

## Board of Directors

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Peter Harris

Non-executive Chairman



Eric Hook

Chief Executive



Ian Gardner

Regional Managing Director



Iwan Phillips

Finance Director

### A R

Peter Harris, aged 65, 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 LHA London Ltd. He is a member of the Remuneration and Audit Committees of the Company.

Eric Hook, aged 63, qualified as a chartered certified accountant ("FCCA") in 1983 and spent many years in financial roles, culminating in his appointment as finance director of Harvey Plant Ltd, a subsidiary of Lex Service Plc. In 1994 Eric was appointed chief executive of Andrews Sykes Group Plc, the listed support services company, where he led the turnaround of the loss-making group. Eric left Andrews Sykes in 1999 to lead the Longville Group, a private equity-backed consolidation of three industrial hire businesses. He expanded Longville organically and by acquisition to gain a market-leading position in pumps, fluid chillers and diesel generators. Eric left the Longville Group to establish Northbridge Industrial Services in 2003.

Ian Gardner, aged 50, joined the Group in 2007 and was instrumental in the start-up and subsequent growth of Northbridge Middle East and Northbridge Asia-Pacific and he now holds responsibility for the Group's activities in the Middle Eastern, Asia-Pacific and Australasia regions. Following the successful integration of the Tasman Oil Tools acquisitions, Ian has relocated back to Dubai, where the Group's regional headquarters are now based. Ian has over 25 years' experience in the industrial services and rental sector, with over 16 years being in international roles, and has championed start-ups and acquisitions and driven growth in Singapore and the Middle East, prior to joining the Group. Ian is a member of the Institute of Sales and Marketing.

Iwan Phillips, aged 33, studied at Warwick University before joining BDO in 2005 where he qualified as a chartered accountant in 2008. He spent five years at BDO, working on the audits of a variety of businesses but specialising in fully listed and AIM companies. Iwan joined Northbridge in 2010 as the Group Accountant and was appointed the Group's Finance Director in 2016. He was appointed as Company Secretary in 2011.



Ash Mehta

**Non-executive Director (independent)**

**A R**

Ash Mehta, aged 51, qualified as a chartered accountant with KPMG, following which he worked in commercial finance roles in US multinationals. He has since held a number of senior financial roles in fully listed and AIM companies, and has extensive experience in IPO-type fundraisings and acquisitions. Ash was part-time Finance Director of the Group from 2007 to 2011 when he became a Non-executive Director of Northbridge. He is a member of the Remuneration and Audit Committees of the Company. Ash is currently Chief Financial Officer of Avicenna plc, a pharmacy retail and distribution group.



David Marshall

**Non-executive Director (independent)**

**A R**

David Marshall, aged 72, is chairman of a number of public listed companies, including Western Selection PLC, which is a substantial shareholder of Northbridge Industrial Services plc. In recent years he has taken a leading role in the reorganisation and development of a number of medium-sized listed companies in the UK and overseas. He is a member of the Remuneration and Audit Committees of the Company.



Michael Dodson

**Non-executive Director (independent)**

**A R**

Michael Dodson, aged 69, is a fellow of the Institutions of Chemical and Electrical Engineers and a chartered engineer. He has a degree in chemical engineering from Imperial College plus a master's degree from London Business School. He has held directorships in over 20 companies ranging from large utilities, through MOD agencies to high-tech start-ups. He is a member of the Remuneration and Audit Committees of the Company.

**Committee key:**

- A** Audit Committee
- R** Remuneration Committee
- C** Committee Chairman

# Directors' report

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The Directors present their report and the financial statements for the year ended 31 December 2016.

## Statement of Directors' responsibilities in respect of the annual report and financial statements

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

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

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

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

After making appropriate enquiries, the Directors have formed a judgement, at the time of approving the financial statements, that the Group can have a reasonable expectation that adequate resources will be available for it to continue its operations for the foreseeable future, and consequently it is appropriate to adopt the going concern principle in the preparation of the financial statements. In forming this judgement, the Directors have reviewed the Group's budget for 2017 and the forecast for 2018 (including downside sensitivity scenarios), cash flow forecasts, contingency planning, the sufficiency of banking facilities and forecast compliance with banking covenants.

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

## Website publication

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

## Principal activities

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

In particular it has acquired specialist niche businesses that have the potential for expansion into complete outsourcing providers, capable of supplying a non-cyclical customer base including utility companies, the public sector and the oil and gas industry.

The principal activities of the subsidiary companies are as follows:

- Crestchic Ltd – design, manufacture, sale and hire of loadbank equipment which is primarily used for the commissioning and maintenance of independent power sources such as diesel generators and gas turbines;
- Crestchic France S.A.S. – sale and hire of loadbank equipment which is primarily used for the commissioning and maintenance of independent power sources such as diesel generators and gas turbines in Europe;
- Tasman Oil Tools Pty Ltd ("TAU") – hire of tools and equipment for the oil and gas industry in Australia;
- Tasman Oil Tools Ltd ("TNZ") – hire of tools and equipment for the oil and gas industry in New Zealand;
- Crestchic (Middle East) FZE ("CME") – hire of equipment for the oil and gas industry in the Middle East;
- Northbridge (Middle East) FZE ("NME") – hire of equipment for the oil and gas industry in the Middle East;
- Northbridge Industrial Services Pte Limited ("NIS Pte") – hire of equipment for the oil and gas industry in the Asia-Pacific region;
- Crestchic (Asia-Pacific) Pty Limited ("CAP") – hire of equipment for the oil and gas industry in the Asia-Pacific region;
- Tasman Middle East FZE ("TME") – hire of tools and equipment for the oil and gas industry in the Middle East; and
- Northbridge Transformers NV ("NT") – hire of specialist transformers in Europe.

### Profit or loss

The loss for the year after taxation amounted to £6,298,000 (2015: £8,151,000).

The Directors are not proposing a final dividend (2015: £nil), resulting in dividends for the whole year of nil pence (2015: 1.0 pence) per share.

### Future developments

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

### Directors and their interests

The present Directors are detailed on pages 14 and 15 together with brief biographies.

P R Harris retires in accordance with the Company's Articles of Association and, being eligible, offers himself for re-election.

I J Gardner retires in accordance with the Company's Articles of Association and, being eligible, offers himself for re-election.

I C Phillips retires in accordance with the Company's Articles of Association having been appointed a Director since the last Annual General Meeting.

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

|  | Ordinary shares<br>of 10 pence each |                   | Share options       |                   |
|--|-------------------------------------|-------------------|---------------------|-------------------|
|  | 31 December<br>2016                 | 1 January<br>2016 | 31 December<br>2016 | 1 January<br>2016 |
| P R Harris                               | 1,577,475                           | 1,220,000         | —                   | —                 |
| E W Hook                                 | 650,000                             | 500,000           | 806,601             | 706,601           |
| I J Gardner                              | 29,914                              | 16,581            | 96,000              | 76,000            |
| I C Phillips (appointed on 29 June 2016) | 2,586                               | —                 | 56,000              | —                 |
| A K Mehta                                | 183,636                             | 96,969            | —                   | —                 |
| M G Dodson                               | 200,750                             | 75,750            | —                   | —                 |
| D C Marshall                             | —*                                  | —*                | —                   | —                 |

\* DC Marshall is a director of Western Selection PLC, a substantial shareholder in the Company, which held 3,223,632 (2015: 2,500,000) ordinary shares at 31 December 2016 and at the date of this report.

Between 1 January 2017 and the balance sheet approval date there have been no changes to the above shareholdings or options. Further details on Directors' share options can be found in note 22.

### 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 2016:

|                                   | Number    | %     |
|-----------------------------------|-----------|-------|
| Western Selection PLC             | 3,223,632 | 12.45 |
| Gresham House Strategic Plc       | 2,815,000 | 10.87 |
| Artemis Investment Management Ltd | 2,716,001 | 10.49 |
| Hargreave Hale Ltd                | 2,317,630 | 8.95  |
| P R Harris                        | 1,577,475 | 6.09  |
| R G Persey                        | 1,036,070 | 4.00  |
| Lazard Frères Gestion SAS         | 1,001,796 | 3.87  |
| BlackRock Inc                     | 974,939   | 3.76  |

From 1 January 2017 to the balance sheet date, the Directors have not been notified of any changes to the substantial shareholdings above.

# Directors' report continued

## Purchase of own shares

At the year end and at the date of this report the Company held 215,150 (2015: 215,150) of its own shares, which represents 0.82% (2015: 1.15%) of the share capital of the Company.

## Special business to be transacted at the Annual General Meeting

In addition to the ordinary business referred to in resolutions 1 to 7 of the Notice of Meeting, the Directors propose certain special business set out in resolutions 7 and 8 of the Notice of Meeting.

Resolution 8 is a special resolution that disapplies shareholders' pre-emption rights and grants authority to the Directors, without the need for further specific shareholder approval, to make allotments of equity securities for cash by way of rights issues, where practical considerations such as fractions and foreign securities laws make this desirable, and other issues up to an aggregate nominal amount equal to 10% of the issued share capital of the Company.

Resolution 9, if passed, will authorise the Company to continue to buy its own shares subject to the constraints set out in the resolution. The Board in future will only exercise this right if it is satisfied that it is in the interests of the shareholders as a whole to do so and that it is likely to result in an increase in EPS.

## Corporate governance

The Directors acknowledge the importance of good corporate governance and, whilst the Group is not required to comply with the UK Corporate Governance Code, they apply its principles so far as is practicable, taking into account the Company's size and stage of development.

The Board meets regularly to monitor the current state of business and to determine its future strategic direction. During the year, the Board comprised a Non-executive Chairman, three Executive Directors and three Non-executive Directors. All Non-executive Directors are deemed independent.

## Board Committees

The principal Committees established by the Directors are:

### Audit Committee

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

### Remuneration Committee

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

## Attendance at Board and other meetings for 2016

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 following table:

|                        | Number of meetings in year | P R Harris | E W Hook | I J Gardner | I C Phillips* | M G Dodson | D C Marshall | A K Mehta |
|------------------------|----------------------------|------------|----------|-------------|---------------|------------|--------------|-----------|
| Board (scheduled)      | 6                          | 6          | 6        | 6           | 3             | 5          | 6            | 6         |
| Audit Committee        | 2                          | 2          | —        | —           | —             | 2          | 2            | 2         |
| Remuneration Committee | 2                          | 2          | —        | —           | —             | 2          | 2            | 2         |

\* I C Phillips attended all Board meetings after his appointment on 29 June 2016.

## Relations with shareholders

The Company holds meetings from time to time with institutional shareholders to discuss the Company's strategy and financial performance. The Annual General Meeting is used to communicate with private and institutional investors.

## Financial instruments

Details of the use of financial instruments by the Group are contained in note 24 of the financial statements.

## Cash flow risk

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

**Post-balance sheet events**

There are no post-balance sheet events to report.

**Auditor's independence**

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

**Auditor**

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

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

This report was approved by the Board on 25 April 2017 and signed by order of the Board by the Company Secretary.

**Iwan Phillips**

**Company Secretary**

25 April 2017