	(201)
Sale of property, plant and equipment		13	38
		(259)	(213)
Net cash used in investing activities			
Cash flows from financing activities			
Proceeds from loans and borrowings		3,931	498
Debt issue costs		(116)	(24)
Repayment of loans and borrowings		(4,166)	(2,407)
Principal paid on lease liabilities		(1,038)	(901)
Interest paid on lease liabilities		(106)	(100)
Interest paid on loans and borrowings		(527)	(662)
		(2,022)	(3,596)
Net cash used in financing activities			
Net increase in cash and cash equivalents			
Cash and cash equivalents at beginning of period		3,272	2,302
Exchange losses on cash and cash equivalents		(3)	(42)
		4,323	3,272
Cash and cash equivalents at end of period			

The notes on pages 39 to 69 form part of these financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

I. ACCOUNTING POLICIES

I.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 accounting standards in conformity with the requirements of the Companies Act 2006.

The parent company's financial statements have been prepared under applicable United Kingdom accounting standards (FRS 101) and are on pages 70 to 75.

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 2021 and 2022 (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 Group has shown to be resilient in the face of COVID-19 and with the vaccine rollout pressing ahead at pace it is expected that trading in 2021 will be ahead of 2020 and trading in the first quarter of 2021 supports this assumption.

Even with a reasonable downside scenario considering the continued effect of COVID-19 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.

The main bank facilities and convertible loan note facilities are not due for repayment until June 2022 and advanced discussions are ongoing related to longer-term debt facilities as noted in the Executive Chairman's Statement and Financial Review. The going concern assessment and future cash flow forecasts are not contingent on any refinancing negotiations or proceeds from the proposed disposal of Tasman.

I.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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

For the year ended 31 December 2020

I. ACCOUNTING POLICIES CONTINUED

I.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.

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.

I.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 Consolidated 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 Consolidated 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

I. ACCOUNTING POLICIES CONTINUED

I.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.

I.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.

I.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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

For the year ended 31 December 2020

I. ACCOUNTING POLICIES CONTINUED

I.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.

I.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.

I.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.

I.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 Consolidated 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 Consolidated 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.

I.12 PENSIONS

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

I. ACCOUNTING POLICIES CONTINUED

I.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.

I.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.

I.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 Consolidated Statement of Cash Flows – bank overdrafts. Bank overdrafts are shown within loans and borrowings in current liabilities on the Consolidated Statement of Financial Position.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

For the year ended 31 December 2020

I. ACCOUNTING POLICIES CONTINUED

I.15 FINANCIAL INSTRUMENTS CONTINUED

(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 Consolidated 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.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

I.16 DEFERRED CONSIDERATION

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

I.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.

I.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.

I.19 GOVERNMENT GRANTS

Government grants received for employment related expenditure and job retention schemes are shown as other operating income.

I.20 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.

I. ACCOUNTING POLICIES CONTINUED

I.20 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS CONTINUED

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 2020 was £4,403,000. 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 is as expected and has not been negatively affected by COVID-19.

I.21 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)
Definition of a Business (Amendments to IFRS 3)	1 January 2020
Interest Rate Benchmark Reform – IBOR ‘phase 2’ (Amendments to IFRS 9, IAS 39 and IFRS 7)	1 January 2020
COVID-19-Related Rent Concessions (Amendments to IFRS 16)	1 January 2020
IAS 1 “Presentation of Financial Statements” and IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors” (Amendment – Disclosure Initiative – Definition of Material)	1 January 2020
Revisions to the Conceptual Framework for Financial Reporting	1 January 2020

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 2022:

- Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37);
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16);
- Annual Improvements to IFRS Standards 2018–2020 (Amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41); and
- References to Conceptual Framework (Amendments to IFRS 3).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

For the year ended 31 December 2020

I. ACCOUNTING POLICIES CONTINUED

I.21 NEW STANDARDS AND INTERPRETATIONS CONTINUED

Standards not yet effective continued

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 were originally effective for annual reporting periods beginning on or after 1 January 2022. However, in May 2020, the effective date was deferred to annual reporting periods beginning on or after 1 January 2023.

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.

I.22 DIVIDENDS

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

2. REVENUE FROM CONTRACTS WITH CUSTOMERS

DISAGGREGATION OF REVENUES

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

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

	2020			2019		
	Crestchic Loadbanks and Transformers £'000	Tasman Oil Tools £'000	Total £'000	Crestchic Loadbanks and Transformers £'000	Tasman Oil Tools £'000	Total £'000
Revenue by location of sale origination						
UK	13,446	—	13,446	13,503	—	13,503
Continental Europe	2,929	—	2,929	2,112	—	2,112
North and South America	4,240	—	4,240	4,366	—	4,366
Australia and New Zealand	—	6,255	6,255	—	5,643	5,643
Middle East	1,710	1,302	3,012	2,781	1,194	3,975
Asia	2,285	1,810	4,095	2,647	1,354	4,001
	24,610	9,367	33,977	25,409	8,191	33,600
Revenue type and timing of transfer of goods or service						
Hire – over time	10,858	6,809	17,667	14,003	5,715	19,718
Hire – point in time	666	1,369	2,035	315	1,357	1,672
Sales and service – point in time	13,086	1,189	14,275	11,091	1,119	12,210
	24,610	9,367	33,977	25,409	8,191	33,600

CONTRACT LIABILITIES

	2020 £'000	2019 £'000
At 1 January	405	204
Amounts recognised as revenue during the period	(405)	(204)
Cash received in advance of performance and not recognised as revenue during the period	753	405
At 31 December	753	405

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.

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

3. SEGMENT INFORMATION

The Group currently has two 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 72% (2019: 76%) 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 28% (2019: 24%) 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. All inter-segment transactions are at arm's length. The segmental allocation of costs, assets and liabilities has been reviewed during the year and balances relating to goodwill, intangibles, fair value adjustments and deferred tax arising on acquisitions and the resulting amortisation and depreciation of these balances have been fully allocated to segments. In previous years, before the changes made to internal reporting, these balances were not allocated to segments and included as a central cost.

	Crestchic Loadbanks and Transformers £'000	Tasman Oil Tools £'000	Total £'000	Other including consolidation adjustments £'000	2020 Total £'000
Revenue from external customers	24,610	9,367	33,977	—	33,977
Depreciation	(2,705)	(2,352)	(5,057)	(2)	(5,059)
Amortisation of right-of-use assets	(665)	(222)	(887)	—	(887)
Amortisation	(86)	(115)	(201)	—	(201)
Operating profit	3,227	(676)	2,551	(1,429)	1,122
Finance expense	(124)	(45)	(169)	(577)	(746)
Profit/(loss) before tax and exceptional items	3,103	(721)	2,382	(2,006)	376
Exceptional costs	—	(7,751)	(7,751)	—	(7,751)
Profit/(loss) before tax	3,103	(8,472)	(5,369)	(2,006)	(7,375)
Head office costs			(1,377)		
Group finance costs			(577)		
Other			(52)		
Group loss before tax			(7,375)		

	Crestchic Loadbanks and Transformers £'000	Tasman Oil Tools £'000	Total £'000	Other including consolidation adjustments £'000	2020 Total £'000
Balance sheet					
Non-current asset additions					
Tangible asset additions	919	3,151	4,070	—	4,070

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

For the year ended 31 December 2020

3. SEGMENT INFORMATION CONTINUED

MEASUREMENT OF OPERATING SEGMENT PROFIT OR LOSS AND ASSETS AND LIABILITIES CONTINUED

	Crestchic Loadbanks and Transformers £'000	Tasman Oil Tools £'000	Total £'000	Other including consolidation adjustments £'000	2020 Total £'000
Operating assets (total assets less cash and cash equivalents)	26,677	17,680	44,357	60	44,417
Cash and cash equivalents	2,721	719	3,440	883	4,323
Total assets	29,398	18,399	47,797	943	48,740
Head office cash and cash equivalents			852		
Other			91		
Total Group assets			48,740		
Trade and other payables	4,629	2,505	7,134	240	7,374
Lease liabilities	1,960	229	2,189	—	2,189
Operating liabilities	6,589	2,734	9,323	240	9,563
Loans and borrowings	933	472	1,405	7,559	8,964
Tax liabilities	556	(10)	546	—	546
Deferred tax	979	1,021	2,000	—	2,000
Total liabilities	9,057	4,217	13,274	7,799	21,073
Head office loans and borrowings			7,559		
Other			240		
Total Group liabilities			21,073		
	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
Depreciation	(2,969)	(2,432)	(5,401)	(2)	(5,403)
Amortisation of right-of-use assets	(516)	(306)	(822)	—	(822)
Amortisation	(87)	(293)	(380)	—	(380)
Operating profit	5,095	(2,535)	2,560	(1,377)	1,183
Finance expense	(150)	(59)	(209)	(659)	(868)
Profit/(loss) before tax	4,945	(2,594)	2,351	(2,036)	315
Head office costs			(1,434)		
Group finance costs			(659)		
Other			57		
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

3. SEGMENT INFORMATION CONTINUED

MEASUREMENT OF OPERATING SEGMENT PROFIT OR LOSS AND ASSETS AND LIABILITIES CONTINUED

	Crestchic Loadbanks and Transformers £'000	Tasman Oil Tools £'000	Total £'000	Other including consolidation adjustments £'000	2019 Total £'000
Operating assets (total assets less cash and cash equivalents)	26,779	25,092	51,871	(48)	51,823
Cash and cash equivalents	2,623	323	2,946	326	3,272
Total assets	29,402	25,415	54,817	278	55,095
Head office cash and cash equivalents			293		
Other			(15)		
Total Group assets			55,095		
Trade and other payables	3,476	2,496	5,972	270	6,242
Lease liabilities	1,337	581	1,918	—	1,918
Operating liabilities	4,813	3,077	7,890	270	8,160
Loans and borrowings	820	479	1,299	7,807	9,106
Tax liabilities	606	(5)	601	—	601
Deferred tax	1,025	1,180	2,205	—	2,205
Total liabilities	7,264	4,731	11,995	8,077	20,072
Head office loans and borrowings			7,807		
Other			270		
Total Group liabilities			20,072		

	Non-current assets by location	
	2020 £'000	2019 £'000
UK	10,947	10,526
Continental Europe	2,058	2,328
Australia and New Zealand	5,373	12,044
Middle East	5,072	5,916
Asia	7,686	8,146
Americas	156	246
	31,292	39,206

4. EXCEPTIONAL ITEMS

Exceptional items totalling £7,326,000 (2019: £nil) have been recognised in the Consolidated Statement of Comprehensive Income. £7,751,000 has been recognised as an exceptional cost and a £425,000 credit has been recognised within the deferred tax charge.

£7,136,000 of the amount recognised in exceptional costs and the £425,000 deferred tax credit relates to the impairment of goodwill and intangibles and further details can be found in note 12.

The remaining £615,000 included within exceptional costs relates to amounts owed by joint ventures.

The Directors have reviewed the recoverability of the balance owed from Olio Tasman Oil Tools which is a joint venture based in Malaysia. A balance of £615,000, net of the joint venture losses suffered to date, was owed from the joint venture and a full provision has been made against this balance.

The joint venture's performance improved significantly in the first quarter of 2020 and losses were greatly reduced but due to the impact of COVID-19, trading in the second quarter and its prospects for the remainder of 2020 have suffered. It is therefore unlikely to have the necessary resources to repay the amounts owed to the Group.

This provision has been made due to the direct impact of COVID-19 on market conditions and the trading prospects on the joint venture and is classified as an exceptional cost.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

For the year ended 31 December 2020

5. LOSS (2019: PROFIT) FROM OPERATIONS

The operating loss (2019: profit) is stated after charging:

	2020 £'000	2019 £'000
Amortisation of customer relationships	201	380
Amortisation of right-of-use assets	887	822
Depreciation of property, plant and equipment	5,059	5,403
Foreign exchange losses	22	89
Cost of inventories recognised as an expense during the year	6,784	5,590
Share-based payment remuneration	44	48

See note 8 for auditor's fees.

The loss from operations includes £437,000 (2019: £nil) of Government grants for employment expenditure and job retention schemes. This amount is shown as other operating income in the Consolidated Statement of Comprehensive Income.

6. STAFF COSTS

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

	2020 £'000	2019 £'000
Wages and salaries	8,234	8,142
Social security costs	903	952
Other pension costs	291	259
Share-based payments	44	48
	9,472	9,401

Of the share-based payments recognised in the year £44,000 (2019: £48,000) related to key management personnel. The key management personnel are deemed to be the Directors. Of the £9,137,000 (2019: £9,094,000) of wages and salaries and social security costs paid during the year, £838,000 (2019: £926,000) related to key management personnel.

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

	2020 Number	2019 Number
Technical and production	116	103
Sales	31	31
Administration	32	34
	179	168

7. DIRECTORS' REMUNERATION

	2020				2019			
	Salary £'000	Bonus £'000	Benefits £'000	Total £'000	Salary £'000	Bonus £'000	Benefits £'000	Total £'000
P R Harris	63	—	—	63	60	—	—	60
E W Hook	278	—	3	281	265	63	3	331
I J Gardner	165	—	64	229	165	30	64	259
I C Phillips	183	—	1	184	172	41	1	214
A K Mehta	23	—	—	23	18	—	—	18
N Kaul	23	—	—	23	18	—	—	18
J Aldersey-Williams	23	—	—	23	18	—	—	18
S Yapp*	12	—	—	12	—	—	—	—
D C Marshall**	—	—	—	—	8	—	—	8
	770	—	68	838	724	134	68	926

* S Yapp was appointed on 1 July 2020.

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

8. AUDITOR'S REMUNERATION

	2020 £'000	2019 £'000
Fees payable to the Group's auditor for the audit of the Group and Company	35	34
Fees payable to the Group's auditor and associates in respect of:		
– audit of subsidiaries	107	100
– other assurance services	9	20
– tax services	29	52

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

	2020 £'000	2019 £'000
On loans and borrowings	527	651
On lease liabilities	106	100
Other	113	117
	746	868

10. INCOME TAX EXPENSE

	2020 £'000	2019 £'000
Current tax expense	432	653
Prior year over provision of tax	(45)	(82)
	387	571
Deferred tax credit resulting from the origination and reversal of temporary differences – exceptional	(425)	—
Deferred tax charge/(credit) resulting from the origination and reversal of temporary differences	175	(20)
Taxation	137	551

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:

	2020 £'000	2019 £'000
(Loss)/profit before taxation	(7,375)	315
(Loss)/profit multiplied by standard rate of corporation tax in the UK of 19% (2019: 19%)	(1,401)	60
Effects of:		
– income not subject to tax	(142)	(66)
– expenses not allowable for taxation purposes	222	492
– exceptional costs not allowable for taxation purposes	1,185	—
– difference in taxation rates	291	46
– losses not recognised as a deferred tax asset	27	101
– prior year under provision of taxation and deferred taxation	(45)	(82)
Total taxation charge for the year	137	551

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

For the year ended 31 December 2020

II. EARNINGS PER SHARE

	2020 £'000	2019 £'000
Numerator		
Loss used in basic and diluted EPS	(7,512)	(236)
Denominator		
Weighted average number of shares used in basic EPS	27,899,602	27,899,602
Effects of share options	—	—
Weighted average number of shares used in diluted EPS	27,899,602	27,899,602

At the end of the year, the Company had in issue 2,332,951 (2019: 2,086,951) share options and £4,000,000 of convertible loan notes which can be converted to 4,444,444 (2019: 3,200,000) ordinary shares at a price of 90 pence (2019: 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 2020	8,256	217	152	254	14,653	23,532
Exchange differences	64	—	—	—	188	252
At 31 December 2020	8,320	217	152	254	14,841	23,784
Amortisation and impairment						
At 1 January 2020	6,496	217	152	254	4,780	11,899
Exchange differences	36	—	—	—	37	73
Impairment charge for the year	1,515	—	—	—	5,621	7,136
Amortisation charge for the year	201	—	—	—	—	201
At 31 December 2020	8,250	217	152	254	10,438	19,311
Net book value						
At 31 December 2020	70	—	—	—	4,403	4,473
At 31 December 2019	1,760	—	—	—	9,873	11,633
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

12. INTANGIBLE ASSETS CONTINUED

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

	Remaining amortisation period years	Carrying value £'000
NTX	1.00	24
CAP	0.75	46

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:

	2020 £'000	2019 £'000
Crestchic	2,192	2,192
NTX	974	920
CAP	1,237	1,255
TNZ	—	5,506
	4,403	9,873

IMPAIRMENT OF INTANGIBLE ASSETS – 30 JUNE 2020

In preparing the 2019 financial statements, a goodwill impairment review was conducted on 31 December 2019 that did not result in any impairment. It was noted that the recoverable amount for the Tasman New Zealand cash-generating unit ("CGU") was more sensitive to movements in the discount rate and growth inflation and that 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.

At 31 December 2019 it was noted that the recoverable amount for the Crestchic Limited, Northbridge Transformers and Crestchic Asia-Pacific CGUs significantly exceeded their carrying amounts and that the calculations were not sensitive.

Due to COVID-19 being an indicator of impairment, an impairment review of the Group's goodwill was conducted on the interim report date of 30 June 2020. The recoverable amounts of the above noted CGUs were determined from value-in-use calculations based on the latest cash flow projections derived from forecasts covering a five-year period to 31 December 2024.

Crestchic Limited

Crestchic Limited cash flows were discounted using a nominal pre-tax rate of 13% and a long-term future revenue growth rate of 5% was used. No impairment was recognised following the impairment review. A reasonable increase to the discount rate or a decrease to the future growth rate to zero did not indicate any impairment and calculations were not deemed sensitive.

Northbridge Transformers

Northbridge Transformers cash flows were discounted using a nominal pre-tax rate of 13% and a future revenue growth rate of 10% has been used. No impairment was recognised following the impairment review although it was noted that the headroom had decreased and the calculations were now sensitive to changes to the discount rate or future growth rate. A 1% increase in the discount rate would have created an impairment of £0.1 million and a 1% decrease in the future revenue growth rate would have created an impairment of £0.1 million.

Crestchic Asia-Pacific

Crestchic Asia-Pacific cash flows were discounted using a nominal pre-tax rate of 14% and an average future revenue growth rate of 20% was used. The discount rate for this CGU was been increased from the 13% used at 31 December 2019 due to the uncertainty created by COVID-19.

No impairment was recognised following the impairment review although the headroom decreased and the calculations are now sensitive to changes to the discount rate or future growth rate. A 1% increase in the discount rate would have decreased the headroom to zero while a decrease in the average future revenue growth rate from 20% to 15% would have created an impairment of £0.6 million.

The pandemic made a significant impact on Crestchic Asia-Pacific with the Singapore shipyards closed for a long period and then only working at a very reduced capacity. The entity was able to conduct business in other parts of Asia including Brunei and Korea but overall, 2020 revenue was expected to be significantly down on 2019. Due to the direct impact of COVID-19 it was expected that revenue would rebound in 2021 although the model assumed it would take longer to recover to the level of revenue seen in 2019.

The rebound in 2021 and gradual uplifts from 2022 were key assumptions in the current discounted cash flow model. The Directors were satisfied that the assumptions used in the model are prudent and reasonable and that no impairment is required.

Tasman New Zealand

Tasman New Zealand – carrying value of goodwill and customer relationships zero from 1 July 2020 after impairments of £5,621,000 and £1,515,000 (total £7,136,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

For the year ended 31 December 2020

12. INTANGIBLE ASSETS CONTINUED

IMPAIRMENT OF INTANGIBLE ASSETS – 30 JUNE 2020 CONTINUED

Tasman New Zealand continued

The recoverable amount of the Tasman New Zealand goodwill has been sensitive to relatively small changes in the growth rate and discount rates for some time. Tasman New Zealand cash flows have been discounted using a nominal pre-tax rate of 15% and an average future revenue growth rate of 5% (7% decrease in 2020, 0% in 2021, 10% growth from 2022 to 2024) has been used.

The model used at 31 December 2019 used a growth rate of 30% which assumed a return to larger and more frequent offshore campaigns and some significant geothermal projects including new power stations.

The Directors now believe that a return to large, frequent offshore campaigns and large-scale geothermal projects is unlikely in the medium term and the future growth rates have been decreased to reflect this.

A factor affecting the Directors' view on future offshore drilling is COVID-19 and its effect on investment in the oil and gas industry in New Zealand. Although 2020 started well, COVID-19 led to the early end to an offshore campaign and the severe delay of another. From 2014 to 2016 many international drilling entities left New Zealand and retrenched to their traditional core markets and have to date not returned. With COVID-19 decreasing the current price of oil and weighing on anticipated global demand for oil and gas it seems unlikely that they will return in the medium term and will concentrate their investment on their core markets. The previously announced moratorium on granting any further offshore drilling permits will also hinder any new investment into the country.

A key factor affecting the Directors' view on future large-scale geothermal projects, which involves a very high level of drilling, is the news that the future of the Tiwai Point aluminium smelter is highly uncertain. The smelter currently uses a significant proportion of all of New Zealand's generation capacity so it is unlikely any further capacity will be required from new geothermal power stations in the medium term.

Notwithstanding this impairment, the Group continues to believe that the entity will have a successful future, albeit not at the revenue and profit levels previously anticipated.

IMPAIRMENT OF INTANGIBLE ASSETS – 31 DECEMBER 2020

Due to COVID-19 being a potential indicator of impairment a further impairment, assessment was carried out at the balance sheet date. With the Tasman New Zealand goodwill fully impaired, the review related to the Crestchic Limited, Northbridge Transformers and Crestchic Asia-Pacific CGUs.

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 2025. Management does not believe that any CGU will see a material change in its market share. Other major assumptions are as follows:

	Discount rate %	Operating (gross) margin %	Wage inflation %
2020			
Crestchic	13	45	3
NTX	13	70	1
CAP	14	55	1
	Discount rate %	Operating (gross) margin %	Wage inflation %
2019			
Crestchic	13	50	3
NTX	13	60	1
TOTNZ	15	55	5
CAP	13	55	2

12. INTANGIBLE ASSETS CONTINUED

IMPAIRMENT OF INTANGIBLE ASSETS – 31 DECEMBER 2020 CONTINUED

The growth rates that have been used in the value-in-use calculations as at 31 December 2020 are based on forecasts for the five-year period to 31 December 2025 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.

Crestchic Limited

The calculation for Crestchic Limited was not deemed sensitive to changes in the growth rate or discount rate.

Northbridge Transformers

Although no impairment was booked after the 30 June 2020 impairment assessment it was noted that the headroom in the calculation had diminished to close to zero.

Since June 2020 trading has stabilised and the net assets of the company has decreased which have both increased the headroom. The calculations remain relatively sensitive to changes to the discount rate or future growth rate. A 6% increase in the discount rate would be required to create an impairment and a 5% decrease in the future revenue growth rate, from 5% to zero, would be required to create an impairment.

Crestchic Asia-Pacific

Although no impairment was booked after the 30 June 2020 impairment assessment it was noted that the headroom in the calculation had decreased significantly.

Since June 2020 trading has improved significantly with the local shipyards now open and working their way through a backlog of work. The current forecast for 2021 is much improved from what was expected in June 2020 with much of this forecast revenue secured by purchase orders. When compared to the model from June 2020, the revenue bounce back is now forecast to come earlier but the longer-term growth rate for the region has remained consistent.

The growth rate for 2022 onwards can drop to 8% before an impairment would be triggered and the discount rate can increase to 27% before an impairment is required.

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 2020	7,058	1,773	207	1,358	51,777	62,173
Exchange differences	(55)	46	6	7	487	491
Additions	88	72	28	112	3,770	4,070
Disposals*	—	(52)	(131)	(28)	(2,484)	(2,695)
At 31 December 2020	7,091	1,839	110	1,449	53,550	64,039
Depreciation						
At 1 January 2020	1,323	947	113	935	33,277	36,595
Exchange differences	(7)	37	3	10	235	278
Charge for the year	146	114	28	84	4,687	5,059
On disposals	—	(39)	(128)	(18)	(2,168)	(2,353)
At 31 December 2020	1,462	1,059	16	1,011	36,031	39,579
Net book value						
At 31 December 2020	5,629	780	94	438	17,519	24,460
At 31 December 2019	5,735	826	94	423	18,500	25,578

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

For the year ended 31 December 2020

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 2019	7,160	1,744	522	1,362	52,023	62,811
Reclassification due to adoption of IFRS 16	—	—	(204)	—	(775)	(979)
Exchange differences	(102)	(48)	(3)	(41)	(1,760)	(1,954)
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)	(2,339)
At 31 December 2019	7,058	1,773	207	1,358	51,777	62,173
Depreciation						
At 1 January 2019	1,188	877	269	902	30,703	33,939
Reclassification due to adoption of IFRS 16	—	—	(61)	—	(364)	(425)
Exchange differences	(11)	(31)	(4)	(32)	(1,413)	(1,491)
Transfer from right-of-use assets at end of lease (note 14)	—	—	—	—	383	383
Charge for the year	146	114	33	93	5,017	5,403
On disposals	—	(13)	(124)	(28)	(1,049)	(1,214)
At 31 December 2019	1,323	947	113	935	33,277	36,595
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.

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

During the year the Group received £623,000 (2019: £699,000) 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.

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.

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.

14. LEASES CONTINUED

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	—	21%	—
Property leases with periodic uplifts to market rentals	—	—	—	—
Property leases with fixed payments	6	34%	—	—
Vehicle and hire fleet leases	21	45%	—	—
	28	79%	21%	—

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 2020 there exists one lease with a break clause.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

For the year ended 31 December 2020

14. LEASES CONTINUED RIGHT-OF-USE ASSETS

	Land and buildings £'000	Motor vehicles £'000	Hire fleet £'000	Total £'000
At 1 January 2020	1,158	413	424	1,995
Additions	646	462	187	1,295
Disposal	—	(40)	—	(40)
Amortisation	(648)	(177)	(62)	(887)
Exchange differences	(5)	1	—	(4)
At 31 December 2020	1,151	659	549	2,359

LEASE LIABILITIES

At 1 January 2020	1,189	347	382	1,918
Additions	646	449	219	1,314
Interest expense	58	28	20	106
Lease payments	(689)	(278)	(177)	(1,144)
Exchange differences	(13)	8	—	(5)
At 31 December 2020	1,191	554	444	2,189

	Up to 3 months £'000	Between 3 and 12 months £'000	Between 1 and 2 years £'000	Between 2 and 5 years £'000	Over 5 years £'000
At 31 December 2020					
Lease liability	235	662	560	460	272

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:

	2020 £'000	2019 £'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 £1,340,000 (2019: £1,043,000) including £48,000 of cash and cash equivalents (2019: £19,000). Non-current assets of the joint venture are £128,000 (2019: £143,000). Net liabilities of the joint venture are £2,997,000 (2019: £2,246,000), of which the Group's share is £1,469,000 (2019: £1,101,000).

Total revenue and post-tax loss of the joint venture are £4,008,000 and £808,000 respectively (2019: £2,723,000 and £1,378,000). Included in these results is a charge of £20,000 for depreciation (2019: £15,000). The joint venture had no contingent liabilities or capital commitments at 31 December 2020 (2019: none).

TSPG

Current assets of the joint venture are £26,000 (2019: £66,000) including £10,000 of cash and cash equivalents (2019: £43,000). Non-current assets of the joint venture are £1,929,000 (2019: £2,241,000). Net liabilities of the joint venture are £560,000 (2019: £214,000), of which the Group's share is £275,000 (2019: £105,000).

Total revenue and post-tax loss of the joint venture are £73,000 and £373,000 respectively (2019: £19,000 and £320,000). Included in these results is a charge of £225,000 for depreciation (2019: £95,000). The joint venture had no contingent liabilities or capital commitments at 31 December 2020 (2019: none).

16. INVENTORIES

	2020 £'000	2019 £'000
Raw materials	4,079	3,166
Work in progress	202	81
Finished goods	261	300
	4,542	3,547

Raw materials are stated after a provision for slow-moving inventory of £193,000 (2019: £120,000).

17. TRADE AND OTHER RECEIVABLES

	2020 £'000	2019 £'000
Due within one year		
Trade receivables	7,945	7,955
Less provision for impairment of receivables	(1,383)	(1,277)
Trade receivables – net	6,562	6,678
Other receivables	793	700
Receivables from joint ventures	512	768
Prepayments	716	924
	8,583	9,070

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:

	2020 £'000	2019 £'000
Pound Sterling	1,930	1,352
Euro	733	1,268
US Dollar	2,302	2,195
Australian Dollar	810	748
UAE Dirham	625	741
Singapore Dollar	418	581
New Zealand Dollar	338	217
Other	199	276
	7,355	7,378

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 are grouped based on similar credit risk and ageing. There were no contract assets at 31 December 2020 or 2019.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

For the year ended 31 December 2020

17. TRADE AND OTHER RECEIVABLES CONTINUED

	2020		
	Gross trade receivables £'000	Expected credit loss %	Expected credit loss £'000
Specific provision above the expected credit loss model	1,284		1,284
Europe and North America	3,075	0.0%	—
Middle East	977	7.5%	73
Asia	1,148	1.0%	11
Australia and New Zealand	1,461	1.0%	15
Total	7,945		1,383

	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

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:

	2020 £'000	2019 £'000
Opening balance	1,277	1,221
Exchange differences	(39)	(36)
Recovered amounts reversed	(22)	(57)
Increase in provisions	167	149
Closing balance	1,383	1,277

The maximum exposure to credit risk, including cash balances, at 31 December 2020 is £12,190,000 (2019: £11,418,000).

18. CURRENT LIABILITIES TRADE AND OTHER PAYABLES – CURRENT

	2020 £'000	2019 £'000
Trade payables	3,576	3,472
Social security and other taxes	332	239
Other payables	176	149
Contract liabilities	753	405
Accruals	2,537	1,977
	7,374	6,242

19. LOANS AND BORROWINGS CURRENT

	2020 £'000	2019 £'000
Bank borrowings – secured	2,450	2,141
Other loans	13	35
Capitalised debt fees	(118)	(133)
Total	2,345	2,043

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:

	2020 £'000	2019 £'000
Expiry within one year	2,463	2,176
More than one year and less than two years – non-convertible debt	2,304	1,364
More than one year and less than two years – convertible debt	3,960	1,862
More than two years and less than five years	404	3,905
Total	9,131	9,307

There were no overdrawn balances at the year end (2019: £nil). At the year end the Group had no revolving credit facility (2019: full facility of £0.5 million drawn). The Group has outstanding warranty and deposit guarantees totalling £20,000 (2019: £249,000) relating to the sales of manufactured equipment.

NON-CURRENT LOANS AND BORROWINGS

	2020 £'000	2019 £'000
Bank borrowings – secured	2,699	3,204
Other loans	9	22
Convertible debt	3,960	3,905
Capitalised debt fees	(49)	(68)
Total	6,619	7,063

Based upon the established market rates prevailing at 31 December 2020 the fair value of all financial liabilities is not materially different to the carrying value.

During the year the bank facilities were renewed with the maturity date of the facilities extended by one year to July 2022. Although the level of borrowing did not change, the facilities were fully repaid and then drawn. The Directors have assessed that this process did not constitute a substantial change under IFRS 9 and consequently there has been no effect on the Consolidated Statement of Comprehensive Income.

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 were repayable in July 2021 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.

In August 2020 it was agreed by the Group and the bond holders to enact one of the two one-year extensions included in the original agreement with the interest rate for the extension period increasing to 10%. The bonds now mature in July 2022 and to reflect the uncertainty due to COVID-19 at the time of the extension the conversion price was decreased to 90 pence per share so the £4,000,000 of convertible loan notes can be converted to 4,444,444 ordinary shares in the Company.

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%.

The extension of the maturity date and the changes to the future interest rate and conversion price has been deemed a substantial changes by the Directors but they have taken the option allowed under IFRS 9 not to revalue the equity element of the convertible instruments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

For the year ended 31 December 2020

20. DEFERRED TAXATION

	2020 £'000	2019 £'000
Opening provision	2,205	2,276
Taken to the Consolidated Statement of Comprehensive Income in current year	(250)	(20)
Foreign exchange difference	45	(51)
Closing provision	2,000	2,205

The provision for deferred taxation is made up as follows:

	2020 £'000	2019 £'000
Accelerated capital allowances	1,831	1,513
Fair value adjustment to property, plant and equipment on acquisition	154	210
Fair value of intangibles on acquisition	15	482
	2,000	2,205

The Group has unrecognised tax losses carried forward of £1,283,000 (2019: £1,246,000). 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

	2020 £'000	2019 £'000
Allotted, called up and fully paid		
28,114,752 ordinary shares of 10 pence each (2019: 28,114,752 ordinary shares of 10 pence each)	2,811	2,811

	2020		2019	
	Number	£'000	Number	£'000
Ordinary shares of 10 pence each				
At beginning of year	28,114,752	2,811	28,114,752	2,811
Issue of new shares	—	—	—	—
At end of year	28,114,752	2,811	28,114,752	2,811

	2020 Number	2019 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.

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 £291,000 (2019: £259,000). No amounts were owing at the year end (2019: £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%
Crestchic Loadbanks GmbH	Germany	Karl-Heinz-Fräger Str. 1, 34376 Immenhausen	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	M00229, Jebel Ali Free Zone, Dubai	100%*
Northbridge Group (Middle East) Limited	United Arab Emirates	PO Box 262519, Jebel Ali Free Zone, Dubai	100%*
Loadbank Hire Services Limited	United Kingdom	Second Avenue, Centrum 100, Burton DE14 2WF	100%
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, Northbridge Group (Middle East) Limited 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.

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For the year ended 31 December 2020

24. SHARE-BASED PAYMENTS

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

	2020		2019	
	Weighted average exercise price (pence)	Number	Weighted average exercise price (pence)	Number
Outstanding at the beginning of the year	194	2,086,951	198	1,819,451
Granted during the year – new	95.5	310,000	157.5	300,000
Share options lapsed during the year	191	(64,000)	111	(32,500)
Outstanding at the end of the year	181	2,332,951	194	2,086,951

The exercise price of options outstanding at the end of the year ranged between 89.50 pence and 453.50 pence (2019: 89.50 pence and 453.50 pence) and their weighted average contractual life was six months (2019: six months). The weighted average exercise price of the options is 181 pence (2019: 194 pence).

Of the total number of options outstanding at the end of the year, 1,535,451 (2019: 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:

	2020
Options granted during the year	310,000
Date of grant	14 April 2020
Fair value per option at measurement date	95.5 pence
Share price	95.5 pence
Exercise price	95.5 pence
Weighted average exercise price	95.5 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%

	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%

The volatility rate is based on the average share price movement during the year ended 31 December 2020 and during the year ended 31 December 2019.

The share-based remuneration expense for the year is £44,000 (2019: £48,000), of which £21,000 (2019: £25,000) relates to key management personnel.

24. SHARE-BASED PAYMENTS CONTINUED

The following share options were outstanding at 31 December 2020:

Type of scheme	Date of grant	Number of shares 2020	Number of shares 2019
Approved share option	5 May 2017	112,587	112,587
Unapproved share option	5 May 2017	1,456,864	1,456,864
Approved share option	16 May 2018	37,399	37,399
Unapproved share option	16 May 2018	182,601	182,601
Approved share option	18 April 2019	21,817	21,817
Unapproved share option	18 April 2019	275,683	275,683
Approved share option	14 April 2020	17,500	—
Unapproved share option	14 April 2020	292,500	—
		2,396,951	2,086,951

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
E W Hook	14 April 2020	75,000	95.50	14/04/2023–14/04/2030	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 J Gardner	14 April 2020	30,000	95.50	14/04/2023–14/04/2030	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
I C Phillips	14 April 2020	30,000	95.50	14/04/2023–14/04/2030	Unapproved
		1,408,601			

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For the year ended 31 December 2020

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

	2020 Number of options	2019 Number of options
E W Hook	1,056,601	981,601
I J Gardner	196,000	166,000
I C Phillips	156,000	126,000
	1,408,601	1,273,601

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 2020	7,063	2,043	9,106
Cash flows	(516)	165	(351)
Non-cash flows:			
Amortisation of debt fees	149	—	149
Equity element of convertible loan notes	60	—	60
Loans and borrowings classified as non-current at 31 December 2019 becoming current during 2020	(137)	137	—
At 31 December 2020	6,619	2,345	8,964

	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

26. FINANCIAL INSTRUMENTS FINANCIAL INSTRUMENT RISK EXPOSURE AND MANAGEMENT

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

There have not been changes to the Group's exposure to financial instrument risks and its objectives, policies and processes for managing those risks or the methods used to measure them have not changed from previous periods unless otherwise stated in this note.

Principal financial instruments

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

- trade receivables;
- cash at bank;
- bank overdrafts and trade finance facilities;
- trade and other payables;
- bank and other loans;
- convertible loan notes;
- finance leases; and
- deferred consideration.

26. FINANCIAL INSTRUMENTS CONTINUED

FINANCIAL INSTRUMENT RISK EXPOSURE AND MANAGEMENT CONTINUED

General objectives, policies and processes

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

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

Categories of financial assets and financial liabilities

	Loans and receivables at amortised cost	
	2020 £'000	2019 £'000
Current financial assets		
Trade and other receivables	7,355	7,378
Cash and cash equivalents	4,323	3,272
Total current financial assets	11,678	10,650
	Financial liabilities measured at amortised cost	
	2020 £'000	2019 £'000
Current financial liabilities		
Trade and other payables	7,042	6,003
Loans and borrowings	2,345	2,043
Total current financial liabilities	9,387	8,046
Non-current financial liabilities		
Loans and borrowings	6,619	7,063
Total non-current financial liabilities	6,619	7,063
Total financial liabilities	16,006	15,109

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

For the year ended 31 December 2020

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:

	Up to 12 months £'000	Between 1 and 2 years £'000	Between 2 and 5 years £'000
2020			
Trade and other payables	7,042	—	—
Loans and borrowings	2,345	6,215	404
	9,387	6,215	404
	Up to 12 months £'000	Between 1 and 2 years £'000	Between 2 and 5 years £'000
2019			
Trade and other payables	6,003	—	—
Loans and borrowings	2,043	1,296	5,767
	8,046	1,296	5,767

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 and short-term trade finance and invoice facilities.

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 £25,000 (2019: £26,000). A 0.5% increase in the interest rate would, on the same basis, have increased the post-tax loss by the same amount.

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:

	2020 Floating rate £'000	2019 Floating rate £'000
Pound Sterling	1,937	779
Euro	964	1,124
US Dollar	641	914
UAE Dirham	202	169
Australian Dollar	170	72
Singapore Dollar	98	89
New Zealand Dollar	171	6
Other	140	119
	4,323	3,272

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 2020				
Euro	(43)	(138)	52	169
US Dollar	(141)	(184)	172	225
UAE Dirham	—	(34)	—	41
Singapore Dollar	—	17	—	(21)
Australian Dollar	—	(4)	—	4
New Zealand Dollar	—	29	—	(35)
Other	—	6	—	(6)
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

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 £512,000 (2019: £768,000) owed by joint ventures. The gross balance is £2,848,000 (2019: £1,903,000) with a provision due to the losses of the joint venture of £1,721,000 (2019: £1,135,000) and a total additional expected credit loss provision of £615,000 (2019: £nil) (see note 4). 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 £900,000 (2019: £764,000).

28. CAPITAL COMMITMENTS

At the year end the Group was committed to capital expenditure of £42,000 (2019: £1,126,000).

PARENT COMPANY ACCOUNTS UNDER FRS 101

Parent company balance sheet
As at 31 December 2020

Company number: 05326580	Note	2020 £'000	2019 £'000
Fixed assets			
Tangible fixed assets	5	5	7
Fixed asset investments	4	19,287	28,787
		19,292	28,794
Current assets			
Debtors	6	15,439	15,149
Cash and cash equivalents		852	293
		16,291	15,442
Creditors: amounts falling due within one year	7	(5,582)	(2,739)
Net current assets		10,709	12,703
Total assets less current liabilities		30,001	41,497
Creditors: amounts falling due after more than one year	8	(6,172)	(6,595)
Net assets		23,829	34,902
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		(11,492)	(419)
Shareholders' funds		23,829	34,902

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 £11,117,000 (2019: loss of £1,813,000).

The notes on pages 72 to 75 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 13 April 2021.

Peter Harris
Executive Chairman

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 2020

	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 2020	2,811	201	29,950	2,810	(451)	(419)	34,902
Loss for the year	—	—	—	—	—	(11,117)	(11,117)
Other comprehensive loss	—	—	—	—	—	—	—
Total comprehensive loss for the year	—	—	—	—	—	(11,117)	(11,117)
Share option expense	—	—	—	—	—	44	44
Balance at 31 December 2020	2,811	201	29,950	2,810	(451)	(11,492)	23,829

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

The notes on pages 72 to 75 form part of these financial statements.

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

For the year ended 31 December 2020

I. ACCOUNTING POLICIES

I.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.

I.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.

I.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.

I.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.

I.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.

I. ACCOUNTING POLICIES CONTINUED

I.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.

I.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.

I.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:

	2020 £'000	2019 £'000
Wages and salaries	634	679
Social security costs	72	69
Share-based payments	44	48
	750	796

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

	2020 Number	2019 Number
Full time – administration	2	2
Part time – administration	5	4
	7	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.

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS CONTINUED

For the year ended 31 December 2020

4. FIXED ASSET INVESTMENTS

	Shares in Group undertakings £'000
Cost	
At 1 January 2020	28,787
Impairment	(9,500)
At 31 December 2020	19,287

The investment in subsidiaries includes investments in Tasman entities which have seen their calculated values decrease during 2020, most notably in New Zealand, as explained in note 12 to the Group financial statements. This has resulted in an impairment of £9.5 million.

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 2020	54
Additions	—
At 31 December 2020	54
Depreciation	
At 1 January 2020	47
Charge for the year	2
At 31 December 2020	49
Net book value	
At 31 December 2020	5
At 31 December 2019	7

6. DEBTORS

	2020 £'000	2019 £'000
Amounts owed by Group undertakings	15,412	15,135
Other debtors	19	6
Prepayments	8	8
	15,439	15,149

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

7. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2020 £'000	2019 £'000
Bank loans and overdraft net of capitalised debt fees	1,387	1,212
Amounts payable to Group undertakings	3,970	1,274
Trade creditors	124	79
Other creditors	101	174
	5,582	2,739

Bank securities are detailed in note 19 to the Group financial statements.

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

	2020 £'000	2019 £'000
Bank loans net of capitalised debt fees	2,212	2,690
Convertible debt	3,960	3,905
	6,172	6,595

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:

	2020 £'000	2019 £'000
Expiry within one year	1,387	1,212
More than one year and less than two years	6,172	6,595
More than two years and less than five years	—	—
Total	7,559	7,807

The Company has no revolving credit facility as at 31 December 2020 (2019: £nil undrawn on a £0.5 million facility).

10. SHARE CAPITAL

	2020 £'000	2019 £'000
Allotted, called up and fully paid		
28,114,752 ordinary shares of 10 pence each (2019: 28,114,752 ordinary shares of 10 pence each)	2,811	2,811

	2020		2019	
	Number	£'000	Number	£'000
Ordinary shares of 10 pence each				
At beginning of year	28,114,752	2,811	28,114,752	2,811
Issue of new shares	—	—	—	—
At end of year	28,114,752	2,811	28,114,752	2,811

	2020 Number	2019 Number
Treasury shares held by the Company	215,150	215,150

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 14th Annual General Meeting of Northbridge Industrial Services plc will be held at Third Avenue, Centrum 100, Burton on Trent, on 15 June 2021, commencing at 1pm for the following purposes:

ORDINARY BUSINESS

1. To receive and adopt the financial statements for the year ended 31 December 2020 together with the Directors' Report and the Independent Auditor's Report.
2. To re-elect as a Director I J Gardner, who retires in accordance with the Company's Articles of Association.
3. To re-elect as a Director J Aldersey-Williams, who retires in accordance with the Company's Articles of Association.
4. To elect as a Director S Yapp, who retires in accordance with the Company's Articles of Association having been appointed a Director since the last Annual General Meeting.
5. To elect as a Director C Caldwell, who retires in accordance with the Company's Articles of Association having been appointed a Director since the last Annual General Meeting.
6. To re-appoint BDO LLP as auditor to the Company to hold office until the next general meeting at which accounts are laid before the Company and to authorise the Directors to determine its remuneration.
7. To consider and, if thought fit, pass the following ordinary resolution:

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

- (a) up to an aggregate nominal amount of £937,158.40 (such amount being equal to 33% of the Company's share capital and such amount to be reduced by the nominal amount allotted or granted from time to time under (b) below in excess of such sum);
- (b) comprising equity securities (as defined in Section 560 of the Companies Act 2006) up to an aggregate nominal amount of £937,158.40 (such amount to be reduced by the nominal amount allotted or granted from time to time under (a) above) in connection with or pursuant to an offer or invitation by way of rights issue in favour of:
 - (i) holders of ordinary shares in proportion (as nearly as practicable) to the respective number of ordinary shares held by them on the record date for such allotment; and
 - (ii) holders of any other class of equity securities entitled to participate therein or, if the Directors consider it necessary, as permitted by the rights of those securities, but subject to such exclusions or other arrangements as the Directors may consider necessary or appropriate to deal with fractional entitlements, treasury shares, record dates or legal, regulatory or practical difficulties which may arise under the laws of, or the requirements of, any regulatory body or stock exchange in any territory or any other matter whatsoever; and
- (c) such authority shall expire on the earlier of the conclusion of the next Annual General Meeting of the Company or the date falling 15 months after the date of the passing of this resolution.

SPECIAL BUSINESS

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

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

- (a) the allotment of equity securities for cash in connection with or pursuant to an offer or invitation (but, in the case of the authority granted under resolution 8(b), by way of a rights issue only) in favour of holders of ordinary shares in proportion (as nearly as practicable) to the respective number of ordinary shares held by them on the record date for such allotment (and holders of any other class of equity securities entitled to participate therein or, if the Directors consider it necessary, as permitted by the rights of those securities) but subject to such exclusions or other arrangements as the Directors may deem necessary or appropriate to deal with fractional entitlements, treasury shares, record dates, or legal, regulatory or practical difficulties which may arise under the laws of, or the requirements of, any regulatory body or stock exchange in any territory or any other matter whatsoever;
- (b) the allotment of equity securities for cash in the case of the authority granted under resolution 7(a) above and, otherwise than pursuant to paragraph (a) of this resolution, up to an aggregate nominal amount of £281,148 (such amount being equal to 10% of the Company's share capital). This power shall expire at the conclusion of the next Annual General Meeting of the Company save that the Company may before such expiry make offers or agreements which would or might require equity securities to be allotted after such expiry and the Directors may allot the relevant securities in pursuance of such offer or agreement as if the authority conferred hereby had not expired; and
- (c) such authority shall expire on the earlier of the conclusion of the next Annual General Meeting of the Company or the date falling 15 months after the date of the passing of this resolution.

SPECIAL BUSINESS CONTINUED

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

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

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

By order of the Board

Iwan Phillips

Company Secretary

13 April 2021

NOTES

IMPORTANT NOTE REGARDING ATTENDANCE IN PERSON: In light of the coronavirus pandemic, shareholders and their proxies will not be allowed to attend the meeting in person, as to do so would be inconsistent with current Government guidelines relating to COVID-19 (as published as at the date of this notice), in particular the advice for people to avoid public gatherings, non-essential travel and social contact.

Any shareholder seeking to attend the Annual General Meeting in person will be refused entry. Accordingly, shareholders are urged to exercise their votes by submitting their proxy and appointing the Chair of the Annual General Meeting as his or her proxy.

1. Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, the Company specifies that only those members entered in the Company's register of members at close of business on 11 June 2021 shall be entitled to vote at the meeting in respect of the number of shares registered in their names at that time. Changes in the Company's register of members after that time shall be disregarded in determining the rights of any person to vote at the meeting. If the meeting is adjourned, as at close of business on the day two days (excluding non-working days) before the date of the adjourned meeting shall apply for the purpose of determining the entitlement of members to vote at the adjourned meeting.
2. You can vote either:
 - by logging on to www.signalshares.com and following the instructions;
 - by requesting a hard copy form of proxy directly from the registrars, Link Group, at shareholderenquiries@linkgroup.co.uk, or on Tel: 0371 664 0300. Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. Lines are open between 9.00am and 5.30pm, Monday to Friday excluding public holidays in England and Wales; or
 - in the case of CREST members, by utilising the CREST electronic proxy appointment service in accordance with the procedures set out below.
3. To be valid, your proxy vote and, in the case of requesting a hard copy, the form of proxy (and any power of attorney or other authority (if any) under which it is assigned) must be duly completed and signed and deposited at the office of the Company's registrars, Link Group, PXS 1, 10th Floor, Central Square, 29 Wellington Street, Leeds LS1 4DL, not less than 48 hours (excluding non-working days) before the time for holding the meeting (or any adjourned meeting).
4. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the meeting (and any adjournment of the meeting) by using the procedures described in the CREST Manual (available from www.euroclear.com/site/public/EUI). CREST personal members or other CREST sponsored members, and those CREST members who have appointed a service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

NOTICE OF ANNUAL GENERAL MEETING CONTINUED

NOTES CONTINUED

5. In order for a proxy appointment or instruction made by means of CREST to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications and must contain the information required for such instructions, as described in the CREST Manual. The message must be transmitted so as to be received by the issuer's agent (ID RA10) by 12 noon on 11 June 2021. For this purpose, the time of receipt will be taken to mean the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time, any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.
6. CREST members and, where applicable, their CREST sponsors or voting service providers should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular message. Normal system timings and limitations will, therefore, apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member, or sponsored member, or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.
7. In the case of joint holders of shares, the vote of the first named in the register of members who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of other joint holders.

Registrars

Link Group
10th Floor
Central Square
29 Wellington Street
Leeds
LS1 4DL

FINANCIAL CALENDAR

2021

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

2022

April	Preliminary results announced
April	Annual report published

COMPANY INFORMATION

SECRETARY

I C Phillips

COMPANY NUMBER

05326580

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www.northbridgegroup.co.uk

COUNTRY OF INCORPORATION OF PARENT COMPANY

England and Wales

LEGAL FORM

Public limited company

INDEPENDENT AUDITOR BDO LLP

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Birmingham B4 6GA

BANKERS

ROYAL BANK OF SCOTLAND GROUP

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Nottingham NG1 7ZS

SOLICITORS

FREETHS LLP

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NOMINATED ADVISORS AND BROKERS

SHORE CAPITAL

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REGISTRARS

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