NORTHBRIDGE

DELIVERING POWER RELIABILITY FOR A CONNECTED WORLD

Northbridge Industrial Services plc
Annual report and accounts 2021

OUR PURPOSE:

WE MANUFACTURE, HIRE AND SELL MISSION CRITICAL INDUSTRIAL EQUIPMENT AROUND THE WORLD

Our specialist electrical equipment is designed to meet the emerging needs of the new economy – data driven, dependent upon a reliable electrical power infrastructure and where environmental priorities are driving a rapidly increasing share of that power to come from renewables and cleaner energy generation.

Focused investment in our manufacturing facility, our hire fleet and our worldwide sales and support network is enabling us to meet the growing demand for our products and services.

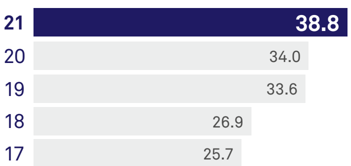
HIGHLIGHTS OF 2021

- Group revenue from continuing operations up 20% to £29.5 million (2020: £24.6 million)
  - Hire revenue up 34% as major projects recover from COVID-19 delays
  - Equipment sales up 7%, despite capacity constraints, with data centres remaining very strong
  - Change in mix towards hire benefited gross margin from continuing operations – up to 47.2% from 44.9%
- Pre-exceptional profit before tax up sharply to £3.3 million (2020: £0.4 million)
- Strong cash flow reduced net debt* to £2.2 million (2020: £6.8 million)
- Balance sheet restructured by partial redemption and partial conversion of convertible loan note ("CLN") and new lower cost, more flexible bank facility
- Successful exit from bulk of Tasman Drilling Tools division with sale of the Australian and New Zealand operations which completed in February 2022
- In line with previous announcements, £6.7 million exceptional cost recognised in respect of Tasman disposal and £0.9 million in respect of the redemption of the CLN
- Factory expansion project well under way by year end and on track for Q2 2022 on stream date
- Started the year with record equipment sales order book for Crestchic for the fourth year in succession
- Excellent financial performance in 2021 and confidence in future prospects have led to the resumption of dividends
- Company name to be changed to Crestchic Plc to reflect refocused strategy

* Including IFRS 16; reconciliation to pre-IFRS-16 figures included in the Financial Review.

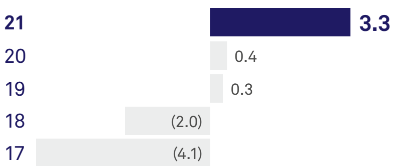
Revenue (£m)

38.8



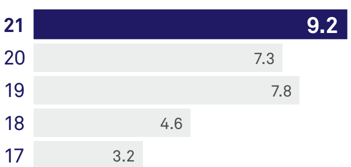
Pre-tax pre-exceptional profit/(loss) (£m)

3.3



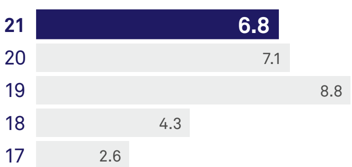
EBITDA (£m)

9.2



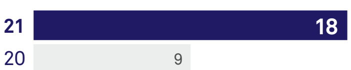
Cash generated from operations (£m)

6.8



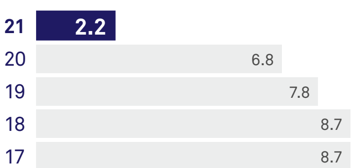
Return on investment from continuing operations (%)

18



Net debt (£m)

2.2



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Visit our website:

NORTHBRIDGEGROUP.CO.UK

OUR VISION:

TO BE A GLOBAL SUPPLIER OF MISSION CRITICAL ELECTRICAL EQUIPMENT SERVICING THE EMERGING NEEDS OF THE "NEW ECONOMY"

CRESTCHIC:
SUPPORTING POWER RELIABILITY ACROSS HIGH GROWTH, TRADITIONAL AND RENEWABLE POWER SECTORS

Crestchic designs, manufactures and hires loadbanks to test generators and critical power supplies. From emergency standby systems in data centres, utilities, healthcare and telecommunications, to military support operations, the commissioning of marine propulsion and life support systems and extractive industries.

PRINCIPAL SECTORS

DATA CENTRES
- Global growth market
- Power hungry and risk averse
- Multiple applications, sales and rental

ENERGY TRANSITION
- Renewables
- Hydrogen
- Grid balancing and resilience
- Ukraine crisis will accelerate the transition

CRITICAL INFRASTRUCTURE
- Healthcare
- Telecommunications
- Government
- Defence
- Broadcasting
- Food production
- Transport
- Financial services

STRATEGY FOR GROWTH

GROWTH DRIVERS
- Increasing share of high growth sectors: data centres and energy transition
- Increasing reach in key geographic regions: Western Europe and the USA

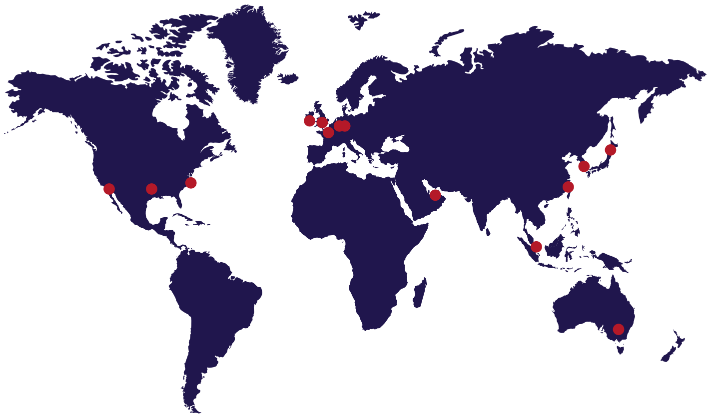
GROWTH ENABLERS

OUR EQUIPMENT
- World class quality and reliability
- Class-leading control systems
- Largest global loadbank fleet
- Broadest range of products
- Major fleet life extension and expansion programme established

OUR REACH
- Expanding international rental network
- Global sales, distribution and service capability

OUR LOCATIONS

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



CRESTCHIC LOCATIONS AND AGENTS:

- United Kingdom – HQ
- USA
- Germany
- France
- UAE (Dubai)
- Singapore
- China
- Australia
- South Korea
- Ireland
- Japan

MARINE

- Electric ships
- Specialist O&G including FPSOs
- Naval expansions
- Increasing sophistication
- Efficiency drives
- New fuels

EXTRACTIVE INDUSTRIES

- Mining
- Oil and gas

OUR FACTORY

- Design capability to innovate to meet emerging customer needs
- Expansion project adding 60% capacity to meet growing demand
- Drive for world class manufacturing will enhance quality, deliver an unmatched customer experience and reduce costs

OUR PEOPLE

- Extremely stable and diverse global workforce
- Availability of skilled manufacturing staff increasing in UK
- Ongoing training programmes for managers

WHY INVEST IN NORTHBRIDGE?

1. **Focused:** on building our share of the growing global power reliability market
2. **Brand:** Crestchic is an acknowledged world leader in the design, manufacture, sale and rental of loadbanks
3. **New economy:** deepening our penetration of the rapidly growing sectors of data centres and resilience/renewables to energy transition
4. **Expanding our reach:** tangible geographic growth opportunities, particularly from our bases in the USA and Western Europe
5. **Global hire fleet:** broad range of modern, well maintained, strategically located and mobile loadbanks and transformers which support mission critical assets for our customers
6. **Investing:** in our factory and fleet depot network and people to meet growing demand
7. **Financially strong:** well capitalised, cash positive, low gearing creates capacity for investment and resumption of dividends
8. **Superior returns:** the global reputation of Crestchic for the quality and reliability of its products and services allows us to generate ROCE above and beyond our cost of capital
9. **Environmental, Social and Governance:** developed an ESG roadmap to help us deliver on our commitments to all stakeholders, attract a broader investor base and identify opportunities from energy transition

RADICAL STEPS HAVE BEEN TAKEN TO REALIGN THE ORGANISATION AND INFRASTRUCTURE OF THE GROUP TO THE NEEDS OF THE CRESTCHIC BUSINESS

Peter Harris
Executive Chairman

2021 was a transformational year for Northbridge.

At the beginning of the year, following a comprehensive strategic review, we announced that advisors had been appointed to seek to dispose of our Tasman Drilling Tools Rental division. This disposal has now been substantially completed and the future of Northbridge is now firmly focused on its Crestchic Power Reliability business.

Radical steps have been taken to realign the organisation and infrastructure of the Group to the needs of the Crestchic business; notably, we have:

- reorganised and reinvigorated the Board and senior management, taking one layer out of the structure, clarifying accountabilities, accelerating decision making, bringing in new skills in critical areas of responsibility and realigning remuneration to incentivise both short-term performance and long-term value creation;
- restructured our borrowings to produce a financial structure that has increased our financial capacity, is more flexible, has reduced covenant constraints and lowered costs and has eliminated the dilution overhang of the convertible loan notes;
- commenced the construction of a new factory building on our Burton on Trent site which will come on stream in Q2 2022 and increase our manufacturing capacity by around 60%; and
- developed an ESG road map that, over time, will enable us to deliver on our commitments to all our stakeholders, including our local and wider communities, make us more attractive to a broader investor base and identify opportunities emerging from the global energy transition towards cleaner and renewable energy sources.

Whilst doing all of this, we have delivered strong results. Group revenue from continuing operations increased by 20% to £29.5 million (2020: £24.6 million) and Group pre-exceptional profit before tax increased substantially to £3.3 million (2020: £0.4 million), while strong cash flow led to net debt, pre-IFRS 16, falling to £1.0 million (2020: £5.4 million).

We have entered 2022 with strong rental pipelines and, for the fourth year running, the benefit of record new year orders on hand for the sale of Crestchic products.

CRESTCHIC – POWER RELIABILITY

Crestchic manufactures, sells and rents loadbanks and transformers to domestic and international customers all around the world. Our products are used by generators and distributors of power to ensure supply reliability, by industries critically dependent on uninterrupted power to test backup power systems, and by extractive industries to commission off-grid power generation in remote sites for activities such as mining and drilling.

We have continued to benefit from high levels of growth in two particular sectors – energy transition and data centres.

The accelerating transition from coal and oil-based energy sources towards cleaner and renewable energy is continuing to result in a proliferation of smaller energy generators whose sites both require commissioning and also create unique challenges for connection into established distribution networks. These in turn create an increased need for testing both the primary generators but also backup generators, which are becoming even more important as customers seek to ensure the resilience of supply in the face of less stable primary distribution. All of this drives demand for our products, both for outright sale and for rental.

The continuing worldwide growth in data centres continues to provide Crestchic with tangible and significant opportunities for both the sale and rental of our equipment. We expect global investment in this type of "big data" to grow for many years to come and we are actively expanding our geographic penetration and the range of products and services that we supply to this rapidly growing market.

Outright sales of manufactured goods performed well, up 7% year on year to £14.0 million (2020: £13.1 million), despite the continuing constraint of manufacturing capacity. Gross margin on outright sales improved from 34.4% to 34.9%, as the increased costs of working in the factory as a result of COVID-19 restrictions slowly eased.

Rental recovered well from the dip due to the pandemic. Turnover was up by 34% year on year to £15.5 million (2020: £11.5 million) and was 8% ahead of pre-pandemic levels. Demand remained strong from the data centres and renewables sectors and picked up strongly for larger tests for energy and marine projects in the Far East in H1 and the Middle East in H2 2021. Gross margin on rental also recovered – from 55.7% in 2020 to 58.4% in 2021 – due to the improved recovery of fixed depreciation costs. Demand for these larger projects has remained resilient into 2022.

Our business in the USA continued to develop. We appointed a new Business Development Manager in the US in 2021 and have now signed a lease on a new rental depot in Texas, which will become operational in Q2 2022. This will serve our traditional US customer base and also provide an entry platform into the data centre market. To accelerate our entry into this market we have entered into a supply agreement with a US manufacturer, Mosebach, for the purchase of a fleet of US manufactured and specified smaller loadbanks targeted specifically at data centre testing. Demand for the sale of equipment into the USA has remained vibrant and we should see further growth as manufacturing supply constraints from the UK ease with the expansion of the factory.

Though the supply chain problems that were experienced by many businesses in 2020 as a result of the COVID-19 pandemic persisted through 2021, the corrective actions that we initiated continued to prove effective and, by the end of the year, the impact on our business had been substantially mitigated. The experience gained is again proving valuable in 2022 as we prepare for possible supply chain disruption arising as a result of the conflict in Ukraine and the sanctions imposed upon Russia.

The enlargement of the factory in Burton on Trent is going well. Planning consent came through towards the end of H1 2021 and we broke ground early in H2. The new building remains on time and on budget and is scheduled to be up and running in Q2 2022.

"Group revenue from continuing operations increased by 20% to £29.5 million."

DISCONTINUED OPERATIONS – TASMAN DRILLING TOOLS

As previously reported, our Drilling Tools Rental operations had mixed fortunes during 2021. The joint venture in Malaysia and the subsidiary in Singapore continued to be loss making and during the year we sold our interest in the Malaysian joint venture to our former partners and the Singapore operation was closed down. All our remaining assets from these two businesses were then sold. The businesses in Australia, New Zealand and the Middle East slowly recovered over the year from the effects of the pandemic. Overall, the division traded at breakeven for the year (2020: loss of £0.7 million). The Australian and New Zealand businesses were sold in Q1 2022 and the business in the Middle East is being actively marketed. An exceptional cost of £6.7 million has been recognised in the 2021 accounts which is expected to cover in full all the disposal losses, costs and impairment write downs resulting from the disposal of the division. We are confident in the prospects of the businesses under their new owners and wish our former colleagues well for the future.

THE FUTURE OF THE GROUP AND DIVIDEND

The future of the Group is centred around the Crestchic business and its globally recognised brand, technology, distribution network and rental fleet and, in recognition of this, a resolution will be tabled at the forthcoming Annual General Meeting to change the name of the Company to Crestchic Plc.

The momentum of the global megatrends towards a connected, digital economy and energy transition combined with identified opportunities to expand our geographic footprint both for rental and sales of equipment, all supported by a 60% increase in manufacturing capacity, give us the opportunity to outperform what is already a strongly growing market – and it is an opportunity we are determined to seize.

We are also committed to using the factory expansion as a launch platform for the journey from being a manufacturer of world class equipment to being a world class manufacturer of equipment – and the benefits from this journey will flow through to our customers and our shareholders in the form of reduced lead times, a zero-defect culture and improved margins.

Financially, Northbridge is conservatively geared and our low cost, flexible borrowing facilities give us the financial capacity to grow quickly without unnecessarily exposing the Group to risk.

> "While we expect to benefit from the continued recovery of the global economy as the world emerges from the pandemic, we know that the real levers for sustained value creation lie firmly in our own hands."

The Crestchic divisional return on investment ("ROI") has improved to 26% (2020: 15%) and, as a result of this improved performance, combined with lower central costs, the Group ROI has improved significantly from 9% to 18%. Despite our very low gearing, the renegotiation of our financial structure and the exit from Tasman have resulted in our cost of capital remaining unchanged at 12.5 %, meaning we are now creating value for our shareholders. Our planned growth will further enhance ROI and accelerate this shareholder value creation. All of this good news has allowed us to propose a return to paying dividends and, subject to shareholder approval, a final dividend of 1 pence per share will be paid to shareholders in June 2022 and, at the time of announcing our half year results for 2022, we expect to be in a position to declare an interim dividend in respect of 2022 for payment to shareholders in November 2022.

Organisationally, our Board has continued to give clear strategic leadership and exercise strong governance. In March 2022 we welcomed Nicholas Mills as a Non-executive Director and know that he will make a valuable contribution to the Board. Our management team is stable and experienced and possesses a deep knowledge of our products and markets and has been enhanced by the recruitment of several senior managers during 2021, all of whom have brought specialist knowledge and energy to our business.

Our staff are second to none in their skills, experience and loyalty and we are constantly recruiting, inducting, and training new staff as the business grows, not least to meet the needs of the factory expansion. Each member of our team has been challenged during the last year by the sheer scale of the transformation of the business – and each has risen to and overcome the challenges he or she faced. I am proudly able to say that our people are by far our most valuable asset and cannot thank my colleagues enough for all they have done to ensure the future success and prosperity of the business.

While we expect to benefit from the continued recovery of the global economy as the world emerges from the pandemic, we know that the real levers for sustained value creation lie firmly in our own hands. We will use our strong platform of financial stability, product excellence, innovation, market opportunity and outstanding people to drive further growth in revenue, profits and return on capital.

OUTLOOK

We entered 2022 with a record opening order book for our core Crestchic products and a strong rental pipeline. Alongside this, we are continuing to manage costs efficiently, optimise working capital, and focus our capital expenditure on the areas that are strategically significant to our ambitions for growth – in particular the factory expansion, growing the rental fleet and developing our systems infrastructure. All of this should build on the foundations that we have already put in place for long-term growth to deliver a strong performance in 2022 and onwards.

In the first quarter of the year the Group performed ahead of management's expectations and we expect further growth in revenues and profit over the remainder of the year. As a result, we expect profit for the first half to be ahead of 2021 and for this to continue during the second half of the year.

Peter Harris
Executive Chairman
11 April 2022

Q&A

With Peter Harris

WHAT IS A LOADBANK AND WHAT IS IT USED FOR?

A loadbank takes electrical power from a generator or other power source, uses resistive coils to convert the power into heat and disperses the heat using fans. Reactive load can be included to vary the power factor. They can be any size from a "suitcase" up to a 40 ft container and are used for three main purposes:

- to test and verify the power produced by a generator;
- to balance fluctuations in the load (power) produced by a generator; and
- to use the heat generated to test cooling systems.

The loadbank is controlled by a sophisticated microprocessor control system that enables it to mimic exactly the complex patterns of load that the generator will be required to supply over an extended time period.

WHY ARE LOADBANKS SO IMPORTANT TO DATA CENTRES?

Data centres are mission critical to their owners – in our digital economy the ability to process, store and communicate data at speed with total reliability is paramount. All data centres have sophisticated backup power systems that require testing when originally commissioned and regularly over their life in use. And data centres throw off a lot of heat – which is cooled by a carefully configured air conditioning system, which needs to be tested to ensure that it can efficiently handle the heat output of the facility.

WHY IS THE AMERICAN MARKET FOR LOADBANKS SO BIG?

Firstly, of course, this is related to the sheer size and growth of the American economy. Secondly, the US power generation grids are older established and more decentralised than those in some other developed economies and need more load balancing and back up generation capacity. Thirdly, America was a first mover in both the development of the digital economy and in building data centres to meet that need. We don't see this changing anytime soon, which is why this market s so important to us.

WHAT DO YOU MEAN BY SAYING THAT YOUR GOAL IS TO BECOME A WORLD CLASS MANUFACTURER?

We already make world class products and we have experienced and qualified technicians who make them efficiently and safely – but we want to do even better. Under the leadership of our new Technical Director and using the opportunity offered by our factory expansion, we are setting out on a journey to:

- relook at our manufacturing processes to optimise efficiency;
- further develop our supply chain to maximise resilience in an uncertain world, optimise pricing and terms of trade, and to have 100% quality assurance on inbound components;
- implement a zero defects culture to eliminate wastage and rework and delight our customers;
- reduce our energy consumption and increase the proportion of energy used that comes from renewables;
- achieve a best in class safety record; and
- stay close to our markets and customers, using our electrical engineering heritage to research, innovate and develop new products for emerging needs.

THIS HAS BEEN A TIME OF UNPRECEDENTED CHALLENGE – THE COVID-19 PANDEMIC, SPIRALLING INFLATION AND NOW THE CONFLICT IN UKRAINE. HOW ARE YOU COPING?

It has been difficult, but we have managed well.

The pandemic impacted on our ability to deploy test equipment to site, affected production because we implemented a rigorous policy of safe working and disrupted our inbound supply chain. Inflation has pushed up material and labour costs. The tragic situation in Ukraine has again impacted on the supply chain and reintroduced uncertainty just as we were learning to live with COVID-19.

However, we feel we have come though this in good shape, not least because of the dedication of our staff, who responded well to the requirements of safe ways of working, showed incredible willingness to keep going when things got tough and were flexible and innovative in finding ways to overcome the day-to-day problems that have been – and still are being – thrown at us.

Also, we have simplified our business model by streamlining the Board and management structure, which has improved the pace and quality of decision making, and divesting the Tasman division – if you have fewer problems to solve, you can find better solutions.

Finally, we have worked closely with our suppliers and customers to mitigate the impact of supply chain disruption and inflation, which has enabled us to manage expectations and, while broadly maintaining margins, minimise the price increases we have had to pass on.

We are emerging from a period of global instability as a leaner, more focused business with strengthened relationships with our staff, suppliers and customers.

HOW WE CREATE VALUE

OUR STRUCTURE

NORTHBRIDGE

Northbridge is an AIM listed entity which, under its global Crestchic brand, designs, manufactures, sells, hires and provides aftermarket services to specialist electrical equipment used for power reliability testing around the world.

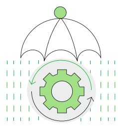
Northbridge has substantially completed its exit from its Tasman Drilling Tool Rental business in the gas, oil and geothermal industries, which is reported separately under discontinued operations.

OUR VALUE CREATION USING OUR CORE VALUES

All our markets demand very high levels of safety appreciation, working practices and qualification. We demand the same from our engineering design, factory production, rental operation and site engineers. Continuous training, certification and customer engagement are vital to keep our employees, customers and shareholders insulated from risk. Our understanding of emerging market trends and technologies and our capacity to innovate enable us to keep pace with changing customer needs in mission-critical industries and provide high value-added solutions.

INTEGRITY

We will act with integrity at all times – we will be honest and straightforward in our business dealings



RESPONSIBILITY

We will comply with our legal obligations and apply sensible risk management policies to protect our assets for the benefit of shareholders and other stakeholders

SAFETY

We will ensure that everything we do is done safely – no “ifs”, no “buts”

SUSTAINABILITY

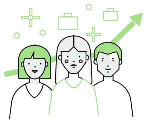
We will be responsible global citizens playing our part in creating a sustainable future

Read about strategy on **pages 14 and 15**

Read about sustainability on **pages 22 to 24**

Read about stakeholder engagement on **pages 10 and 11**

OUR STAKEHOLDERS

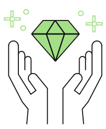


BENEFIT LOCAL COMMUNITIES

We will seek to ensure that local communities where we operate benefit from employment and contracting opportunities

DIVERSITY

We will seek to create diverse, effective and friendly teams where people want to work



EXCELLENCE

We will strive for excellence in the quality of our products and the service we provide to our customers

OUR CUSTOMERS

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

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

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

OUR PEOPLE

The Group's employees are highly motivated, customer focused and highly experienced in their fields. Attracting, motivating and retaining the right people is critical for our future growth.

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

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

OUR PARTNERS

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

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

Our effectiveness in meeting our customers' needs is reliant on our strong relationships with our key suppliers and these strong relationships were critical to successfully maintaining our supply chains through the disruption caused by the COVID-19 pandemic and are again proving resilient in the face of supply chain constraints emerging from sanctions imposed in response to the Russian invasion of Ukraine.

OUR SHAREHOLDERS

We believe that we are well positioned to capitalise on global trends in our markets and deliver superior returns to shareholders. We have set a clear strategy of expanding the Crestchic division and we have been consistently delivering on the key steps of the strategy.

Our shareholders value our high level of communication, transparency and accessibility.

ENGAGING TO DELIVER LONG-TERM VALUE

OUR CUSTOMERS

Our customers are based on all five continents and cover a broad range of sectors, from high growth data centres to traditional marine engineering, along with a multiplicity of utility providers and support companies.

HOW WE ENGAGE

- Our primary aim is to be professional, prompt and precise. As specialists in our field, Crestchic is perfectly placed to make rapid assessment of customer enquiries and is not reliant on outside technical help. Our dedicated sales teams are focused upon load testing and nothing else. This is a key differentiator.

WHAT MATTERS TO THEM?

- Crestchic's in depth technical knowledge gives our customers the confidence that our solutions are correct for their application, through our unrivalled experience and capability. Our long-term stability and establishment provide our customers with the confidence that their assets can be supported for many years to come.

WHAT WERE THE OUTCOMES?

- We enjoy a high level of repeat business, based upon long-term customer satisfaction driven by a high quality and reliable product. The knowledge that the product is extremely robust, dependable and underwritten by an ability to access parts and service from the OEM has resulted in high levels of client retention.

OUR PARTNERS

We have partners on both our supply and our demand sides. Strong supply chain partnerships are vital in a complex assembly business and our logistics partners are crucial to executing our rental projects globally.

HOW WE ENGAGE

- Within our manufacturing supply chain we have close relationships with around six key suppliers. We routinely measure their performance and asses their operational and financial viability; several are multinational manufacturers. It is our aim to always have a second supply chain partner ready to increase their supply. Many of these relationships are decades old.
- On the demand side, we have a number of key distributors of many years' standing in the US, Australia and SE Asia. Closely managed by our senior management, these relationships have been in place with solid results for more than 25 years and allow us access to key local markets.

WHAT MATTERS TO THEM?

- Our suppliers value our stable demand, collaborative working and enhanced forward ordering and forecasts. Our resellers respect our integrity and open working arrangements, protecting both our interests, whilst securing local sales.

WHAT WERE THE OUTCOMES?

- We benefit from long-term relationships that are collaborative, open and fair. In difficult supply chain situations, these key relationships keep us at the front of the queue for supply and service.
- Our suppliers are confident to include Crestchic in long-term development thinking around product which can be mutually beneficial.

OUR PEOPLE

Our people are vital to all our operations around the world.

HOW WE ENGAGE

- We regularly communicate through meetings at each site, via local and channel managers, along with regular staff newsletters and we are currently introducing staff intranets. Staff committees are in place for various topics, such as engineering, health and safety and environmental.

WHAT MATTERS TO THEM?

- Our staff value the business treating them fairly and equally, with open and diverse recruitment opportunities for all. The provision of a safe working environment and safe working practices on customer sites is mandated by the business for all employees.
- We aim to retain our employees by ensuring we closely monitor local remuneration levels and remain competitive in each market.

WHAT WERE THE OUTCOMES?

- The global Crestchic teams are stable, committed and experienced and know that their voices are heard and listened to. This is demonstrated in our outstanding customer feedback about our staff.

OUR SHAREHOLDERS

Our shareholders are vitally important to us and their support allows us to invest in and grow the business.

HOW WE ENGAGE

- The Board has engaged with shareholders through a mixture of in person and virtual presentations at the time of our full year and interim results.
- The Executive Chairman has conducted many video interviews which have been accessible to all shareholders.
- Members of the Remuneration Committee engaged with larger shareholders to discuss the implementation of the new LTIP.
- The Executive Directors engaged with convertible loan note holders during the year to discuss the conversion or redemption of the loan notes.

WHAT MATTERS TO THEM?

- Our shareholders value our high level of communication, transparency and accessibility.
- We have set a clear strategy of expanding the Crestchic division and we have been consistently delivering on the key steps of the strategy.

WHAT WERE THE OUTCOMES?

- The high level of shareholder engagement has enabled the Board to move forward with its strategy for the Group in the knowledge that it has the support of shareholders.
- Feedback from all results presentation roadshows is reviewed in detail and, where appropriate suggestions are taken on board.

DIRECTORS' SECTION 172 STATEMENT

The Board consider, both individually and together, that they have acted in the way they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole (having regard to the stakeholders and matters set out in Section 172(1)(a–f) of the Act) in the decisions taken during the year ended 31 December.

- Our strategy (see page 14) was designed to have a long-term beneficial impact on the Company and to contribute to its success in delivering a better quality service for customers across the world.
- Our employees and partners are fundamental to the delivery of our strategy. We aim to be a responsible employer in our approach to the pay and benefits our employees receive. The health, safety and wellbeing of our employees is one of our primary considerations in the way we do business (see page 8).
- Our customers are at the forefront of our strategy and they will benefit from our future investments in equipment and our global expansion, whether organically or by acquisition (see page 9).
- Our key decisions in 2021 revolved around our future strategy and creating shareholder value:
  - The Board engaged with external advisors and key stakeholders before making the decision to actively market the Tasman division for sale.
  - The Board created a new LTIP to align and incentivise the whole Board of Directors to work collectively to deliver both growth and increased returns on investment and thereby create significant shareholder value for investors through share price performance.
  - The Board fully refinanced the businesses and all the outstanding convertible loan notes were either converted to equity or redeemed.
  - Capital investment was concentrated on the Crestchic business with construction of a new factory starting during the year. This in turn will create the capacity to build new equipment for the hire fleet in 2022.
- As the Board of Directors, our intention is to behave responsibly and in line with our core values and ensure that management operates the business in a responsible manner, operating within the high standards of business conduct and good governance expected of a business such as ours (see pages 30 to 32) and, in doing so, contributing to the delivery of our strategy.

THE DIVERSITY OF CRESTCHIC'S MARKET POSITION OFFERS A UNIQUE COMBINATION OF ACCESS TO GROWTH MARKETS AND STABILITY TO ACCOMMODATE FLUCTUATIONS IN REGIONAL AND SECTOR DEMAND

Firstly, Crestchic is the only market player with a significant presence in both rental and the manufacture and sales of equipment. There are multiple benefits from this position including customer stickiness, as customer needs transition between ownership and hire, a design capability that enables us to quickly configure new equipment for emerging customer needs and a remanufacturing capability that enables us to both refresh and extend the life of our existing rental fleet and offer repurchase opportunities to customers looking to dispose of surplus equipment that we can upgrade and repurpose into our hire fleet.

Secondly, Crestchic has a global presence in both rental and sales, which protects against regional demand fluctuations, and the mobility of our fleet allows considerable flexibility to provide surge capacity in periods of exceptional rental demand.

Thirdly, Crestchic operates across five major economic segments – our three mature segments, critical infrastructure, marine and extractive industries, provide scale and stability through their diversity, while the data centres and energy transition sectors provide high levels of growth as they respond to global megatrends towards an electrically powered, digital economy with power generation increasingly being provided by renewable energy and clean fuels.

MARKET TREND – HYPERSCALE DATA CENTRE CONSTRUCTION

With unabated growth in data use and storage, many operators are now investing in massive data centres, known as "Hyperscale". This growth is seen particularly in the US and Europe and offers increased potential for testing both standby power systems and air-con heat load.

OUR RESPONSE

- Dedicated rental fleet
- Establishment of new Texas data centre depot
- Establishment of new Benelux depot
- Customer driven bespoke product
- Vertical market sales and marketing team

MARKET TREND – ENERGY TRANSITION

The increasing utilisation and installation of diverse power generation assets at an embedded level is providing conditions ripe for complex load testing. Renewable system integration across industry and utilities such as BESS and frequency control systems are now commonplace.

OUR RESPONSE

- Product development to suit new embedded generation testing
- Early recognition of rental fleet requirements
- Staff training
- Engagement with R&D/academia for test project

MARKET TREND – MEDIUM VOLTAGE TESTING

As extractive industries and data centres operate at ever-growing scale and marine operations require increasing efficiencies, medium voltage power systems are ever more common. Higher voltages provide operators with many advantages, but also challenges – especially around safety.

OUR RESPONSE

- Bespoke MV equipment and control system
- Staff training for MV certification
- Investment in rental fleet
- Provision of detailed MV working systems and plans
- Increasing power capacity of MV loadbanks

CASE STUDY:

CRESTCHIC DESIGNS BESPOKE DATA CENTRE TRAILERISED LOADBANK

As data centres become larger, their standby power systems also grow. Most data centre operators want to ensure that their standby power systems offer multiple levels of redundancy, with three and four times installed backup power not unusual.

These complex systems encompass high speed diesel generators, uninterrupted power supplies ("UPS") commonly known as batteries, a multitude of changeover switching devices, power transformers, instrumentation and distribution and safety equipment. To test these systems effectively over a large installation, it is often preferred to move the loadbank to various test plug-in points around the site.

Crestchic was approached by a major Hyperscale operator to look at producing a large trailerised loadbank system to cope with the demands of an ever-expanding power system. With no easy commercially produced trailers available for such, Crestchic set about designing a bespoke high value solution. The trailer had to be large enough to carry a 3,200kW loadbank, a motorised 50m cable reel, a main air circuit breaker and power distribution equipment.

To ensure the safe working on site the cables are deployed via a motorised reel, to reduce the strain on the operators and speed the process of cable deployment and retrieval. The trailer is also designed for close to ground working, eliminating the risk of working at heights.

All of the loadbank operations are controlled by our class-leading fibre optic control system which ensures rapid communications with the loadbank, allows for multiple loadbank connections and offers total electrical noise immunity to interference from other sources.

This product has now become a cornerstone of our high value data centre loadbank offering, with multiple orders now delivered across Europe and a Middle East version in development.

STRATEGIC PROGRESS

Our strategy is to use the platform created by our strong Crestchic brand, our engineering and design capability, our global sales reach and our international hire fleet to drive high growth in both direct sales and rental revenues, underpinned by the global megatrends towards an electrically powered, digital, connected economy where power generation is increasingly transitioning to renewable and cleaner forms of energy.

STRATEGIC PILLAR	ACTIVITIES IN 2021
INCREASING OUR PRESENCE in major regional markets, particularly Continental Europe and the USA	■ Appointed a Regional Manager to drive growth in our mature, Western European markets, identify growth opportunities in Scandinavia and Southern/Central Europe and rejuvenate our transformer rental business. ■ Appointed a Business Development Manager to drive growth for our US rental and direct sales operations.
EXPLOITING OPPORTUNITIES offered by new economy growth markets such as data centres and grid resilience/ renewable energy	■ Won first data centre equipment sales order direct to a global internet retailer and more in pipeline. ■ Successfully trialled and operated our equipment in a number of different renewable power generation applications.
INVESTING to continually enlarge and upgrade the hire fleet	■ Invested £0.2 million in 2021 in loadbanks designed specifically for the data centre rental market. ■ New fleet of server emulators deployed into data centre market. ■ Used our buyback and refurbishment capability to acquire 5 containerised loadbanks to enable rental fleet expansion despite production constraints.
EXPANDING the factory to provide the production capacity to meet growing demand for our power reliability products	■ Planning permission received for factory expansion and construction commenced in Q3 2021. ■ Appointment of new Technical Director who will optimise the benefit from the expanded footprint.
RESEARCH AND DEVELOPMENT to enhance our existing products and expand our product offering to meet the needs of existing and emerging market segments	■ Upgraded cooling system to increase ambient temperature tolerance for containerised loadbanks from 40°C to 50°C to cope with impact of global warming. ■ Redesigned terminals on canopy loadbanks to allow easier and safer connections in data centre applications. ■ Upgraded reactors for loadbanks used in solar and windfarm testing. ■ Developed an “intelligent” server emulator for data centre heat testing.

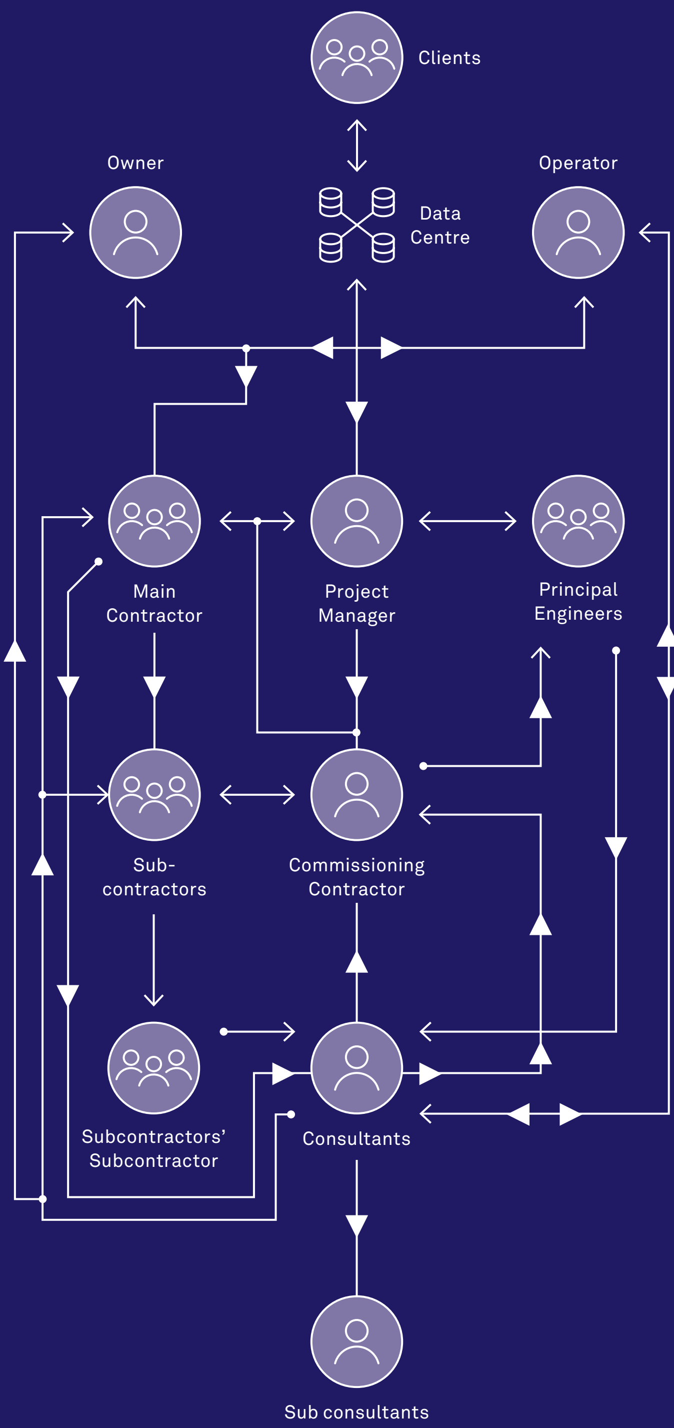
Delivering on this strategy will consolidate our position as a specialist industrial services business serving international markets to meet the emerging needs of the new economy – data driven, and responding to the global imperative of sustainability. Increasingly, electrical power will be generated from renewable sources and cleaner fuels. In this world which is increasingly dependent on reliable power, but where distribution grids are stressed by the challenges of the more intermittent generation characteristics of renewable energy, demand for our mission-critical equipment is set for sustained growth for the foreseeable future.

FUTURE OUTLOOK	LINKS TO RISKS
■ New depot for loadbank and transformer rental opened in Antwerp in Q1 2022. ■ Business Development Manager for Europe to be appointed Q2 2022. ■ New rental depot opened in Texas in Q2 2022 coupled with significant investment in rental fleet from UK factory and US co-manufacturer. ■ Stock for direct sales to be manufactured for and held in US operations to reduce equipment sales lead times.	5 6 7 10
■ Antwerp depot will be the hub for our Continental European data centre rental operations. ■ Texas depot will be the springboard for our entry into the data centre rental market in the US. ■ Data centre market opportunities in the Middle East and Asia-Pacific now under active investigation.	6 7
£4.5 million rental fleet capex budget for 2022 and similar level of investment expected in 2023 which will enable: ■ Full rental fleet for Texas depot in USA and expansion of Philadelphia fleet. ■ Expansion of data centre focused fleet in Europe. ■ Investment in DC loadbanks for energy transition rental market. ■ Investment in containerised loadbanks for strongly growing global rental demand. ■ Expansion and upgrading of transformer rental fleet.	1 4 9
■ Factory expansion will add 50% to manufacturing capacity from H2 2023. ■ Production process improvements already in place will increase capacity added from 50% to 60% and more to come.	1 4 7 9
■ Future R&D is focused on meeting the continually emerging opportunities and challenges offered by energy transition and ongoing evolution of data centre technology and making our global hire fleet easier to transport to and compatible with the diverse electrical characteristics and climatic conditions of different regions around the world.	7 8

Read more about our risks on **pages 18 to 21**

STRATEGY IN ACTION:
THE US DATA CENTRE MARKET

- Data centres are a highly complex construction family.
- Crestchic is working across the range of stakeholders.
- Our European experience is now driving US relationships.
- Crestchic has the expertise to serve this specialised market.

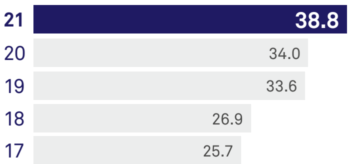


MEASURING OUR PROGRESS

The Board uses a variety of KPIs to measure the performance of the Group. These KPIs are reviewed regularly and are used in formulating management incentive schemes.

Revenue (£m)

38.8



KPI DEFINITION

The total value of the goods and services sold – see note 2.

COMMENTS ON RESULTS

Revenue is the primary performance driver for the Group and in 2021 revenue increased by 14%.

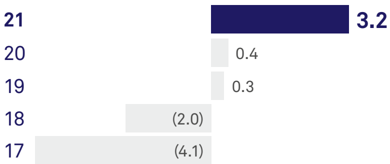
Revenue from continuing operations increased by 20% from £24.6 million to £29.5 million.

LINK TO STRATEGY

1 2 3 4

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

3.2



KPI DEFINITION

Pre-tax pre-exceptional profit – see the Consolidated Statement of Comprehensive Income.

COMMENTS ON RESULTS

Pre-tax pre-exceptional profit is the KPI used by the Board to assess the underlying profitability of the Group.

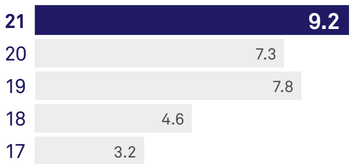
With improved margins and only a modest increase in operating costs the increase in revenue has led to a significant uplift in the profitability of the Group with pre-tax pre-exceptional profit increasing from £0.4 million to £3.3 million in the year.

LINK TO STRATEGY

1 2 3 4

EBITDA (£m)

9.2



KPI DEFINITION

Earnings before exceptional items, interest, tax, depreciation and amortisation – see reconciliation in the Financial Review.

COMMENTS ON RESULTS

As the level of capital expenditure can be flexed depending on customer demand EBITDA is an important cash flow KPI for the Group.

The increase in pre-tax pre-exceptional profit has mostly been reflected in an increase in EBITDA with this KPI increasing from £7.1 million in 2020 to £9.3 million in 2021.

LINK TO STRATEGY

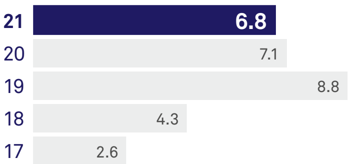
1 2 3 4

LINK TO STRATEGY

1 Increasing presence 2 Exploiting opportunities 3 Investing 4 Expanding 5 Research & development

Cash generated from operations (£m)

6.8



KPI DEFINITION

Cash generated from the operating activities of the Group – see the Consolidated Cash Flow Statement.

COMMENTS ON RESULTS

Cash generated from operations is another cash flow KPI for the Group.

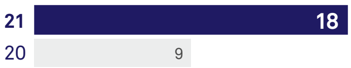
Cash generated from operations decreased in the year from £7.1 million to £6.8 million mainly due to an increase in working capital. Safety stock levels have been increased to mitigate supplier volatility and year-end receivables include amounts owed from the sale of the Tasman hire fleet in Asia.

LINK TO STRATEGY

1 2 3 4

Return on investment from continuing operations (%)

18



KPI DEFINITION

Operating profit from continuing operations divided by the net operating assets from continuing operations – see the ROI section of the Financial Review.

COMMENTS ON RESULTS

Return on investment is the Board KPI for assessing how efficiently the Company uses its capital.

The ROI from continuing operations has improved significantly in 2021 from 9% to 18% with judicious investment and a significant improvement in operating performance.

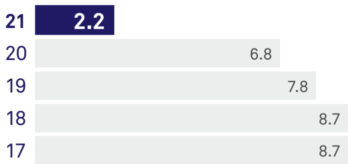
ROI will become an even more valuable KPI in 2022 as the Company invests heavily in a new factory and expanded hire fleet.

LINK TO STRATEGY

1 2 3 4 5

Net debt (£m)

2.2



KPI DEFINITION

Total loans and borrowings and lease liabilities less cash and cash equivalents – see reconciliation in the Financial Review.

COMMENTS ON RESULTS

The Group has continued to prove that it is inherently cash generative and this has enabled net debt to decrease significantly from £6.8 million to £2.2 million (£5.4 million to £1.0 million excluding IFRS 16) during the year.

The low level of existing debt ensures that the Board has significant borrowing capacity available to it to exploit any future organic or acquisition growth opportunities.

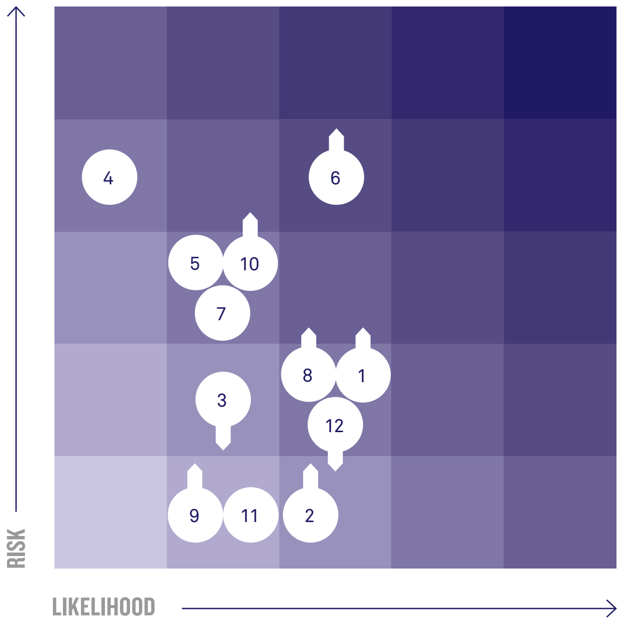
LINK TO STRATEGY

3 4 5

THE BOARD MAINTAINS A GROUP LEVEL RISK REGISTER WHICH IS DISCUSSED AT EACH BOARD MEETING

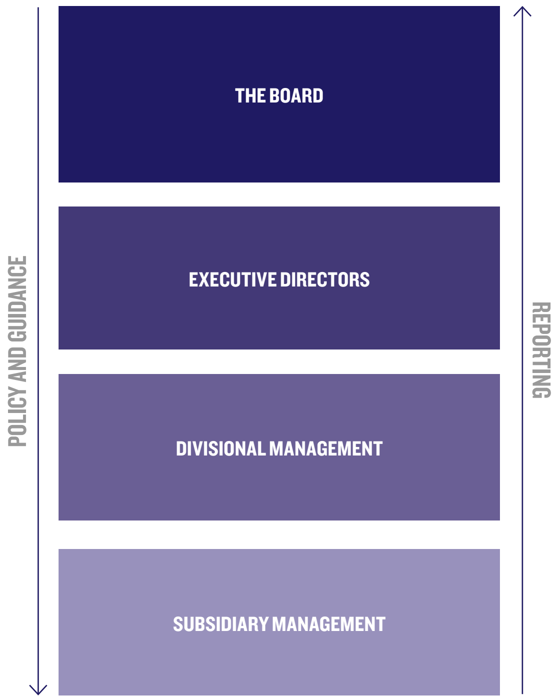
The impact of each risk and the likelihood of it occurring are assessed periodically. Divisional management maintain their own sub-registers which feed into the Group register.

The Group seeks to mitigate exposure to all forms of risk where practical and to transfer risk to insurers where cost effective. In this respect the Group maintains a range of insurance policies against major identified insurable risks, including (but not limited to) business interruption, damage to or loss of property and equipment, and employment risks. The major risks are outlined here.



RISK MANAGEMENT FRAMEWORK

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



Description	Mitigation	
1) ESG The Group, like many other businesses, is likely to be impacted by the need for a fundamental shift to a sustainable future and by the increasing focus on ESG performance which has the potential to affect corporate reputations and access to finance. During 2021 the Group assessed its current ESG performance as described on pages 22 to 24 and during 2022 it will be conducting a thorough review of the longer-term risks and opportunities of the energy transition.	The Group is active in the power reliability sector which is likely to grow as a result of the energy transition. The Group does not itself generate power other than solar energy from panels on its facilities and does not use significant amounts of power in its own operations. The Group is seeking to increase the percentage of power it uses which is generated from renewable sources. It is also investigating opportunities to reduce the amount of fuel it uses in its operations through replacing ICE engines with electric vehicles. The Group does not rely in its business on the use of significant water, on agricultural products or on commodities other than steel. The Group is proactive in extending the lifecycle of its products where possible thus reducing consumption of both raw materials and energy.	**Change**
2) Ukraine–Russia conflict The Group has had minimal revenue from either Russia or Ukraine in recent years. However, the Group does use material quantities of steel. Steel is exported in significant quantities by both Ukraine and Russia and these exports are being or may be impacted by the illegal invasion and devastating conduct of the war in Ukraine and by sanctions on Russia, which are likely to increase prices. The attempts to replace Russian gas and oil may result in even greater increases in energy and fuel prices across Europe. It is possible that the longer-term impact of these changes could be economic recession in Europe and beyond.	The Group is seeking to find alternative sources of all of its raw materials and components to reduce the risk of shortages or delays in delivery. It has been able to put through a number of price rises during 2021 and 2022 to reflect increasing commodity and component costs arising as a result of Brexit, COVID-19 and the increase in the oil price. The Group considers that its customers would be likely to accept additional price rises that it could demonstrate were due to increases in its input costs. While a period of recession might delay some larger projects, experience through the pandemic suggests that overall requirements for loadbanks are liable to remain steady, as many of the uses of loadbanks are business critical and projects related to the energy transition may even be accelerated due to the imperative to reduce reliance on Russian hydrocarbons.	**Change**
3) COVID-19 The Group's revenues are derived from some labour-intensive activities such as the manufacture of loadbanks and the commissioning, service and maintenance of equipment both within the Group's depots and on site. Pandemics such as COVID-19, which restrict the movement of people, in terms of being able to be physically present at work, social distancing, and the freedom to travel to customer sites across the world, will affect the Group's ability to produce loadbanks for third-party sales and service rental contracts. This may result in lower revenues, profits and cash flows.	The Group's activities are diverse, both in terms of industries and geographies and sales, with the exception of a short-term reduction in major hire contracts due to constraints on international travel, have stood up well during the pandemic. Loadbanks are used to test critical infrastructure such as data centres, hospitals and national electricity grids and a base level of revenue can reasonably be expected to continue. The main manufacturing facility in Burton on Trent followed all Government advice on social distancing and continued to function, albeit on a reduced capacity at times. The engineering support teams managed to service customers remotely through video conferencing but are now able to return to face to face service.	**Change**
4) QHSE The Group's hire equipment is involved in safety-critical environments where a fault with the equipment or its misuse could cause serious injury or death. Crestchic equipment is involved in electrical testing that can produce lethal voltages.	Crestchic has detailed QHSE policies which are communicated to all staff. Crestchic is certified under ISO 9001, ISO 14001 and ISO 45001. Accident (and near-miss) reports are continually monitored and appropriate staff training is completed. QHSE statistics are gathered and the Group's record is extremely good (see page 24).	**Change**
5) Bribery and corruption The global nature of its business exposes the Group to risk of unethical behaviour. The Group operates in countries with perceived high levels of corruption, tenders for projects and uses third-party sales agents in some counties where it does not have a permanent presence.	The Group has a clear bribery policy which is available on the website. All third-party agents are thoroughly vetted and are closely monitored. The Group has a whistleblowing process in place which is regularly reviewed.	**Change**

PRINCIPAL RISKS AND UNCERTAINTIES CONTINUED

Description	Mitigation	
6) Market and macroeconomic risks As evidenced by the impact of the sharply declining oil price in 2015 and early 2016, and again in 2020, a downturn in global economic conditions or volatility in commodity prices creates uncertainty and may result in lower rental activity and equipment sales levels. This may result in a poorer performance than expected, impacting revenues and margins. In the execution of its corporate strategy, the Group from time to time buys and sells businesses, an activity which brings attendant transaction risks.	The Group constantly monitors market conditions and can flex capital investment into the hire fleet accordingly. The Group's exposure to the cyclical nature of the oil and gas industry has been reduced by the disposal of its Tasman business although some exposure remains as loadbanks are used in testing FPSOs and the commissioning of new fossil fuel power stations. The hire fleet can be relocated to mirror changes in localised utilisation, although equipment in the US (specific frequency) and China (permanently imported) is less flexible. As the Group's global business continues to develop this will naturally increase and broaden both the market and revenue base, placing reduced reliance on specific markets and regions. Though much of the cost base of the Group is fixed, as recently shown, the Group is prepared to take prompt and effective action to exit underperforming activities and reduce overhead costs to mitigate the impact of market downturns. Management and the Board implemented and continue to refine measures to mitigate the impact of post-Brexit restrictions on the ability of the Group to move goods and services from the UK into the EU, including moving assets to be permanently stored within the EU, employing further EU-based staff and establishing an import/export centre in Antwerp. These measures continue to be successful in avoiding significant delays or cost increases resulting from such restrictions. The composition of the Board is continually reviewed to ensure that it brings the right complement of skills to manage transaction risk, both through its own direct involvement and through the engagement of suitably qualified advisors.	**Change** ▲
7) Competition and commercial risk The Group's revenues are derived from the sale and rental of specialist complementary industrial equipment and services which can be impacted by competitor activity. There is a relatively small number of significant competitors serving the markets in which we operate, although we often compete against larger and better capitalised companies which could pose a significant threat because of financial capability, which may result in lower pricing and margins, loss of business, reduced utilisation rates and erosion of market share.	Competition for products and services provided by the Group varies by subsidiary with some of our products and services being subject to less market competition than others. As the Group's global business continues to develop this increases and broadens both the customer and revenue base, placing reduced reliance on individual customers. Our use of international hubs holding significant levels of equipment available for rent has enabled us to provide an enhanced and efficient customer service, and the ability to readily transport our hire fleet enables us to respond to changes in localised utilisation.	**Change** ▶
8) Information technology/cyber risk The Group is dependent on its information technology ("IT") systems to operate its business efficiently, without failure or interruption. Whilst data within key systems is regularly backed up and systems are subject to virus protection, any systems failure, cyber-attack or other major IT interruption could have a disruptive effect on the Group's business.	The geographically diverse nature of the Group reduces the global risk associated with IT failure or disruption. The use of recognised service providers and operating and communication platforms has strengthened the Group's technological infrastructure and reduced the risk of loss due to failure, breakdown, loss or corruption of data. Staff are given training and regular reminders of good IT hygiene.	**Change** ▲
9) Interest rate risk The Group delegates day-to-day control of its bank accounts to local management. All bank borrowings attract variable interest rates. The Board accepts that this policy of not fixing interest rates for all borrowings neither protects the Group entirely from the risk of paying rates in excess of current market rates nor eliminates fully cash flow risk associated with interest payments.	The Group maintains strong relationships with all banking contacts. Group borrowings are reviewed, arranged and administered centrally with day-to-day control of bank accounts by local management being restricted to operating within agreed parameters. The Group has recently redeemed/converted its convertible notes and refinanced its bank loans which has resulted in a significantly simpler and more cost-effective arrangement with HSBC.	**Change** ▲

Description	Mitigation	
10) People risk Retaining and attracting the best people is critical in ensuring the continued success of the Group. There is currently significant wage inflation among skilled workers.	Northbridge offers well-structured reward and benefit packages, including share options, which are regularly reviewed. Northbridge has recently been successful in recruiting a number of highly qualified senior managers which suggests that these packages are competitive. A competitive pay increase was given to all staff on 1 January and pay will be reviewed throughout the year. We also try also to ensure that our people fulfil their potential to the benefit of the individual and the Group by providing appropriate training and offering the possibility of career advancement on an intercompany basis within the Group.	**Change** ▲
11) Foreign currency exchange risk The Group is exposed to movements in exchange rates for both foreign currency transactions and the translation of net assets and income of foreign subsidiaries. Local management has responsibility for its own bank accounts, with bank balances held in Euro, US Dollar, Australian Dollar, Singaporean Dollar, New Zealand Dollar and UAE Dirham accounts. Outstanding balances for trade receivables, trade payables and financial liabilities are also held in these currencies.	The Board manages this risk by converting surplus non-functional currency into Sterling as appropriate, after allowing for future similar functional currency outlays. The Board will seek the opinion of foreign currency professionals to advise on potential foreign currency fluctuations if it is aware of future foreign currency requirements. It does not currently consider that the use of hedging facilities would provide a cost-effective benefit to the Group on an ongoing basis.	**Change** ▶
12) Credit risk Exposure to credit risk arises principally from the Group's trade receivables. At 31 December 2021 the Group had £5,639,000 (2020: £7,945,000) of trade receivables and an expected credit loss provision of £898,000 (2020: £1,383,000). The Group increased provisions by £45,000 (2020: £167,000) during the year.	The Group's trade receivables are managed through stringent credit control practices both at a local and Group level, including assessing all new customers, requesting external credit ratings (which are factored into credit decisions), regularly reviewing established customers and obtaining credit insurance where it is felt appropriate. The Group trades in regions such as the Middle East and Africa where formal credit ratings are not always readily available. In these situations, trading history with the Group and market reputation are given greater weighting in credit decisions. Over and above our credit control to mitigate exposure, we take a prudent approach to provisioning against potential bad debts, while still continually following up to maximise recoveries of any debts which have been provided.	**Change** ▼

This Strategic Report was approved by the Board on 11 April 2022 and signed by order of the Board by the Executive Chairman.

Peter Harris
Executive Chairman
11 April 2022

NORTHBRIDGE IS COMMITTED TO THE MANUFACTURE, SALE AND HIRE OF MISSION-CRITICAL POWER RELIABILITY PRODUCTS AND SERVICES IN A WAY THAT IS ALIGNED TO THE IMPERATIVE OF GLOBAL SUSTAINABILITY

The world has over the past few years seen a growing focus on environmental, social and governance ("ESG") concerns.

This has been driven by a range of developments including growing awareness of the catastrophic risks of climate change, the impacts of irresponsible business practices on employees and local communities, and examples of high profile business failures. Banks and institutional investors are increasingly being required by regulators to report their ESG performance and therefore in turn focusing on levels of ESG performance of companies in which they invest or to which they lend.

The Board's decision to put the Tasman division up for sale was prompted in part by an ambition to focus on a more sustainable business model going forward. As part of this aim, we have gone through the process of formalising our ESG plan, and we were pleased to find that as an organisation, we already demonstrate high standards of ESG performance. However, we are not complacent and plan to continue to improve that performance.

Our core values, which can be found on our website, underpin everything we do as a Group and ensure a culture of quality, responsibility and safety. One of those core values is to be responsible global citizens playing our part in creating a sustainable future. We also take very seriously our responsibility to our shareholders, and our duty to build a strong, profitable and sustainable business. We believe these two responsibilities are entirely consistent as a sustainable business is one which mitigates risk, creates long-term value and maintains the confidence of its customers, suppliers, employees, shareholders and communities.

To achieve this, our business processes will:

- minimise the consumption of resources through energy efficiency, reducing waste and extending the life cycle of our products;
- monitor our performance, and that of our supply chain, against progressive sustainability measures;
- enable our people, who are the beating heart of our customer service delivery, to work safely and effectively in diverse and friendly teams; and
- focus R&D on developing our products to help our customers improve the efficiency, reliability and safety of electrical power generation. We will also help them support the transition from carbon intensive sources to renewable, clean power generation.

OUR APPROACH TO ESG

At Northbridge, we believe that embedding ESG into our long-term thinking and decision making can lead to sustainable value creation for all stakeholders. Operating sustainably requires a long-term view, to ensure that we consider the impacts of our actions not just today, but also in the future.

During 2021, we have been looking systematically at our ESG performance and management processes. We have:

- created a new ESG Committee at Board level and a Management Committee with representation from across the business to provide day-to-day oversight;
- developed our first ESG Plan, which is aligned to the interests of the business and its stakeholders; and
- enhanced our reporting of non-financial metrics by monitoring and disclosing a variety of indicators. These include metrics relating to energy use, diversity and health and safety.

The Group's ESG Plan is based on our core values and has generated a high level of commitment across the Group and a great deal of enthusiasm from staff. The output of this first assessment has allowed us to identify some good ESG behaviours. These are described further overleaf and in our Corporate Governance report on pages 30 to 32. However, we intend to continue to improve our performance and these are our priorities for 2022:

- Global demand for power is growing sharply as is the requirement for that power to come from renewable resources.. Changes to generation, upgrades of grids, development of data centres and the challenges of climate disruption all lead to increasing demand for our products and we have begun to integrate ESG, particularly the opportunities of the transition to net zero, into our business strategy;
- Moreover, we have identified a number of key ESG risks on our risk matrix, and the Audit and Risk Committee will continue to focus on deepening our understanding of ESG risks and further developing our mitigation strategies; and
- Management is putting in processes to collate the information required to measure and report our KPIs going forward, to ensure that Crestchic is able to monitor, track and optimise its performance in key areas including energy usage, diversity and health and safety.

OUR CUSTOMERS

We recognise the importance of creating sustainable relationships with our customers and strive to continuously improve these relationships, delivering high quality, reliable and efficient products that meet our customers' needs.

Sustainable Growth

Customers	People & Communities	Environment	Principles of Governance
Product Benefits	Diversity & Inclusion	Energy & Carbon	Corporate Governance
Innovative Solutions	Employee Development	Lifecycle Extension	Corporate Behaviour
Supply Chains	Communities	Waste Management	Risk Management
Quality	Health & Safety	Environment	QHSE

Northbridge Industrial Services - Our Core Values

Our environmental, social and governance ("ESG") framework covers issues from colleague wellbeing through to global societal issues such as climate change, local benefits and customer satisfaction.

Our first step in this process was to identify the critical elements of our ESG performance. In each of those areas we then looked at our approach and our current performance and opportunities to do better. This assessment resulted in our first ESG Plan.

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

PRODUCT BENEFITS

Loadbanks enable customers to ensure the resilience of their power supplies regardless of energy source. Loadbank testing supports good working order of mission-critical services and infrastructure for a wide variety of applications from hospitals to data centres.

A generator tested by a loadbank is more reliable and efficient. The efficiency leads to lower emissions by the tested generators.

INNOVATIVE SOLUTIONS

Climate change is already resulting in extremes of temperature in some of the areas in which we operate – we have recently upgraded much of our rental fleet to operate in these higher temperature environments (such as the Middle East and Africa).

Other innovative solutions that seek to meet client needs include trailerised loadbanks, packaged loadbanks and transformers.

SUPPLY CHAIN

We also understand that we are part of our customers' supply chains and depend on our own supply chains to deliver and fulfil our obligations to them. Our customers are also increasingly expecting us to provide them with assurances on our supply chain management processes.

Supply chains can cause serious financial impact through supply disruptions and volatile commodity prices. Most of our Tier 1 supply chain is UK based and we carry out inspections on the facilities of our suppliers to ensure product quality. We are also in the process of developing dual sourcing to cope with logistics challenges.

QUALITY

Crestchic's customers depend on us to provide them with reliable and safe products to safeguard their business-critical power supplies. Quality issues are monitored and audited as part of ISO 9001:2015. This audit requires us to demonstrate continuous improvement in design, engineering and rental processes.

OUR PEOPLE AND COMMUNITIES

As a responsible employer we are committed to investing in our employees, and to making Northbridge an enjoyable and motivating place to work.

We want to create an environment where all colleagues feel safe to be themselves, and to have equal opportunity to achieve.

DIVERSITY AND INCLUSIVITY

We embrace diversity as we understand the advantage that the breadth of experience and opinion brings. Diversity to Crestchic includes gender, gender orientation, ethnicity and age.

22%
women* (total)

25%
women* (managerial)

* End of 2021.

We run an outreach programme to encourage teenagers, both female and male, to explore careers in science, technology, engineering and mathematics ("STEM"). Senior members of the team hold talks at local schools and colleges to give future leaders greater insights into a career in STEM.

CASE STUDY I

LOADBANKS FOR ELECTRIC VEHICLE CHARGING

Char.gy, who provide smart charging points for electric vehicles, are a rental customer of Crestchic. The loadbanks are used to simulate the electrical load that would be used by a car when in the process of being charged.

- Loadbank verifies EV charger output.
- Simulates operating conditions.
- Proves safety capability on power surges.

Henry Turner, Chief Technology Officer at Char.gy, explains,

"Working with Crestchic and TUV to fully test our products gives our customers the confidence that the product will behave as it should when in use".

EMPLOYEE DEVELOPMENT

There is huge competition for skills, and we need to ensure that we provide an environment in which future leaders can be developed and retained.

Our leaders are actively engaged in the teaching process, supporting learning in both formal and informal settings. Employee development is not limited to mandatory training: we promote the upskilling of our employees and encourage our future leaders to go on managerial skills courses.

COMMUNITY ENGAGEMENT

We have fostered an engaged and open relationship with the communities in which we work and live. This includes providing opportunities to young people in the local community through our apprentice scheme. The recent COVID-19 pandemic has been difficult for both businesses and employees. In several cases, we have been able to take on apprentices from other apprentice schemes at Northbridge to enable them to complete their training.

We are also proud of our employees' passion for giving back and making a difference to their local communities and we facilitate this desire through donation matching schemes.

HEALTH AND SAFETY

Crestchic's priority and duty of care is to safeguard the wellbeing, health and safety of our people, our contractors and visitors to our sites.

We follow the principles of best practice using our "safe systems of work" process and our manufacturing facility is certified to be ISO 45001 compliant.

We provide mandatory HSE training to our employees and monitor, audit, review and report our health and safety performance to support continuous improvement.

14

minor incidents at Crestchic in 2021*

* No time lost for the above accidents, all continued to go back to work.

0

major incidents

AMPS AWARDS 2021 WINNER
HEALTH AND SAFETY

OUR ENVIRONMENT

We strive to continuously improve our environmental performance based on developing knowledge and changing environmental requirements, and to effectively manage and minimise any negative impacts that our business may have on the environment.

CARBON AND ENERGY

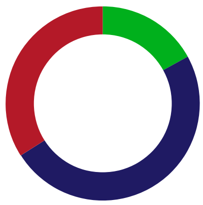
As an assembler, we are not an energy-intensive business. However, we believe that we can limit the environmental impact of our operations further and have implemented energy efficiency measures within our manufacturing plant and offices such as solar panels and LED lights. We continue to look for opportunities in energy efficiency such as the introduction of electric vehicles.

Energy usage* (kWh)

1,870,098

* UK operations of Crestchic only. Includes electricity and gas at manufacturing plant, vehicle fuel and gas oil.

Electricity	17%
Gas and gas oil	49%
Vehicle fuel	34%



LIFECYCLE EXTENSION

We believe that there are opportunities to maximise the lifecycle of equipment, allowing us to utilise a ready-made asset with less harm to nature. Crestchic has introduced a buyback programme for used loadbanks which are then refurbished and recycled into the Group's rental fleet, extending the lifecycle of equipment that could have been sent for scrap.

CASE SUDY 2: GENDER DIVERSITY AT CRESTCHIC

For engineering companies like Crestchic the skills crisis is far more than a statistic. The company is reliant on highly skilled engineers to ensure the manufacture, supply and service of equipment. We also firmly believe in product evolution and require a skilled team to deliver the R&D required to deliver against that strategy.

We have had successes in developing the careers of women in areas which have been traditionally male dominated.

Our most experienced female engineer, Sharon Philpott, has progressed from Quality Engineer to Production Manager and now oversees a team of 45 people. Sharon works with the local college to encourage young people into engineering and give them hands-on experience.

As a business, Crestchic is keen to play a part in developing young engineers, working with the local college to help deliver apprenticeship programmes and offer work experience opportunities, as well as actively recruiting and training apprentices within the business.

Torrie Lunn, who completed her apprenticeship in 2021, was the only female in an otherwise all-male team when she joined. There are now 3–4 females in her team. She had her sights set on being an engineer and it was clear she had the determination and passion to do it.

AMPS AWARDS 2021 WINNER
DEVELOPING DIVERSITY AND TALENT

FINANCIAL REVIEW

PRE-IFRS 16 YEAR-END NET DEBT STOOD AT £1.0 MILLION, DOWN FROM £5.4 MILLION IN 2020

Iwan Phillips
Finance Director

CONTINUING AND DISCONTINUED OPERATIONS

As noted in the Executive Chairman's Statement, all the activities of the Tasman division have been classified as discontinued and all assets and liabilities have been classified as held for sale at 31 December 2021. The sale of the majority of the assets and liabilities concluded on 28 February 2022 and it is firmly expected that all the remaining assets and liabilities will be disposed of during 2022.

REVENUE AND PROFIT BEFORE TAX

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

Revenue from continuing operations increased by 20% to £29.5 million in 2021 from £24.6 million in 2020. This included an increase in hire revenue of 34% to £15.5 million in 2021 from £11.5 million in 2020 and an increase in sales revenue of 7% to £14.0 million from £13.1 million in 2020.

As many of the Group's costs are largely of a fixed nature in the short to medium term (with significant movements in the cost base being attributable to acquisitions, large capital expenditure and divestments), any revenue movement will be highlighted at the operating profit level.

The gross margin from continuing operations increased from 45% to 47% during the year benefiting from the 20% increase in revenue from continuing operations and a shift in revenue mix from sales towards higher margin hire revenue.

Rental revenue made up 52% of total revenue from continuing operations in 2021 compared with 47% in 2020.

Operating costs from continuing operations increased from £9.3 million to £10.1 million as activity increased and COVID-19 related travel restrictions eased. No COVID-19 related Government support was received in the continuing operations during the year (2020: £0.1 million).

Net finance costs decreased in 2021 due to a combination of the full refinancing, which completed in June 2021, reducing borrowing costs and the level of debt decreasing.

Overall, it has been an excellent year for the continuing operations of the Group with profit from operations increasing from £1.8 million in 2020 to £3.8 million in 2021 and pre-exceptional profit before tax increasing from £1.1 million to £3.3 million.Exceptional costs relating to continuing operations were £0.9 million (2020: £nil) and are detailed in note 4 to the financial statements.

Revenue from discontinued operations remained consistent with 2020 at £9.4 million but improved margins and tight cost control significantly decreased the operating loss from £0.7 million to £nil. Exceptional costs relating to discontinued operations were £6.7 million (2020: £7.8 million) and are detailed in note 4 to the financial statements.

EARNINGS PER SHARE

The basic and diluted loss per share, both of 17.3 pence (2020: 26.9 pence), have been arrived at in accordance with the calculations contained in note 11 to the financial statements. The basic and diluted earnings per share from continuing operations was 6.6 pence (2020: 2.7 pence).

BALANCE SHEET AND DEBT

Total net assets at 31 December 2021 were £23.3 million compared with £27.7 million in 2020. The decrease in net assets during the year is mainly due to the exceptional costs of £6.7 million relating to discontinued operations. Further details are included in note 4 to the financial statements.

Hire fleet additions in the year totalled £2.2 million (2020: £3.8 million) with a significant increase in the investment made in the Crestchic fleet from £0.7 million in 2020 to £1.2 million in 2021. Proceeds from the sale of hire fleet were £2.0 million (2020: £0.8 million) resulting in a net spend of £0.2 million (2020: £2.9 million). Capital expenditure within Crestchic will increase in 2022 as the new production facility is completed and permits investment in the hire fleet.

BALANCE SHEET AND DEBT CONTINUED

Inventory levels increased during the year to £4.4 million (2020: £3.5 million) mainly due to the increased production levels and the prudent approach applied to stock levels to decrease the risk of COVID-19 and Brexit related supply chain issues.

Cash collection has been strong during the year and year-end trade receivables have only increased slightly to £4.7 million (2020 continuing operations: £4.6 million, £6.6 million in total). Debtor days have not been adversely affected by COVID-19 and the Group maintained its usual trading terms to suppliers, including at the year end.

In June 2021, all the existing bank and convertible loan note facilities were refinanced into one revolving credit facility. £3,056,938 of the loan notes were repaid in cash which attracted an early repayment penalty of £764,000 (see note 4) and the remaining £943,062 was converted into 1,047,848 ordinary shares at 90 pence per share.

The new banking facility has increased available funds, significantly decreased borrowing costs and substantially simplified the borrowing structure. Net debt decreased by £4.6 million during the year to £2.2 million (£1.0 million pre-IFRS 16) (2020: £6.8 million, £5.4 million pre-IFRS 16). During the year the Group made investments in both fixed assets and working capital while significantly decreasing debt.

With net debt decreasing and EBITDA increasing, the Group's leverage, as calculated by dividing net debt by EBITDA, decreased significantly from 0.9x as at 31 December 2020 to 0.2x as at 31 December 2021. On a pre-IFRS 16 basis this ratio decreased from 0.8x to 0.1x during the year.

CASH FLOW

The Group continued to generate significant levels of cash with cash generated from operations of £6.8 million which is slightly down on the £7.1 million generated in 2020 due to an increase in working capital.

TAX EXPENSE

The overall tax charge for the year totalled £0.7 million (2020: £0.1 million after a £0.4 million exceptional credit for the deferred tax related to impaired intangibles within the Tasman division) reflecting the improved pre-exceptional profit made in the year.

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

RETURN ON INVESTMENT ("ROI")

As noted in the Executive Chairman's Statement, a key metric for the Group is the return generated on the investments it makes in assets and working capital. Our ROI measure is defined by the operating profit divided by the net operating assets.

The Group is focused on delivering an ROI well above its weighted average cost of capital. Using data from a third-party advisor, the Group's pre-tax cost of capital has been calculated at 12.5%. This is unchanged from 2020, with the increase in the general cost of equity offset by decreases in the Company's borrowing rate due to the new financial structure and the Company's risk premium due to the sale of Tasman. The Board is now targeting a Group ROI of 20% in the medium term.

To achieve this, the Board will focus on the following:

- the prioritisation of ROI in all capital expenditure and asset disposal decisions;
- maintaining Crestchic's ROI as investment into its growth continues; and
- ensuring that the plc overhead is appropriate.

Trading and Group ROI

	Crestchic Loadbanks and Transformers		Group, continuing operations	
	2020	**2021**	2020	**2021**
Opening net operating assets* (£'000)	21,966	**20,088**	21,648	**19,908**
Closing net operating assets* (£'000)	20,088	**21,202**	19,908	**21,234**
Average net operating assets (£'000)	21,027	**20,645**	20,778	**20,571**
Operating profit** (£'000)	3,227	**5,435**	1,798	**3,792**
Return on investment	15%	**26%**	9%	**18%**

* 2019 net operating assets defined in prior year annual report; for 2020 and 2021 see note 3.

** See note 3 for divisional allocation.

The 20% increase in Crestchic revenue has driven the increase in its ROI to 26% which is significantly up on 2020 and its pre-pandemic level of 22% achieved in 2019. Investment in Crestchic will increase significantly in 2022 and maintaining this level of ROI will be targeted.

The Group ROI from continuing operations has doubled from 9% in 2020 to 18% in 2021 and with continued growth in Crestchic expected and a decrease in central costs, a target of 20% has been set for 2022.

RECONCILIATION TO REPORTED FIGURES

Reconciliation of pre-IFRS 16 and post-IFRS 16 net debt, EBITDA and cash generated from operations

The following tables reconcile the pre and post-IFRS 16 balances of some of the Group's key metrics: EBITDA, cash generated from operations and net debt. This is to enable users to compare these metrics to pre-IFRS 16 metrics from 2018 and previous periods.

	Continuing operations			Total		
	31 December 2021 as reported £'000	IFRS 16 impact £'000	31 December 2021 excluding IFRS 16 impact £'000	**31 December 2021 as reported £'000**	IFRS 16 impact £'000	31 December 2021 excluding IFRS 16 impact £'000
Profit/(loss) before tax	**2,435**	20	2,455	**(4,292)**	25	(4,267)
Exceptional costs	**877**	—	877	**7,569**	—	7,569
Finance costs	**480**	(48)	432	**509**	(50)	459
Depreciation	**2,512**	205	2,717	**4,531**	205	4,736
Amortisation of right-of-use assets	**776**	(776)	—	**793**	(793)	—
Amortisation	**68**	—	68	**68**	—	68
EBITDA	**7,148**	(599)	6,549	**9,178**	(613)	8,565
Cash generated from operations				**6,840**	(613)	6,227
Loans and borrowings				**5,326**	580*	5,906
Loans and borrowings included in held for sale liabilities				**429**	—	429
Lease liabilities				**1,817**	(1,817)	—
Lease liabilities included in held for sale liabilities				**41**	(41)	—
Cash and cash equivalents				**(4,229)**	—	(4,229)
Cash and cash equivalents included in held for sale liabilities				**(1,148)**	—	(1,148)
Net debt		15%	26%	**2,236**	(1,278)	958

	Continuing operations			Total		
	31 December 2020 as reported £'000	IFRS 16 impact £'000	31 December 2020 excluding IFRS 16 impact £'000	31 December 2020 as reported £'000	IFRS 16 impact £'000	31 December 2020 excluding IFRS 16 impact £'000
Profit/(loss) before tax	1,097	24	1,121	(7,375)	31	(7,344)
Exceptional costs	—	—	—	7,751	—	7,751
Finance costs	701	(52)	649	746	(68)	678
Depreciation	2,705	156	2,861	5,059	156	5,215
Amortisation of right-of-use assets	665	(665)	—	887	(887)	—
Amortisation	86	—	86	201	—	201
EBITDA	5,254	(537)	4,717	7,269	(768)	6,501
Cash generated from operations				7,063	(768)	6,295
Loans and borrowings				8,963	802*	9,765
Lease liabilities				2,189	(2,189)	—
Cash and cash equivalents				(4,323)	—	(4,323)
Net debt		15%	26%	6,829	(1,387)	5,442

* Any leases which would have been classified as finance leases prior to IFRS 16 have been added to loans and borrowings.

Iwan Phillips
Finance Director
11 April 2022

BOARD OF DIRECTORS

PETER HARRIS

Executive Chairman

Peter Harris qualified as a chartered accountant having studied at Sheffield University. After a number of years in the accountancy profession he joined Borden Inc., a multinational food packaging and industrial product company, where he spent 13 years in a variety of senior financial roles. In 1994 Peter was appointed as finance director of RAC plc (formerly Lex Service Plc), a leading automotive services provider. In 1999 he became a group managing director of RAC plc, heading a number of businesses including Lex Transfleet, Lex Multipart, Lex Commercials, Lex Defence and RAC Software Solutions. In April 2006, following the acquisition of RAC plc by Aviva plc, Peter was appointed chief executive of Dawson Holdings plc, the media supply chain business, from which he retired in June 2009. Peter is also chairman of Atmaana Business Consulting Ltd and senior advisor to Chetwode SAS, a Paris-based financial services company. He stepped down as a member of the Remuneration and Audit and Risk Committees of the Company on 1 April 2021.

SKILLS AND EXPERIENCE

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

IWAN PHILLIPS

Finance Director

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

SKILLS AND EXPERIENCE

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

CHRIS CALDWELL

Managing Director – Crestchic

Chris Caldwell joined the Group in 2008 as Rental Manager for the Crestchic Power Reliability division. Since joining Northbridge Chris has taken on positions of ever-increasing responsibility, culminating in his appointment as Managing Director of the division in 2016. Over this time, Chris has led many of the major growth initiatives of the business, including relocating Crestchic Germany to larger premises and bringing the sales agency in house, the start-ups of Crestchic USA and Crestchic France, establishing the UK rental hub in new dedicated premises adjacent to the factory HQ and setting up the Crestchic Service division. He also assisted in the negotiations and subsequent acquisition of Northbridge Transformers from DSG, for which he has now assumed executive responsibility. An electrical engineer by background, with over 30 years of experience in equipment rental, Chris has, during his time at Northbridge, successfully negotiated and overseen many loadbank rental projects around the world. He was previously the national operations director at SLD Pumps and Power.

SKILLS AND EXPERIENCE

The Board benefits from the technical qualifications, skills and experience in electrical engineering that Chris brings, together with his extensive and varied experience in the manufacturing and international sales and rental of electrical equipment. His broad and deep knowledge of the global markets for Crestchic products, coupled with his project management skills and leadership qualities, is helping the Board define and execute its strategic vision for growth and the creation of shareholder value.

A R

STEPHEN YAPP

Senior Independent Director (independent)

Stephen Yapp joined the Group in July 2020. Stephen has 25 years' experience as a director of public and private companies over the course of his career. He is also a former director of Downing Strategic Micro-Cap Investment Trust Plc, as well as several private companies, having held similar roles in other listed companies over recent years. Stephen is also a fellow chartered management accountant and holds an MBA. He became the Senior Independent Director on 1 April 2021.

SKILLS AND EXPERIENCE

Alongside his executive career and professional qualifications, Stephen has had wide experience as an independent non-executive director in industry, financial services and education, with a particular focus on identifying and implementing strategic change to create shareholder value. This, together with his broad finance and leadership experience, equips him to make a significant contribution to the Audit and Risk Committee and the Board.

Committee key:

- A Audit and Risk Committee
- R Remuneration Committee
- C Committee Chair

A R

NITIN KAUL

Non-executive Director (independent)

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

SKILLS AND EXPERIENCE

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

A R

JUDITH ALDERSEY-WILLIAMS

Non-executive Director (independent)

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

SKILLS AND EXPERIENCE

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

NICHOLAS MILLS

Non-executive Director

Nicholas Mills is employed by Harwood Capital LLP, which holds 24% of the Company's issued share capital. Nicholas joined Harwood Capital LLP in January 2019 after spending five years at Gabelli Asset Management in New York. He acted primarily as a research analyst covering the multi-industrial space and also gained experience in merger arbitrage strategies and marketing closed end funds. He currently sits on the board of Circassia Group Plc and Hargreaves Services Plc as a non-executive director. He has a Bachelor of Science degree from Boston College's Carroll School of Management.

SKILLS AND EXPERIENCE

An experienced NED, Nicholas brings to the Board a wealth of skills and experience in research, analysis, investment appraisal and fund management together with a deep knowledge of capital markets and is applying his knowledge in support of the Board focus on creating long-term value for all shareholders.

AMY AVERY

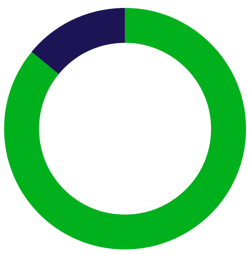
Legal Counsel and Company Secretary (from 1 May 2022)

Amy Avery qualified as a solicitor in 2005 after reading Law at Lancaster University and completing the Legal Practice Course at Manchester Metropolitan University. She specialised in commercial dispute resolution in law firms in the North West of England over the next seven years. In 2013, Amy accepted her first in-house role and joined one of her clients, Bidfresh, which involved establishing the legal function of a leading UK wholesale food supplier to the hotel and restaurant industry. Over the next five years, Amy became a member of the risk committee, was promoted to company secretary and head of legal and qualified as a chartered secretary in 2018. She subsequently undertook legal and governance roles primarily in the education sector. In 2022, Amy became a fellow of The Chartered Governance Institute before she was appointed as Legal Counsel and Company Secretary for the Group.

SKILLS AND EXPERIENCE

Amy's extensive legal and governance skill-set and industry experience effectively equip her to support the Group on its sustainable growth journey, enhance the Board's effectiveness and facilitate its navigation of the constantly evolving legal and governance landscape.

Board gender composition



Male	6
Female	1

CORPORATE GOVERNANCE STATEMENT

In my capacity as Executive Chairman I am pleased to present the Group's 2021 Corporate Governance Statement.

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

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

Peter Harris

This Corporate Governance Statement addresses how the Group complies with the QCA Code; however, further disclosure relating to some of the principles can be found in other sections of the 2021 annual report and accounts (the "2021 Annual Report") as indicated below.

No.	Principle	Page number in the accounts
1.	Establish a strategy and business model which promote long-term value for shareholders	14-15
2.	Seek to understand and meet shareholder needs and expectations	11
3.	Take into account wider stakeholder and social responsibilities, and their implications for long-term success	10-11
4.	Embed effective risk management, considering both opportunities and threats, throughout the organisation	18-21
5.	Maintain the Board as a well-functioning, balanced team led by the Chairman	30
6.	Ensure that between them the Directors have the necessary up-to-date experience, skills and capabilities	28-29
7.	Evaluate Board performance based on clear and relevant objectives, seeking continuous improvement	32
8.	Promote a corporate culture that is based on ethical values and behaviours	32
9.	Maintain governance structures and processes that are fit for purpose and support good decision making by the Board	30
10.	Communicate how the Company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders	10-11

STRATEGY AND MODEL

The Group manufactures, hires and sells specialist power reliability equipment across the world through its Crestchic business. At the beginning of 2021, it was announced that advisors had been appointed to seek to dispose of the Tasman Drilling Tools Rental division. This disposal was substantially completed shortly after the year end. For further information on the strategy, please see the Strategic Report on pages 14 and 15, and for more information on the key challenges posed to the Group in executing the strategy, please see pages 18 to 21 of the 2021 Annual Report.

THE BOARD

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

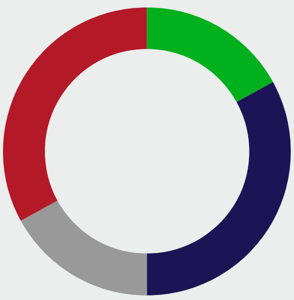
Day-to-day management of the Group is delegated to the Executive Directors; however, certain matters are reserved for whole Board approval. These matters are reviewed periodically and include Board and Committee composition, strategy, funding decisions and corporate transactions among others – a formal review of delegated authority limits will be undertaken in 2022 to reflect the changing structure of the Group. Directors are required to commit sufficient time to their roles to appropriately discharge their duties. All Directors are offered regular training to develop their knowledge and ensure they stay up to date on matters for which they have responsibility as a Board member.

In March 2021 it was announced that Peter Harris, the Chairman, would become Executive Chairman with Eric Hook, the former Chief Executive, retiring. Stephen Yapp, a Non-executive Director, became the Senior Independent Director. Ash Mehta retired from his role in June 2021 and Chris Caldwell, the Managing Director of the Crestchic division, joined the Board from 1 April 2021. Since the year end, Ian Gardner has retired from the Board and Nicholas Mills joined as a Non-executive Director.

Board composition – 2021

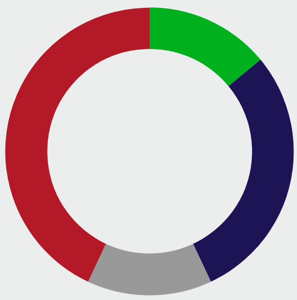
Executive Chairman	1
Executive Directors	3
Senior Independent Director	1
Non-executive Directors*	3

* Reduced to two for a period on the retirement of Ash Mehta in June 2021.



Board composition – future

Executive Chairman	1
Executive Directors	2
Senior Independent Director	1
Non-executive Directors	3



BOARD COMMITTEES

The principal Committees established by the Directors are:

AUDIT AND RISK COMMITTEE

The Committee meets at least twice a year and examines any matters relating to the financial affairs of the Group including the review of annual and interim results, internal control procedures and accounting practices.

At the start of 2021 the Committee comprised Nitin Kaul, Peter Harris, Judith Aldersey-Williams, Stephen Yapp and Ash Mehta, who chaired the Committee. Peter Harris stepped down from the Committee on 1 April 2021 and Ash Mehta stepped down on his retirement from the Board in June 2021. He was replaced as Chair by Judith Aldersey-Williams. The Executive Directors may attend meetings as appropriate to the business in hand but are not members of the Committee and the external auditor attended meetings of the Audit and Risk Committee by invitation. The outcome of meetings is recorded in minutes, circulated to the Committee by the Chair for review before being issued. The Chair reports on the full agenda and discussions of the Audit and Risk Committee to the Board.

The Audit and Risk Committee during 2021 updated its terms of reference to expressly include issues of risk and accordingly has been known as the Audit and Risk Committee since 28 September 2021. Under those terms of reference, the main responsibilities of the Committee are:

- the integrity of the financial statements and other financial information provided to shareholders;
- the Company's system of internal controls;
- the Company's management of risk from setting strategy through to operational controls (other than determining the Group's appetite for risk which is a matter for the Board);
- the internal and external audit process and auditors;
- the potential implications of legal action against the Company;
- the processes for compliance with laws, regulations and ethical codes of practice; and
- how risk is reported internally and externally.

The Committee held three meetings during the year, all of which were attended by all members. These meetings related primarily to the planning of the audit, the audit results and the consideration of the new terms of reference. The Audit and Risk Committee and the Audit Chair also held separate meetings with the external auditor when appropriate.

The Audit and Risk Committee has discussed whether the Group should have an internal audit function and considers that given its size and the nature its business, there is no requirement for such a function but has requested certain additional checks to be conducted as part of the audit for control purposes. The Committee has delegated authority to the Chair to authorise the Group to retain the external auditor for non-audit work up to specified values per instruction and in aggregate.

The Audit and Risk Committee also continues to consider that there is no requirement for the interim results of the Group to be audited.

Judith Aldersey-Williams
Non-executive Director
11 April 2022

Remuneration Committee

The Remuneration Committee meets at least twice a year and reviews the performance of the Executive Directors and sets and reviews their remuneration and the terms of their service contracts, determines the payment of bonuses to Executive Directors and senior management and considers any bonus and option schemes which may be implemented by the Group. During 2020 the Committee was comprised of Peter Harris, Ash Mehta, Stephen Yapp, Judith Aldersey-Williams and Nitin Kaul, who chaired the Committee. Peter Harris stepped down from the Committee on 1 April 2021 and Ash Mehta stepped down on his retirement from the Board in June 2021. During the year the Committee considered and recommended to the Board a Long Term Incentive Plan ("LTIP"), which was approved by the Board and announced on 10 June 2021. Executive Directors may also attend meetings as appropriate to the business in hand but are not members of the Committee. None of the Executive Directors were present at meetings of the Committee during consideration of their own remuneration.

Nominations Committee

The Nominations Committee meets as and when required. It met in 2021 to consider and ultimately propose to the Board the appointment of Chris Caldwell. The composition of the Nominations Committee varies but will always include the Chairman and at least one other Board member. The recommendations of the Nominations Committee are put to the full Board for approval.

ESG Committee

Towards the end of 2021 the Group established a new Committee to consider ESG matters, consisting of Peter Harris, Iwan Phillips, Chris Caldwell and Judith Aldersey-Williams, who is acting Chair. Draft terms of reference have been prepared which will be approved in 2022. Further information about the work of this Committee can be found on page 22.

BOARD COMMITTEES CONTINUED

Attendance at Board and other meetings for 2021

The Board met on six occasions during the year following a formal agenda. Attendance at formal Board meetings during the year is shown in the table below. Additional informal meetings were held as required, particularly in relation to the Tasman disposal.

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

All Directors have direct access to the advice and services of the Company Secretary and are able to take independent professional advice in the furtherance of their duties, if necessary, at the Company's expense. For the past six years the Company Secretary has also been the Finance Director and the Board has felt that this was appropriate due to the Group's size and the fact there were no other employees with the necessary skills within the Group. This arrangement was continually being reviewed and in March 2022 Amy Avery joined the Group as Legal Counsel and she will be appointed to the role of Company Secretary in the second quarter of 2022.

	Board (scheduled)	Audit and Risk Committee	Remuneration Committee
Number of meetings in year	6	3	2
Attendance:			
P R Harris	●●●●●●	—	—
E W Hook*	●	—	—
C Caldwell*	●●●●●	—	—
I C Phillips	●●●●●●	—	—
I J Gardner	●●●●●●	—	—
J Aldersey-Williams	●●●●●●	●●●	●●
N Kaul	●●●●●●	●●●	●●
A K Mehta*	●●●	●	●
S Yapp	●●●●●●	●●●	●●

* All Directors who were appointed or retired during the year attended all meetings that they were eligible to attend.

Board independence

The Board has considered the independence of all Non-executive Directors and considers that Nitin Kaul, Judith Aldersey-Williams and Stephen Yapp bring an independent judgement to bear. The Board does not consider Nicholas Mills as independent as he is a substantial shareholder's nominated representative.

Board evaluation

The Board last undertook an internal evaluation in 2018 with the assistance of external advisors. The results of the evaluation were well received and were adopted by the Board. An internal evaluation of how the Board should be constituted after the retirement of Eric Hook was conducted in 2020. A fresh external review of Board performance will be undertaken in 2022 given the changing shape of the Group and the Board.

RELATIONS WITH SHAREHOLDERS

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

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

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

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

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

CORPORATE CULTURE

The Board promotes the highest level of behaviour and ethics. The Board developed a statement of its core values during 2020 and these are now available for all to see on the Group's website. The Group's principal policies including HSE, anti-slavery and human trafficking, data protection and anti-bribery policies can be found on its website or that of its principal trading division, Crestchic.

The trading divisions adhere to the highest level of quality, health, safety and environment ("QHSE"). Statistics can be found on page 24.

DIRECTORS' REPORT

The Directors present their report and the financial statements for the year ended 31 December 2021.

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

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the Group financial statements in accordance with UK adopted international accounting standards in conformity with the requirements of the Companies Act 2006 and the Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom accounting standards and applicable law). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group for that period. The Directors are also required to prepare financial statements in accordance with the rules of the London Stock Exchange for companies trading securities on the Alternative Investment Market.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and applicable UK accounting standards, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

FUNDING AND 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 and cash flows for at least twelve months after the signing date including reasonable downside sensitivity scenarios and reverse stress testing.

Net debt has decreased to £1.8 million at 31 December 2021 which is 0.2 times EBITDA. After a successful refinancing during the year, the Group's facilities are now not due for renewal until 2025 and there is sufficient headroom on the £10 million facility to fund the future growth strategy.

The Tasman disposal was largely completed on 28 February and AUD6 million was received. Further payments totalling AUD1.85 million are due across the next twelve months.

Even with a reasonable downside scenario considering the continued effect of COVID-19 and possible effects from the invasion of Ukraine, there is sufficient cash flow to pass all bank covenants by a significant margin.

WEBSITE PUBLICATION

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

PRINCIPAL ACTIVITIES

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

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

PROFIT OR LOSS AND DIVIDENDS

The loss for the year after taxation amounted to £4,950,000 (2020: £7,512,000).

The Directors are proposing a final dividend of 1 pence per share (2020: £nil), resulting in dividends for the whole year of 1 pence (2020: £nil) per share.

FUTURE DEVELOPMENTS

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

FINANCIAL INSTRUMENTS

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

RISKS

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

PURCHASE OF OWN SHARES

At the year end and at the date of this report the Company held 215,150 (2020: 215,150) of its own shares, which represents 0.77% (2020: 0.77%) of the share capital of the Company. Since the year end the Company has purchased a further 615,000 shares resulting in an increase in own shares held to 830,150.

DIRECTORS AND THEIR INTERESTS

The present Directors are detailed on pages 20 and 21 together with brief biographies.

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

	Ordinary shares of 10 pence each		Share options		Maximum LTIP award	
	31 December 2021	1 January 2021	**31 December 2021**	1 January 2021	**31 December 2021**	1 January 2021
P R Harris	**1,587,475**	1,587,475	**—**	—	**375,000**	—
E W Hook (retired on 31 March 2021)	**—**	708,000	**—**	1,056,601	**—**	—
I J Gardner	**36,914**	36,914	**196,000**	166,000	**—**	—
I C Phillips	**10,000**	10,000	**156,000**	156,000	**300,000**	—
A K Mehta (retired on 30 June 2021)	**—**	207,001	**—**	—	**—**	—
C Caldwell (appointed on 31 March 2021)	**14,140**	—	**217,000**	—	**300,000**	—
J Aldersey-Williams	**10,051**	10,051	**—**	—	**82,500**	—
N Kaul	**—**	—	**—**	—	**82,500**	—
S Yapp	**40,000**	—	**—**	—	**105,000**	—

Between 1 January 2022 and the balance sheet approval date there have been no changes to the options. Further details on Directors' share options can be found in note 24.

Between 1 January 2022 and the balance sheet approval date, the Company was notified that Peter Harris increased his shareholding by 20,000 to 1,607,475 shares and that Judith Aldersey-Williams increased her shareholding by 10,000 to 20,051 shares.

On 10 June 2021, a Long Term Incentive Plan ("LTIP") was granted to Board Directors as detailed above.

The LTIP has been formed as a growth share scheme whereby new shares in a subsidiary company, Crestchic Limited, have been purchased at nominal cost and awarded to the participants of the LTIP in the proportions set out in the table above. After a three-year vesting period, the growth shares will be exchangeable into, in aggregate, a maximum of 1,500,000 ordinary shares in the Company ("Ordinary Shares") at nil further cost to the participant.

The number of Growth Shares exchangeable into Ordinary Shares depends on the Company's share price performance during the three-year vesting period, with a minimum hurdle rate of 150 pence per Ordinary Share required prior to any vesting and a maximum threshold of 225 pence per Ordinary Share. Between 150 pence per share and 225 pence per share, the LTIP award increases on an exponential basis up to the maximum award.

The unallocated part of the LTIP may be allocated to new or existing participants at the Remuneration Committee's discretion.

Directors' indemnity insurance

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

Substantial shareholdings

The Company has been notified that the following investors held interests in 3% or more of the Company's issued share capital (net of shares held in treasury) at 31 December 2021:

	Number	%
Harwood Capital LLP	4,927,217	16.95
Artemis Investment Management Ltd	3,431,021	11.80
Western Selection PLC	2,804,500	9.65
Canaccord Genuity Group Inc	2,250,000	7.74
P R Harris	1,587,475	5.46
Hargreaves Lansdown	1,549,292	5.33
Stonehage Fleming	1,407,236	4.84
Gresham House Asset Management	1,194,344	4.11
River and Mercantile Asset Management	1,151,132	3.96
Interactive Investor	961,485	3.31

From 1 January 2022 to the balance sheet approval date, the Directors have been notified that Harwood Capital LLP has increased its holding to 6,884,717 shares, that Western Selection PLC has decreased its holding to 1,377,000 shares and that P R Harris has increased his holding to 1,607,475 shares.

Annual General Meeting

The Annual General Meeting will be held on 9 June 2022. The notice of the meeting is on pages 84 to 86.

AUDITOR'S INDEPENDENCE

The non-audit work undertaken in the year by the Group's auditor, BDO LLP, was restricted to advice on tax matters and certain legal services for the Group.

AUDITOR

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

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

This report was approved by the Board on 11 April 2022 and signed by order of the Board by the Company Secretary.

Iwan Phillips
Company Secretary
11 April 2022

INDEPENDENT AUDITOR'S REPORT

To the members of Northbridge Industrial Services plc

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 2021 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK adopted international accounting standards;
- 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 2021 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 notes to the consolidated and parent company financial statements, including a summary of significant accounting policies.

The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and UK adopted international accounting standards. 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's 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 cover a period of 12 months from the date of approval of these financial statements and exclude discontinued operations. We challenged the Directors' key assumptions to historic results and our understanding of the business in respect of revenue growth, cost increases and working capital assumptions;
- Recalculating the Directors' forecast covenant compliance calculations until June 2023 and assessed the consistency of such calculations with the ratios stated in the relevant lender agreements;
- Assessing the Directors' sensitivity analysis performed in respect of key assumptions underpinning the forecasts;
- Challenging the Directors on the completeness and accuracy of their downside scenario forecast through consideration of other downside scenarios;
- An analysis of post year end trading results compared to forecast and current year to evaluate the accuracy and achievability of forecasts
- We also reviewed the disclosures in the financial statements to ensure they are adequate and consistent with the Board's assessment and reflect any relevant uncertainties inherent in forecasting future events.

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 and the Parent Company'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

		2021	2020
Coverage[1]	88% (2021: 95%) of Group revenue 79% (2020: 83%) of Group total assets		
Key audit matters	Goodwill and intangible assets – impairment assessment	✓	✓
	Tangible fixed assets – useful economic lives and residual values	✓	✓
	Held for sale assets and liabilities	✓	×
Materiality	**Group financial statements as a whole** £380,000 (2020 - £340,000) based on 1% (2020 - 1%) of total revenue		

1 These are areas which have been subject to a full scope audit.

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, 4 intermediate holding companies and 6 dormant companies.

Having assessed the way in which the Group is managed and reports its results, we identified 2 significant components, being the Parent Company and 1 trading component in the United Kingdom that, in our view, required an audit of their complete financial information. We identified a further 3 components, in Australia, Singapore and the United Arab Emirates that although are not significant by size in aggregation required further full scope audit procedures. The Parent Company and United Kingdom trading component were audited by the Group engagement team; the audits of the components in Australia, Singapore and the United Arab Emirate were performed by other BDO network firms operating under the direction of the Group engagement team. For the remaining components, which were not subject to an audit of their complete financial information, the Group engagement team completed analytical review procedures.

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, including the key audit matters identified above and other Group risks highlighted along with 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;
- Virtually attending the completion meeting with each component audit team, local and Group Directors and management.

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.

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 continued

Key audit matter	How the scope of our audit addressed the 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 intangible 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").* *The Directors had fully impaired the intangibles relating to the Tasman entities in previous periods. The remaining CGUs related to the continuing businesses in Crestchic and Northbridge Transformers, which, while assessed for impairment, were not impaired by the Directors.* *We identified this as 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, which includes consideration of the long-term growth rates, profit margins and the discount rates.* *Further, given the degree of judgement applied in making these assessments, we also considered the key audit matter to extend to the disclosures made by the Directors and whether these are in line with relevant accounting framework.*	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 and beyond. 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 the Directors' 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 a sensitivity analysis by considering different ranges in the market rates and evaluating the impact of these different rates and whether they were likely based on our knowledge of the industry and the business. We also performed a sensitivity analysis over the forecast future results using reasonably possible outcomes for growth rates and profit margins and assessed the impact on the value in use. We considered the adequacy of the disclosure in the financial statements with reference to the requirements of the accounting standards and our knowledge of the business. ***Key observations:*** Based on our procedures performed, we found that the Director's impairment assessments for goodwill and other intangible assets and disclosures were reasonable.
Property, plant and equipment – useful economic lives and residual values *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 £5,833,000) 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 property, plant and equipment and the carrying values at 31 December 2021.* *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 of the hire fleet assets with the policies adopted by other businesses in similar industries; ■ Reviewing the profits or losses achieved on the sale of assets for indicators of changes required to the policies and the judgements adopted for useful economic lives and residual values adopted; ■ Considering whether the judgements supporting the estimated useful economic lives were consistent with the judgements made by the Directors' elsewhere in the financial statements including impairment assessment and future forecasts. ***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.

AN OVERVIEW OF THE SCOPE OF OUR AUDIT CONTINUED

Key audit matters continued

Key audit matter	How the scope of our audit addressed the key audit matter
Held for sale assets and liabilities *Refer to the accounting policies and significant judgements and estimates (Note 1) and Assets and liabilities classified as held for sale (note 20)* *The Directors have assessed certain assets and liabilities connected to the Tasman operating division to be held for sale.* *Non-current assets and disposal groups classified as held for sale are measured at the lower of:* *their carrying amount immediately prior to being classified as held for sale in accordance with the group's accounting policy; and fair value less costs of disposal.* *There are significant estimates and judgements connected to the classification of assets and liabilities as held for sale, as well as the valuation of those assets, that could result in material misstatements in the financial statements and therefore we consider this to be a key audit matter.* *The key audit matter also extends to the disclosures presented on the held for sale division and whether these are in line with requirements of the accounting standards.*	We challenged the Directors' conclusion that the assets met the recognition of held for sale assets and liabilities by: ■ Testing that the conditions to classify the assets and liabilities as held for sale were met. This included testing at the point of classification as held for sale there was a commitment to dispose of the assets. We tested this by inspecting market announcements, sale documentation, and other supporting evidence. ■ Testing that the disposal of the assets and liabilities was highly probable. We did this by obtaining the Director's paper documenting their 'highly probable' judgements and evaluating the reasonableness of these judgements alongside vouching the facts to supporting evidence. We obtained the fair value less costs to sell calculations for the Tasman assets. We evaluated the appropriateness of the Director's valuation of those assets by comparing these to other offers for similar assets. We considered the adequacy of the disclosures in the financial statements with reference to the requirements of the accounting standards and our knowledge of the business. ***Key observations:*** Based on our work performed, we found the Directors' assessment of held for sale, the valuation of the assets and liabilities and connected disclosure 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	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000
Materiality	380	340	250	320
Basis for determining materiality	1% of total revenue		95% of group materiality with further restriction for component aggregation risk	
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 then lowered further as a result of the aggregation risk.	
Performance materiality	285	255	188	240
Basis for determining performance materiality	Set at 75% of materiality. In determining our performance materiality, we considered the historical level of misstatement, the expected level of misstatement, and the planned nature of our testing.		Set at 75% of materiality. In determining our performance materiality, we considered the historical level of misstatement, the expected level of misstatement, and the planned nature of our testing.	

Component materiality

The materiality for the United Kingdom component was set based on 1.5% of its revenue. For the components in Australia, Singapore, and the United Arab Emirates, we set materiality at £361,000 (2020 - £323,000) based on a percentage of 95% (2020 – 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 individual audit differences in excess of £8,000 (2020 - £15,000). We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds.

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	In our opinion, based on the work undertaken in the course of the audit: ■ the information given in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and ■ the Strategic report and the Directors' report have been prepared in accordance with applicable legal requirements. In the light of the knowledge and understanding of the Group and Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the Directors' report.
Matters on which we are required to report by exception	We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion: ■ adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or ■ the Parent Company financial statements are not in agreement with the accounting records and returns; or ■ certain disclosures of Directors' remuneration specified by law are not made; or ■ we have not received all the information and explanations we require for our audit.

RESPONSIBILITIES OF DIRECTORS

As explained more fully in the 'Statement of Directors' responsibilities in respect of the annual report and financial statements', 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 assessed the susceptibility of the financial statements to material misstatement due to fraud and considered that the areas in which fraud might occur relate to management bias in respect of judgements and estimates and the posting of journal entries.

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.

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 the Directors, Management and those charged with governance about known or suspected non-compliance with laws and regulations, including fraud
- Review of minutes of Board meetings throughout the year to identify any known or suspected non-compliance with laws and regulations, including fraud, not yet disclosed by the Directors;
- Legal confirmations with the Group's lawyers to validate any matters disclosed;
- Obtaining an understanding of the control environment in monitoring compliance with laws and regulations;
- Identifying unusual journal entries and testing these journal entries to supporting documentation
- Testing of the consolidation and, in particular, manual or late journals posted at consolidated level;
- Challenge of key estimates and judgements applied the Directors in the financial statements, including those applied to key audit matters, to assess that they are free from bias;
- Consideration of the Directors' assessment of related party transactions and any unusual transactions and evaluated the process for identifying and monitoring any such transactions; and
- Consideration of management's assessment of related parties and any other unusual transactions and evaluate 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, 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
11 April 2022

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 2021

		Year to 31 December 2021			Year to 31 December 2020		
	Note	Continuing operations £'000	Discontinued operations £'000	Total £'000	Continuing operations £'000	Discontinued operations £'000	Total £'000
Revenue	2	**29,455**	**9,354**	**38,809**	24,610	9,367	33,977
Cost of sales		**(15,547)**	**(5,350)**	**(20,897)**	(13,555)	(5,729)	(19,284)
Gross profit		**13,908**	**4,004**	**17,912**	11,055	3,638	14,693
Operating costs		**(10,068)**	**(3,653)**	**(13,721)**	(9,330)	(3,932)	(13,262)
Other operating income	5	**—**	**—**	**—**	138	299	437
Impairment loss on trade receivables		**(48)**	**3**	**(45)**	(65)	(102)	(167)
Share of post-tax result of joint ventures		**—**	**(360)**	**(360)**	—	(579)	(579)
Profit/(loss) from operations	5	**3,792**	**(6)**	**3,786**	1,798	(676)	1,122
Exceptional costs	4	**(877)**	**(6,692)**	**(7,569)**	—	(7,751)	(7,751)
Finance costs		**(480)**	**(29)**	**(509)**	(701)	(45)	(746)
Profit/(loss) before taxation		**2,435**	**(6,727)**	**(4,292)**	1,097	(8,472)	(7,375)
Taxation	10	**(563)**	**(95)**	**(658)**	(335)	198	(137)
Profit/(loss) for the year attributable to the equity holders of the parent		**1,872**	**(6,822)**	**(4,950)**	762	(8,274)	(7,512)
Other comprehensive (loss)/income							
Exchange differences on translating foreign operations				**(565)**			112
Other comprehensive (loss)/income for the year, net of tax				**(565)**			112
Total comprehensive loss for the year attributable to equity holders of the parent				**(5,515)**			(7,400)
Loss per share							
– basic (pence)	11	**6.6**	**(23.9)**	**(17.3)**	2.7	(29.7)	(26.9)
– diluted (pence)	11	**6.6**	**(23.9)**	**(17.3)**	2.7	(29.7)	(26.9)

The notes on pages 46 to 77 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2021

	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 2021	2,811	201	29,950	2,810	2,512	(451)	(10,166)	27,667
Loss for the year	—	—	—	—	—	—	(4,950)	(4,950)
Other comprehensive loss	—	—	—	—	(565)	—	—	(565)
Total comprehensive loss for the year	—	—	—	—	(565)	—	(4,950)	(5,515)
Issue of share capital	117	—	946	—	—	—	—	1,063
Capital reduction*	—	—	(30,896)	—	—	—	30,896	—
Share option expense	—	—	—	—	—	—	114	114
Balance at 31 December 2021	**2,928**	**201**	**—**	**2,810**	**1,947**	**(451)**	**15,894**	**23,329**

* After a resolution was passed by the shareholders in a general meeting held on 18 October 2021, it applied for and received confirmation from the High Court that the amount to the credit of the Company's share premium account could be reduced to zero and transferred to retained earnings.

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

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 46 to 77 form part of these financial statements.

CONSOLIDATED BALANCE SHEET

As at 31 December 2021

		2021		2020	
Company number: 05326580	Note	£'000	£'000	£'000	£'000
ASSETS					
Non-current assets					
Intangible assets	12	**4,323**		4,473	
Property, plant and equipment	13	**12,107**		24,460	
Right-of-use assets	14	**2,140**		2,359	
Other receivables	16	**462**		—	
Deferred tax assets	19	**221**		—	
			19,253		31,292
Current assets					
Assets in a disposal group classified as held for sale		**8,620**		—	
Inventories	15	**4,408**		4,542	
Trade and other receivables	16	**6,137**		8,583	
Cash and cash equivalents		**4,229**		4,323	
			23,394		17,448
Total assets			**42,647**		48,740
LIABILITIES					
Current liabilities					
Liabilities directly associated with assets in a disposal group classified as held for sale		**3,888**		—	
Trade and other payables	17	**6,528**		7,374	
Loans and borrowings	18	**(50)**		2,345	
Lease liabilities	14	**788**		897	
Current tax liabilities		**460**		546	
			11,614		11,162
Non-current liabilities					
Loans and borrowings	18	**5,376**		6,619	
Lease liabilities	14	**1,029**		1,292	
Deferred tax liabilities	19	**1,299**		2,000	
			7,704		9,911
Total liabilities			**19,318**		21,073
Total net assets			**23,329**		27,667
Capital and reserves attributable to equity holders of the Company					
Share capital	21		**2,928**		2,811
Convertible debt option reserve			**201**		201
Share premium			**—**		29,950
Merger reserve			**2,810**		2,810
Foreign exchange reserve			**1,947**		2,512
Treasury share reserve			**(451)**		(451)
Retained earnings			**15,894**		(10,166)
Total equity			**23,329**		27,667

The notes on pages 46 to 77 form part of these financial statements. The financial statements were approved and authorised for issue by the Board and were signed on its behalf on 11 April 2022.

Peter Harris
Director

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2021

	Note	2021 £'000	2020 £'000
Cash flows from operating activities			
Net loss before taxation		**(4,292)**	(7,375)
Adjustments for:			
– amortisation of intangible assets	12	**68**	201
– impairment of intangible assets		**—**	7,136
– impairment of assets when classified as held for sale		**2,687**	—
– amortisation of right-of-use assets	14	**793**	887
– amortisation of capitalised debt fee		**69**	103
– depreciation of property, plant and equipment	13	**4,531**	5,059
– profit on disposal of tangible fixed assets		**(682)**	(543)
– loss on disposal of assets on exit from Malaysia and Singapore		**2,822**	—
– share of post-tax results of joint ventures		**360**	579
– finance costs		**1,386**	746
– share option expense	24	**114**	44
		7,856	6,837
Increase in inventories		**(537)**	(988)
(Increase)/decrease in receivables		**(1,913)**	226
Increase in payables		**1,434**	988
Cash generated from operations		**6,840**	7,063
Taxation		**(538)**	(471)
Decrease/(increase) in receivables from joint ventures		**152**	(323)
Hire fleet expenditure	13	**(2,203)**	(3,770)
Sale of assets within hire fleet		**2,043**	836
Net cash from operating activities		**6,294**	3,335
Cash flows from investing activities			
Purchase of property, plant and equipment	13	**(703)**	(272)
Sale of property, plant and equipment		**113**	13
Net cash used in investing activities		**(590)**	(259)
Cash flows from financing activities			
Issue of share capital		**1,063**	—
Proceeds from loans and borrowings		**7,500**	3,931
Debt issue costs		**(214)**	(116)
Repayment of loans and borrowings		**(10,742)**	(4,166)
Principal paid on lease liabilities		**(980)**	(1,038)
Interest paid on lease liabilities		**(91)**	(106)
Interest paid on loans and borrowings		**(1,117)**	(527)
Net cash used in financing activities		**(4,581)**	(2,022)
Net increase in cash and cash equivalents		**1,123**	1,054
Cash and cash equivalents at beginning of period		**4,323**	3,272
Exchange losses on cash and cash equivalents		**(69)**	(3)
Cash and cash equivalents at end of period		**5,377**	4,323
Held within:			
Cash and cash equivalents		**4,229**	4,323
Assets held for sale		**1,148**	—
Total		**5,377**	4,323

The Consolidated Cash Flow Statement includes the following amounts relating to discontinued operations:

	2021 £'000	2020 £'000
Operating activities	**508**	902
Investing activities	**39**	(85)
Financing activities	**(99)**	(421)
Net cash from discontinued operations	**448**	396

The notes on pages 46 to 77 form part of these financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

1. ACCOUNTING POLICIES

1.1 Basis of preparation of financial statements

The principal accounting policies adopted in the preparation of the financial statements are set out below. The policies have been consistently applied to all the years presented, unless otherwise stated.

The Group financial statements have been prepared under the historical cost convention subject to fair valuing certain financial instruments and in accordance with UK adopted 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 78 and 79.

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 and cash flows for at least twelve months after the signing date including reasonable downside sensitivity scenarios and reverse stress testing.

Net debt has decreased to £1.8 million at 31 December 2021 which is 0.2 times EBITDA. After a successful refinancing during the year, the Group's facilities are now not due for renewal until 2025 and there is sufficient headroom on the £10 million facility to fund the future growth strategy.

The Tasman disposal was largely completed on 28 February and AUD6 million was received. Further payments totalling AUD1.85 million are due across the next twelve months.

Even with a reasonable downside scenario considering the continued effect of COVID-19 and possible effects from the invasion of Ukraine, there is sufficient cash flow to pass all bank covenants by a significant margin.

1.2 Basis of consolidation

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

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

- the size of the Company's voting rights relative to both the size and dispersion of other parties which hold voting rights or substantive potential voting rights held by the Company and by other parties;
- other contractual arrangements; and
- historical patterns in voting attendance.

The consolidated financial statements present the results of the Company and its subsidiaries (the "Group") as if they formed a single entity. Intercompany transactions and balances between Group companies are therefore eliminated in full.

The consolidated financial statements incorporate the results of business combinations using the acquisition method. In the Consolidated Balance Sheet, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the Consolidated Statement of Comprehensive Income from the date on which control is obtained. They are deconsolidated from the date on which control ceases.

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

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

1. ACCOUNTING POLICIES CONTINUED

1.3 Revenue

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

Revenue is recognised using a five-step process:

- identify the contract with the customer;
- identify separate performance obligations in the contract;
- determine the transaction price;
- allocate the transaction price to the performance conditions; and
- recognise revenue when each performance obligation is satisfied.

Revenue is recognised as follows:

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

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

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

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

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

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

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

1.4 Intangible assets and amortisation

Development products

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

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

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

1. ACCOUNTING POLICIES CONTINUED

1.5 Leases

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

Identifying leases

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

(a) there is an identified asset;

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

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

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

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

1.6 Goodwill

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

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

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

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

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

1.7 Property, plant and equipment

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

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

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

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

1. ACCOUNTING POLICIES CONTINUED

1.8 Impairment of tangible and intangible assets excluding goodwill

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

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

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

Where an impairment loss subsequently reverses, the carrying amount of the asset or CGU is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset or CGU in prior years. A reversal of an impairment loss is recognised immediately in profit or loss unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

1.9 Inventories

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

1.10 Current and deferred taxation

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

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

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

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

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

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

1.11 Foreign currencies

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

For the year ended 31 December 2021

1. ACCOUNTING POLICIES CONTINUED

1.12 Pensions

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

1.13 Share-based payments

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

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

1.14 Treasury shares

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

1.15 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.

(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.

1. ACCOUNTING POLICIES CONTINUED

1.15 Financial instruments continued

***(b) Financial liabilities** continued*

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.

1.16 Deferred consideration

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

1.17 Exceptional items

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

1.18 Segmental reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker has been identified as the Board of Directors.

1.19 Government grants

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

1.20 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:

Held for sale assets

In April 2021 the Board announced its intention to dispose of the Tasman division and began to market the division in the same month. Therefore, the criteria of management commitment to a plan to sell, the assets being available for immediate sale and an active programme to locate a buyer were clearly met. The Board continued to review the likelihood of a sale being achieved throughout the year.

Judgements – The Audit and Risk Committee reviewed the criteria of held for sale assets and concluded that all of the Tasman operations should be held for sale at the year end. It concluded that the signing of the heads of terms on the sale of the Australian and New Zealand entities that occurred on 15 December 2021 moved that disposal over the highly probable within twelve months' threshold. If the sale of the Australian and New Zealand entities had not been highly probable, it is possible that the Board might have considered retaining the Tasman business as a whole, more profitable with the ceasing of operations in Asia, until the market for sale was more promising, which might have been more than twelve months away. However, as soon as a sale of the Australian and New Zealand entities became highly probable, the likelihood of retaining the Middle East assets alone evaporated as they would represent a non-strategic business and a distraction for management.

1. ACCOUNTING POLICIES CONTINUED

1.20 Critical accounting estimates and judgements continued

Accounting estimate – Once it had been agreed that the Tasman division should be classified as held for sale at 31 December 2021, the assets were required to be held at their net realisable value less costs to sell. The sale value and the transaction costs for the Australian and New Zealand entities were agreed before the year end and a balanced estimate has been made for the disposal proceeds and transaction costs for the Middle East entity. See note 20 for further details.

Carrying value of goodwill

The Group is required to test whether goodwill has suffered any impairment.

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

Accounting estimate – An impairment review requires management to make uncertain estimates concerning the cash flows, growth rates and working capital assumptions of the cash-generating units under review as shown in note 12. The carrying value of goodwill at 31 December 2021 was £4,323,000. The key judgement in the discounted cash flow valuation models is the terminal cash flow. The future impact of COVID-19 was considered among many factors 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).

Legal matters

The Group is frequently involved in transactions that require significant legal input such as financing and the sale and purchase of companies. Given the geographic reach of our business, some legal matters are cross-border and complex, such as the near-complete disposal of the Tasman division.

Judgement –Occasionally the Board is required to form significant judgements on legal matters. When this is required, the Board ensures that it is fully informed ahead of making any decisions by obtaining appropriate legal and other professional advice.

Accounting estimate –The board has assessed all material open and ongoing legal matters at the end of the year and are satisfied that they are appropriately reflected in the accounts.

Useful economic life ("UEL") and residual value of hire fleet assets

Accounting estimate – The estimated useful economic lives of property, plant and equipment are 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.

1.21 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)
Interest Rate Benchmark Reform – IBOR "Phase 2" (Amendments to IFRS 9, IAS 39 and IFRS 7)	1 January 2021
COVID-19 Related Rent Concessions (Amendments to IFRS 16)	1 January 2021

1. ACCOUNTING POLICIES CONTINUED

1.21 New standards and interpretations continued

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).

The following amendments are effective for the period beginning 1 January 2023:

- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2);
- Definition of Accounting Estimates (Amendments to IAS 8); and
- Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction (Amendments to IAS 12).

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.

In response to feedback and enquiries from stakeholders, in December 2020, the IFRS Interpretations Committee (IFRIC) issued a Tentative Agenda Decision, analysing the applicability of the amendments to three scenarios. However, given the comments received and concerns raised on some aspects of the amendments, in April 2021, IFRIC decided not to finalise the agenda decision and referred the matter to the IASB. In its June 2021 meeting, the IASB tentatively decided to amend the requirements of IAS 1 with respect to the classification of liabilities subject to conditions and disclosure of information about such conditions and to defer the effective date of the 2020 amendments by at least one year.

The Group is currently assessing the impact of these new accounting standards and amendments. The Group will assess the impact of the final amendments to IAS 1 on classification of its liabilities once those are issued by the IASB. The Group does not believe that the amendments to IAS 1, in their present form, will have a significant impact on the classification of its liabilities.

1.22 Dividends

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

1.23 Non-current assets held for sale and disposal groups

Non-current assets and disposal groups are classified as held for sale when:

- they are available for immediate sale;
- management is committed to a plan to sell;
- it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn;
- an active programme to locate a buyer has been initiated;
- the asset or disposal group is being marketed at a reasonable price in relation to its fair value; and
- a sale is expected to complete within twelve months from the date of classification.

Non-current assets and disposal groups classified as held for sale are measured at the lower of:

- their carrying amount immediately prior to being classified as held for sale in accordance with the Group's accounting policy; and
- fair value less costs of disposal.

Following their classification as held for sale, non-current assets (including those in a disposal group) are not depreciated. The results of operations disposed of during the year are included in the Consolidated Statement of Comprehensive Income up to the date of disposal.

A discontinued operation is a component of the Group's business that represents a separate major line of business or geographical area of operations or is a subsidiary acquired exclusively with a view to resale that has been disposed of, has been abandoned or meets the criteria to be classified as held for sale.

Discontinued operations are presented in the Consolidated Statement of Comprehensive Income which contains the post-tax profit or loss of the discontinued operation along with the post-tax gain or loss recognised on the re-measurement to fair value less costs to sell or on disposal of the assets or disposal groups constituting discontinued operations.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

For the year ended 31 December 2021

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.

Revenue by location of sale origination	2021 £'000	2020 £'000
UK	**14,651**	13,446
Continental Europe	**3,785**	2,929
North and South America	**3,374**	4,240
Middle East	**2,972**	1,710
Asia	**4,673**	2,285
Total from continuing operations – Crestchic Loadbanks and Transformers	**29,455**	24,610
Discontinued operations	**9,354**	9,367
	38,809	33,977
Revenue type and timing of transfer of goods or service		
Hire – over time	**14,959**	10,858
Hire – point in time	**504**	666
Sales and service – point in time	**13,992**	13,086
Total from continuing operations – Crestchic Loadbanks and Transformers	**29,455**	24,610
Discontinued operations	**9,354**	9,367
	38,809	33,977

Contract liabilities

	2021 £'000	2020 £'000
At 1 January	**753**	405
Amounts recognised as revenue during the period	**(753)**	(405)
Cash received in advance of performance and not recognised as revenue during the period	**1,691**	753
At 31 December	**1,691**	753

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 has previously disclosed two reportable segments:

- Crestchic Loadbanks and Transformers – this segment is involved in the manufacture, hire and sale of loadbanks and transformers. This includes the Crestchic, NTX, Crestchic France, NME, CME, CAP, USA and China businesses; and
- Tasman Drilling Tools – this segment is involved in the hire and sale of oil tools. This includes the TOTAU, TOTNZ, TOTAE, TOTSEA and TOTAP businesses and the Group's 49% share of OTOT and TSPG.

In December 2021 the Tasman division was classified as held for sale and the Group now has one reportable segment.

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.

3. SEGMENT INFORMATION CONTINUED

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

	Crestchic Loadbanks and Transformers £'000	Other including consolidation adjustments £'000	2021 Total from continuing operations £'000
Revenue from external customers	29,455	—	**29,455**
Depreciation	2,512	2	**2,514**
Amortisation of right-of-use assets	776	—	**776**
Amortisation	68	—	**68**
Operating profit	5,434	(1,642)	**3,792**
Finance expense	(99)	(381)	**(480)**
Profit/(loss) before tax and exceptional items	5,335	(2,023)	**3,312**
Exceptional costs	—	(877)	**(877)**
Profit/(loss) before tax	5,335	(2,900)	**2,435**
Head office costs	(1,660)		
Group finance costs	(381)		
Group exceptional finance cost	(877)		
Other	18		
Group profit before tax from continuing operations	2,435		

	Crestchic Loadbanks and Transformers £'000	Other including consolidation adjustments £'000	Total from continuing operations £'000	Assets held for sale £'000	2021 Total £'000
Balance sheet					
Non-current asset additions					
Tangible asset additions	1,955	—	1,955	918	**2,873**

	Crestchic Loadbanks and Transformers £'000	Other including consolidation adjustments £'000	2021 Total from continuing operations £'000
Operating assets (total assets less cash and cash equivalents)	28,853	725	**29,578**
Deferred taxation assets	—	221	**221**
Cash and cash equivalents	3,950	279	**4,229**
Total assets	32,803	1,225	**34,028**
Head office cash and cash equivalents	248		
Other receivable on sale of Tasman assets in Asia	653		
Deferred taxation assets	221		
Other	102		
Assets held for sale	8,620		
Total Group assets	42,647		
Trade and other payables	5,834	693	**6,527**
Lease liabilities	1,817	—	**1,817**
Operating liabilities	7,651	693	**8,344**
Loans and borrowings	—	5,327	**5,327**
Tax liabilities	460	—	**460**
Deferred tax	1,299	—	**1,299**
Total liabilities	9,410	6,020	**15,430**
Head office loans and borrowings	5,327		
Head office payables	677		
Other	16		
Liabilities held for sale	3,888		
Total Group liabilities	19,318		

3. SEGMENT INFORMATION CONTINUED

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

	Crestchic Loadbanks and Transformers £'000	Other including consolidation adjustments £'000	2020 Total from continuing operations £'000
Revenue from external customers	24,610	—	24,610
Depreciation	(2,705)	(2)	(2,707)
Amortisation of right-of-use assets	(665)	—	(665)
Amortisation	(86)	—	(86)
Operating profit	3,227	(1,429)	1,798
Finance expense	(124)	(577)	(701)
Profit/(loss) before tax	3,103	(2,006)	1,097
Head office costs	(1,377)		
Group finance costs	(577)		
Other	(52)		
Group profit before tax from continuing operations	1,097		

	Crestchic Loadbanks and Transformers £'000	Other including consolidation adjustments £'000	Total from continuing operations £'000	Assets held for sale £'000	2020 Total £'000
Balance sheet					
Non-current asset additions					
Tangible asset additions	919	—	919	3,151	4,070

	Crestchic Loadbanks and Transformers £'000	Other including consolidation adjustments £'000	2020 Total from continuing operations £'000
Operating assets (total assets less cash and cash equivalents)	26,677	60	26,737
Cash and cash equivalents	2,721	883	3,604
Total assets	29,398	943	30,341
Head office cash and cash equivalents	852		
Other	91		
Assets from segment held for sale at 31 December 2021	18,399		
Total Group assets	48,740		
Trade and other payables	4,629	240	4,869
Lease liabilities	1,960	—	1,960
Operating liabilities	6,589	240	6,829
Loans and borrowings	933	7,559	8,492
Tax liabilities	556	—	556
Deferred tax	979	—	979
Total liabilities	9,057	7,799	16,856
Head office loans and borrowings	7,559		
Other	240		
Assets from segment held for sale at 31 December 2021	4,217		
Total Group liabilities	21,073		

3. SEGMENT INFORMATION CONTINUED

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

	Non-current assets by location	
	2021 £'000	2020 £'000
UK	**10,971**	10,947
Continental Europe	**1,312**	2,058
Australia and New Zealand	**—**	5,373
Middle East	**3,242**	5,072
Asia	**2,968**	7,686
Americas	**77**	156
	18,570	31,292

4. EXCEPTIONAL ITEMS

Exceptional items from continuing operations

In June 2021 the Group refinanced early its senior debt facilities and convertible loan notes that were due to expire in June 2022. As part of the settlement of the convertible loan notes an early redemption fee of £764,000 was paid to bondholders. Debt fees of £113,000 were written off due to the early repayment of the facilities and a total exceptional finance cost of £877,000 (2020: £nil) has been recognised in the Group Statement of Comprehensive Income.

Exceptional items from discontinued operations

Exceptional items within discontinued operations totalling £6,692,000 (2020: £7,326,000) have been recognised in the Consolidated Statement of Comprehensive Income.

	2021 £'000
Disposal costs incurred to 31 December 2021	**363**
Redundancy and closure costs	**423**
Loss on disposal of assets on exit from Malaysia and Singapore	**2,822**
Impairment of amounts owed from joint ventures	**397**
Impairment of assets on classification as held for sale	**2,687**
	6,692

In the prior year £7,751,000 was recognised as an exceptional cost and a £425,000 credit was recognised within the deferred tax charge.

In June 2020, the Board reviewed the carrying value of all the Group's intangible assets. It concluded that all of the £7,136,000 carrying value of intangibles and goodwill relating to the 2014 acquisition of Tasman New Zealand should be impaired. The Board also decided that the recoverability of a balance of £615,000 owed by the Olio Tasman joint venture was in doubt and that a full provision should be made. The total provision made in 2020 was £7,751,000 and a deferred tax credit of £425,000 resulted from the exceptional impairment of the customer relationships realised on the acquisition.

5. PROFIT FROM OPERATIONS

The operating profit is stated after charging:

	2021 £'000	2020 £'000
Amortisation of customer relationships	**68**	201
Amortisation of right-of-use assets	**793**	887
Depreciation of property, plant and equipment	**4,531**	5,059
Foreign exchange (gains)/losses	**(123)**	22
Cost of inventories recognised as an expense during the year	**7,814**	6,784
Share-based payment remuneration	**114**	44

See note 8 for auditor's fees.

The loss from operations includes £nil (2020: £437,000) 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

For the year ended 31 December 2021

6. STAFF COSTS

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

	2021 £'000	2020 £'000
Wages and salaries	8,294	8,234
Social security costs	923	903
Other pension costs	295	291
Redundancy payments	459	—
Share-based payments	114	44
	10,085	9,472

Of the share-based payments recognised in the year £82,000 (2020: £44,000) related to key management personnel. The key management personnel are deemed to be the Directors. Of the £9,217,000 (2020: £9,137,000) of wages and salaries and social security costs paid during the year, £1,010,000 (2020: £838,000) related to key management personnel.

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

	2021 Number	2020 Number
Technical and production	122	116
Sales	32	31
Administration	33	32
	187	179

7. DIRECTORS' REMUNERATION

	2021								2020		
	Salary £'000	Bonus £'000	Pension £'000	Benefits £'000	Compensation for loss of office £'000	Compensation for additional work £'000	Post-appointment consultancy £'000	Total £'000	Salary £'000	Benefits £'000	Total £'000
P R Harris	94	31	—	—	—	—	—	125	63	—	63
E W Hook*	72	—	—	1	295	—	—	368	278	3	281
I J Gardner**	171	18	—	62	164	—	—	415	165	64	229
I C Phillips	190	60	—	1	—	—	—	251	183	1	184
C Caldwell***	100	49	18	2	—	—	—	169	—	—	—
A K Mehta****	14	—	—	—	—	—	12	26	23	—	23
N Kaul	29	—	—	—	—	7	—	36	23	—	23
J Aldersey-Williams	29	—	—	—	—	7	—	36	23	—	23
S Yapp*****	36	—	—	—	—	7	—	43	12	—	12
	735	158	18	66	459	21	12	1,469	770	68	838

* E W Hook retired on 1 April 2021.

** I J Gardner retired with effect from 31 December 2021.

*** C Caldwell was appointed on 1 April 2021.

**** A K Mehta retired on 30 June 2021.

***** S Yapp was appointed on 1 July 2020.

8. AUDITOR'S REMUNERATION

	2021 £'000	2020 £'000
Fees payable to the Group's auditor for the audit of the Group and Company	40	35
Fees payable to the Group's auditor and associates in respect of:		
– audit of subsidiaries	115	107
– other assurance services	6	9
– tax due diligence services	54	—
– tax services	26	29

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

	2021 £'000	2020 £'000
On loans and borrowings	**353**	527
On lease liabilities	**91**	106
Other	**65**	113
	509	746

10. INCOME TAX EXPENSE

	2021 £'000	2020 £'000
Current tax expense	**627**	432
Prior year over provision of tax	**(12)**	(45)
	615	387
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	**43**	175
Taxation	**658**	137

Continuing and discontinued operations:

	2021	2020
Income tax expense from continuing operations	**563**	335
Income tax expense from discontinued operations	**95**	(198)
Taxation	**658**	137

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:

	2021 £'000	2020 £'000
Loss before taxation	**(4,292)**	(7,375)
Loss multiplied by standard rate of corporation tax in the UK of 19% (2020: 19%)	**(815)**	(1,401)
Effects of:		
– income not subject to tax	**(112)**	(142)
– expenses not allowable for taxation purposes	**459**	222
– exceptional costs not allowable for taxation purposes	**1,005**	1,185
– difference in taxation rates	**(14)**	291
– losses not recognised as a deferred tax asset	**147**	27
– prior year under provision of taxation and deferred taxation	**(12)**	(45)
Total taxation charge for the year	**658**	137

The standard rate of corporation tax in the UK has been 19% since 1 April 2017. This will increase to 25% from 1 April 2023 and all UK deferred tax liabilities as at 31 December have been calculated using this rate.

11. EARNINGS PER SHARE

	2021 £'000	2020 £'000
Numerator – profit/(loss) used in basic and diluted EPS		
Continuing operations	**1,872**	762
Discontinued operations	**(6,822)**	(8,274)
Total	**(4,950)**	(7,512)

	2021 Number	2020 Number
Denominator		
Weighted average number of shares used in basic EPS	**28,532,772**	27,899,602
Effects of share options	**—**	—
Weighted average number of shares used in diluted EPS	**28,532,772**	27,899,602

At the end of the year, the Company had in issue 2,240,692 (2020: 2,332,951) share options and up to 1,500,000 (2020: nil) shares which may be allocated under the LTIP which have not been included in the calculation of diluted EPS because their effects are anti-dilutive. These share options and shares potentially awarded under the LTIP could be dilutive in the future.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

For the year ended 31 December 2021

12. INTANGIBLE ASSETS

	Customer relationships £'000	Order backlog £'000	Product development £'000	Non-competition agreements £'000	Goodwill £'000	Total £'000
Cost						
At 1 January 2021	8,320	217	152	254	14,841	23,784
Exchange differences	(22)	—	—	—	(80)	(102)
Re-classified to non-current assets held for sale	(5,912)	—	—	(254)	(10,438)	(16,604)
At 31 December 2021	**2,386**	**217**	**152**	**—**	**4,323**	**7,078**
Amortisation and impairment						
At 1 January 2021	8,250	217	152	254	10,438	19,311
Exchange differences	(20)	—	—	—	—	(20)
Re-classified to non-current assets held for sale	(5,912)	—	—	(254)	(10,438)	(16,604)
Amortisation charge for the year	68	—	—	—	—	68
At 31 December 2021	**2,386**	**217**	**152**	**—**	**—**	**2,755**
Net book value						
At 31 December 2021	**—**	**—**	**—**	**—**	**4,323**	**4,323**
At 31 December 2020	70	—	—	—	4,403	4,473

	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	203	—	—	—	—	203
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

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:

	2021 £'000	2020 £'000
Crestchic	**2,192**	2,192
NTX	**909**	974
CAP	**1,222**	1,237
	4,323	4,403

12. INTANGIBLE ASSETS CONTINUED

Impairment of intangible assets

The carrying value of all goodwill balance must be reviewed for impairment at least annually.

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 2026. Management does not believe that any CGU will see a material change in its market share. Other major assumptions are as follows:

2021	Discount rate %	Operating (gross) margin %	Wage inflation %
Crestchic	**13**	**45**	**5**
NTX	**13**	**75**	**3**
CAP	**13**	**55**	**3**

2020	Discount rate %	Operating (gross) margin %	Wage inflation %
Crestchic	13	45	3
NTX	13	70	1
CAP	14	55	1

The growth rates that have been used in the value-in-use calculations as at 31 December 2021 are based on forecasts for the five-year period to 31 December 2026 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

After a COVID-19 affected performance in 2020, trading has been much improved in 2021 although the calculations remain relatively sensitive to changes to the discount rate or future growth rate. An 8% increase in the discount rate would be required to create an impairment and a 6% decrease in the future revenue growth rate, from 5% to minus 1%, would be required to create an impairment.

Crestchic Asia-Pacific

Since June 2020 trading in Asia has improved significantly with the shipyards open and busy working their way through a backlog of work. 2021 was an excellent year and the current forecast for 2022 is equally good with much of this forecast revenue secured by purchase orders.

The growth rate for 2022 onwards can drop to 2% before an impairment would be triggered and the discount rate can increase to 20% before an impairment is required.

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For the year ended 31 December 2021

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 2021	7,091	1,839	110	1,449	53,550	64,039
Exchange differences	(3)	(47)	(3)	(25)	(1,283)	(1,361)
Additions	395	169	47	92	2,203	2,906
Disposals*	—	(119)	(187)	(43)	(8,237)	(8,586)
Re-classified to non-current assets held for sale	(1,064)	(1,187)	351	(456)	(19,088)	(21,444)
At 31 December 2021	**6,419**	**655**	**318**	**1,017**	**27,145**	**35,554**
Depreciation						
At 1 January 2021	1,462	1,059	16	1,011	36,031	39,579
Exchange differences	(1)	(38)	(1)	(20)	(1,230)	(1,290)
Charge for the year	148	117	30	115	4,121	4,531
On disposals	—	(43)	(145)	(43)	(4,059)	(4,290)
Re-classified to non-current assets held for sale	(583)	(903)	353	(399)	(13,551)	(15,083)
At 31 December 2021	**1,026**	**192**	**253**	**664**	**21,312**	**23,447**
Net book value						
At 31 December 2021	**5,393**	**463**	**65**	**353**	**5,833**	**12,107**
At 31 December 2020	5,629	780	94	438	17,519	24,460

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

	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.

Within land and buildings is an asset under construction with a cost and net book value of £401,000 (2020: £nil).

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

During the year the Group received £559,000 (2020: £623,000) 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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

For the year ended 31 December 2021

14. LEASES CONTINUED

Nature of leasing activities (in the capacity as lessee) continued

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	—	23%	—
Property leases with periodic uplifts to market rentals	—	—	—	—
Property leases with fixed payments	5	38%	—	—
Vehicle and hire fleet leases	14	39%	—	—
	20	77%	23%	—

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 2021 there exists one lease with a break clause.

Right-of-use assets

	Land and buildings £'000	Motor vehicles £'000	Hire fleet £'000	Total £'000
At 1 January 2021	1,151	659	549	2,359
Additions	414	259	—	673
Disposal	—	(51)	—	(51)
Amortisation	(501)	(228)	(64)	(793)
Re-classified to non-current assets held for sale	—	(40)	—	(40)
Exchange differences	(5)	(3)	—	(8)
At 31 December 2021	**1,059**	**596**	**485**	**2,140**

Lease liabilities

	Land and buildings £'000	Motor vehicles £'000	Hire fleet £'000	Total £'000
At 1 January 2021	1,191	554	444	2,189
Additions	414	246	—	660
Interest expense	41	30	20	91
Lease payments	(541)	(344)	(186)	(1,071)
Re-classified to non-current assets held for sale	—	(41)	—	(41)
Exchange differences	(6)	(5)	—	(11)
At 31 December 2021	**1,099**	**440**	**278**	**1,817**

At 31 December 2021	**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**
Lease liability	**212**	**576**	**506**	**314**	**209**

15. INVENTORIES

	2021 £'000	2020 £'000
Raw materials	**3,979**	4,079
Work in progress	**156**	202
Finished goods	**273**	261
	4,408	4,542

Raw materials are stated after a provision for slow-moving inventory of £223,000 (2020: £193,000).

16. TRADE AND OTHER RECEIVABLES

	2021 £'000	2020 £'000
Due within one year		
Trade receivables	**5,639**	7,945
Less provision for impairment of receivables	**(898)**	(1,383)
Trade receivables – net	**4,741**	6,562
Other receivables	**1,287**	793
Receivables from joint ventures	**—**	512
Prepayments	**571**	716
Total trade and other receivables	**6,599**	8,583
Less: non-current portion – other receivables	**(462)**	—
Current portion	**6,137**	8,583

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

	2021 £'000	2020 £'000
Pound Sterling	**2,320**	1,930
Euro	**802**	733
US Dollar	**849**	2,302
Australian Dollar	**—**	810
UAE Dirham	**821**	625
Singapore Dollar	**306**	418
New Zealand Dollar	**—**	338
Other	**930**	199
	6,028	7,355

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 2021 or 2020.

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.

	2021		
	Gross trade receivables £'000	**Expected credit loss %**	**Expected credit loss £'000**
Specific provision above the expected credit loss model	**824**		**824**
Europe and North America	**3,538**	**0.0%**	**—**
Middle East	**922**	**7.5%**	**70**
Asia	**355**	**1.0%**	**4**
Total	**5,639**		**898**

	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

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.

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For the year ended 31 December 2021

16. TRADE AND OTHER RECEIVABLES CONTINUED

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

	2021 £'000	2020 £'000
Opening balance	**1,383**	1,277
Exchange differences	**6**	(39)
Recovered amounts reversed	**—**	(22)
Amounts written off	**(130)**	—
Re-classified to non-current assets held for sale	**(406)**	—
Increase in provisions	**45**	167
Closing balance	**898**	1,383

The maximum exposure to credit risk, including cash balances, at 31 December 2021 is £10,258,000 (2020: £11,678,000).

17. CURRENT LIABILITIES

Trade and other payables – current

	2021 £'000	2020 £'000
Trade payables	**2,859**	3,576
Social security and other taxes	**248**	332
Other payables	**87**	176
Contract liabilities	**1,692**	753
Accruals	**1,641**	2,537
Total	**6,527**	7,374

18. LOANS AND BORROWINGS

Current

	2021 £'000	2020 £'000
Bank borrowings – secured	**—**	2,450
Other loans	**—**	13
Capitalised debt fees	**(50)**	(118)
Total	**(50)**	2,345

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; and
- a composite guarantee by certain Group companies (as guarantors) in favour of HSBC.

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

	2021 £'000	2020 £'000
Expiry within one year	**—**	2,463
More than one year and less than two years – non-convertible debt	**—**	2,304
More than one year and less than two years – convertible debt	**—**	3,960
More than two years and less than five years	**5,500**	404
Total	**5,500**	9,131

There were no overdrawn balances at the year end (2020: £nil). At the year end the Group had an undrawn revolving credit facility of £4.5 million (2020: no undrawn facilities). The Group has no outstanding warranty and deposit guarantees (2020: £20,000) relating to the sales of manufactured equipment.

18. LOANS AND BORROWINGS CONTINUED

Non-current loans and borrowings

	2021 £'000	2020 £'000
Bank borrowings – secured	**5,500**	2,699
Other loans	**—**	9
Convertible debt	**—**	3,960
Capitalised debt fees	**(124)**	(49)
Total	**5,376**	6,619

Based upon the established market rates prevailing at 31 December 2021 the fair value of all financial liabilities is not materially different to the carrying value.

Convertible debt

In April 2018 the parent company issued 4,000 8% convertible loan notes at a face value of £1,000 each. The loan notes 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 were deemed substantial changes by the Directors but they took the option allowed under IFRS 9 not to revalue the equity element of the convertible instruments.

In June 2021, the entire £4,000,000 convertible debt was extinguished. The Directors wrote to all bond holders offering to redeem the convertible debt in cash plus the 25% early redemption penalty included in the original bond documentation and in turn the bond holders were entitled to accept the offer or convert into ordinary shares in the Company at 90 pence per share.

£3,056,938 of the loan notes were repaid in cash which attracted an early repayment penalty of £764,000 (see note 4) and the remaining £943,062 was converted into 1,047,848 ordinary shares at 90 pence per share (see note 21).

19. DEFERRED TAXATION

	2021 £'000	2020 £'000
Opening provision	**2,000**	2,205
Taken to the Consolidated Statement of Comprehensive Income in current year	**43**	(250)
Foreign exchange difference	**(51)**	45
Re-classified to non-current assets held for sale	**(914)**	—
Closing provision	**1,078**	2,000

The provision is split between deferred tax assets and liabilities as follows:

Deferred tax assets	**(221)**	—
Deferred tax liabilities	**1,299**	2,000
Net provision	**1,078**	2,000

The provision for deferred taxation is made up as follows:

	2021 £'000	2020 £'000
Accelerated capital allowances	**1,177**	1,831
Losses carried forward	**(221)**	—
Fair value adjustment to property, plant and equipment on acquisition	**122**	154
Fair value of intangibles on acquisition	**—**	15
	1,078	2,000

20. ASSETS AND LIABILITIES CLASSIFIED AS HELD FOR SALE

In April 2021 the Board announced its intention to dispose of the Tasman division and began to market the division in the same month.

In September 2021 it become clear that Tasman would not be sold as a single division and it was announced that:

- an exit from the joint venture in Malaysia was close to being agreed and that the assets held there would then be marketed;
- exclusive discussions to sell the Australian and New Zealand entities were ongoing; and
- discussions to sell the Middle East entities were at an early stage.

At the year end, Tasman had successfully exited the joint venture in Malaysia and either sold or scrapped all the assets in the region. The loss on disposal of the assets is included within exceptional costs in note 4.

In December 2021, a "heads of terms" was signed to sell the Australian and New Zealand entities and at 31 December it was deemed highly probable that the deal would complete within twelve months of the year end. The deal completed on 28 February as described in note 29.

Discussions with parties interested in acquiring the Middle East entities were on going at the year end and the Board agreed that all of the remaining Tasman operations should be classified as held for sale at the year end. This was a key judgement and is described in detail in note 1.20.

The following major classes of assets and liabilities relating to the Tasman operation have been classified as held for sale in the Consolidated Balance Sheet on 31 December 2021:

	£'000
Property, plant and equipment before impairment	**6,361**
Impairment of property, plant and equipment on classification as held for sale	**(2,687)**
Property, plant and equipment at net realisable value less costs to sell	**3,674**
Right-of-use assets	**40**
Inventory	**651**
Trade and other receivables	**3,107**
Cash and cash equivalents	**1,148**
Assets held for sale	**8,620**

	£'000
Trade and other payables	**2,416**
Loans and borrowings	**429**
Lease liabilities	**41**
Current tax liabilities	**88**
Deferred tax liabilities	**914**
Liabilities held for sale	**3,888**

The fair value of the net assets of Tasman (£5,547,000 less disposal costs of £815,000) is categorised as a level 3 non-recurring fair value measurement.

The assets and liabilities have been valued at book value adjusted to fair value based on similar asset disposals. The assets and liabilities of the Australian and New Zealand entities have been revalued based on the sale terms agreed in heads of terms signed in December 2021.

There were no changes to the valuation techniques on re-classification. The fair value measurement is based on the above items' highest and best uses, which do not differ from their actual use.

21. SHARE CAPITAL

	2021 £'000	2020 £'000
Allotted, called up and fully paid		
29,281,259 ordinary shares of 10 pence each (2020: 28,114,752 ordinary shares of 10 pence each)	**2,928**	2,811

	2021		2020	
	Number	£'000	Number	£'000
Ordinary shares of 10 pence each				
At beginning of year	**28,114,752**	**2,811**	28,114,752	2,811
Conversion of loan notes	**1,047,848**	**105**	—	—
Issue of new shares due to exercise of share options	**118,659**	**12**	—	—
At end of year	**29,281,259**	**2,928**	28,114,752	2,811

	2021 Number	2020 Number
Treasury shares held by the Company	**215,150**	215,150

Since the year end the Company has purchased a further 615,000 shares and the total treasury shares held by the Company have increased to 830,150.

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 Executive Chairman's Statement. Debt was converted to equity in the year as described in note 18.

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 £295,000 (2020: £291,000). No amounts were owing at the year end (2020: £nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

For the year ended 31 December 2021

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%*
Northbridge Australia Limited	United Kingdom	Second Avenue, Centrum 100, Burton DE14 2WF	100%
Crestchic (Middle East) Technical Services LLC	United Arab Emirates	PO Box 211520, Dubai	100%*
Tasman OMM Limited	United Arab Emirates	PO Box 262559, Jebel Ali Free Zone, Dubai	100%*
Duck Trading FZCO	United Arab Emirates	MO0229, Jebel Ali Free Zone, Dubai	100%*
Northbridge 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%*
Entities held for sale:			
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 Pty Limited	Australia	38 Station Street, Subiaco, Perth, WA 6008	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.

24. SHARE-BASED PAYMENTS

The Company operates two equity-settled share-based remuneration schemes: an HMRC-approved scheme and an unapproved scheme and in 2021 established a new Long Term Incentive Plan.

Existing schemes

	2021		2020	
	Weighted average exercise price (pence)	**Number**	Weighted average exercise price (pence)	Number
Outstanding at the beginning of the year	**181**	**2,332,951**	194	2,086,951
Granted during the year – new	**100**	**174,000**	95.5	310,000
Share options exercised during the year	**101**	**(118,659)**	—	—
Share options lapsed during the year	**160**	**(147,600)**	191	(64,000)
Outstanding at the end of the year	**180**	**2,240,692**	181	2,332,951

The exercise price of options outstanding at the end of the year ranged between 89.50 pence and 453.50 pence (2020: 89.50 pence and 453.50 pence) and their weighted average contractual life was four months (2020: six months). The weighted average exercise price of the options is 180 pence (2020: 181 pence).

Of the total number of options outstanding at the end of the year, 1,572,192 (2020: 1,535,451) had vested and were exercisable at the end of the year. The schemes have been valued using the Black Scholes pricing model.

24. SHARE-BASED PAYMENTS CONTINUED

Existing schemes continued

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

	2021
Options granted during the year	**174,000**
Date of grant	**15 April 2021**
Fair value per option at measurement date	**100 pence**
Share price	**100 pence**
Exercise price	**100 pence**
Weighted average exercise price	**100 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	**0.1%**

	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%

The volatility rate is based on the average share price movement during the year ended 31 December 2021 and during the year ended 31 December 2020.

The share-based remuneration expense for the year for these option schemes is £47,000 (2020: £44,000), of which £15,000 (2020: £21,000) relates to key management personnel.

The following share options were outstanding at 31 December 2021:

Type of scheme	Date of grant	Number of shares 2021	Number of shares 2020
Approved share option	5 May 2017	**112,587**	112,587
Unapproved share option	5 May 2017	**1,255,605**	1,422,864
Approved share option	16 May 2018	**37,399**	37,399
Unapproved share option	16 May 2018	**166,601**	172,601
Approved share option	18 April 2019	**21,817**	21,817
Unapproved share option	18 April 2019	**259,683**	265,683
Approved share option	14 April 2020	**17,500**	17,500
Unapproved share option	14 April 2020	**201,500**	282,500
Approved share option	15 April 2021	**16,925**	—
Unapproved share option	15 April 2021	**151,075**	—
		2,240,692	2,332,951

24. SHARE-BASED PAYMENTS CONTINUED

Directors' share options

	Date of grant	Number of shares	Exercise price of shares (pence)	Normal exercise period	Scheme type
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 J Gardner	15 April 2021	30,000	100.00	15/04/2024–14/04/2031	Unapproved
C Caldwell	5 May 2017	12,000	149.88	05/05/2017–18/04/2024	Unapproved
C Caldwell	5 May 2017	20,000	186.00	05/05/2017–18/04/2025	Unapproved
C Caldwell	5 May 2017	20,000	208.50	05/05/2017–18/04/2025	Unapproved
C Caldwell	5 May 2017	15,000	281.50	05/05/2017–18/04/2025	Unapproved
C Caldwell	5 May 2017	3,642	327.50	05/05/2017–18/04/2025	Approved
C Caldwell	5 May 2017	8,358	327.50	05/05/2017–18/04/2025	Unapproved
C Caldwell	5 May 2017	8,000	453.50	05/05/2017–10/04/2025	Unapproved
C Caldwell	5 May 2017	10,000	377.50	17/04/2018–17/04/2025	Unapproved
C Caldwell	5 May 2017	20,000	89.50	10/05/2019–10/05/2026	Unapproved
C Caldwell	5 May 2017	20,000	102.00	05/05/2020–05/05/2027	Approved
C Caldwell	16 May 2018	12,616	130.00	16/05/2021–16/05/2028	Unapproved
C Caldwell	16 May 2018	7,384	130.00	16/05/2021–16/05/2028	Approved
C Caldwell	18 April 2019	30,000	157.50	18/04/2022–18/04/2029	Unapproved
C Caldwell	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
		599,000			

	2021 Number of options	2020 Number of options
I J Gardner	**226,000**	196,000
C Caldwell	**217,000**	217,000
I C Phillips	**156,000**	156,000
	599,000	569,000

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

24. SHARE-BASED PAYMENTS CONTINUED

2021 LTIP

On 10 June 2021, a Long Term Incentive Plan ("LTIP") was granted to certain members of the Board.

The LTIP has been formed as a growth share scheme whereby new shares in a subsidiary company, Crestchic Limited, have been purchased at nominal cost and awarded to the participants of the LTIP in the proportions set out in the table below. After a three-year vesting period, the Growth Shares will be exchangeable into, in aggregate, a maximum of 1,500,000 ordinary shares in the Company ("Ordinary Shares") at nil further cost to the participant.

Director	Percentage of LTIP available to participant	Maximum no. of Ordinary Shares
P R Harris	25%	375,000
I C Phillips	20%	300,000
C Caldwell	20%	300,000
S Yapp	7%	105,000
J Aldersey-Williams	5.5%	82,500
N Kaul	5.5%	82,500
Unallocated	17%	255,000
Total	100%	1,500,000

The LTIP has been valued using Monte Carlo simulations. The profit and loss expense for 2021 is £67,000, all of which relates to key management personnel.

	2021
Date of grant	**10 June 2021**
Fair value per option at measurement date	**118.50 pence**
Share price	**118.50 pence**
Minimum exercise price	**150.00 pence**
Exercise price for full award	**225.00 pence**
Weighted average exercise life	**Two years six months**
Expected volatility	**40%**
Earliest exercisable point	**Three years**
Option life	**Three years six months**

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 2021	6,619	2,345	8,964
Cash flows	(978)	(2,478)	(3,456)
Non-cash flows:			
Amortisation of debt fees	94	113	207
Equity element of convertible loan notes	40	—	40
Loans and borrowings classified as held for sale	(399)	(30)	(429)
At 31 December 2021	**5,376**	**(50)**	**5,326**

	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

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.

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	
	2021 £'000	2020 £'000
Current financial assets		
Trade and other receivables	**6,029**	7,355
Cash and cash equivalents	**4,229**	4,323
Total current financial assets	**10,258**	11,678

	Financial liabilities measured at amortised cost	
	2021 £'000	2020 £'000
Current financial liabilities		
Trade and other payables	**6,278**	7,042
Loans and borrowings	**(50)**	2,345
Total current financial liabilities	**6,228**	9,387
Non-current financial liabilities		
Loans and borrowings	**5,376**	6,619
Total non-current financial liabilities	**5,376**	6,619
Total financial liabilities	**11,604**	16,006

Trade and other payables are all considered to be current and due in less than one year.

26. FINANCIAL INSTRUMENTS CONTINUED

Financial instrument risk exposure and management continued

Credit risk

Credit risk arises principally from the Group's trade receivables. It is the risk that the counterparty fails to discharge its obligation in respect of the instrument. Credit risk also arises from cash and cash equivalents and deposits with banks. The quality of the cash and debtors is considered to be high through trading with a well-established customer base and arrangements with reputable banks.

Trade receivables

Credit risk is managed locally by the management of each operating location. Prior to accepting new customers, a credit assessment is made using trade industry knowledge and credit scoring database services as appropriate.

Based on this information, credit limits and payment terms are established, although for some large customers and contracts credit risk is not considered to be high risk and credit limits can sometimes be exceeded. These exceeded accounts are closely monitored and if there is a concern over recoverability, accounts are put on stop and no further goods or services will be provided before receiving payment. Pro-forma invoicing is sometimes used for new customers or customers with a poor payment history until creditworthiness can be proven or re-established.

Management teams at each operating location receive monthly ageing reports and these are used to chase relevant customers for outstanding balances. The Executive team of the Group also receives monthly reports analysed by trade receivable balance and ageing profile of each of the key customers individually. The Board receives periodic reports summarising the ageing position and any significant issues regarding credit risk.

No major renegotiation of terms has taken place during the year. There are no significant customers with restricted accounts.

Liquidity risk

Liquidity risk arises from the Group's management of working capital and the finance charges and principal repayments on its debt instruments. It is the risk that the Group will encounter difficulty in meeting its financial obligations as they fall due. The Group's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities when they become due. To achieve this aim, it seeks to maintain cash balances or agreed facilities to meet expected requirements for a period of at least twelve months. The cash position is continually monitored and the overdraft facilities are utilised at the appropriate time to ensure that there is sufficient cash and that the optimum interest rate is obtained. The Board monitors annual cash budgets against actual cash position on a monthly basis.

The Group also utilises an agreed trade finance facility whereby amounts can be drawn down against sales orders and repaid once the related sales invoice has been settled. This gives the Group greater flexibility and decreases some of the usual liquidity risks associated with taking on large or long-term projects.

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

2021	**Up to 12 months £'000**	**Between 1 and 2 years £'000**	**Between 2 and 5 years £'000**
Trade and other payables	**6,278**	**—**	**—**
Loans and borrowings	**(50)**	**(50)**	**5,427**
	6,228	**(50)**	**5,427**

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

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 £27,000 (2020: £25,000). A 0.5% increase in the interest rate would, on the same basis, have increased the post-tax loss by the same amount.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

For the year ended 31 December 2021

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:

	2021 Floating rate £'000	2020 Floating rate £'000
Pound Sterling	**1,537**	1,937
Euro	**1,739**	964
US Dollar	**508**	641
UAE Dirham	**178**	202
Australian Dollar	**—**	170
Singapore Dollar	**262**	98
New Zealand Dollar	**—**	171
Other	**5**	140
	4,229	4,323

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 2021				
Euro	**(27)**	**(205)**	**33**	**251**
US Dollar	**(31)**	**(84)**	**38**	**103**
UAE Dirham	**—**	**(57)**	**—**	**69**
Singapore Dollar	**—**	**(24)**	**—**	**29**
Australian Dollar	**—**	**—**	**—**	**—**
New Zealand Dollar	**—**	**—**	**—**	**—**
Other	**—**	**(77)**	**—**	**94**
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)

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.

28. CAPITAL COMMITMENTS

At the year end the Group was committed to capital expenditure of £1,712,000 which all relates to the asset under construction in note 13 (2020: £42,000).

29. POST BALANCE SHEET EVENT

On 28 February the sale of all the Tasman operations in Australia and New Zealand was completed for the agreed consideration of AUD7.85 million. The consideration is subject to a working capital adjustment which is not expected to be material. The consideration was agreed in December 2021 and was used in the calculation of the net realisable value of the Tasman division as it was classified as held for sale.

PARENT COMPANY ACCOUNTS UNDER FRS 101

Parent company balance sheet
As at 31 December 2021

Company number: 05326580	Note	2021 £'000	2020 £'000
Fixed assets			
Tangible fixed assets	5	**3**	5
Deferred tax asset		**221**	—
Fixed asset investments	4	**11,811**	19,287
		12,035	19,292
Current assets			
Debtors	6	**11,460**	15,439
Cash and cash equivalents		**248**	852
		11,708	16,291
Creditors: amounts falling due within one year	7	**(7,441)**	(5,582)
Net current assets		**4,267**	10,709
Total assets less current liabilities		**16,302**	30,001
Creditors: amounts falling due after more than one year	8	**(5,376)**	(6,172)
Net assets		**10,926**	23,829
Capital and reserves			
Called up share capital	10	**2,928**	2,811
Convertible loan note reserve		**201**	201
Share premium account		**—**	29,950
Merger reserve		**2,810**	2,810
Treasury share reserve		**(451)**	(451)
Profit and loss account		**5,438**	(11,492)
Shareholders' funds		**10,926**	23,829

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 £14,080,000 (2020: loss of £11,117,000).

The notes on pages 80 to 83 form part of these financial statements. The financial statements were approved and authorised for issue by the Board and were signed on its behalf on 11 April 2022.

Peter Harris
Director

The Directors' Report is on pages 33 to 35 and the Strategic Report is on pages 2 to 27 of the annual report and accounts.

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2021

	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 2021	2,811	201	29,950	2,810	(451)	(11,492)	23,829
Loss for the year	—	—	—	—	—	(14,080)	(14,080)
Other comprehensive loss	—	—	—	—	—	—	—
Total comprehensive loss for the year	—	—	—	—	—	(14,080)	(14,080)
Issue of share capital	117	—	946	—	—	—	1,063
Capital reduction*	—	—	(30,896)	—	—	30,896	—
Share option expense	—	—	—	—	—	114	114
Balance at 31 December 2021	**2,928**	**201**	**—**	**2,810**	**(451)**	**5,438**	**10,926**

* After a resolution was passed by the shareholders in a general meeting held on 18 October 2021, it applied for and received confirmation from the High Court that the amount to the credit of the Company's share premium account could be reduced to zero and transferred to retained earnings.

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

The notes on pages 80 to 83 form part of these financial statements.

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

For the year ended 31 December 2021

1. ACCOUNTING POLICIES

1.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention and in accordance with applicable UK accounting standards (FRS 101) and the Companies Act 2006. The policies have been consistently applied to all years presented.

Disclosure exemptions adopted

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

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

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

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

1.2 Investments

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

1.3 Deferred taxation

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date except that the recognition of deferred tax assets is limited to the extent that the Company anticipates making sufficient taxable profits in the future to absorb the reversal of the underlying timing differences.

Deferred tax balances are not discounted.

1.4 Share options

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

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

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

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

1. ACCOUNTING POLICIES CONTINUED

1.5 Finance costs

Finance costs are charged to the profit and loss account over the term of the debt so that the amount charged is at a constant rate on the carrying amount. Finance costs include issue costs, which are initially recognised as a reduction in the proceeds of the associated capital instrument.

1.6 Foreign currencies

Foreign currency transactions of individual companies are translated at the rates ruling when they occurred. Foreign currency monetary assets are translated at the rate of exchange ruling at the balance sheet date. Any differences are taken to the profit and loss account.

1.7 Dividends

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

1.8 Critical accounting estimates and judgements

The preparation of financial statements under FRS 101 requires the Company to make estimates and assumptions that affect the application of policies and reported amounts. Estimates and judgements are continually evaluated and are based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year are discussed below:

Impairment of investments

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

The cash flows, growth rates and discount rates of the assets or cash-generating units were reviewed (see note 12 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:

	2021 £'000	2020 £'000
Wages and salaries	618	634
Social security costs	92	72
Compensation for loss of office	459	—
Share-based payments	114	44
	1,283	750

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

	2021 Number	2020 Number
Full time – administration	1	2
Part time – administration	4	5
	5	7

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS CONTINUED

For the year ended 31 December 2021

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 and Chris Caldwell are remunerated through the parent company.

4. FIXED ASSET INVESTMENTS

	Shares in Group undertakings £'000
Cost	
At 1 January 2021	19,287
Impairment	(7,476)
At 31 December 2021	**11,811**

The impairment recognised in the year relates to the reduction in the carrying value of investments related to the Tasman division which was substantially disposed of by 28 February 2022. Please see note 20 of the Group financial statements.

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 2021	54
Additions	—
At 31 December 2021	**54**
Depreciation	
At 1 January 2021	49
Charge for the year	2
At 31 December 2021	**51**
Net book value	
At 31 December 2021	**3**
At 31 December 2020	5

6. DEBTORS

	2021 £'000	2020 £'000
Amounts owed by Group undertakings	**11,421**	15,412
Other debtors	**20**	19
Prepayments	**9**	8
	11,460	15,439

Amounts owed by Group undertakings are shown after a provision for doubtful debts of £3,700,000 (2020: £nil). The provision has been calculated by reviewing the expected proceeds from the disposal of the Tasman Group which is classified as held for sale in the Group financial statements. Please see note 20 of the Group financial statements.

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

7. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2021 £'000	2020 £'000
Bank loans and overdraft net of capitalised debt fees	**(50)**	1,387
Amounts payable to Group undertakings	**6,814**	3,970
Trade creditors	**93**	124
Other creditors	**584**	101
	7,441	5,582

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

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

	2021 £'000	2020 £'000
Bank loans net of capitalised debt fees	**5,376**	2,212
Convertible debt	**—**	3,960
	5,376	6,172

All loans are wholly repayable within five years.

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; and
- a composite guarantee by certain Group companies (as guarantors) in favour of HSBC.

9. FINANCIAL INSTRUMENTS

Borrowing facilities

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

	2021 £'000	2020 £'000
Expiry within one year	**(50)**	1,387
More than one year and less than two years	**(50)**	6,172
More than two years and less than five years	**5,476**	—
Total	**5,376**	7,559

The Company has an undrawn revolving credit facility of £4.5 million as at 31 December 2021 (2020: no undrawn facilities). The Company refinanced during the year as detailed in note 18 of the Group financial statements.

10. SHARE CAPITAL

	2021 £'000	2020 £'000
Allotted, called up and fully paid		
29,281,259 ordinary shares of 10 pence each (2020: 28,114,752 ordinary shares of 10 pence each)	**2,928**	2,811

	2021		2020	
	Number	£'000	Number	£'000
Ordinary shares of 10 pence each				
At beginning of year	**28,114,752**	**2,811**	28,114,752	2,811
Conversion of loan notes	**1,047,848**	**105**	—	—
Issue of new shares due to exercise of share options	**118,659**	**12**	—	—
At end of year	**29,281,259**	**2,928**	28,114,752	2,811

	2021 Number	2020 Number
Treasury shares held by the Company	**215,150**	215,150

Since the year end the Company has purchased a further 615,000 shares and the total treasury shares held by the Company have increased to 830,150.

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 15th Annual General Meeting of Northbridge Industrial Services plc will be held at the offices of Buchanan Communications, 107 Cheapside, London EC2V 6DN, on 9 June 2022, commencing at 12 noon for the following purposes:

ORDINARY BUSINESS

1. To receive and adopt the financial statements for the year ended 31 December 2021 together with the Directors' Report and the Independent Auditor's Report.
2. To declare a final dividend of 1.0 pence per share for the year.
3. To re-elect as a Director Nitin Kaul, who retires in accordance with the Company's Articles of Association.
4. To re-elect as a Director Iwan Phillips, who retires in accordance with the Company's Articles of Association.
5. To elect as a Director Nicholas Mills, 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 £976,041.97 (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 £976,041.97 (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 £292,813 (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.

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

    That the registered name of the Company be changed to Crestchic Plc.

By order of the Board

Iwan Phillips
Company Secretary
11 April 2022

NOTICE OF ANNUAL GENERAL MEETING CONTINUED

NOTES

1. Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, the Company specifies that only those members entered in the Company's register of members at close of business on 7 June 2022 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.
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 7 June 2022. 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
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FINANCIAL CALENDAR

2022	
June	Annual General Meeting
June	Half year end
September	Interim results announced
October	Interim report published
December	Year end

2023	
April	Preliminary results announced
April	Annual report published

COMPANY INFORMATION

SECRETARY
I C Phillips

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Northbridge Industrial Services plc's commitment to environmental issues is reflected in this annual report, which has been printed on Symbol Freelife Satin, an FSC® certified material.

This document was printed by L&S using its environmental print technology, which minimises the impact of printing on the environment, with 99% of dry waste diverted from landfill. Both the printer and the paper mill are registered to ISO 14001.

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