Global industrial equipment group

Northbridge Industrial Services plc
Interim report and accounts 2020

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

CONTENTS

HIGHLIGHTS

- Overall the business has shown operational resilience in the face of Covid-19 with Group revenue only 4.5% lower at £16.0 million (2019: £16.8 million)
- Third consecutive pre-exceptional half-yearly profit before tax
- Gross profit 8.1% lower at £6.9 million (2019: £7.5 million) as lockdown impacted rental revenues more than sales
- EBITDA* 6.3% lower at £3.2 million (2019: £3.4 million)
- Cash generation from operations* increased substantially by 24% to £3.2 million (2019: £2.6 million)
- Exceptional impairment of £7.1 million relating to the intangible assets recognised on the 2013 acquisition of Tasman New Zealand and £0.6 million relating to working capital investments in joint ventures as a result of Covid-19 and other local factors
- Net debt*, including £4.0 million of convertible debt, of less than one times twelve-month rolling EBITDA* at £6.3 million (2019 year end: £6.4 million)
- Successful renegotiation of financing facilities extending one year to June 2022 in August 2020
- Continuing record level of factory orders at Crestchic
- Growing success for Crestchic in North American market

* Excluding the impact of IFRS 16; a reconciliation is included in the Finance Director's Report.

CHIEF EXECUTIVE'S STATEMENT

Eric Hook
Chief Executive

We are pleased to present our interim results for the six-month period ended 30 June 2020.

Trading operations during the first half of 2020 can be separated into two distinct quarters: before Covid-19 and the associated global restrictions and after the first onset of Covid-19 protocols. The first quarter, up to the last week of March, continued to experience the strong recovery enjoyed during 2019 in most of our markets. This was particularly true for the Tasman Group, where year-on-year revenue showed strong revenue growth. The second quarter experienced the full impact of the pandemic and the resultant national lockdowns in our operating areas.

Overall trading in the six months remained resilient in the context of the Covid-19 pandemic. Total revenue was down by just 4.5% to £16.0 million (2019: £16.8 million), with rental revenue down in the second quarter. However, revenue mix between sales and rental, between Crestchic and Tasman, and between the individual quarters fluctuated widely, as the various pandemic responses worked through our regional networks. The comparative is also influenced by the timing of large load testing contracts which vary year to year.

The decrease in revenue has mostly been offset by a reduction in operating costs of 4.7% to £6.4 million (2019: £6.7 million), which included a voluntary salary reduction by senior staff during the second quarter. Other operating income for the period of £0.2 million (2019: £nil) related to the receipt of various governmental support payments received during lockdown and a further £0.1 million is expected in the second half. Gross profits were reduced to £6.9 million (2019: £7.5 million) reflecting the swing to unit sales from higher margin rentals. Cash generated from operations rose by 24% to £3.2 million (2019: £2.6 million). The Group continued to invest and expenditure on the hire fleet doubled to £2.4 million (2019: £1.2 million). Pre-exceptional profit before tax was £35,000 compared to £22,000 in 2019.

The impact of Covid-19 on some of our operations has caused the Board to re-examine the holding value of intangible assets. Our conclusion has led to the impairment of the goodwill created on the 2013 acquisition of Tasman Oil Tools (New Zealand) and £7.1 million was included as an exceptional impairment in the period. We remain committed to the New Zealand market, which we believe has an exciting future particularly in renewables and other more sustainable activities. The Group has no further intangible assets relating to the Tasman division. Full details of the overall impairment review undertaken on 30 June 2020 are included in note 2 of this report.

As announced on 25 June 2020, an agreement has been reached with the Group's bank and loan note holders to extend the maturity of the bank facilities and loan notes by one year to June 2022. We are pleased to confirm that this process has now been formally concluded and amended agreements have been signed by all parties.

Overall net debt (before IFRS 16) was £6.3 million at 30 June 2020, which includes £4.0 million of convertible loan notes. Net bank debt was £2.3 million at 30 June 2020 and included cash on hand of £4.1 million.

DIVISIONAL TRADING

Northbridge has two core activities, Crestchic Ltd and Tasman Ltd. Crestchic is a specialist electrical equipment business which manufactures, sells and rents loadbanks and transformers from its base in Burton on Trent and has depots in the USA, France, Germany, Belgium, the UAE, Singapore and China. Tasman rents drilling equipment and provides services to the oil, gas, carbon capture and geothermal industries from its sites in Australia, New Zealand, Malaysia, Singapore and the UAE.

CRESTCHIC – ELECTRICAL POWER RELIABILITY

The UK, European and USA activities of Crestchic continue to perform well, albeit interrupted by various regional lockdowns. The services we provide to this sector are largely resilient to market economic volatility as power reliability, renewables and data centres continue to play an increasingly important part in worldwide markets. Our other overseas market, principally relating to natural resources, shipyards and large energy projects, has been more widely affected by Covid-19, as these activities rely on an international skilled workforce and travel and quarantine restrictions impact its availability.

DIVISIONAL TRADING CONTINUED

CRESTCHIC – ELECTRICAL POWER RELIABILITY CONTINUED

Quarterly revenue comparatives (£'m):

	Q1 20	Q2 20	**H1 20**	Q1 19	Q2 19	H1 19
Crestchic hire	2.6	2.4	**5.0**	3.2	4.0	7.2
Crestchic sales	2.1	3.9	**6.0**	2.7	3.2	5.9
Crestchic total	4.7	6.3	**11.0**	5.9	7.2	13.1

Crestchic manufacturing, having started 2020 with its largest ever new year order book for the second consecutive year, continues to perform strongly.

TASMAN – DRILLING TOOL RENTAL

The improvement in trading experienced by Tasman during 2019 continued strongly into the first quarter of 2020, with the division showing a trading profit and positive cash flows for the first time in four years. The impact of Covid-19 was most apparent during the second quarter, as rig operators experienced problems with rig crews either testing positive or being affected by international travel bans. This has led to a number of projects being delayed until the fourth quarter of 2020 and also into 2021.

The fall in demand for crude oil globally also weighs on the sector; however, in our focused corner of the market in Australasia, Southeast Asia and the Middle East, natural gas, LNG and geothermal fluid demand has held up and further exploration and production projects have been scheduled to begin as the pandemic eases. Oil production currently only accounts for 25% of our operational activity.

Quarterly revenue comparatives (£'m):

	Q1 20	Q2 20	**H1 20**	Q1 19	Q2 19	H1 19
Tasman hire	2.5	1.8	**4.3**	1.3	1.9	3.2
Tasman sales	0.4	0.3	**0.7**	0.3	0.2	0.5
Tasman total	2.9	2.1	**5.0**	1.6	2.1	3.7

Despite the interruption from Covid-19, year-on-year revenues are showing significant gains in most of Tasman, albeit from a low base, and we are confident of the long-term future of the operation.

Despite the strong overall improvements in Tasman Group's revenues since 2016, current events in some local markets, largely as a result of the pandemic, have caused the Board to review the carrying value of intangible assets, particularly in New Zealand.

The acquisition of Tasman New Zealand ("TNZ") in 2013 led to the establishment of balance sheet intangible assets of £9.5 million, split between goodwill and other intangibles. After £1.6 million of impairment in 2015 and ongoing amortisation of other intangibles, its carrying value at 30 June 2020 was £7.1 million. TNZ has a substantial hire fleet and generated all its revenue from the geothermal, gas and oil markets. The impact of Covid-19, and the highly uncertain future of the Tiwai aluminium smelter, which consumes 13% of NZ electricity capacity, has caused us to reappraise the carrying value of the investment and, as a consequence, we have written the intangible to zero. We believe TNZ has a good long-term future, albeit at lower revenues than previously expected, and its hire fleet can also be shared by other Tasman locations around the region. There are no further intangible assets relating to Tasman.

The impact of the pandemic on trading in our Malaysian joint venture has affected the ability of the joint venture to repay amounts owed to the Group as they fall due and in recognition of this an impairment provision of £0.6 million has been made against the receivables. Further details relating to the impairment process can be found in note 2 to this report.

SUMMARY AND OUTLOOK FOR 2020

In summary, the overall interim trading result was very similar to the equivalent period in 2019 and we expect a similar performance in the second half of year, demonstrating the resilience of the Group during the Covid-19 pandemic. It was particularly important for us to maintain factory production, due to both the record order book and the essential nature of our products for power reliability and data system resilience. Likewise, our rental operations, which are at the forefront of supporting our industrial and commercial customers, continue to operate effectively. Our success in this has been down to our staff, who have worked through this crisis with commitment and flexibility.

We believe the impact of the pandemic on the overall economy represents an interruption to the recovery in our markets rather than a fundamental long-term change. We recognise that the impetus towards a "green" recovery will accelerate as the crisis reduces, and our focus remains to continue to develop our ESG values together with our development of services and equipment to benefit from this move.

Eric Hook
Chief Executive
30 September 2020

FINANCE DIRECTOR'S REPORT

Iwan Phillips
Finance Director

REVENUE AND PROFIT BEFORE TAX

Overall revenue for the period was down by 4.5% to £16.0 million (2019: £16.8 million) with large variations across revenue streams and across the first and second quarters as described in the Chief Executive's Statement.

Sales revenue made up 42% of total revenue in the first half of 2020 compared to 38% in 2019 and this has driven the decrease in the overall margin from 48% to 46%.

Other operating income of £0.2 million (2019: £nil) was recognised in the period and relates to various Government support initiatives across the Group. This includes jobkeeper support in Australia, New Zealand and Singapore as well as limited use of the UK furlough scheme. At the date of this report all staff have returned to work.

Operating costs decreased from £6.7 million to £6.4 million which was mainly due to a voluntary 20% pay decrease for all senior salaried staff in the second quarter and a decrease in staff travel costs.

BALANCE SHEET, DEBT AND CASH FLOW

Net hire fleet additions have risen to £2.1 million in the year (2019: £0.9 million) with the majority of this committed to prior to the Covid-19 outbreak, although investment opportunities with short payback periods and good long-term returns have continued to arise since. The 2020 additions include an increase to the number of loadbanks held in the USA and oil tools for secured projects across the Tasman division, in Asia and Australia in particular.

Inventory levels have increased since the previous year end to £5.1 million (2019 year end: £3.9 million) due to an increase in the level of loadbank components held in the UK factory. When the pandemic began to affect the Crestchic business in March it was decided to increase stock levels to guard against the risk of future supply shortages given the historically high sales order book. This strategy has been successful in keeping the factory output high but a reduction in stock levels will now be targeted as the supply risk from the pandemic eases.

Trade and other receivables have increased slightly from £9.1 million at the previous year end to £9.4 million at the end of June 2020. Trade debtors and debtor days remain close to the levels seen at 31 December 2019.

Period-end net debt stood at £6.3 million (2019 year end: £6.4 million) which includes £4.0 million of debt convertible to equity at 90 pence per share. As part of the extension to financing facilities which was signed on 11 August, the maturity of the convertible debt was extended by one year to June 2022 and, reflecting the movement in the share price since the original issue, the strike price was lowered from 125 pence per share to 90 pence per share. The Group did not defer the payment of any rent, payroll taxes, VAT or GST in the period.

The Group's leverage, as calculated by dividing net debt by twelve-month rolling EBITDA, has remained consistent with that seen at 31 December 2019 at 0.9. The Group continued to increase the cash generated from operations, which totalled £3.2 million during the period (2019: £2.6 million).

The Group is renewing its focus on return on capital with all capital expenditure projects reviewed for their payback periods and medium to long-term return on capital. More details on return on capital will be provided with the year-end results.

IFRS 16

The table below shows the impact of IFRS 16 on the Group's EBITDA, cash generated from operations and net debt. For the purposes of comparison with historical figures the commentary in the Chief Executive's Statement and this report and the highlights refer to these figures excluding the impact of IFRS 16.

£'000	As reported	IFRS 16 impact	Excluding IFRS 16 impact
EBITDA			
Six-month period ended 30 June 2020	3,650	484	3,166
Six-month period ended 30 June 2019	3,823	444	3,379
Twelve-month period ended 31 December 2019	7,788	756	7,032
Cash generated from operations			
Six-month period ended 30 June 2020	3,666	484	3,182
Six-month period ended 30 June 2019	3,008	444	2,564
Twelve-month period ended 31 December 2019	8,798	756	8,042
Net debt as at:			
30 June 2020	7,430	1,169	6,261
31 December 2019	7,752	1,308	6,444
30 June 2019	9,931	1,398	8,533

GOING CONCERN

The Group's annual report and accounts for the period ended 31 December 2019 was signed and released on 7 April 2020 when the uncertainty surrounding Covid-19 was close to its peak. At that time the Directors acknowledged that although they were satisfied from stress testing their forecasts and the headroom that this showed on the bank covenants that the Group would be able to continue to operate for the foreseeable future, the issues connected to Covid-19 and the decline in market oil price created significant difficulties in being able to forecast future trading and cash flows and that actual results achieved might be significantly different to management's expectations in the forecasts prepared to assess funding requirements and going concern.

Since 7 April some of the uncertainties have become a little clearer and the risks for the Group have certainly decreased:

- The factory remained operational throughout the period and the supply chain held up well.
- Hire revenue has rebounded towards the middle of the third quarter.
- Brent remains above $40 per barrel.
- The bank and loan note facilities have been extended to June 2022.
- The bank facility extension included a capital repayment holiday which increased liquidity and headroom on covenants.
- The sales order book for the UK factory remains at a record level with over £2 million already secured for the first quarter of 2021.

Whilst the Directors continue to acknowledge that Covid-19 is causing a level of general uncertainty, and in particular around oil and gas investment in 2021 and beyond, the mostly positive news since April, except for the impairment provisions, has improved the internal downside sensitivity scenarios and significantly increased the level of liquidity and covenant headroom.

The Directors do not believe that material uncertainties which may cast significant doubt about the Group's ability to continue as a going concern currently exist.

Iwan Phillips
Finance Director
30 September 2020

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2020

	Note	**Six months ended 30 June 2020 Unaudited £'000**	Six months ended 30 June 2019* Unaudited £'000	Year ended 31 December 2019 Audited £'000
Revenue		**16,002**	16,759	33,600
Cost of sales		**(9,119)**	(9,268)	(17,802)
Gross profit		**6,883**	7,491	15,798
Other operating income		**204**	—	—
Operating costs:				
Excluding exceptional impairment		**(6,376)**	(6,691)	(13,634)
Exceptional impairment	2	**(7,751)**	—	—
Total operating costs		**(14,127)**	(6,691)	(13,634)
Impairment loss on trade receivables		**(50)**	—	(149)
Share of post-tax results of joint ventures		**(283)**	(349)	(832)
(Profit)/loss from operations		**(7,373)**	451	1,183
Finance costs		**(343)**	(429)	(868)
Profit before tax excluding exceptional impairment		**35**	22	315
Exceptional impairment		**(7,751)**	—	—
(Loss)/profit before taxation		**(7,716)**	22	315
Income tax charge		**(4)**	(144)	(551)
Loss for the period attributable to the equity holders of the parent		**(7,720)**	(122)	(236)
Other comprehensive income/(loss)				
Exchange differences on translating foreign operations		**801**	(130)	(1,248)
Other comprehensive loss for the period, net of tax		**801**	(130)	(1,248)
Total comprehensive loss for the period attributable to equity holders of the parent		**(6,919)**	(252)	(1,484)
Loss per share attributable to the equity holders of the parent	3			
– basic (pence)		**(27.7)**	(0.4)	(0.8)
– diluted (pence)		**(27.7)**	(0.4)	(0.8)

* As restated – see note 5.

All amounts relate to continuing operations.

CONSOLIDATED BALANCE SHEET

As at 30 June 2020

	30 June 2020 Unaudited £'000	30 June 2019* Unaudited £'000	31 December 2019 Audited £'000
ASSETS			
Non-current assets			
Intangible assets	**4,595**	12,177	11,633
Property, plant and equipment	**26,118**	27,342	25,578
Right-of-use-asset	**2,036**	2,054	1,995
	32,749	41,573	39,206
Current assets			
Inventories	**5,144**	3,938	3,547
Trade and other receivables	**9,378**	9,965	9,070
Cash and cash equivalents	**4,051**	3,259	3,272
	18,573	17,162	15,889
Total assets	**51,322**	58,735	55,095
LIABILITIES			
Current liabilities			
Trade and other payables	**7,886**	6,380	6,242
Loans and borrowings	**5,214**	3,526	2,043
Lease liabilities	**832**	942	864
Current tax liabilities	**538**	729	601
	14,470	11,577	9,750
Non-current liabilities			
Loans and borrowings	**4,380**	7,659	7,063
Lease liabilities	**1,055**	1,063	1,054
Deferred tax liabilities	**2,170**	2,198	2,205
	7,605	10,920	10,322
Total liabilities	**22,075**	22,497	20,072
Total net assets	**29,247**	36,238	35,023
Equity attributable to equity holders of the parent			
Share capital	**2,811**	2,811	2,811
Convertible debt option reserve	**201**	201	201
Share premium	**29,950**	29,950	29,950
Merger reserve	**2,810**	2,810	2,810
Treasury share reserve	**(451)**	(451)	(451)
Foreign exchange reserve	**4,319**	3,518	2,400
Retained earnings	**(10,393)**	(2,601)	(2,698)
Total equity	**29,247**	36,238	35,023

* As restated – see note 5.

CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2020

	Six months ended 30 June 2020 Unaudited £'000	Six months ended 30 June 2019* Unaudited £'000	Year ended 31 December 2019 Audited £'000
Cash flows from operating activities			
Net (loss)/profit from ordinary activities before taxation	**(7,716)**	22	315
Adjustments for:			
– amortisation of intangible fixed assets	**158**	194	380
– impairment of intangible fixed assets	**7,136**	—	—
– amortisation of right-of-use assets	**504**	436	822
– amortisation of capitalised debt fee	**72**	84	93
– depreciation of property, plant and equipment	**2,610**	2,742	5,403
– profit on disposal of property, plant and equipment	**(233)**	(195)	(553)
– share of post-tax results of joint ventures	**283**	349	832
– finance costs	**343**	429	868
– share option expense	**24**	30	48
	3,181	4,091	8,208
(Increase)/decrease in inventories	**(1,560)**	350	712
Increase in receivables	**(38)**	(2,147)	(771)
Increase in payables	**2,083**	714	649
Cash generated from operations	**3,666**	3,008	8,798
Taxation	**(156)**	(156)	(563)
Increase in receivables from joint ventures	**(224)**	(266)	(1,394)
Hire fleet expenditure	**(2,450)**	(1,202)	(3,658)
Sale of assets within hire fleet	**365**	309	1,638
Net cash from operating activities	**1,201**	1,693	4,821
Cash flows from investing activities			
Investment in joint ventures	**—**	—	(50)
Sale of property, plant and equipment	**—**	21	38
Purchase of property, plant and equipment	**(43)**	(114)	(201)
Net cash used in investing activities	**(43)**	(93)	(213)
Cash flows from financing activities			
Proceeds from bank and other borrowings	**777**	1,124	498
Debt issue costs	**(18)**	(26)	(24)
Repayment of bank and other borrowings	**(366)**	(886)	(2,407)
Principal paid on lease liabilities	**(575)**	(457)	(901)
Interest paid on lease liabilities	**(52)**	(50)	(100)
Interest paid on loans and other borrowings	**(266)**	(349)	(662)
Net cash from financing activities	**(500)**	(644)	(3,596)
Net increase in cash and cash equivalents	**658**	956	1,012
Cash and cash equivalents at beginning of period	**3,272**	2,302	2,302
Exchange gains/(losses) on cash and cash equivalents	**121**	1	(42)
Cash and cash equivalents at end of period	**4,051**	3,259	3,272

* As restated – see note 5.

NOTES TO THE UNAUDITED INTERIM STATEMENTS

For the six months ended 30 June 2020

1. BASIS OF PREPARATION

This interim report has been prepared in accordance with the accounting policies disclosed in the full statutory accounts for the year ended 31 December 2019.

These policies are in accordance with International Financial Reporting Standards and International Accounting Standards and Interpretations (collectively "IFRS") issued by the International Accounting Standards Board, as endorsed for use in the European Union, that are expected to be applicable for the year ending 31 December 2020.

The Group has chosen not to adopt IAS 34 "Interim Financial Statements" in preparing the interim consolidated financial information.

The financial information in this statement relating to the six months ended 30 June 2020 and the six months ended 30 June 2019 has not been audited.

The financial information for the year ended 31 December 2019 does not constitute the full statutory accounts for that period. The annual report and financial statements for 2019 has been filed with the Registrar of Companies.

The Independent Auditor's Report on the annual report and financial statement for 2019 was unqualified, did not draw attention to any matters by way of emphasis and did not contain a statement under Section 498(2) or 498(3) of the Companies Act 2006.

The interim report for the period ended 30 June 2020 was approved by the Board of Directors on 30 September 2020.

2. EXCEPTIONAL IMPAIRMENT COST

	£'000
Impairment of goodwill	**7,136**
Impairment of receivables from joint ventures	**615**
Total exceptional cost	**7,751**

IMPAIRMENT OF GOODWILL

In preparing the 2019 year-end Group financial statements, a goodwill impairment review was conducted on 31 December 2019 that did not result in any impairment. It was noted that the recoverable amount for the Tasman New Zealand cash-generating unit ("CGU") was more sensitive to movements in the discount rate and growth inflation and that a growth rate of 5% lower than forecast or a discount rate of 2.3% higher than used in the forecasts would lead to an impairment.

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

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

Crestchic Limited – carrying value of goodwill of £2,192,000

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

Northbridge Transformers – carrying value of goodwill of £989,000 and customer relationships of £37,000

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

NOTES TO THE UNAUDITED INTERIM STATEMENTS CONTINUED

For the six months ended 30 June 2020

2. EXCEPTIONAL IMPAIRMENT COST CONTINUED

IMPAIRMENT OF GOODWILL CONTINUED

Crestchic Asia-Pacific – carrying value of goodwill of £1,296,000 and customer relationships of £80,000
Crestchic Asia-Pacific cash flows have been discounted using a nominal pre-tax rate of 14% and an average future revenue growth rate of 20% has been used. The discount rate for this CGU has been increased from the 13% used at 31 December 2019 due to the uncertainty created by Covid-19.

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

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

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

Tasman New Zealand – carrying value of goodwill and customer relationships now zero after impairments of £5,621,000 and £1,515,000 (total £7,136,000)
As previously noted, the recoverable amount of the Tasman New Zealand goodwill has been sensitive to relatively small changes in the growth rate and discount rates for some time. Tasman New Zealand cash flows have been discounted using a nominal pre-tax rate of 15% and an average future revenue growth rate of 5% (7% decrease in 2020, 0% in 2021 and 10% growth from 2022 to 2024) has been used.

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

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

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

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

Notwithstanding this impairment, the Group continues to look forward to a successful future in New Zealand, albeit not at the revenue and profit levels previously anticipated.

IMPAIRMENT OF RECEIVABLES FROM JOINT VENTURES

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

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

This provision has been made due to the direct impact of Covid-19 and is classified as an exceptional cost.

3. EARNINGS PER SHARE

The earnings per share figure has been calculated by dividing the loss after taxation, £7,720,000 (2019: £122,000), by the weighted average number of shares in issue, 27,899,602 (2019: 27,899,602).

At the end of the period, the Company had in issue 2,396,951 (2019: 2,119,451) share options and £4,000,000 of convertible loan notes which can be converted to 3,200,000 (2019: 3,200,000) ordinary shares at a price of 125 pence per share which have not been included in the calculation of the diluted earnings per share because their effects are anti-dilutive. These share options and convertible loan notes could be dilutive in the future.

On 11 August 2020 the maturity date of the loan notes was extended by a year to July 2022 and the £4,000,000 of loan notes can now be converted into 4,444,444 ordinary shares at a price of 90 pence.

4. DIVIDENDS

No interim dividend (2019: nil) will be paid to shareholders.

5. RESTATEMENT OF CERTAIN BALANCES AS AT 30 JUNE 2019

Certain balances within the 2019 interim results have been restated to reflect the effect of IFRS 16 more accurately and to be consistent with the audited results for the year ended 31 December 2019. There is no effect on the profit before tax or the net assets reported.

6. POST BALANCE SHEET EVENT – EXTENSION OF BANK FACILITIES

On 11 August 2020 the maturity date of the Group's main bank facilities was extended by one year to 30 June 2022. If this extension had been completed prior to the balance sheet date of 30 June 2020 the ageing of the Group's debt would have been disclosed differently as follows:

	As reported	Effect of facility extension	After facility extension
Current liabilities			
Loans and borrowings	5,214	(3,013)	2,201
Non-current liabilities			
Loans and borrowings	4,380	3,013	7,393

7. INTERIM REPORT

Copies of the interim report are being sent to all shareholders and are available to the public from the offices of Northbridge Industrial Services plc at Second Avenue, Centrum 100, Burton on Trent DE14 2WF. The interim report and the interim announcement will also be available from the Group's website at www.northbridgegroup.co.uk.

DIRECTORS AND ADVISORS

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PETER HARRIS
Non-executive Chairman

ERIC HOOK
Chief Executive

IAN GARDNER
Divisional Managing Director

IWAN PHILLIPS
Finance Director

ASH MEHTA
Non-executive Director (independent)

NITIN KAUL
Non-executive Director (independent)

JUDITH ALDERSEY-WILLIAMS
Non-executive Director (independent)

STEPHEN YAPP
Non-executive Director (independent)

SECRETARY

I C Phillips

COMPANY NUMBER

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