

Independent auditor's report

To the shareholders of Northbridge Industrial Services plc

We have audited the financial statements of Northbridge Industrial Services plc for the year ended 31 December 2016 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Changes in Equity, the Consolidated Balance Sheet, the Company Balance Sheet, the Consolidated Cash Flow Statement and the related notes. The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and International Financial Reporting Standards ("IFRS") as adopted by the European Union. The financial reporting framework that has been applied in preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the 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 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 Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and auditors

As explained more fully in the Statement of Directors' Responsibilities, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Financial Reporting Council's ("FRC's") Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the FRC's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and the Parent Company's affairs as at 31 December 2016 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRS as adopted by the European Union;
- the Parent Company's 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.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In light of the knowledge and understanding of the Group and the Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report.

We have nothing to report in respect of the following matters where 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;
- the Parent Company financial statements are not in agreement with the accounting records and returns;
- 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.

Andrew Mair (Senior Statutory Auditor)

For and on behalf of BDO LLP, statutory auditors

Birmingham

United Kingdom

25 April 2017

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 2016

	Note	2016 £'000	2015 £'000
Revenue	2	23,786	34,090
Cost of sales		(14,653)	(19,286)
Gross profit		9,133	14,804
Operating costs			
Excluding exceptional costs		(12,688)	(15,549)
Exceptional costs		(1,358)	(7,189)
Total operating costs		(14,046)	(22,738)
Loss from operations	3	(4,913)	(7,934)
Finance income		—	8
Finance costs	8	(591)	(655)
Loss before taxation excluding exceptional costs		(4,146)	(1,392)
Exceptional costs	4	(1,358)	(7,189)
Loss before taxation		(5,504)	(8,581)
Taxation	9	(794)	430
Loss for the year attributable to the equity holders of the parent		(6,298)	(8,151)
Other comprehensive income/(loss)			
Exchange differences on translating foreign operations		6,846	(1,156)
Other comprehensive income/(loss) for the year, net of tax		6,846	(1,156)
Total comprehensive income/(loss) for the year attributable to equity holders of the parent		548	(9,307)
Loss per share			
– basic (pence)*	10	(26.2)	(42.8)
– diluted (pence)*	10	(26.2)	(42.8)

* 2015 figures restated due to the effect of the issue of shares at a lower than market price in 2016.

All amounts relate to continuing operations.

The notes on pages 25 to 48 form part of these financial statements.

Consolidated statement of changes in equity

For the year ended 31 December 2016

	Share capital £'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 2016	1,864	23,266	2,810	(2,317)	(451)	10,709	35,881
Loss for the year	—	—	—	—	—	(6,298)	(6,298)
Other comprehensive income	—	—	—	6,846	—	—	6,846
Total comprehensive income/(loss) for the year	—	—	—	6,846	—	(6,298)	548
Issue of share capital	747	4,513	—	—	—	—	5,260
Share option expense	—	—	—	—	—	96	96
Balance at 31 December 2016	2,611	27,779	2,810	4,529	(451)	4,507	41,785

Consolidated statement of changes in equity

For the year ended 31 December 2015

	Share capital £'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 2015	1,859	23,188	2,810	(1,161)	(201)	19,928	46,423
Loss for the year	—	—	—	—	—	(8,151)	(8,151)
Other comprehensive loss	—	—	—	(1,156)	—	—	(1,156)
Total comprehensive loss for the year	—	—	—	(1,156)	—	(8,151)	(9,307)
Issue of share capital	5	78	—	—	—	—	83
Purchase of own shares	—	—	—	—	(250)	—	(250)
Deferred tax on share options	—	—	—	—	—	(245)	(245)
Share option expense	—	—	—	—	—	96	96
Dividends paid	—	—	—	—	—	(919)	(919)
Balance at 31 December 2015	1,864	23,266	2,810	(2,317)	(451)	10,709	35,881

The following describes the nature and purpose of each reserve within owners' equity:

Reserve	Description and purpose
Share capital	Amount subscribed for 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 25 to 48 form part of these financial statements.

Consolidated balance sheet

As at 31 December 2016

Company number: 05326580	Note	2016		2015	
		£'000	£'000	£'000	£'000
ASSETS					
Non-current assets					
	11	14,094		12,797	
	12	35,623		35,556	
	17	—		316	
			49,717		48,669
Current assets					
	13	3,515		4,440	
	14	9,008		9,933	
		3,704		3,852	
			16,227		18,225
			65,944		66,894
LIABILITIES					
Current liabilities					
	15	5,571		6,950	
	16	4,367		6,044	
	16	1,123		1,160	
		673		538	
			11,734		14,692
Non-current liabilities					
	16	8,804		12,090	
	16	—		928	
	17	3,621		3,303	
			12,425		16,321
			24,159		31,013
			41,785		35,881
Capital and reserves attributable to equity holders of the Company					
	18	2,611		1,864	
		27,779		23,266	
		2,810		2,810	
		4,529		(2,317)	
		(451)		(451)	
		4,507		10,709	
			41,785		35,881

The notes on pages 25 to 48 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 25 April 2017.

Eric Hook
Director

Consolidated cash flow statement

For the year ended 31 December 2016

	Note	2016 £'000	2015 £'000
Cash flows from operating activities			
Net loss before taxation		(5,504)	(8,581)
Adjustments for:			
– amortisation and impairment of intangible assets	11	749	5,733
– amortisation of capitalised debt fee		117	208
– depreciation of property, plant and equipment	12	6,201	5,881
– profit on disposal of property, plant and equipment		(242)	(458)
– non-cash movement in deferred consideration		—	(3)
– investment income		—	(8)
– finance costs	8	591	655
– share option expense	22	96	96
		2,008	3,523
Decrease in inventories		135	348
Decrease in receivables		1,903	2,762
(Decrease)/increase in payables		(2,283)	306
		1,763	6,939
Cash generated from operations			
Finance costs	8	(591)	(655)
Taxation		(351)	(942)
Hire fleet expenditure	12	(826)	(4,080)
Sale of assets within hire fleet		784	2,493
		779	3,755
Cash flows from investing activities			
Finance income		—	8
Payment of deferred consideration		(1,252)	(941)
Purchase of property, plant and equipment	12	(163)	(494)
Sale of property, plant and equipment		86	109
		(1,329)	(1,320)
Cash flows from financing activities			
Proceeds from share capital issued		5,260	83
Proceeds from bank borrowings		—	12,957
Purchase of own shares		—	(250)
Repayment of bank borrowings		(4,078)	(13,957)
Repayment of finance lease creditors		(1,053)	(1,555)
Dividends paid in the year		—	(919)
		129	(3,641)
Net cash from/(used in) financing activities			
		(421)	(1,206)
Net decrease in cash and cash equivalents			
Cash and cash equivalents at beginning of period		2,175	3,427
Exchange gains/(losses) on cash and cash equivalents		392	(46)
		2,146	2,175
Cash and cash equivalents at end of period			
	23	2,146	2,175

During the period, the Group acquired property, plant and hire equipment with an aggregate cost of £989,000 (2015: £5,365,000) of which £nil (2015: £791,000) was acquired by means of finance leases. This includes £826,000 (2015: £4,791,000) of hire fleet additions of which £nil (2015: £711,000) was acquired by means of a finance lease.

Notes to the consolidated financial statements

For the year ended 31 December 2016

1. Accounting policies

1.1 Basis of preparation of financial statements

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

The Group financial statements have been prepared under the historical cost convention subject to fair valuing certain financial instruments and in accordance with International Financial Reporting Standards and International Accounting Standards and Interpretations (collectively, "IFRS") issued by the International Accounting Standards Board ("IASB") as adopted by European Union ("adopted IFRSs") and with those parts of the Companies Act 2006 applicable to companies preparing financial statements in accordance with IFRS.

The parent company's financial statements have been prepared under applicable United Kingdom accounting standards (FRS 101) and are on pages 49 to 54.

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 who hold voting rights or substantive potential voting rights held by the Company and by other parties;
- other contractual arrangements; and
- historic 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 Statement of Financial Position, 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.

1.3 Revenue

Revenue comprises the fair value of the consideration receivable by the Group in respect of goods and services supplied, exclusive of value added tax and trade discounts.

Sales are recognised when the goods are delivered, being when the risks and rewards are substantially transferred to the customer. Hire sales are recognised over the period of hire on a straight line basis. The Group rents equipment under short-term arrangements that are cancellable by the customer on demand. These are treated as operating lease arrangements.

1.4 Intangible assets and amortisation

Development products

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

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

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

Development expenditure not satisfying the above criteria and expenditure on the research phase of internal projects are recognised within the operating costs line in the Statement of Comprehensive Income.

Notes to the consolidated financial statements continued

For the year ended 31 December 2016

1. Accounting policies continued

1.4 Intangible assets and amortisation continued

Intangible assets in acquired companies

Intangible assets in acquired companies are valued by an independent expert valuer and amortised over their expected useful life within operating costs.

Current experience has shown this to be over the periods shown below:

Customer relationships	—	Between five and twelve years
Order backlog	—	Less than one year
Non-competition agreements	—	Five years

1.5 Leasing and hire purchase

Where substantially all of the risks and rewards incidental to ownership of a leased asset have been transferred to the Group (a “finance lease”), the asset is treated as if it had been purchased outright. The amount initially recognised as an asset is the fair value or, if lower, the present value of the minimum lease payments payable over the term of the lease. The corresponding lease commitment is shown as a liability. Lease payments are analysed between capital and interest. The interest element is charged to the Statement of Comprehensive Income over the period of the lease and is calculated so that it represents a constant proportion of the lease liability. The capital element reduces the balance owed to the lessor.

Where substantially all of the risks and rewards incidental to ownership are retained by the lessor (an “operating lease”), the total rentals payable under the lease are charged to the Statement of Comprehensive Income on a straight line basis over the lease term.

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 2011, 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 2011, 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 2011, 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 2011, 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 2011, 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 Statement of Comprehensive Income.

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

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

1.12 Pensions

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

Notes to the consolidated financial statements continued

For the year ended 31 December 2016

1. Accounting policies continued

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 in to 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.

Loans and receivables

These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (e.g. trade receivables) and deposits held at banks, but may also incorporate other types of contractual monetary asset. They are initially recognised at fair value plus transaction costs that are directly attributable to the acquisition or issue and subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.

The effect of discounting on these financial instruments is not considered to be material.

Impairment provisions are recognised when there is objective evidence (such as significant financial difficulties on the part of the counterparty or default or significant delay in payment) that the Group will be unable to collect all of the amounts due under the terms receivable, the amount of such a provision being the difference between the net carrying amount and the present value of the future expected cash flows associated with the impaired receivable. For trade receivables, such provisions are recorded in a separate allowance account with the loss being recognised within operating costs in the 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.

(b) Financial liabilities

The Group classifies its financial liabilities into one of two categories, depending on the purpose for which the liability was acquired.

Unless otherwise indicated, the carrying amounts of the Group's financial liabilities are a reasonable approximation of their fair values.

Other financial liabilities include the following items:

- trade payables and other short-term monetary liabilities, which are initially recognised at fair value and subsequently carried at amortised cost using the effective interest method; and
- bank borrowings, trade finance facilities and loan notes are initially recognised at fair value net of any transaction costs directly attributable to the issue of the instrument. Such interest-bearing liabilities are subsequently measured at amortised cost using the effective interest rate method, which ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried in the balance sheet. Interest expense in this context includes initial transaction costs and any premium payable on redemption, as well as any interest or coupon payable while the liability is outstanding. Interest is recognised as a finance expense in the Statement of Comprehensive Income.

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.

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. Accounting policies continued**1.18 Segmental reporting**

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

1.19 Critical accounting estimates and judgements

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

Estimated impairment of goodwill

The Group is required to test whether goodwill has suffered any impairment. The recoverable amounts of the CGUs have been determined based on value-in-use estimations. The use of this method requires the estimation of future cash flows expected to arise from the continuing operation of the CGU as shown in note 11.

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. When a review for impairment is conducted (see notes 11 and 12), the recoverable amount of an asset or a CGU is determined based on value-in-use calculations prepared on the basis of management's assumptions and estimates.

Useful economic life ("UEL") of hire fleet assets

The UEL of the Group's hire fleet is based on historical evidence and is reviewed periodically. The current reduced utilisation has not led to the reassessment of the UEL of any assets but this will continue to be monitored. The Group depreciation policy is detailed in note 1.7.

Income taxes

The Group recognises expected liabilities for tax based on an estimation of the likely taxes due, which requires significant judgement as to the ultimate tax determination of certain items. Where the actual liability arising from these issues differs from these estimates, such differences will have an impact on income tax and deferred tax provisions in the period when such determination is made (see note 9). The Group does not believe that it has any significant risk from taxation periods that remain open to any potential enquiries.

Deferred tax assets

The Group recognises deferred tax assets when it is probable that sufficient taxable profit will be available relating to the same tax authority and same taxable entity. When evaluating whether sufficient future taxable profit is probable elements that are out of the Group's control, such as a market-based recovery, are not considered (see note 17).

Share-based payments

A key factor in determining the value of the share options is the likelihood of vesting. The likelihood of vesting is estimated based on the past behaviour of option holders and the changes in the Group's share price (see note 22).

Trade receivable provisions

The Board assesses the requirement to make provisions against the carrying value of trade receivables 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 (see note 14).

1.20 New standards and interpretations

In preparing the Group financial statements, the following new standards and interpretations have been adopted but have had no material impact on the Group financial statements:

New standard or interpretation	EU endorsement status	Mandatory effective date (periods beginning)
Amendments to IAS 16 and IAS 38 – Clarification of Acceptable Methods of Depreciation and Amortisation	Endorsed	1 January 2016
Accounting for Acquisitions of Interests in Joint Operations: Amendments to IFRS 11	Endorsed	1 January 2016
Equity Method in Separate Financial Statements (Amendments to IAS 27)	Endorsed	1 January 2016
Annual Improvements to IFRSs 2010–2012 Cycle	Endorsed	1 January 2016

Standards not yet effective:

New standard or interpretation	EU endorsement status	Mandatory effective date (periods beginning)
IFRS 15 "Revenue from Contracts with Customers"	Endorsed	1 January 2018
IFRS 9 "Financial Instruments"	Endorsed	1 January 2018
IFRS 16 "Leases"	Expected in 2017	1 January 2019
Amendments to IAS 7 "Statement of Cash Flows"	Expected in Q2 2017	1 January 2017
Amendments to IFRS 2 "Share-based Payments"	Expected in H2 2017	1 January 2018

Notes to the consolidated financial statements continued

For the year ended 31 December 2016

1. Accounting policies continued

1.20 New standards and interpretations continued

The Directors have carried out their initial assessment of the impact of the standards not yet effective. The Group does not have or use complex financial instruments and does not have significant adjustments for credit risk and therefore IFRS 9 will have little or no impact.

Most of the revenue generated by the Group is from short-term rental arrangements or from the sale of goods and IFRS 15 will have little effect. The terms and conditions of certain longer-term rental contracts or service contracts that are occasionally sold with the Group's equipment will be reviewed to assess whether IFRS 15 will have any impact. Given the small number and magnitude of these type of contracts the initial assessment is that IFRS 15 will not have a material effect on the Group's reported revenue.

IFRS 16 will have an impact with operating lease commitments (see note 20) coming onto the balance sheet as debt and the right to use the asset being classified as an asset. This will increase net debt as well as EBITDA. The Directors will review the impact of IFRS 16 on forecasts and banking covenants in place beyond 2019.

1.21 Dividends

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

2. Segment information

The Group currently has two main reportable segments:

- Crestchic loadbanks and transformers – this segment is involved in the manufacture, hire and sale of loadbanks and transformers. It is the largest proportion of the Group's business and generated 81% (2015: 67%) of the Group's revenue. This includes the Crestchic, NT, Crestchic France, NME, CME, CAP, NIS Pte and China businesses; and
- Tasman oil tools and loadcells – this segment is involved in the hire and sale of oil tools and loadcells and contributes 19% (2015: 31%) of the Group's revenue. This includes the TAU, TNZ, TME and Loadcell businesses.

Factors that management used to identify the Group's reportable segments

The Group's reportable segments are strategic business units that offer different products and services.

Measurement of operating segment profit or loss and assets and liabilities

The accounting policies of the operating segments are the same as those described in the summary of significant accounting policies.

The Group evaluates performance on the basis of profit or loss before tax.

Segment assets and liabilities include an aggregation of all assets and liabilities relating to businesses included within each segment. Other adjustments relate to the non-reportable head office items along with consolidation adjustments, which include goodwill and intangible assets. All inter-segment transactions are at arm's length.

	Crestchic loadbanks and transformers £'000	Tasman oil tools and loadcells £'000	Total £'000	Other trading entities £'000	Other including consolidation adjustments £'000	2016 Total £'000
Revenue from external customers	19,317	4,469	23,786	—	—	23,786
Finance expense	(131)	(15)	(146)	—	(445)	(591)
Depreciation	(3,766)	(2,161)	(5,927)	—	(274)	(6,201)
Amortisation	—	(57)	(57)	—	(692)	(749)
Profit/(loss) before tax before exceptional items	1,552	(3,648)	(2,096)	2	(2,052)	(4,146)
Exceptional items	(236)	(833)	(1,069)	(83)	(206)	(1,358)
Profit/(loss) before tax	1,316	(4,481)	(3,165)	(81)	(2,258)	(5,504)
Balance sheet						
Assets	68,521	19,839	88,360	4,206	(28,263)	64,303
Liabilities	(31,551)	(13,350)	(44,901)	(3,997)	26,380	(22,518)
	36,970	6,489	43,459	209	(1,883)	41,785
Non-current asset additions						
Intangible asset additions	863	126	989	—	—	989

The reconciling adjustments between the total segmental loss before tax and the loss before tax of the Group include amortisation (£692,000), exceptional costs (£289,000) and head office expenditure (£1,024,000). The reconciling adjustments between the total segmental net assets and the net assets of the Group include the head office net assets, other trading entity net assets and consolidation adjustments.

2. Segment information continued**Measurement of operating segment profit or loss and assets and liabilities** continued

	Crestchic loadbanks and transformers £'000	Tasman oil tools and loadcells £'000	Total £'000	Other trading entities £'000	Other including consolidation adjustments £'000	2015 Total £'000
Revenue from external customers	22,750	10,534	33,284	806	—	34,090
Finance income	—	6	6	—	2	8
Finance expense	(194)	(32)	(226)	(8)	(421)	(655)
Depreciation	(3,508)	(1,912)	(5,420)	(76)	(385)	(5,881)
Amortisation and impairment	(154)	(81)	(235)	—	(5,498)	(5,733)
Profit/(loss) before tax before exceptional items	2,075	(702)	1,373	(157)	(2,608)	(1,392)
Exceptional items	(360)	(986)	(1,346)	(850)	(4,993)	(7,189)
Profit/(loss) before tax	1,715	(1,688)	27	(1,007)	(7,601)	(8,581)
Balance sheet						
Assets	55,223	20,781	76,004	4,333	(13,443)	66,894
Liabilities	(24,983)	(12,357)	(37,340)	(4,108)	10,435	(31,013)
	30,240	8,424	38,664	225	(3,008)	35,881
Non-current asset additions						
Property, plant and equipment additions	1,600	3,675	5,275	90	—	5,365

The reconciling adjustments between the total segmental loss before tax and the loss before tax of the Group include a trading loss from other trading entities (£157,000), amortisation (£1,255,000), exceptional costs (£5,843,000) and head office expenditure (£1,188,000). The reconciling adjustments between the total segmental net assets and the net assets of the Group include the head office net assets, other trading entity net assets and consolidation adjustments.

	External revenue by location of sale origination		Non-current assets by location	
	2016 £'000	2015 £'000	2016 £'000	2015 £'000
UK	10,700	15,341	11,819	11,502
Australia	1,203	4,427	5,022	5,485
United Arab Emirates	4,963	4,726	11,679	11,319
Azerbaijan	—	715	—	—
Singapore	3,944	4,831	5,272	5,985
New Zealand	702	2,186	10,139	8,833
Belgium	1,408	1,221	4,094	4,263
China	511	110	1,685	959
Other	355	533	7	7
	23,786	34,090	49,717	48,353
	External revenue by type		External revenue by type	
	2016 £'000	2015 £'000	2016 %	2015 %
Hire of equipment	15,827	18,970	66.5	55.6
Sale of product	7,959	15,120	33.5	44.4
	23,786	34,090	100.00	100.0

Notes to the consolidated financial statements continued

For the year ended 31 December 2016

3. Loss from operations

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

	2016 £'000	2015 £'000
Amortisation:		
– customer relationships	749	745
– order backlog	—	64
– non-competition agreements	—	30
Impairment:		
– customer relationships	—	403
– goodwill	—	4,491
Depreciation of property, plant and equipment:		
– owned by the Company	5,663	5,304
– held under finance leases	538	577
Operating lease rentals:		
– property leases	511	714
– other operating leases	66	72
Foreign exchange (gains)/losses	(215)	64
Cost of inventories recognised as an expense during the year	3,172	7,520
Share-based payment remuneration	96	96

See note 7 for auditor's fees.

4. Exceptional costs

Exceptional items incurred during the year were as follows:

	2016 £'000	2015 £'000
Acquisition costs ⁽¹⁾	103	227
Reorganisation costs ⁽²⁾	654	1,266
Redundancy costs ⁽³⁾	497	768
Impairment of intangible assets ⁽⁴⁾	—	4,729
Banking costs ⁽⁵⁾	104	199
Exceptional items	1,358	7,189

(1) The exceptional cost in 2016 relates to value added tax on acquisition costs that have been reclaimed by Her Majesty's Revenue and Customs. The costs on which the VAT was reclaimed were reported as exceptional in the years that they arose (2015: aborted acquisition costs and costs relating to the acquisition of Tasman Oil Tools Limited and Tasman Oil Tools Leasing Limited in 2014).

(2) During the year, the Group has continued to reorganise the Group. The Singapore branch of its Loadcell has been closed and a property in Australia has been vacated and created an onerous lease (2015: the Group sold the assets of its compressor hire business in the UK and its generator hire businesses in Dubai and Azerbaijan as well as closing the Vietnamese branch of its Singapore-based Loadcell business). The costs associated with the closure of these operations have been disclosed as exceptional.

(3) During the year and prior year the Group has suffered redundancy costs relating to ongoing subsidiaries that are deemed to be exceptional.

(4) In the prior year as part of the ongoing review of the Group's non-current assets, the Board recognised that the recoverable amounts relating to certain intangible assets were less than their carrying value. A full impairment totalling £483,000 was made against goodwill and customer relationships recognised on the acquisition of Loadcell in 2011, a full impairment of £2,642,000 was made against goodwill recognised on the acquisition of Tasman Australia in 2010 and an impairment of £1,604,000 was made against the goodwill recognised on the acquisition of Tasman New Zealand in 2014.

(5) Costs associated with resetting bank covenants have been deemed to be exceptional (2015: debt fees relating to loans superseded by new facilities agreed in May 2015 as well as costs associated with resetting bank covenants have been written off during the year and deemed to be exceptional).

5. Staff costs

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

	2016 £'000	2015 £'000
Wages and salaries	8,222	9,069
Social security costs	814	1,102
Other pension costs	269	353
Redundancy and compensation for loss of office costs	722	768
Share-based payments	96	96
	10,123	11,388

Of the share-based payments recognised in the year £53,000 (2015: £59,000) related to key management personnel. The key management personnel are deemed to be the Directors. Of the £9,036,000 (2015: £10,171,000) of wages and salaries and social security costs paid during the year £715,000 (2015: £975,000) related to key management personnel.

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

	2016 Number	2015 Number
Technical and production	100	117
Sales	33	41
Administration	34	45
	167	203

6. Directors' remuneration

	2016				2015				
	Salary £'000	Gain on share options £'000	Benefits £'000	Total £'000	Salary £'000	Gain on share options £'000	Benefits £'000	Compensation for loss of office £'000	Total £'000
P R Harris	60	—	—	60	60	—	—	—	60
E W Hook	241	—	2	243	241	—	2	—	243
I J Gardner	161	—	92	253	177	—	205	—	382
I C Phillips*	53	—	1	54	—	—	—	—	—
A K Mehta	17	—	—	17	12	21	—	—	33
M G Dodson	18	—	—	18	18	—	—	—	18
D C Marshall**	18	—	—	18	18	—	—	—	18
C W Robinson	—	—	—	—	98	—	1	143	242
	568	—	95	663	624	21	208	143	997

* I C Phillips was appointed a Director on 29 June 2016 and the remuneration above covers his time as a Director only.

** D C Marshall's fees are paid to a third party.

7. Auditor's remuneration

	2016 £'000	2015 £'000
Fees payable to the Group's auditor for the audit of the Group and Company	23	24
Fees payable to the Group's auditor and associates in respect of:		
– audit of subsidiaries	109	100
– audit related assurance services	—	18
– other assurance services	20	18
– tax services	43	38
– corporate finance services	—	24

Amounts paid to the Company's auditor in respect of services to the Company, other than the audit of the Company's financial statements, have not been disclosed as the information is disclosed on a consolidated basis.

Notes to the consolidated financial statements continued

For the year ended 31 December 2016

8. Finance costs

	2016 £'000	2015 £'000
On bank loans and overdrafts	419	525
On finance leases and hire purchase contracts	124	130
Other	48	—
	591	655

9. Income tax expense

	2016 £'000	2015 £'000
Current tax expense	518	855
Prior year under/(over) provision of tax	48	(144)
	566	711
Deferred tax charge/(credit) resulting from the origination and reversal of temporary differences	228	(1,141)
Taxation	794	(430)

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:

	2016 £'000	2015 £'000
Loss before taxation	(5,504)	(8,581)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 20% (2015: 20.25%)	(1,101)	(1,737)
Effects of:		
– income not subject to tax	(215)	(315)
– expenses not allowable for taxation purposes	505	1,532
– difference in taxation rates	(84)	234
– losses not recognised as a deferred tax asset	1,641	—
– prior year under/(over) provision of taxation and deferred taxation	48	(144)
Total taxation charge for the year	794	(430)

The standard rate of corporation tax in the UK is now 19% since 1 April 2017. The rate will decrease to 17% from 1 April 2020.

10. Earnings per share

	2016 £'000	2015 £'000
Numerator		
Loss used in basic and diluted EPS	(6,298)	(8,151)
Denominator		
Weighted average number of shares used in basic EPS*	24,004,258	19,703,095
Effects of share options	19,446	—
Weighted average number of shares used in diluted EPS*	24,023,704	19,703,095

* 2015 figures restated due to the effect of the issue of shares at a lower than market price in 2016.

At the end of the year, the Company had in issue 1,134,099 (2015: 1,156,801) share options which have not been included in the calculation of diluted EPS because their effects are anti-dilutive. These share options could be dilutive in the future.

11. Intangible assets

	Customer relationships £'000	Order backlog £'000	Product development £'000	Non-competition agreements £'000	Goodwill £'000	Total £'000
Cost						
At 1 January 2016	7,517	217	152	254	13,675	21,815
Exchange differences	1,123	—	—	—	1,696	2,819
At 31 December 2016	8,640	217	152	254	15,371	24,634
Amortisation and impairment						
At 1 January 2016	3,777	217	152	254	4,618	9,018
Exchange differences	436	—	—	—	337	773
Amortisation charge for the year	749	—	—	—	—	749
At 31 December 2016	4,962	217	152	254	4,955	10,540
Net book value						
At 31 December 2016	3,678	—	—	—	10,416	14,094
At 31 December 2015	3,740	—	—	—	9,057	12,797
	Customer relationships £'000	Order backlog £'000	Product development £'000	Non-competition agreements £'000	Goodwill £'000	Total £'000
Cost						
At 1 January 2015	7,890	219	152	270	14,462	22,993
Exchange differences	(373)	(2)	—	(16)	(787)	(1,178)
At 31 December 2015	7,517	217	152	254	13,675	21,815
Amortisation and impairment						
At 1 January 2015	2,704	154	152	238	127	3,375
Exchange differences	(75)	(1)	—	(14)	—	(90)
Impairment charge for the year	403	—	—	—	4,491	4,894
Amortisation charge for the year	745	64	—	30	—	839
At 31 December 2015	3,777	217	152	254	4,618	9,018
Net book value						
At 31 December 2015	3,740	—	—	—	9,057	12,797
At 31 December 2014	5,186	65	—	32	14,335	19,618

The remaining amortisation periods for intangible assets are as shown below:

	Remaining amortisation period (years)				Carrying value (£'000)			
	Customer relationships	Product development	Non-competition agreements	Order backlog	Customer relationships	Product development	Non-competition agreements	Order backlog
Crestchic	0.25	—	—	—	5	—	—	—
TAU	1.58	—	—	—	541	—	—	—
NT	5.00	—	—	—	114	—	—	—
CAP	4.75	—	—	—	294	—	—	—
OMM	2.88	—	—	—	179	—	—	—
TNZ	9.75	—	—	—	2,545	—	—	—

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:

	2016 £'000	2015 £'000
Crestchic	2,192	2,192
NT	923	798
CAP	1,248	1,067
TNZ	6,053	5,000
	10,416	9,057

Notes to the consolidated financial statements continued

For the year ended 31 December 2016

11. Intangible assets continued

Impairment of intangible assets

As described in detail in the Chairman and Chief Executive's Review, the continued impact of the crude oil price has had a significant impact on the revenues and profitability of the operations of the Group in certain locations. The Board is confident that there will be a recovery in these markets, and that the Group is well placed to benefit from this when it arises, but it recognised in the prior year that this current period of uncertainty impacted on the carrying value of the goodwill in relation to the oil tool operations in Australia and New Zealand.

As described in the prior year Strategic Report, the Board recognised an impairment of the carrying value of goodwill, with further details disclosed in note 5. As described in the current year Strategic Report the Directors have reviewed the carrying value of both tangible and intangible assets and have concluded that no further impairment charge is necessary.

The Directors appreciate that the financial results seen in Australia and New Zealand in 2016 were lower than expected at this point last year with revenue dropping to its lowest in the second quarter. The second half has seen some improvement, albeit from a lower base, and as described in the Strategic Report the Directors are now more confident of a strong recovery over the years up to 2021.

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 2021. Management does not believe that any CGU will see a material change in their market share. Other major assumptions are as follows:

	Discount rate %	Operating (gross) margin %	Wage inflation %
2016			
Crestchic	13	50	2
TAU	15	40	0
NT	13	50	3
TNZ	15	65	3
CAP	13	40	0
	Discount rate %	Operating (gross) margin %	Wage inflation %
2015			
Crestchic	13	50	3
TAU	15	50	0
NT	13	50	1
TNZ	15	60	0
CAP	13	40	0

The growth rates used for TAU and TNZ assume that revenue will broadly return to 2014 levels by 2021. The Board feels that these prudent projections are reasonable given the current market conditions. There are currently no active offshore rigs in New Zealand and the growth rate used takes into account the low starting point as well as an expected increase in geothermal drilling activity over the next five years. The growth rates that have been used in the value-in-use calculations as at 31 December 2016 are based on forecasts for the five-year period to 31 December 2021 which have been formally approved by the Board of Directors.

Operating margins have been based on past experience and future expectations in light of anticipated economic and market conditions. Discount rates are pre-taxation and are based on the Group's, beta adjusted to reflect management's assessment of specific risks related to each CGU. Growth rates and wage inflation have been based on prior year experience and expected future economic conditions.

The recoverable amount for the Crestchic, NT and CAP CGUs significantly exceeds their carrying amount and given the level of the excess the Directors do not consider the impairment calculations to be sensitive to movements in the above assumptions.

The recoverable amount for TNZ is more sensitive to movements in the discount rate and growth inflation. A growth rate of 4% lower than forecast or a discount rate of 1.5% higher than used in the forecasts would lead to a reduction in the recoverable amount.

The recoverable amount for TAU is more sensitive to movements in the discount rate and growth inflation. A growth rate of 5% lower than forecast or a discount rate of 3.5% higher than used in the forecasts would lead to a reduction in the recoverable amount.

12. 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 2016	6,740	1,429	632	1,383	41,781	51,965
Exchange differences	526	237	35	226	8,211	9,235
Transfer from inventory (net)	—	—	—	—	965	965
Additions	16	53	15	79	826	989
Disposals	—	(22)	(154)	(425)	(2,098)	(2,699)
At 31 December 2016	7,282	1,697	528	1,263	49,685	60,455
Depreciation						
At 1 January 2016	724	429	272	676	14,308	16,409
Exchange differences	19	103	29	113	4,031	4,294
Charge for the year	151	138	84	173	5,655	6,201
On disposals	—	(17)	(104)	(257)	(1,695)	(2,072)
At 31 December 2016	894	653	281	705	22,299	24,832
Net book value						
At 31 December 2016	6,388	1,044	247	558	27,386	35,623
At 31 December 2015	6,016	1,000	360	707	27,473	35,556
	Land and buildings £'000	Plant and machinery £'000	Motor vehicles £'000	Furniture and fittings £'000	Hire fleet £'000	Total £'000
Cost						
At 1 January 2015	6,652	1,259	796	1,284	43,457	53,448
Exchange differences	76	(58)	(17)	(20)	(686)	(705)
Transfer to inventory	—	—	—	—	(577)	(577)
Additions	12	251	108	203	4,791	5,365
Disposals	—	(23)	(255)	(84)	(5,204)	(5,566)
At 31 December 2015	6,740	1,429	632	1,383	41,781	51,965
Depreciation						
At 1 January 2015	574	371	349	571	12,470	14,335
Exchange differences	9	(52)	(14)	(19)	(289)	(365)
Transfer to inventory	—	—	—	—	(20)	(20)
Charge for the year	141	121	130	173	5,316	5,881
On disposals	—	(11)	(193)	(49)	(3,169)	(3,422)
At 31 December 2015	724	429	272	676	14,308	16,409
Net book value						
At 31 December 2015	6,016	1,000	360	707	27,473	35,556
At 31 December 2014	6,078	888	447	713	30,987	39,113

Bank borrowings are secured on the Group's assets, including freehold land and buildings (see note 16).

The net book value of assets held under finance leases or hire purchase contracts, included above, is as follows:

	2016 £'000	2015 £'000
Motor vehicles	136	203
Plant and machinery	67	74
Hire fleet	2,699	3,003

During the year the Group received £359,000 (2015: £1,096,000) 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.

Notes to the consolidated financial statements continued

For the year ended 31 December 2016

13. Inventories

	2016 £'000	2015 £'000
Raw materials	3,136	3,246
Work in progress	186	121
Finished goods	193	1,073
	3,515	4,440

14. Trade and other receivables

	2016 £'000	2015 £'000
Due within one year		
Trade receivables	7,441	8,611
Less provision for impairment of receivables	(376)	(496)
Trade receivables – net	7,065	8,115
Other receivables	1,028	935
Prepayments	915	883
	9,008	9,933

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

	2016 £'000	2015 £'000
Pound Sterling	1,084	1,826
Euro	615	1,239
US Dollar	3,430	3,030
Australian Dollar	418	830
UAE Dirham	598	510
Singapore Dollar	1,329	1,209
New Zealand Dollar	121	126
Other	498	280
	8,093	9,050

At 31 December 2016 trade receivables of £4,331,000 (2015: £4,777,000) were past due but not impaired. They relate to customers with no default history. The ageing of these receivables is as follows:

	2016 £'000	2015 £'000
Up to three months past due	2,343	3,911
Three to six months past due	975	588
Six to twelve months past due	663	278
Greater than twelve months past due	350	—
	4,331	4,777

Since the year end £3,256,000 of the £4,331,000 has been received from customers.

At 31 December 2016 trade receivables of £376,000 (2015: £496,000) were past due and are considered to be impaired due to the fact that the debts are old and/or due from customers in financial difficulty. The receivables relate to trade debtors. The ageing of these receivables is as follows:

	2016 £'000	2015 £'000
Less than twelve months	58	211
Greater than twelve months	318	285

14. 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:

	2016 £'000	2015 £'000
Opening balance	496	213
Exchange differences	37	—
Amounts written off	(96)	(60)
Recovered amounts reversed	(138)	—
Increase in provisions	77	343
Closing balance	376	496

The maximum exposure to credit risk, including cash balances, at 31 December 2016 is £10,239,000 (2015: £11,225,000).

15. Current liabilities**Trade and other payables – current**

	2016 £'000	2015 £'000
Trade payables	3,323	4,376
Social security and other taxes	356	435
Other payables	147	92
Accruals and deferred income	1,745	2,047
	5,571	6,950

16. Financial liabilities**Current**

	2016 £'000	2015 £'000
Bank borrowings – secured	3,705	5,194
Capitalised debt fees	(92)	(90)
Total	3,613	5,104
Net obligations under finance leases and hire purchase agreements	754	940
Total	4,367	6,044

The bank loans, trade finance facility and overdraft are secured by:

- a first and legal charge over the property;
- a first and only debenture from each Group company;
- a composite guarantee by each Group company (as guarantor) in favour of Royal Bank of Scotland on account of each Group company (as principal); and
- an assignment in security of keyman policies.

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

	2016 £'000	2015 £'000
Expiry within one year	3,705	5,194
More than one year and less than two years	1,972	2,118
More than two years and less than five years	6,495	8,997
Total	12,172	16,309

Overdrawn balances of £1,558,000 (2015: £1,677,000) are repayable on demand and are included in bank borrowings which expire within one year.

The Group has £1.5 million of undrawn funds (2015: £1.0 million) on its revolving credit facility available. The Group has outstanding warranty guarantees totalling £725,000 (2015: £799,000) relating to the sales of manufactured equipment.

Notes to the consolidated financial statements continued

For the year ended 31 December 2016

16. Financial liabilities continued

Other financial liabilities

	2016 £'000	2015 £'000
Deferred consideration for purchase of subsidiary	1,123	1,160
	1,123	1,160

Obligations under finance leases and hire purchase contracts can be analysed as follows:

	Minimum lease payments £'000	Interest £'000	Present value £'000
2016			
Not later than one year	797	43	754
Between one and five years	472	48	424
	1,269	91	1,178
	Minimum lease payments £'000	Interest £'000	Present value £'000
2015			
Not later than one year	1,015	75	940
Between one and five years	1,254	114	1,140
	2,269	189	2,080

Non-current financial liabilities

	2016 £'000	2015 £'000
Bank borrowings – secured	8,467	11,115
Capitalised debt fees	(87)	(165)
Total	8,380	10,950
Net obligations under finance leases and hire purchase agreements	424	1,140
Total	8,804	12,090

Non-current other financial liabilities

	2016 £'000	2015 £'000
Deferred consideration for purchase of subsidiary	—	928
	—	928

Based upon the established market rates prevailing at 31 December 2016 the fair value of all financial liabilities is not materially different to the carrying value.

17. Deferred taxation

	2016 £'000	2015 £'000
Opening provision	2,987	4,082
Taken to Statement of Comprehensive Income in current year	228	(1,140)
Taken to retained earnings	—	245
Foreign exchange difference	406	(200)
Closing provision	3,621	2,987

17. Deferred taxation continued

The provision for deferred taxation is made up as follows:

	2016 £'000	2015 £'000
Accelerated capital allowances	2,176	1,839
Fair value adjustment to property, plant and equipment on acquisition	483	489
Fair value of intangibles on acquisition	962	975
Losses carried forward	—	(316)
	3,621	2,987
Recognised as:		
Deferred tax asset	—	(316)
Deferred tax liabilities	3,621	3,303
	3,621	2,987

The Group has unrecognised tax losses carried forward of £1,641,000 (2015: £nil). These losses relate to the Group's Australian entities and a deferred tax asset has prudently not been recognised at this balance sheet date but the losses are available to be utilised against future profits. Any future recognition of a deferred tax asset will be dependent on these future profits becoming more certain.

18. Share capital

	2016 £'000	2015 £'000
Allotted, called up and fully paid		
26,114,752 ordinary shares of 10 pence each (2015: 18,640,708 ordinary shares of 10 pence each)	2,611	1,864

	2016		2015	
	Number	£'000	Number	£'000
Ordinary shares of 10 pence each				
At beginning of year	18,640,708	1,864	18,589,886	1,859
Issue of new shares	7,474,044	747	50,822	5
At end of year	26,114,752	2,611	18,640,708	1,864

During the year 6,000,000 shares were issued through a placing and 1,474,044 by way of an open offer. During the prior year 50,822 shares were issued as share options were exercised.

	2016 Number	2015 Number
Treasury shares held by the Company	215,150	152,150

Capital management

The Group considers its capital to comprise its ordinary share capital, shares not yet in issue, 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 Chairman and Chief Executive's Review.

19. 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 £269,000 (2015: £353,000). No amounts were owing at the year end (2015: £nil).

Notes to the consolidated financial statements continued

For the year ended 31 December 2016

20. Operating lease commitments

At 31 December 2016 the total future value of minimum lease payments is due as follows:

	2016 £'000	2015 £'000
Property		
Not later than one year	416	458
Later than one year and not later than five years	842	1,195
	1,258	1,653
Other assets		
Not later than one year	74	65
Later than one year and not later than five years	23	38
	97	103
Total	1,355	1,756

The Group leases properties in locations where it does not own freehold property and also leases motor vehicles.

21. Subsidiaries

The following are the subsidiary undertakings of the Company:

Company name	Country of incorporation	Registered office	Percentage shareholding
Crestchic Limited	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%*
Loadbank Hire Service	United Kingdom	Second Avenue, Centrum 100, Burton DE14 2WF	100%
Northbridge Industrial Services Pte Limited	Singapore	5 Tuas Avenue 13, Singapore 638977	100%
Crestchic (Asia-Pacific) Pte Limited	Singapore	5 Tuas Avenue 13, Singapore 638977	100%*
Northbridge Transformers NV	Belgium	Antwerpsesteenweg 124b30, 2630 Aartselaar	100%
Crestchic France S.A.S.	France	15 Avenue Condorcet, 921240 St Michel Sur Orge, Paris	100%
Tasman Middle East FZE	United Arab Emirates	PO Box 262559, Jebel Ali Free Zone, Dubai	100%*
RDS (Technical) Ltd	Azerbaijan	11 ASAF Zeynally, Apartment 5, Baku, AZ1095	100%*
Tyne Technical Equipment Rental Services	United Arab Emirates	PO Box 211520	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, Johor	100%*
Northbridge NZ Holdings Ltd	New Zealand	Vero Centre, 48 Shortland Street, Auckland	100%*
RDS (Trading) 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%*
Northbridge Loadcell Services Pte Limited	Singapore	5 Tuas Avenue 13, Singapore 638977	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 Australia Limited	United Kingdom	Second Avenue, Centrum 100, Burton DE14 2WF	100%*
Northbridge Australia Pty Limited	Australia	38 Station Street, Subiaco, Perth, WA 6008	100%*

* These subsidiaries are indirectly held by the Company.

Of the subsidiaries listed, Crestchic is involved in both the manufacture and hire of loadbanks. Northbridge Australia Limited, Northbridge Australia Pty Limited, Northbridge NZ Holdings Ltd and Tasman OMM Limited are holding companies. Loadbank Hire Services Limited, RDS (Technical) Ltd, RDS (Trading) Limited, 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.

22. Share-based payments

The Company operates three equity-settled share-based remuneration schemes: an HMRC-approved scheme, an unapproved scheme and a non-executive and consultants share option scheme.

	2016		2015	
	Weighted average exercise price (pence)	Number	Weighted average exercise price (pence)	Number
Outstanding at the beginning of the year	267	1,156,801	252	1,227,823
Granted during the year	90	280,000	378	200,500
Exercised during the year	—	—	163	(50,822)
Share options lapsed during the year	317	(45,200)	318	(220,700)
Outstanding at the end of the year	228	1,391,601	267	1,156,801

The exercise price of options outstanding at the end of the year ranged between 89.50 pence and 453.50 pence (2015: 100.64 pence and 453.50 pence) and their weighted average contractual life was one year seven months (2015: one year three months). The weighted average exercise price of the options is 228 pence (2015: 267 pence).

Of the total number of options outstanding at the end of the year, 705,101 (2015: 710,101) had vested and were exercisable at the end of the year. The schemes have been valued using the Black Scholes pricing model.

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

	2016
Options granted during the year	280,000
Date of grant	10 May 2016
Fair value per option at measurement date	89.5 pence
Share price	89.5 pence
Exercise price	89.5 pence
Weighted average exercise price	89.5 pence
Weighted average exercise life	2 years 4 months
Expected volatility	33%
Earliest exercisable point	3 years
Option life	10 years
Risk-free interest rate	0.5%

	2015
Options granted during the year	200,500
Date of grant	17 April 2015
Fair value per option at measurement date	377.5 pence
Share price	377.5 pence
Exercise price	377.5 pence
Weighted average exercise price	377.5 pence
Weighted average exercise life	2 years 3 months
Expected volatility	33%
Earliest exercisable point	3 years
Option life	10 years
Risk-free interest rate	0.5%

The volatility rate is based on the average share price movement during the year ended 31 December 2016 and during the year ended 31 December 2015.

The share-based remuneration expense for the year is £96,000 (2015: £96,000) of which £53,000 (2015: £59,000) relates to key management personnel.

Notes to the consolidated financial statements continued

For the year ended 31 December 2016

22. Share-based payments continued

The following share options were outstanding at 31 December 2016:

Type of scheme	Date of grant	Number of shares 2016	Number of shares 2015
Unapproved share option	30 May 2006	118,659	118,659
Unapproved share option	2 April 2007	102,746	102,746
Unapproved share option	9 April 2008	41,098	41,098
Unapproved share option	20 April 2009	53,098	53,098
Unapproved share option	30 September 2010	140,000	140,000
Unapproved share option	30 March 2011	19,737	19,737
Approved share option	30 March 2011	1,763	1,763
Unapproved share option	21 April 2011	75,000	75,000
Unapproved share option	18 April 2012	143,494	148,494
Approved share option	18 April 2012	9,506	9,506
Unapproved share option	18 April 2013	115,041	118,241
Approved share option	18 April 2013	19,959	22,459
Unapproved share option	10 April 2014	117,783	121,668
Approved share option	10 April 2014	15,717	19,832
Unapproved share option	17 April 2015	136,074	154,574
Approved share option	17 April 2015	9,926	9,926
Unapproved share option	10 May 2016	264,500	—
Approved share option	10 May 2016	7,500	—
		1,391,601	1,156,801

Directors' share options

	Date of grant	Number of shares	Exercise price of shares (pence)	Normal exercise period	Scheme type
E W Hook	30 May 2006	118,659	100.64	30/05/2009–30/05/2019	Unapproved
E W Hook	2 April 2007	102,746	146.96	02/04/2010–02/04/2020	Unapproved
E W Hook	9 April 2008	41,098	150.86	09/04/2011–09/04/2021	Unapproved
E W Hook	20 April 2009	41,098	149.88	20/04/2012–20/04/2022	Unapproved
E W Hook	30 September 2010	120,000	186.00	30/09/2013–30/09/2023	Unapproved
E W Hook	21 April 2011	75,000	237.00	21/04/2014–21/04/2021	Unapproved
E W Hook	18 April 2012	60,000	281.50	18/04/2015–18/04/2022	Unapproved
E W Hook	18 April 2013	48,000	327.50	18/04/2016–18/04/2023	Unapproved
E W Hook	10 April 2014	6,615	453.50	10/04/2017–10/04/2024	Approved
E W Hook	10 April 2014	43,385	453.50	10/04/2017–10/04/2024	Unapproved
E W Hook	17 April 2015	50,000	377.50	17/04/2018–17/04/2025	Unapproved
E W Hook	10 May 2016	100,000	89.50	10/05/2019–10/05/2026	Unapproved
I J Gardner	18 April 2012	20,000	281.50	18/04/2015–18/04/2022	Unapproved
I J Gardner	18 April 2013	16,000	327.50	18/04/2016–18/04/2023	Unapproved
I J Gardner	10 April 2014	20,000	453.50	18/04/2017–18/04/2024	Unapproved
I J Gardner	17 April 2015	20,000	377.50	17/04/2018–17/04/2025	Unapproved
I J Gardner	10 May 2016	20,000	89.50	10/05/2019–10/05/2026	Unapproved
I C Phillips	18 April 2012	10,000	281.50	18/04/2015–18/04/2022	Unapproved
I C Phillips	18 April 2013	8,000	327.50	18/04/2016–18/04/2023	Unapproved
I C Phillips	10 April 2014	3,898	453.50	18/04/2017–18/04/2024	Unapproved
I C Phillips	10 April 2014	4,102	453.50	18/04/2017–18/04/2024	Approved
I C Phillips	17 April 2015	6,981	377.50	17/04/2018–17/04/2025	Unapproved
I C Phillips	17 April 2015	3,019	377.50	17/04/2018–17/04/2025	Approved
I C Phillips	10 May 2016	20,000	89.50	10/05/2019–10/05/2026	Unapproved
		958,601			

22. Share-based payments continued**Directors' share options** continued

	2016 Number of options	2015 Number of options
E W Hook	806,601	706,601
I J Gardner	96,000	76,000
I C Phillips	56,000	36,000
	958,601	818,601

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

23. Note supporting cash flow statement

	2016 £'000	2015 £'000
Cash and cash equivalents comprises:		
– cash available on demand	3,704	3,852
– overdrawn balances	(1,558)	(1,677)
	2,146	2,175

24. 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 loans;
- 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.

Notes to the consolidated financial statements continued

For the year ended 31 December 2016

24. Financial instruments continued

Financial instrument risk exposure and management continued

General objectives, policies and processes continued

Further details regarding these policies are set out below:

Categories of financial assets and financial liabilities

	Loans and receivables at amortised cost	
	2016 £'000	2015 £'000
Current financial assets		
Trade and other receivables	8,093	9,050
Cash and cash equivalents	3,704	3,852
Total current financial assets	11,797	12,902
	Financial liabilities measured at amortised cost	
	2016 £'000	2015 £'000
Current financial liabilities		
Trade and other payables	5,215	6,515
Loans and borrowings	4,367	6,044
Deferred consideration	1,123	1,160
Total current financial liabilities	10,705	13,719
Non-current financial liabilities		
Loans and borrowings	8,804	12,090
Deferred consideration	—	928
Total non-current financial liabilities	8,804	13,018
Total financial liabilities	19,509	26,737

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

Credit risk

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

Trade receivables

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

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

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

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

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.

24. Financial instruments continued**Financial instrument risk exposure and management** continued**Liquidity risk** continued

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

	Up to 12 months £'000	Between 1 and 2 years £'000	Between 2 and 5 years £'000
2016			
Trade and other payables	5,215	—	—
Loans and borrowings	4,367	2,167	6,637
Deferred consideration	1,123	—	—
	10,705	2,167	6,637
	Up to 12 months £'000	Between 1 and 2 years £'000	Between 2 and 5 years £'000
2015			
Trade and other payables	6,515	—	—
Loans and borrowings	6,044	2,846	9,244
Deferred consideration	1,160	928	—
	13,719	3,774	9,244

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 borrowings are made up of term loans and a revolving credit facility. The Group also utilises a short-term trade finance facility. At the year end there was no balance drawn on this facility (2015: £1,348,000).

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 £66,000 (2015: £91,000). A 0.5% increase in the interest rate would, on the same basis, have increased the post-tax loss by the same amount.

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.

The cash and cash equivalents at 31 December were as follows:

	2016 Floating rate £'000	2015 Floating rate £'000
Pound Sterling	1,401	154
Euro	964	479
US Dollar	511	1,904
UAE Dirham	81	251
Australian Dollar	97	194
Singapore Dollar	657	640
New Zealand Dollar	—	178
Other	(7)	52
	3,704	3,852

Notes to the consolidated financial statements continued

For the year ended 31 December 2016

24. Financial instruments continued

Financial instrument risk exposure and management continued

Currency risk continued

The overdrawn balance has been presented in financial liabilities.

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 2016				
Euro	(47)	(73)	58	90
US Dollar	(51)	(237)	62	289
UAE Dirham	—	(22)	—	27
Singapore Dollar	—	(51)	—	63
Australian Dollar	—	9	—	(10)
New Zealand Dollar	—	11	—	(13)
Other	—	(21)	—	26
31 December 2015				
Euro	(72)	(44)	88	53
US Dollar	(167)	(269)	204	329
UAE Dirham	—	(33)	—	40
Singapore Dollar	—	(32)	—	39
Australian Dollar	—	(96)	—	117
New Zealand Dollar	—	(11)	—	13
Other	—	(24)	—	30

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.

25. Related parties

The employee benefits and share-based payments expense for the key management personnel are disclosed in note 5 and note 6.

26. Dividend

	2016 £'000	2015 £'000
Final dividend of nil pence (2015: 4.00 pence) per ordinary share proposed and paid during the year relating to the previous year's results	—	735
Interim dividend of nil pence (2015: 1.00 pence) per ordinary share paid during the year	—	184
	—	919

The Directors are not proposing a final dividend (2015: nil pence), resulting in dividends for the whole year of nil pence (2015: 1.00 pence) per share.

Parent company accounts under FRS 101

Parent company balance sheet

As at 31 December 2016

Company number: 05326580	Note	2016 £'000	2015 £'000
Fixed assets			
Fixed asset investments	4	28,787	28,764
		28,787	28,764
Current assets			
Debtors	6	13,220	13,257
Cash and cash equivalents		1,310	12
		14,530	13,269
Creditors: amounts falling due within one year	7	(3,402)	(3,922)
Net current assets		11,128	9,347
Total assets less current liabilities		39,915	38,111
Creditors: amounts falling due after more than one year	8	(8,075)	(10,272)
Net assets		31,840	27,839
Capital and reserves			
Called up share capital	10	2,611	1,864
Share premium account		27,779	23,266
Merger reserve		2,810	2,810
Treasury share reserve		(451)	(451)
Profit and loss account		(909)	350
Shareholders' funds		31,840	27,839

Northbridge Industrial Services plc has taken advantage of Section 408 of the Companies Act 2006 and has not included its own profit and loss account in these financial statements. The Company's loss after tax was £1,355,000 (2015: £2,862,000).

The notes on pages 51 to 54 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 25 April 2017.

Eric Hook
Director

The Directors' Report is on pages 16 to 19 and the Strategic Report is on pages 4 to 12 of the annual report and accounts.

Statement of changes in equity

For the year ended 31 December 2016

	Share capital £'000	Share premium £'000	Merger reserve £'000	Treasury share reserve £'000	Retained earnings £'000	Total £'000
Changes in equity						
Balance at 1 January 2016	1,864	23,266	2,810	(451)	350	27,839
Loss for the year	—	—	—	—	(1,355)	(1,355)
Other comprehensive loss	—	—	—	—	—	—
Total comprehensive loss for the year	—	—	—	—	(1,355)	(1,355)
Issue of share capital	747	4,513	—	—	—	5,260
Share option expense	—	—	—	—	96	96
Balance at 31 December 2016	2,611	27,779	2,810	(451)	(909)	31,840

Statement of changes in equity

For the year ended 31 December 2015

	Share capital £'000	Share premium £'000	Merger reserve £'000	Treasury share reserve £'000	Retained earnings £'000	Total £'000
Changes in equity						
Balance at 1 January 2015	1,859	23,188	2,810	(201)	4,035	31,691
Loss for the year	—	—	—	—	(2,862)	(2,862)
Other comprehensive loss	—	—	—	—	—	—
Total comprehensive loss for the year	—	—	—	—	(2,862)	(2,862)
Issue of share capital	5	78	—	—	—	83
Purchase of own shares	—	—	—	(250)	—	(250)
Share option expense	—	—	—	—	96	96
Dividends paid	—	—	—	—	(919)	(919)
Balance at 31 December 2015	1,864	23,266	2,810	(451)	350	27,839

The notes on pages 51 to 54 form part of these financial statements.

Notes to the parent company financial statements

For the year ended 31 December 2016

1. Accounting policies

1.1 Basis of preparation of financial statements

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

Disclosure exemptions adopted

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

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

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

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

1.2 Investments

Investments in subsidiaries are stated at cost less provision for impairment.

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 in to 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.

1.5 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.

Notes to the parent company financial statements continued

For the year ended 31 December 2016

1. Accounting policies continued

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

The Group is required to test whether investments have suffered any impairment. The recoverable amounts of the CGUs have been determined based on value-in-use estimations. The use of this method requires the estimation of future cash flows expected to arise from the continuing operation of the CGU.

Share-based payments

A key factor in determining the value of the share options is the likelihood of vesting. The likelihood of vesting is estimated based on the past behaviour of option holders and the changes on the Group's share price.

Recoverability of amounts owed by Group undertakings

The recoverability of amounts owed by Group undertakings is periodically reviewed. To assess the recoverability of the debts the Group undertakings' net assets, cash balances and value in use are reviewed.

2. Staff costs

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

	2016 £'000	2015 £'000
Wages and salaries	443	512
Social security costs	52	65
Redundancy and compensation for loss of office costs	—	155
Share-based payments	73	67
	568	799

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

	2016 Number	2015 Number
Full time – Administration	2	3
Part-time – Administration	4	4
	6	7

3. Directors' remuneration

Details of Directors' remuneration, including that of the highest paid Director, are set out in note 6 to the consolidated financial statements. All Directors except for I J Gardner are remunerated through the parent company.

4. Fixed asset investments

	Shares in Group undertakings £'000
Cost	
At 1 January 2016	28,764
Additions	23
At 31 December 2016	28,787

Subsidiary undertakings

Details of all subsidiary undertakings and their principal activities are included in note 21 of the Group financial statements.

5. Tangible fixed assets

	Fixtures and fittings £'000
Cost	
At 1 January 2016	43
Additions	—
At 31 December 2016	43
Depreciation	
At 1 January 2016	43
Charge for the year	—
At 31 December 2016	43
Net book value	
At 31 December 2016	—
At 31 December 2015	—

6. Debtors

	2016 £'000	2015 £'000
Amounts owed by Group undertakings	13,210	13,242
Other debtors	2	9
Prepayments and accrued income	8	6
	13,220	13,257

Deferred taxation

	2016 £'000	2015 £'000
Opening provision	—	95
Taken to the profit and loss account in current year	—	(95)
Closing provision	—	—

All amounts shown under debtors fall due for payment within one year. There are no unrecognised deferred tax assets (2015: none).

7. Creditors: amounts falling due within one year

	2016 £'000	2015 £'000
Bank loans and overdraft net of capitalised debt fees	1,683	2,457
Amounts payable to Group undertakings	1,469	1,274
Trade creditors	46	67
Social security and other taxes	102	—
Other creditors	102	124
	3,402	3,922

Bank securities are detailed in note 8 to the Group financial statements.

8. Creditors: amounts falling due after more than one year

	2016 £'000	2015 £'000
Bank loan net of capitalised debt fees	8,075	10,272

All loans are wholly repayable within five years.

The bank loan is secured by:

- a first and only debenture from each Group company;
- a first and legal charge over a property held within the Group;
- a composite guarantee by each Group company (as guarantor) in favour of Bank of Scotland on account of each Group company (as principal); and
- an assignment of keyman policies on Eric Hook.

Notes to the parent company financial statements continued

For the year ended 31 December 2016

9. Financial instruments

Borrowing facilities

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

	2016 £'000	2015 £'000
Expiry within one year	1,683	2,457
More than one year and less than two years	1,715	1,707
More than two years and less than five years	6,360	8,565
Total	9,758	12,729

The Company has £1.5 million (2015: £1.0 million) undrawn on a revolving credit facility as at 31 December 2016.

10. Share capital

	2016 £'000	2015 £'000
Allotted, called up and fully paid		
26,114,752 ordinary shares of 10 pence each (2015: 18,640,708 ordinary shares of 10 pence each)	2,611	1,864

	2016		2015	
	Number	£'000	Number	£'000
Ordinary shares of 10 pence each				
At beginning of year	18,640,708	1,864	18,589,886	1,859
Issue of new shares	7,474,044	747	50,822	5
At end of year	26,114,752	2,611	18,640,708	1,864

During the year 6,000,000 shares were issued through a placing and 1,474,044 by way of an open offer. During the prior year 50,822 shares were issued as share options were exercised.

	2016 Number	2015 Number
Treasury shares held by the Company	215,150	152,510

11. Dividends

	2016 £'000	2015 £'000
Final dividend of nil pence (2015: 4.00 pence) per ordinary share proposed and paid during the year relating to the previous year's results	—	735
Interim dividend of nil pence (2015: 1.00 pence) per ordinary share paid during the year	—	184
	—	919

The Directors are not proposing a final dividend (2015: nil pence), resulting in dividends for the whole year of nil pence (2015: 1.00 pence) per share.