

Registered number: 01772456

Crestchic (UK) Limited

(formerly Crestchic Limited)

Report and Financial Statements
For the year ended 31 December 2021



Company information

Directors

E Hook (resigned 31 March 2021)

I Phillips

C Caldwell (appointed 31 March 2021)

Secretary

A Avery

Company number

01772456

Registered office

Second Avenue

Centrum 100

Burton on Trent DE14 2WF

Country of incorporation of parent company

England and Wales

Legal form

Limited company

Independent auditors

BDO LLP

Two Snowhill

Birmingham B4 6GA

Bankers

Royal Bank of Scotland Group

Cumberland Place

Nottingham NG1 7ZS

Solicitors

Freeths LLP

1 Heddon Street

Mayfair

London W1B 4BD

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Strategic report

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

Principal activities

The company's principal activity is the design, manufacture, sale and hire of loadbank equipment which is primarily used for the commissioning and maintenance of independent power sources such as engines and turbines. Crestchic (UK) Limited (formerly Crestchic Limited) ("Crestchic") operates from two main sites in the UK, Burton on Trent and Rochester.

Review of business and future developments

Crestchic designs, manufactures, sells and hires load bank equipment which is primarily used for the commissioning and maintenance of independent power sources such as generators and turbines. The need to continually test and maintain standby and independent power systems, and the increasing reliance on power critical technology used within datacentres and the banking, medical, marine and defence industries, drives the demand for Crestchic's range of services. Crestchic continues to see opportunities from the energy transition and a background of increasingly unreliable power infrastructure and regular testing demanded by insurers.

The Company reported an increase in revenue of 8% to £17.8 million (2020: £16.4 million) with hire revenue rebounding quickly after a COVID-19 effected 2020. Hire revenue increased by 13% to £5.2 million (2020: £4.6 million) with sales revenue increasing by 7% to £12.6 million (2020: £11.8 million). The sales revenue would have been higher without the capacity constraints of the production facility. The gross margin remained consistent at 40%. The Company's net assets have increased from £20.2 million to £22.1 million reflecting the profit for the year.

The Company's Key Performance Indicators (KPI's) are revenue, gross margin and the level of investment in the hire fleet.

Crestchic continued its investment in the hire fleet with additions in the year of £953,000 (2020: £612,000) and this has continued to increase the revenue generating potential of the hire fleet for future years.

Crestchic continues to trade in markets worldwide where the increased investment in energy infrastructure has created an ongoing demand for the Company's products and services. This has been most apparent in the datacentre sector where demand for the rental and purchase of loadbanks continues to grow. To meet this increasing demand the Board obtained planning permission and began the build of a new facility adjacent to the current manufacturing building which will increase production by around 60% in the second half of 2022.

Principal risks and uncertainties including financial risk management

Interest rate risk

The Board manages its interest rate risk by using a mixture of fixed and variable rate facilities. The mix of these facilities is reviewed on a regular basis.

Foreign currency exchange risk

Part of the cash at bank is held in Euro and US Dollar accounts and there are also trade balances and investments in these currencies. The Board manages this risk by converting all non-functional currency into Sterling at the first opportunity, after allowing for similar functional currency outlays.

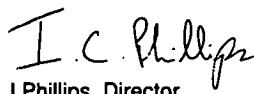
Credit risk

The Company manages its credit risk by assessing all new customers entering into contracts with them, requesting external credit ratings (which are factored into credit decisions), and regularly reviewing established customers.

Commercial risks

The Company has a relatively small number of competitors, some of which are larger and better capitalised. The Company mitigates this risk by providing excellent customer service and by having access to the equipment and manpower of other group entities. The company also uses the group hubs to access sales markets all over the world.

This report was approved by the board on 22 June 2022 and signed on its behalf.



I Phillips, Director

Directors' report

The directors present their report together with the financial statements for the year ended 31 December 2021.

On 10 June 2022 the company changed its name from Crestchic Limited to Crestchic (UK) Limited.

Results and dividends

The profit for the year, after taxation, amounted to £1,903,000 (2020: £1,877,000). No dividends were paid during the year (2020: nil) and no final dividend has been proposed (2020: nil).

Directors

The directors who served during the year and up to the date of approval of this report were:

E Hook (resigned 31 March 2021)

I Phillips

C Caldwell (appointed 31 March 2021)

The Principal Activities, The Review of Business and Future Developments, and Principal Risks and Uncertainties are not shown in the Report of the Directors as they are shown within the Strategic Report as prescribed under S414c(11) of the Companies Act 2006.

Financial Instruments

Details of the Company's financial instruments can be found in note 20 of the financial statements.

Funding and going concern

The Company has remained profitable and cash generative throughout the pandemic. As explained in note 23, the Company, along with other companies, has provided guarantees to secure borrowings of its ultimate parent company. At 31 December 2021 amounts outstanding in respect of these borrowings was £5,500,000 (2020: £7,726,000).

The going concern assessment therefore revolves around the risk of the parent company, Northbridge Industrial Services Plc, failing a bank covenants and the bank possibly calling on these guarantees.

On 12 April 2022, Northbridge Industrial Services Plc released their audited results for the year ended 31 December 2021 and stated that:

'After making appropriate enquiries, the Directors have formed a judgement, at the time of approving the financial statements, that the Group can have a reasonable expectation that adequate resources will be available for it to continue its operations for the foreseeable future, and consequently it is appropriate to adopt the going concern principle in the preparation of the financial statements.

In forming this judgement, the Directors have reviewed the Group's latest forecasts and cash flows for at least twelve months after the signing date including reasonable downside sensitivity scenarios and reverse stress testing.

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

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

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

The group has continued to trade ahead of initial forecasts up to the date of the approval of these financial statements.

On the basis of the group conclusion and the company's own cash flow forecasts the Directors consider that it is appropriate to prepare the financial statements on a going concern basis.

Statement of directors' responsibilities

The directors are responsible for preparing the strategic report, the directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

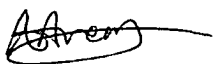
The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies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

Auditors

All the current directors have taken all the steps that they ought to have taken to make themselves aware of any information needed by the company's auditors for the purposes of their audit and to establish that the auditors are aware. The directors are not aware of any relevant audit information of which the auditors are unaware.

BDO LLP has expressed its willingness to continue in office and a resolution to re-appoint them will be proposed at the annual general meeting.

This report was approved by the Board on 22 June 2022 and signed by order of the Board by the Company Secretary.



A Avery
Company Secretary

Independent auditor's report

To the members of Crestchic (UK) Limited (formerly Crestchic Limited)

Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Crestchic (UK) Limited (formerly Crestchic Limited) ("the Company") for the year ended 31 December 2021 which comprise the Statement of comprehensive income, the Balance sheet, the Statement of changes in equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 *Reduced Disclosure Framework* (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate

Independence

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

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

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

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

Other information

The directors are responsible for the other information. The other information comprises the information included in the report and financial statements, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Other Companies Act 2006 reporting

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

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

In the light of the knowledge and understanding of the 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 in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of Directors

As explained more fully in the Statement of directors' responsibilities included in the Directors' report, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Extent to which the audit was capable of detecting irregularities, including fraud

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

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

We focussed on laws and regulations that could give rise to a material misstatement in the Company Financial Statements. Our testing included, but was not limited to:


- Enquiries of management;
- Obtaining an understanding of the control environment in monitoring compliance with laws and regulations;
- Reviewing journals posted to revenue to identify any outside of the normal course of business or indicative of a manipulation of the revenue figure reported; and
- Identifying and testing a sample of journal entries, in particular journal entries posted with unusual account combinations.

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

A further description of our responsibilities is available on the Financial Reporting Council's website at: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

This report is made solely to the 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.

DocuSigned by:

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Jon Gilpin (Senior Statutory Auditor)
For and on behalf of BDO LLP, statutory auditor
Birmingham

Date: 22 June 2022

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Statement of comprehensive income

For the year ended 31 December 2021

| | Note | 2021 £'000 | 2020 £'000 |
|---|------|---------------|---------------|
| Revenue | 3 | 17,772 | 16,442 |
| Cost of sales | | (10,692) | (9,880) |
| Gross profit | | 7,080 | 6,562 |
| Other operating income | | — | 66 |
| Selling and distribution costs | | (2,771) | (2,392) |
| Administrative expenses | | (1,715) | (1,789) |
| Profit from operations | 4 | 2,594 | 2,447 |
| Finance costs | 8 | (60) | (79) |
| Profit before taxation | | 2,534 | 2,368 |
| Taxation | 9 | (631) | (491) |
| Profit for the year attributable to the equity holders of the parent | | 1,903 | 1,877 |
| Other comprehensive income | | | |
| Exchange differences on translating foreign branch operations | | — | — |
| Other comprehensive income for the year, net of tax | | — | — |
| Total comprehensive income for the year attributable to equity holders of the parent | | 1,903 | 1,877 |

All amounts relate to continuing operations.

The notes on pages 12 to 26 form part of these financial statements.

Balance sheet

As at 31 December 2021

| | | 2021 | | 2020 | |
|---|------|---------|--------|---------|--------|
| Company number: 01772456 | Note | £'000 | £'000 | £'000 | £'000 |
| Fixed assets | | | | | |
| Goodwill | 10 | | 381 | | 381 |
| Right-of-use assets | 12 | | 1,346 | | 1,458 |
| Tangible assets | 13 | | 7,109 | | 6,659 |
| | | | 8,836 | | 8,498 |
| Current assets | | | | | |
| Stocks | 14 | 4,131 | | 3,570 | |
| Debtors | 15 | 14,173 | | 13,223 | |
| Cash at bank | | 1,650 | | 1,254 | |
| | | 19,954 | | 18,047 | |
| Creditors: amounts falling due within one year | 16 | (4,968) | | (4,708) | |
| Net current assets | | | 14,986 | | 13,339 |
| Total assets less current liabilities | | | 23,820 | | 21,837 |
| Creditors: amounts falling due after one year | 17 | (593) | | (874) | |
| Provisions for liabilities | 18 | (1,093) | | (732) | |
| Net assets | | | 22,134 | | 20,231 |
| Capital and reserves attributable to equity holders of the Company | | | | | |
| Share capital | 19 | | 10 | | 10 |
| Capital contribution reserve | | | 176 | | 176 |
| Retained earnings | | | 21,948 | | 20,045 |
| Total equity | | | 22,134 | | 20,231 |

The notes on pages 12 to 26 form part of these financial statements.

The financial statements were approved and authorised for issue by the Board on 22 June 2022 and were signed on its behalf by:

I. C. Phillips

I Phillips
Director

Statement of changes in equity

For the year ended 31 December 2021

| | Share capital £'000 | Capital contribution £'000 | Retained earnings £'000 | Total £'000 |
|---|---------------------------|----------------------------------|-------------------------------|----------------|
| Changes in equity | | | | |
| Balance at 1 January 2021 | 10 | 176 | 20,045 | 20,231 |
| Profit for the year | — | — | 1,903 | 1,903 |
| Other comprehensive income | — | — | — | — |
| Total comprehensive income for the year | — | — | 1,903 | 1,903 |
| Balance at 31 December 2021 | 10 | 176 | 21,948 | 22,134 |

Statement of changes in equity

For the year ended 31 December 2020

| | Share capital £'000 | Capital contribution £'000 | Retained earnings £'000 | Total £'000 |
|---|---------------------------|----------------------------------|-------------------------------|----------------|
| Changes in equity | | | | |
| Balance at 1 January 2020 | 10 | 176 | 18,168 | 18,354 |
| Profit for the year | — | — | 1,877 | 1,877 |
| Other comprehensive income | — | — | — | — |
| Total comprehensive income for the year | — | — | 1,877 | 1,877 |
| Balance at 31 December 2020 | 10 | 176 | 20,045 | 20,231 |

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

| Reserve | Description and purpose |
|------------------------------|--|
| Share capital | Amount subscribed for share capital. |
| Capital contribution reserve | Value of share option charges passed on by the parent company. |
| Retained earnings | All other net gains and losses and transactions with owners (e.g. dividends) not recognised elsewhere. |

The notes on pages 12 to 26 form part of these financial statements.

Notes to the financial statements

For the year ended 31 December 2021

1. Accounting policies

Basis of preparation

The financial statements have been prepared in accordance with Financial Reporting Standard 100 *Application of Financial Reporting Requirements* and Financial Reporting Standard 101 *Reduced Disclosure Framework*. 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 financial statements have been prepared on a historical cost basis. The presentational currency used is sterling and amounts have been presented in round thousands ("£000s").

The Company has remained profitable and cash generative throughout the pandemic. As explained in note 23, the Company, along with other companies, has provided guarantees to secure borrowings of its ultimate parent company. At 31 December 2021 amounts outstanding in respect of these borrowings was £5,500,000 (2020: £7,726,000).

The going concern assessment therefore revolves around the risk of the parent company, Northbridge Industrial Services Plc, failing a bank covenants and the bank possibly calling on these guarantees.

On 12 April 2022, Northbridge Industrial Services Plc released their audited results for the year ended 31 December 2021 and stated that:

'After making appropriate enquiries, the Directors have formed a judgement, at the time of approving the financial statements, that the Group can have a reasonable expectation that adequate resources will be available for it to continue its operations for the foreseeable future, and consequently it is appropriate to adopt the going concern principle in the preparation of the financial statements.

In forming this judgement, the Directors have reviewed the Group's latest forecasts and cash flows for at least twelve months after the signing date including reasonable downside sensitivity scenarios and reverse stress testing.

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

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

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

The group has continued to trade ahead of initial forecasts up to the date of the approval of these financial statements.

On the basis of the group conclusion and the company's own cash flow forecasts the Directors consider that it is appropriate to prepare the financial statements on a going concern basis.

Disclosure exemptions adopted

In preparing these financial statements the company has taken advantage of the 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 disclosures exemptions have been adopted because equivalent disclosures are included in the consolidated financial statements of Northbridge Industrial Services Plc. These financial statements therefore do not include certain disclosures in respect of:

- Share based payments;
- Business combinations;
- Financial Instruments;
- Fair value measurement.

The financial statements of Northbridge Industrial Services Plc can be obtained as described in note 24.

Exemption from preparation of consolidated financial statements

The financial statements contain information about Crestchic (UK) Limited as an individual company and do not contain consolidated financial information as the parent of a group. The company has taken advantage of the exemption conferred by s400 of the Companies Act 2006 not to produce consolidated financial statements as it is included in the consolidated accounts of a larger UK group.

Judgements and key areas of estimation uncertainty

The preparation of financial statements in compliance with FRS 101 requires the use of certain critical accounting estimates. It also requires the company's directors to exercise judgment in applying the company's accounting policies. The areas where significant judgments and estimates have been made in preparing the financial statements and their effects are disclosed in note 2.

New standards and interpretations

In preparing the financial statements, the following new standards and interpretations have been adopted:

| New standard or interpretation | Mandatory effective date (periods beginning) |
|---|---|
| Interest Rate Benchmark Reform – IBOR “Phase 2” (Amendments to IFRS 9, IAS 39 and IFRS 7) | 1 January 2021 |
| COVID-19 Related Rent Concessions (Amendments to IFRS 16) | 1 January 2021 |

Standards not yet effective

There are a number of standards, amendments to standards, and interpretations which have been issued by the IASB that are effective in future accounting periods that the Company has decided not to adopt early.

The following amendments are effective for the period beginning 1 January 2022:

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

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

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

In January 2020, the IASB issued amendments to IAS 1, which clarify the criteria used to determine whether liabilities are classified as current or non-current. These amendments clarify that current or non-current classification is based on whether an entity has a right at the end of the reporting period to defer settlement of the liability for at least twelve months after the reporting period. The amendments also clarify that 'settlement' includes the transfer of cash, goods, services, or equity instruments unless the obligation to transfer equity instruments arises from a conversion feature classified as an equity instrument separately from the liability component of a compound financial instrument. The amendments were originally effective for annual reporting periods beginning on or after 1 January 2022. However, in May 2020, the effective date was deferred to annual reporting periods beginning on or after 1 January 2023.

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

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

Goodwill

Goodwill represents the excess of the cost of a business combination over the total fair value of the identifiable assets, liabilities and contingent liabilities acquired.

Cost comprises the fair value of assets given, liabilities assumed and equity instruments issued.

Goodwill is capitalised as an intangible asset and is not amortised. Instead it is reviewed annually for impairment with any impairment in carrying value being charged to profit or loss. The Companies Act 2006 requires acquired goodwill to be reduced by provisions for depreciation calculated to write off the amount systematically over a period chosen by the directors, not exceeding its useful economic life. It has been deemed, however, the non-amortisation of goodwill is a departure, for the overriding purpose of giving a true and fair view. The effect of this departure has not been quantified because it is impracticable and, in the opinion of the directors, would be misleading.

Impairment of non-financial assets (excluding inventories, investment properties and deferred tax assets)

Impairment tests on goodwill and other intangible assets with indefinite useful economic lives are undertaken annually at the financial year end. Other non-financial assets are subject to impairment tests whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Where the carrying value of an asset exceeds its recoverable amount (i.e. the higher of value in use and fair value less costs to sell), the asset is written down accordingly.

Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the smallest group of assets to which it belongs for which there are separately identifiable cash flows; its cash generating units ('CGUs'). Goodwill is allocated on initial recognition to each of the company's CGUs that are expected to benefit from the synergies of the combination giving rise to the goodwill.

Impairment charges are included in profit or loss, except to the extent they reverse gains previously recognised in other comprehensive income. An impairment loss recognised for goodwill is reversed in a subsequent period if, and only if, the reasons for the impairment loss have ceased to apply.

Internally generated intangible assets (development costs)

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

- it is technically feasible to develop the product and for it to be sold;
- adequate resources are available to complete the development;
- there is an intention to complete and sell the product;
- the company 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 the periods the company expects to benefit from selling the products developed. The amortisation expense is included within operating costs in the statement of comprehensive income.

Development expenditure not satisfying the above criteria and expenditure on the research phase of internal projects are recognised in the statement of comprehensive income as incurred.

Tangible assets

Tangible assets are stated at historical cost less accumulated depreciation and any accumulated impairment losses. The manufactured hire equipment is capitalised, including materials, labour costs and an overhead cost allocation.

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.

Under FRS 101 the company has taken advantage of the opportunity to use the previous revalued amount at the transition date as deemed cost. From the transition date onwards freehold land and buildings have been depreciated on this basis.

Investments in subsidiaries

Investments in subsidiaries are carried at cost less any provision for losses arising on impairment.

Stocks

Stocks are initially recognised at cost, and subsequently at the lower of cost and net realisable value. Cost comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition as follows:

- Raw materials - purchase cost determined on a first in-first out basis (FIFO)
- Work in Progress and Finished Goods - cost of direct materials and labour plus a measure of attributable overheads which is based on the normal level of activity of the business.

Net realisable value is based on estimated selling price less additional costs to complete the disposal.

Financial assets

The Company'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 Company has not classified any of its financial assets as held to maturity.

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

Assets carried at amortised cost arise principally from the provision of goods and services to customers (e.g. trade receivables), but also incorporate other types of financial assets where the objective is to hold these assets in order to collect contractual cash flows and the contractual cash flows are solely payments of principal and interest. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.

Impairment provisions for current and non-current trade receivables are recognised based on the simplified approach within IFRS 9 using a provision matrix in the determination of the lifetime expected credit losses. During this process the probability of the non-payment of the trade receivables is assessed. This probability is then multiplied by the amount of the expected loss arising from default to determine the lifetime expected credit loss for the trade receivables. For trade receivables, which are reported net, such provisions are recorded in a separate provision account with the loss being recognised within cost of sales in the statement of comprehensive income. On confirmation that a trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.

Impairment provisions for receivables from related parties and loans to related parties are recognised based on a forward-looking expected credit loss model. The methodology used to determine the amount of the provision is based on whether there has been a significant increase in credit risk since initial recognition of the financial asset. For those where the credit risk has not increased significantly since initial recognition of the financial asset, a twelve-month expected credit loss along with gross interest income are recognised. For those for which credit risk has increased significantly, lifetime expected credit losses along with the gross interest income are recognised. For those that are determined to be credit impaired, lifetime expected credit losses along with interest income, on a net basis, are recognised.

From time to time, the Company elects to renegotiate the terms of trade receivables due from customers with which it has previously had a good trading history. Such renegotiations will lead to changes in the timing of payments rather than changes to the amounts owed and, in consequence, the new expected cash flows are discounted at the original effective interest rate and any resulting difference to the carrying value is recognised in the statement of comprehensive income (operating profit).

Financial liabilities

The Company classifies its financial liabilities depending on the purpose for which the liability was acquired.

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

Financial liabilities include the following items:

- trade creditors and other short-term monetary liabilities, which are initially recognised at fair value and subsequently carried at amortised cost using the effective interest method;
- bank borrowings 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; and
- Loans from group companies are initially recognised at fair value and are subsequently carried at amortised cost using the effective interest method.

Fair value is calculated by discounting estimated future cash flows using a market rate of interest.

Financial instruments are recognised when the Company 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.

Share capital

Financial instruments issued by the company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. The company's ordinary shares are classified as equity instruments.

Dividends payable

Dividends are recognised when they become legally payable. In the case of interim dividends to equity shareholders, this is when they are paid. In the case of final dividends, this is when approved by the shareholders at the AGM.

Deferred taxation

Deferred tax assets and liabilities are recognised where the carrying amount of an asset or liability in the statement of financial position differs from its tax base, except for differences arising on:

- the initial recognition of goodwill;
- the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting or taxable profit; and
- investments in subsidiaries and jointly controlled entities 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 reporting date and are expected to apply when the deferred tax liabilities/ (assets) are settled/ (recovered).

Foreign currency

Transactions entered into by the company 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 reporting date. Exchange differences arising on the retranslation of unsettled monetary assets and liabilities are recognised immediately in the statement of comprehensive income.

Profits from the German branch are translated at average rates during the year and the assets and liabilities are translated at the rates ruling at the reporting date. Any exchange differences arising are taken to other comprehensive income.

Profit from operations

Profit from operations comprises the results of the company before interest receivable and similar income, interest payable and similar charges, corporation tax and deferred tax.

Revenue

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

Revenue is recognised using a five-step process:

- Identify the contract with the customer
- Identify separate performance obligations in the contract
- Determine the transaction price
- Allocate the transaction price to the performance conditions
- Recognise revenue when each performance obligation is satisfied

Revenue is recognised as follows:

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

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

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

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

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

Share-based payments

Where equity settled share options are awarded by the parent company to employees of this company the fair value of the options at the date of grant is charged to profit or loss over the vesting period with a corresponding entry in a capital contribution reserve.

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

Where the terms and conditions of 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 statement of comprehensive income over the remaining vesting period.

Retirement benefits: Defined contribution schemes

Contributions to defined contribution pension schemes are charged to profit or loss in the year to which they relate.

Leases

The majority of the Company's accounting policies for leases are set out in note 12.

Identifying Leases

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

- (a) There is an identified asset;
- (b) The Company obtains substantially all the economic benefits from use of the asset; and

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

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

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

Government grants

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

2. Critical estimates and judgements

The company makes certain estimates and assumptions regarding the future. Estimates and judgements are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

Impairment of goodwill

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

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

Accounting estimate - An impairment review requires management to make estimates concerning future cash flows, growth rates and working capital assumptions of the cash generating units under review.

Impairment of assets

Property, plant and equipment and other intangible assets are reviewed for impairment if events or changes in circumstances indicate that the carrying amount may not be recoverable

Judgement – Management are required to use their judgement to determine whether the events or changes in circumstances that may indicate an impairment have arisen.

Accounting estimate - An impairment review requires management to make uncertain estimates concerning future cash flows, growth rates and discount rates of the assets or cash generating units under review.

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

Accounting estimate – the estimated useful economic lives of PPE is based on management's experience. When management identifies that actual useful economic lives differ materially from the estimates used to calculate depreciation, that charge is adjusted prospectively. Due to the significance of PPE investment to the company, variations between actual and estimated useful economic lives could impact operating results both positively and negatively and, as such, this is a key source of estimation uncertainty, although historically few changes to estimated useful economic lives have been required. The company depreciation policy is detailed in note 1.

3. Turnover

Turnover arises from:

| | 2021 £'000 | 2020 £'000 |
|-------------------|---------------|---------------|
| Hire of equipment | 5,174 | 4,613 |
| Sale of products | 12,598 | 11,829 |
| | 17,772 | 16,442 |

Analysis of turnover by region of destination:

| | 2021 £'000 | 2020 £'000 |
|-------------------|---------------|---------------|
| UK | 3,751 | 5,100 |
| Europe | 6,469 | 4,882 |
| North America | 4,623 | 4,524 |
| Asia | 1,188 | 833 |
| South America | 11 | 2 |
| Rest of the world | 1,730 | 1,101 |
| | 17,772 | 16,442 |

4. Profit from operations

The profit from operations is stated after charging/ (crediting):

| | 2021 £'000 | 2020 £'000 |
|--|---------------|---------------|
| Depreciation of tangible assets | 993 | 987 |
| Depreciation of right-of-use assets | 246 | 188 |
| (Profit)/loss on disposal of tangible assets | (27) | 65 |
| Foreign exchange (gains)/losses | (26) | 32 |
| Cost of inventories recognised as an expense during the year | 6,715 | 5,878 |
| Staff costs (see note 5) | 4,584 | 3,896 |

5. Staff costs

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

| | 2021 £'000 | 2020 £'000 |
|------------------------------------|---------------|---------------|
| Wages and salaries | 4,082 | 3,499 |
| Social security costs | 400 | 282 |
| Defined contribution pension costs | 102 | 115 |
| | 4,584 | 3,896 |

A defined contribution pension scheme is operated by the company on behalf of the employees. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension charge represents contributions payable by the company to the fund amounted to £102,000 (2020 - £115,000). There were no amounts outstanding as at the year end.

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

| | 2021 Number | 2020 Number |
|--------------------------|----------------|----------------|
| Technical and production | 83 | 69 |
| Sales | 11 | 10 |
| Administration | 12 | 11 |
| | 106 | 90 |

6. Directors' remuneration

Directors were remunerated through the parent company in the current and prior year. It is not possible to accurately identify the proportion of the director's remuneration relating to the company.

7. Auditors' remuneration

| | 2021 £'000 | 2020 £'000 |
|-----------------------------------|---------------|---------------|
| Fees for the audit of the Company | 20 | 19 |

Fees paid to the company's auditor, BDO LLP, and its associates for services other than the statutory audit of the company are not disclosed in Crestchic (UK) Limited's accounts since the consolidated accounts of Northbridge Industrial Services Plc, are required to disclose non-audit fees on a consolidated basis.

8. Finance costs

| | 2021 £'000 | 2020 £'000 |
|-------------------------|---------------|---------------|
| On loans and borrowings | 8 | 29 |
| On lease liabilities | 52 | 43 |
| Other | — | 7 |
| | 60 | 79 |

9. Income tax expense

| | 2021 £'000 | 2020 £'000 |
|---|---------------|---------------|
| Total current tax expense | | |
| Current tax expense on profits for the year | — | 63 |
| Group relief | 344 | 335 |
| Adjustment for provision in prior year | (74) | 27 |
| | 270 | 425 |
| Total deferred tax expense | | |
| Origination and reversal of temporary differences | 361 | 66 |
| Total tax expense | 631 | 491 |

The reasons for the difference between the actual tax charge for the year and the standard rate of corporation tax in the United Kingdom applied to profits for the year are as follows:

| | 2021 £'000 | 2020 £'000 |
|--|---------------|---------------|
| Profit before taxation | 2,534 | 2,368 |
| Expected tax charge based on the standard rate of UK corporation tax rate of 19% (2020: 19%) | 481 | 450 |
| Expenses not allowable for taxation purposes | (7) | 14 |
| Increase in future UK tax rate | 231 | — |
| Adjustment for under provision in prior year | (74) | 27 |
| Total tax expense | 631 | 491 |

The standard rate of corporation tax in the UK has been 19% since 1 April 2017. This will increase to 25% from 1 April 2023 and the deferred tax liability as at 31 December 2021 has been calculated using this rate.

10. Goodwill

| | Total £'000 |
|--|----------------|
| Cost | |
| At 1 January and 31 December 2021 | 381 |
| Net book value | |
| At 31 December 2021 and 31 December 2020 | 381 |

Full details regarding the impairment assessment of goodwill is included in note 12 of the financial statements for the year ending 31 December 2021 of the parent company, Northbridge Industrial Services Plc.

11. Other intangible assets

| | Product development £'000 |
|--|---------------------------------|
| Cost | |
| At 1 January and 31 December 2021 | 153 |
| Amortisation | |
| At 1 January and 31 December 2021 | 153 |
| Net book value | |
| At 31 December 2021 and 31 December 2020 | — |

12. Leases

All leases are accounted for by recognising a right-of-use asset and a lease liability except for:

- Leases of low value assets; and
- Leases with a duration of 12 months or less.

Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by reference to the rate inherent in the lease unless (as is typically the case) this is not readily determinable, in which case the Company's incremental borrowing rate on commencement of the lease is used. Variable lease payments are only included in the measurement of the lease liability if they depend on an index or rate. In such cases, the initial measurement of the lease liability assumes the variable element will remain unchanged throughout the lease term. Other variable lease payments are expensed in the period to which they relate.

On initial recognition, the carrying value of the lease liability also includes:

- amounts expected to be payable under any residual value guarantee;
- the exercise price of any purchase option granted in favour of the Company if it is reasonable certain to assess that option;
- any penalties payable for terminating the lease, if the term of the lease has been estimated on the basis of termination option being exercised.

Right of use assets are initially measured at the amount of the lease liability, reduced for any lease incentives received, and increased for:

- lease payments made at or before commencement of the lease;
- initial direct costs incurred; and
- the amount of any provision recognised where the Company is contractually required to dismantle, remove or restore the leased asset.

Subsequent to initial measurement lease liabilities increase as a result of interest charged at a constant rate on the balance outstanding and are reduced for lease payments made. Right-of-use assets are amortised on a straight-line basis over the remaining term of the lease or over the remaining economic life of the asset if, rarely, this is judged to be shorter than the lease term.

When the Company revises its estimate of the term of any lease (because, for example, it re-assesses the probability of a lessee extension or termination option being exercised), it adjusts the carrying amount of the lease liability to reflect the payments to make over the revised term, which are discounted at the same discount rate that applied on lease commencement. The carrying value of lease liabilities is similarly revised when the variable element of future lease payments dependent on a rate or index is revised. In both cases an equivalent adjustment is made to the carrying value of the right-of-use asset, with the revised carrying amount being amortised over the remaining (revised).

When the Company renegotiates the contractual terms of a lease with the lessor, the accounting depends on the nature of the modification:

- if the renegotiation results in one or more additional assets being leased for an amount commensurate with the standalone price for the additional rights-of-use obtained, the modification is accounted for as a separate lease in accordance with the above policy
- in all other cases where the renegotiated increases the scope of the lease (whether that is an extension to the lease term, or one or more additional assets being leased), the lease liability is remeasured using the discount rate applicable on the modification date, with the right-of-use asset being adjusted by the same amount
- if the renegotiation results in a decrease in the scope of the lease, both the carrying amount of the lease liability and right-of-use asset are reduced by the same proportion to reflect the partial of full termination of the lease with any difference recognised in profit or loss. The lease liability is then further adjusted to ensure its carrying amount reflects the amount of the renegotiated payments over the renegotiated term, with the modified lease payments discounted at the rate applicable on the modification date. The right-of-use asset is adjusted by the same amount.

For contracts that both convey a right to the Company to use an identified asset and require services to be provided to the Company by the lessor, the Company has elected to account for the entire contract as a lease, i.e. it does allocate any amount of the contractual payments to, and account separately for, any services provided by the supplier as part of the contract.

The Company also leases certain items of plant and equipment. In some contracts for services with distributors, those contracts contain a lease of vehicles. Leases of plant, equipment and vehicles comprise only fixed payments over the lease terms.

The percentages in the table below reflect the current proportions of lease payments that are either fixed or variable. The sensitivity reflects the impact on the carrying amount of lease liabilities and right-of-use assets if there was an uplift of 5% on the balance sheet date to lease payments that are variable.

| | Lease contracts number | Fixed payments | Variable payments | Sensitivity |
|---|------------------------|----------------|-------------------|-------------|
| Property leases with payments linked to inflation | 1 | — | 42% | — |
| Vehicle and hire fleet leases | 11 | 58% | — | — |
| | 12 | 58% | 42% | — |

The Company sometimes negotiates break clauses in its property leases. On a case-by-case basis, the Company will consider whether the absence of a break clause would expose the Company to excessive risk.

Typically factors considered in deciding to negotiate a break clause include:

- the length of the lease term;
- the economic stability of the environment in which the property is located; and
- whether the location represents a new area of operations for the Company.

At 31 December 2021 there was one lease with a break clause.

Right-of-use assets

| | Land and buildings £'000 | Motor Vehicles £'000 | Hire fleet £'000 | Total £'000 |
|----------------------------|-----------------------------|-------------------------|---------------------|----------------|
| At 1 January 2021 | 443 | 467 | 548 | 1,458 |
| Additions | — | 186 | — | 186 |
| Depreciation | (43) | (140) | (63) | (246) |
| Disposals | — | (52) | — | (52) |
| At 31 December 2021 | 400 | 461 | 485 | 1,346 |

Lease liabilities

| | | | | |
|----------------------------|------------|------------|------------|------------|
| At 1 January 2021 | 452 | 358 | 445 | 1,255 |
| Additions | — | 173 | — | 173 |
| Interest expense | 12 | 20 | 19 | 51 |
| Lease payments | (47) | (249) | (187) | (483) |
| At 31 December 2021 | 417 | 302 | 277 | 996 |

| | Up to 3 months £'000 | Between 3 and 12 months £'000 | Between 1 and 2 years £'000 | Between 2 and 5 years £'000 | Over 5 years £'000 |
|------------------------|-------------------------|----------------------------------|--------------------------------|--------------------------------|-----------------------|
| At 31 December 2021 | | | | | |
| Lease liability | 107 | 296 | 239 | 149 | 205 |

13. Tangible assets

| | Land and buildings £'000 | Plant and machinery £'000 | Motor vehicles £'000 | Furniture and fittings £'000 | Hire fleet £'000 | Total £'000 |
|----------------------------|-----------------------------|------------------------------|-------------------------|---------------------------------|---------------------|----------------|
| Cost | | | | | | |
| At 1 January 2021 | 3,164 | 654 | 418 | 435 | 11,589 | 16,260 |
| Additions | 394 | 63 | 47 | 76 | 953 | 1,533 |
| Disposals | — | — | (146) | (1) | (171) | (318) |
| At 31 December 2021 | 3,558 | 717 | 319 | 510 | 12,371 | 17,475 |
| Depreciation | | | | | | |
| At 1 January 2021 | 602 | 338 | 352 | 340 | 7,969 | 9,601 |
| Charge for the year | 72 | 33 | 16 | 28 | 844 | 993 |
| On disposals | — | — | (116) | (1) | (111) | (228) |
| At 31 December 2021 | 674 | 371 | 252 | 367 | 8,702 | 10,366 |
| Net book value | | | | | | |
| At 31 December 2021 | 2,884 | 346 | 67 | 143 | 3,669 | 7,109 |
| At 31 December 2020 | 2,562 | 316 | 66 | 95 | 3,620 | 6,659 |

Within land and buildings is an asset under construction with a cost and net book value of £401,000 (2020: £nil). Assets under construction are not depreciated.

14. Inventories

| | 2021 £'000 | 2020 £'000 |
|------------------|---------------|---------------|
| Raw materials | 3,702 | 3,240 |
| Work in progress | 156 | 202 |
| Finished goods | 273 | 128 |
| | 4,132 | 3,570 |

Stock recognised in cost of sales during the year as an expense was £6,715,000 (2020: £5,878,000). The inventory is recorded after a provision for slow-moving stock of £223,000 (2020: £193,000).

15. Debtors

| | 2021 £'000 | 2020 £'000 |
|------------------------------------|---------------|---------------|
| Due within one year | | |
| Trade debtors | 2,280 | 2,321 |
| Amounts owed by group undertakings | 11,450 | 10,677 |
| Corporation tax | 12 | — |
| Other debtors | 190 | 58 |
| Prepayments | 241 | 167 |
| | 14,173 | 13,223 |

Trade and other debtors are stated after a provision for impairment of £nil (2020: £nil) which was recognised within the statement of comprehensive income for the year.

16. Creditors: amounts falling due within one year

| | 2021 £'000 | 2020 £'000 |
|------------------------------------|---------------|---------------|
| Loans and borrowings | — | 911 |
| Trade creditors | 2,323 | 1,991 |
| Amounts owed to group undertakings | 121 | 138 |
| Corporation tax | — | 231 |
| Taxation and social security | 183 | 161 |
| Lease liabilities (see note 12) | 403 | 381 |
| Other creditors | — | — |
| Accruals | 1,938 | 895 |
| | 4,968 | 4,708 |

The bank loans 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 trade finance facility within bank loans and overdrafts is secured over specific trade receivables.

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

| | 2021 £'000 | 2020 £'000 |
|---------------------------------|---------------|---------------|
| Lease liabilities (see note 12) | 593 | 874 |
| | 593 | 874 |

Maturity of debt (see note 12 for lease liabilities):

| | Up to 12 months £'000 | Between 1 and 2 years £'000 | Between 2 and 5 years £'000 |
|--|-----------------------------|--------------------------------------|--------------------------------------|
| 2021 | | | |
| Trade finance and invoice finance facility | — | — | — |
| | — | — | — |
| | | | |
| | | | |
| | | | |
| | | | |
| 2020 | | | |
| Trade finance and invoice finance facility | 991 | — | — |
| | 991 | — | — |

18. Deferred taxation

All deferred tax relates to accelerated capital allowances.

| | 2021 £'000 | 2020 £'000 |
|--|---------------|---------------|
| Opening provision | 732 | 666 |
| Taken to statement of comprehensive income in current year | 361 | 66 |
| Closing provision | 1,093 | 732 |

19. Share capital

| | 2021 £'000 | 2020 £'000 |
|---|---------------|---------------|
| Allotted, called up and fully paid | | |
| 10,000 ordinary shares of £1 each | 10 | 10 |
| 8,300 A ordinary shares of £0.01 each | — | — |
| Total | 10 | 10 |

During the year 8,300 'A' Ordinary shares were issued. These shares have no voting rights and their only value relates to the ability to exchange these shares in shares in the parent company Northbridge Industrial Services Plc dependent on the performance of the share price of the parent company.

20. Financial Instruments

Financial instrument risk exposure and management

In common with all other businesses, the Company is exposed to risks that arise from its use of financial instruments. This note describes the Company'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 been no changes to the Company'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 Company, from which financial instrument risk arises, are as follows:

- trade and other debtors;
- intercompany debtors and creditors;
- cash at bank;
- bank overdrafts and trade finance facilities;
- bank loans;
- trade and other creditors; and
- leases.

General objectives, policies and processes

The Board has overall responsibility for the determination of the Company'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 Company'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 Company's competitiveness and flexibility.

Further details regarding these policies are set out below:

Categories of financial assets and financial liabilities

| | Loans and receivables at amortised cost | |
|---------------------------------------|--|---------------|
| | 2021 | 2020 |
| | £'000 | £'000 |
| Current financial assets | | |
| Trade and other debtors | 13,920 | 13,056 |
| Cash at bank | 1,650 | 1,254 |
| Total current financial assets | 15,570 | 14,310 |

| | Financial liabilities measured at amortised cost | |
|--|---|--------------|
| | 2021 | 2020 |
| | £'000 | £'000 |
| Current financial liabilities | | |
| Trade and other creditors | 4,382 | 3,024 |
| Loans and borrowings | — | 911 |
| Lease liabilities | 403 | 381 |
| Total current financial liabilities | 4,785 | 4,316 |
| Non-current financial liabilities | | |
| Lease liabilities | 593 | 874 |
| Total financial liabilities | 5,378 | 5,190 |

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

Credit risk

Credit risk arises principally from the Company'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 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.

The management team receive monthly ageing reports and these are used to chase relevant customers for outstanding balances. The Executive team of the Company 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 Company's management of working capital and the finance charges and principal repayments on its debt instruments. It is the risk that the Company will encounter difficulty in meeting its financial obligations as they fall due. The Company'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 Company 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 Company greater flexibility and decreases some of the usual liquidity risks associated with taking on large or long-term projects.

Interest rate risk

The Company's interest rate risk is centrally managed by its parent company. All Group borrowings and overdrafts attract variable interest rates. 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 Company's bank borrowings are made up of an overdraft, bank loans and a trade finance facility.

Currency risk

Foreign exchange risk arises when the Company enters into transactions denominated in a currency other than Sterling. It is the Company'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 Company, although in certain circumstances where large balances denominated in a foreign currency are due short-term forward contracts are used. There were no forward contracts open at the year end.

21. Share-based payments

Certain employees of the company participate in two equity-settled share based remuneration schemes which are operated by the company's ultimate parent company Northbridge Industrial Services Plc.

Share options in respect of both schemes were exercised regularly throughout the current and preceding year. The average share price of Northbridge Industrial Services Plc during the year ended 31 December 2021 was 135p (2020: 95p).

Certain management are eligible to participate in the approved and the unapproved scheme. Share options issued under the schemes vest based on basic earnings per share targets set by the Northbridge Industrial Services Plc remuneration committee.

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

22. Retirement benefits

Defined Contribution Schemes

The amount recognised in the statement of comprehensive income as an expense in relation to defined contribution schemes is £102,000 (2020 - £115,000). There were no amounts owing at the year end.

23. Contingent liabilities

Along with other companies, the Company has provided guarantees to secure borrowings of its ultimate parent company. At 31 December 2021 amounts outstanding in respect of these borrowings was £5,500,000 (2020: 7,726,000).

24. Ultimate parent company and control

At 31 December 2021 the company's immediate and ultimate parent company is Northbridge Industrial Services Plc, a company incorporated and registered in the UK.

The largest and smallest group in which the results of the company are consolidated is that headed by Northbridge Industrial Services plc, incorporated in England and Wales. The consolidated accounts of this company are available to the public and may be obtained from the registered office. No other group accounts include the results of the company.

25. Capital commitments

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