CHAIRMAN AND CHIEF EXECUTIVE'S REVIEW

We are pleased to present our review of the Group's trading performance for 2017.

"Substantial savings have now been made in the core business and the significant reduction of costs in our overseas locations has given us the confidence to maintain our presence and operating readiness in these locations. By taking action throughout the Group, we were able to manage cash and management resources without any further exceptional costs in 2017."

Peter Harris
Chairman

Eric Hook
Chief Executive

Our strategy

The Northbridge strategy is to consolidate and build its specialist industrial equipment businesses by:

1. **Driving growth organically through investing in the hire fleet and improving quality systems and customer service**
2. **Using partnerships to increase geographical exposure**

When considering further acquisitions, the main criteria will be:

3. **Involvement in specialist electrical services or in drilling tools**
4. **Active in the oil and gas or power-related industry**
5. **Capable of supplying a worldwide customer base**

In achieving this strategy, we will be able to capitalise on the market opportunity to become a significant industrial services business serving an international market. The Board reviews this strategy periodically and believes it is still the correct one for the Group.

Summary

- Total rental revenue was unchanged at £15.8 million (2016: £15.8 million), with Tasman rental up at £4.6 million (2016: £3.3 million).
- The continued benefit from the restructuring and the continuing repayment of debt, led to net debt decreasing to £8.7 million (2016: £9.5 million).

Business review
The sustained recovery in the price of oil since the summer of 2017, as a result of successful actions by OPEC and other producer nations to restrict production and reduce the supply overhang, has improved sentiment in the market.

This confidence and the additional cash flow driven directly by higher crude prices has enabled the oil companies to begin some embryonic exploration and production capital expenditure. Though this came too late to have a material impact on our revenue from this sector for the year as a whole, we were pleased to see more positive trading in the last quarter.

The reduction in investment by the oil and gas majors over the last three years has particularly impacted drilling activities for both exploration and production. In addition, it also had a disruptive effect on marine engineering relating to the oil industry and a materially adverse effect on our business. Outside of Western Europe, much of our business is conducted with customers involved in some way with the oil, gas and extractive industries, usually marine or other power-intensive industries, as well as oil tools.

Northbridge is fortunate to have other income streams, mostly operating from western economies, which have been less impacted by the downturn in the oil and gas industry, as they are more focused towards power reliability and utilities.

Our reorganisation, which was carried out during 2015 and 2016, has been completed. This included freezing all expansion capital and other non-essential fleet replacements, exiting all non-core businesses and converting the assets into cash and closing non-performing locations. Further streamlining has focused on reducing debt and overhead costs throughout the Group. Support from shareholders through an equity raise in 2016 made a significant reduction in the Group's debt.

Substantial savings have been made in the core business since the market downturn and the significant reduction of costs in our overseas locations has given us the confidence to maintain our presence and operating readiness of these locations. By taking these actions throughout the Group, we were able to manage cash and management resources without any further exceptional costs in 2017.

We have made a conscious effort to maintain good relations with our customer base and have continued to improve our quality assurance regime and the availability of our hire fleet during this difficult period. Modest, targeted capital expenditure has enabled us to focus loadbank investment on growing markets in North America and China and opportunities emerging from the growth in renewable energy generation.

The Group is streamlined into two distinct core business activities, Crestchic Loadbanks and Tasman Oil Tools.

Crestchic Loadbanks, which manufactures in the UK, sells and rents electrical equipment throughout the world with depots in the UK, France, Germany, Belgium, Dubai and Singapore. It has satellite operations and agents/distributors in China, the USA, Australia and Brazil. It has a particularly strong position in Western European rental which is more focused towards power reliability. Outside the western economies, business is generated from offshore activities in the oil and gas and shipping industrial and remote locations using large amounts of power.

The downturn in the industries closely connected to oil and gas adversely affected this part of Crestchic's rental business. However, the growing demand from data centres and for power reliability and our start-up rental operation in North America, which continues to perform well, help compensate for this and the future looks promising. Towards the end of 2017 we took the opportunity to relocate some underutilised equipment from the Asia-Pacific region to North America and this will help to consolidate our success in that region to date. To fully exploit this market, which operates with different frequencies and voltages to most of the rest of the world, we will invest further targeted capital expenditure.

Business review continued

Our operation in China continued to generate revenue from a low cost base, and we now have a local presence with some permanently imported hire fleet. The nature of the contracts for this type of marine construction tend to migrate to the most efficient yards and we had little option but to follow.

On the sales side, our two biggest traditional markets, the USA and South Korea, continued to show very little demand and volumes were poor. However, new markets in the UK, which are involved in the National Grid's balancing reserve and in renewables, have begun to open up to us and we see a good future in this additional sector, not just in the UK but across the developed world.

Tasman Oil Tools began to experience some improvements in its market and increases in rental revenue have become more noticeable. Though these movements are not currently significant in the context of the Group, they are in the right direction and we have more confidence that they will continue into 2018 and beyond.

The market seems to have bottomed out and sentiment is beginning to improve, with some evidence that the huge cutbacks in exploration and field development over the last three years has impacted on future reserves, which are at a 70-year low. Recent increases in the price of crude oil and the multiple years of cost cutting amongst the oil majors have improved their cash flow to the extent that we are now seeing a modest return to that exploration and production drilling. This should gain momentum in the coming years, though rates still remain depressed and are unlikely to recover fully in the short term.

In the three-year downturn, Tasman concentrated on cutting costs, maintaining quality systems and the readiness and availability of the hire fleet. As well as keeping customer relationships in good order, we have been developing partnerships and trading relationships to open up new markets for our existing equipment and expand our services where we already operate. In September 2017 we announced the formation of our joint venture in Malaysia with our local partner, Olio Resources SDN BHD. The new company, called Olio Tasman Oil Tools SDN BHD ("OTOT"), is 51% owned by Olio Resources and 49% owned by Northbridge and will service the oil tool rental market in Malaysia, Myanmar, Brunei, Indonesia, Cambodia, Laos, Thailand and Singapore.

The JV commenced trading on 1 October 2017 from two newly established locations in Labuan Island and the Kemaman Supply Base in Malaysia. Both JV partners will provide equipment for the rental fleet and OTOT will also have access to the substantial hire fleet of the Tasman Group. Olio Resources, a wholly owned Malaysian group which was established in 1994, has a strong position as an integrated solution provider in Southeast Asia and already holds key contracts for the provision of oil tools to the oil majors in Malaysia. The trading levels of OTOT in the last quarter were not significant to the Group's results as a whole, however, 2018 will benefit from a full year's trading of the JV and revenues are expected to build into the future.

Financial performance

Total Group revenue increased by 7.9% to £25.7 million (2016: £23.8 million); this is the first increase since 2014 and was driven almost entirely by an increase in the sale of new loadbanks following a relatively poor 2016. Total rental revenue was unchanged at £15.8 million (2016: £15.8 million), with Tasman rental up at £4.6 million (2016: £3.3 million, including £0.2 million in revenue from the JV in Malaysia) and Crestchic rentals reducing to £11.2 million (2016: £12.5 million).

Margins on total Group sales of equipment rose to 39.4% (2016: 38.5%), though overall gross margin was down at 36.4% (2016: 38.4%) due to the change in revenue mix between hire and sales. For Tasman Oil Tools, where a full depreciation charge is made on the entire hire fleet irrespective of utilisation, overall margins were slightly down at 8.2% (2016: 10.2%); however, rental margins have now moved into positive territory at 0.6% (2016: -1.4%) as rental revenue improved.

Operating expenses for the full year, including the costs of our new operations in the USA (Crestchic) and Malaysia (Tasman), were £12.9 million (2016: £12.7 million).

There were no exceptional costs charged during 2017 as we now believe our rationalisation and restructuring efforts have been largely completed (2016: £1.4 million). Total exceptional costs since the end of 2014 amounted to £8.6 million and included an impairment charge to intangible assets of £4.9 million in 2015. Having taken early and decisive action to restructure the business when the downturn first began to impact trading, we are now in a good position to benefit from any sustained recovery.

> Crestchic continues to benefit from a background of an increasingly unreliable global power infrastructure and an increase in the size and remoteness of certain projects."

Peter Harris
Chairman

Eric Hook
Chief Executive

Losses for the year were £4.4 million (pre-exceptional losses for 2016: £4.1 million, post-exceptional: £5.5 million).

The Directors have reviewed the carrying value of both tangible and intangible assets and have concluded that no further impairment charge is necessary. Earnings before interest, tax, depreciation and amortisation ("EBITDA") was £3.2 million (2016: £3.4 million pre-exceptional, £2.0 million post-exceptional).

Crestchic Loadbanks and Northbridge Transformers ("Crestchic")

Crestchic designs, manufactures, sells and hires loadbank equipment, which is primarily used for the commissioning and maintenance of independent power sources such as diesel generators and gas turbines. The need to test and maintain standby and independent power systems, together with the associated switchgear and controls, is an increasingly important element within the power critical technology used by the banking, medical, marine and defence industries. This has resulted in continued strong demand for Crestchic's range of equipment and services throughout the world.

Additionally, Crestchic continues to benefit from a background of an increasingly unreliable global power infrastructure and an increase in the size and remoteness of certain projects. All our loadbank activities are now branded as "Crestchic" and we are able to promote that service in an integrated way throughout the world.

Northbridge Transformers ("NT"), which is based in Belgium, offers specialist transformers for rental throughout the world; it is also able to use Crestchic's depots in the Middle East and in Singapore as a conduit for its activities. Substantial investment in this activity over the last few years has meant that we have been able to grow this business from its original base in Belgium to a worldwide audience.

The oil and gas downturn has continued to impact Crestchic's sales of manufactured units, but this has been partly offset by success in new markets in the power reliability and renewable sector during 2017; sales were up by 32.1% to £9.0 million compared with 2016: £6.8 million. The two main sales markets of South Korea and the USA continued with their market-driven weakness; however, we do believe they will recover in the medium term. In the meantime, our new rental operation in North America continues to gain traction, and further equipment which has been relocated from the Far Eastern markets will help the momentum continue into the future.

Our rental activities in the power reliability market in western economies enjoyed another record year and turnover was up 10.7% to £6.2 million (2016: £5.6 million). Overall rental revenue was down to £11.2 million (2016: £12.5 million) due to the continued downturn in the oil and gas markets in the Middle and Far East.

Overall gross margins were 44.2% (2016: 45.5%). The improvement in sales revenue compared with higher rental revenue was the main cause of the change in mix and led to a slight downward movement of gross margins. Within the sales of manufactured units, gross margins improved to 37.0% (2016: 35.6%).

Tasman Oil Tools ("Tasman")

Tasman now operates from a single corporate platform, with an integrated website and unified quality, health, safety and environmental ("QHSE") systems, with depots in Australia, Dubai, New Zealand and now Malaysia. It offers a full range of downhole oil tools to the oil, gas and geothermal industries throughout the Middle East, the Far East and Australasia. This is predominantly a rental business, and revenue has suffered significantly as a result of the downturn in drilling activities in the last three years.

However, we now believe that there are signs of a recovery in the exploration and production markets that we serve and total revenue during 2017 was £5.6 million, an increase of 25.0% on the same period last year (2016: £4.5 million). The impact of the joint venture with Olio Resources SDN BHD was not material for the last quarter and the revenue was £0.2 million.

Gross margin fell to 8.2% (2016: 10.2%), caused by lower sales and service revenue; however, rental margins broke into positive territory at 0.6% compared with a gross margin loss in 2016 of 1.4%. This was due to modest improvements in revenue and despite a full depreciation charge against the fleet is taken irrespective of the hire status. Lower rental volumes also lead to lower service charges to the customer, which also impacts both turnover and gross profits. Operating losses of £3.4 million were an improvement compared to the pre-exceptional loss of £3.6 million in 2016. There were no exceptional charges.

There are now some positive signs that the prolonged downturn in the oil and gas industry is coming to a close, but it is still early in the cycle. We do not expect an upturn in our fortunes to be linear as current contracts that come to a close will still be difficult to replace quickly and rates are still at a low level.

We have seen significant consolidation in our market in recent months, both in terms of M&A activity and with changes in exploration acreages and licences. Expectations in the market are that this is a precursor to new capital expenditure rather than purely a defensive mechanism.

Financial review

Revenue and profit before tax

The Group's revenues are derived principally from the rental of its hire fleet and also from the sale of manufactured and new equipment. The split of the total revenue between its two reportable segments as well as a split of total revenue between hire and sales is shown in note 2.

Net debt

£8.7m

2016: £9.5m

Hire fleet cost

£48.2m

2016: £49.7m

Cash generated from operations

£2.6m

2016: £1.8m

Financial review continued

Revenue and profit before tax continued

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

This impact is often referred to as operational gearing. Gross profit for the year increased to £9.3 million (2016: £9.1 million) following the improvement of overall revenue.

Operating losses were reduced by 23% to £3.8 million (2016: £4.9 million). Excluding exceptional costs, operating losses rose from £3.6 million in 2016 to £3.8 million.

Net finance costs were unchanged in the year at £0.6 million and the Group incurred no exceptional costs during 2017, following the major reorganisation that took place during 2015 and 2016.

Losses before tax amounted to £4.4 million (2016: £5.5 million). Pre-exceptional losses before tax in 2016 totalled £4.1 million.

Earnings per share

The basic Loss Per Share ("LPS") of 17.9 pence (2016: 26.2 pence) and diluted LPS of 17.9 pence (2016: 26.2 pence) have been arrived at in accordance with the calculations contained in note 10.

Balance sheet and debt

Total net assets at 31 December 2017 were £35.7 million compared to £41.8 million in 2016. The decrease in net assets during the year is due to the loss for the year of £4.6 million and the negative movements in the foreign exchange reserve of £1.5 million.

Net assets per share at the year end are 138 pence (2016: 160 pence).

Hire fleet additions have been cut back to £0.5 million (2016: £0.8 million) during the year and have been concentrated on growth areas. Property, plant and equipment has decreased from £35.6 million to £29.3 million during the year due to net additions of £0.6 million being offset by a depreciation charge of £6.2 million and a negative movement of £0.8 million from the translation of assets held in foreign currency.

Inventory levels have been consistent at £3.4 million (2016: £3.5 million) and trade receivables have increased slightly to £7.3 million (2016: £7.1 million), impacted by the increase in revenue during the final quarter of 2017.

Notwithstanding the trading losses seen during the year, the continued benefit from the restructuring and the continuing repayment of debt led to net debt decreasing to £8.7 million (2016: £9.5 million). £2.9 million of scheduled bank and finance lease repayments were made in the year with £0.8 million of working capital related to borrowings drawn. Total outstanding finance lease balances decreased from £1.2 million to £0.6 million during the year.

Net gearing, calculated as net debt divided by total equity, increased to 24.5% (2016: 22.7%). A further reduction in net debt is targeted for 2018.

Cash flow

The Group continued to generate cash from operating activities totalling £2.6 million during the year (2016: £1.8 million). From this £0.5 million (2016: £0.8 million) was used to purchase new hire fleet equipment, while £0.4 million (2016: £0.8 million) was generated from the sale of surplus assets.

The Group closely monitors cash management and prioritises the repatriation of cash to the UK from its overseas subsidiaries.

The net cash outflow from financing activities of £2.1 million (2016: £0.1 million inflow) included repayments of bank borrowings and finance lease repayments of £2.9 million (2016: £5.1 million).

Income tax expense

The overall income tax charge for the year totalled £0.2 million (2016: £0.8 million).

If unutilised tax losses of £1.6 million had been recognised as a deferred tax asset the overall tax charge would have been a credit of £0.8 million. 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 by jurisdiction becoming more certain.

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

Strategy

The Northbridge strategy is to consolidate and build its specialist industrial equipment businesses by:

- driving growth organically through investing in the hire fleet and improving quality systems and customer service; and
- using partnerships to increase geographical exposure.

When considering further acquisitions, the main criteria will be:

- involvement in specialist electrical services or in drilling tools;
- active in the oil and gas or power related industry; and
- capable of supplying a worldwide customer base.

In achieving this strategy, we will be able to capitalise on the market opportunity to become a significant industrial services business serving an international market. The Board reviews this strategy periodically and believes it is still the correct one for the Group.

Outlook

The sustained recovery in the oil market since the late summer of 2017 has seen the crude oil price stabilise at its highest level in three years. This has given the industry some confidence for 2018 and beyond. The additional cash flow as a result of higher crude prices has enabled the oil majors and national oil companies to start initiating a return to capital expenditure. This impact is likely to be felt in the sectors we supply in both Crestchic and Tasman; however, the timing may be different in each industry.

We have seen some improvement in the important rental revenue in Tasman Oil Tools, albeit from a very low base. We expect this to continue in 2018 and beyond. Pricing is still at a low point, but, as volumes increase and demand improves, we expect pricing to stabilise at higher levels, but it probably will not return to pre-2014 levels for some years. Some drilling has recommenced in the geothermal fields of New Zealand and 2018 is likely to be the most active year since 2015.

A nascent recovery in exploration and production (“E&P”) throughout the Asia-Pacific region will benefit Tasman, as this is where that business is most active; this will also be supplemented by our new JV in Malaysia. The market recovery will probably be slow and is unlikely to be linear, as the wave of M&A activity in the sector works through and the investment plans for E&P capital expenditure begin to crystallise.

For Crestchic, our electrical testing business, a return to activity in the oil market will be felt primarily in the marine sector. The high levels of scrappage in the oil and gas rig market, with substantial amounts of older equipment retired, will lead to further investment in new rigs, tankers and LNG carriers. This is a key market for our products and we should see some improvements over the next few years. Our services are generally engaged during the last element of power commissioning projects before the vessels are launched. The other part of Crestchic’s business, which has been unaffected by the oil and gas downturn, is involved in power commissioning and reliability testing in western economies.

The traditional use of loadbanks, to test “real-time” power output from standby power generators, has now been supplemented by their increasing use in data centres, distributed generation, and frequency management. These are all growing parts of the industry we serve and are likely to continue to grow for years to come.

We have recently added further equipment and personnel to Crestchic’s operation in North America which is potentially one of the largest markets in the world for our services. We are confident in its long-term profitable future.

Northbridge is very well placed to benefit from the current recovery. While remaining cash generative, we have completed our restructuring and now have a much lower cost base throughout the Group. Having retained all our operating bases during the downturn, and maintained relationships with all our customers, we expect to be able to exploit the high operational gearing inherent in our business model, and the expected additional revenue will support bottom-line growth.

Peter Harris
Chairman
12 April 2018

Eric Hook
Chief Executive
12 April 2018