Tracerco Limited

Directors' Report and Accounts

For the year ended 31 March 2010

Registered number 4496566

Tracerco Limited

Contents

Tracerco Limited

Directors' report

The directors present their report and audited accounts for the year ended 31 March 2010

Principal activity
On 29 May 2009 the company acquired the Tracerco business from Johnson Matthey Plc for consideration of £56,620,000 It is now a industrial technology company providing specialised detection, diagnostic and measurement solutions for the oil and gas industries Prior to 29 May 2009 the company was dormant

Performance and development during and position at the end of the year and future developments
Business in the year was weak due to the recessionary impact on the oil, gas and petrochemical markets The petrochemical markets were hit hardest as customers operated at low capacity or shut down lines altogether In the wider oil and gas markets, customers became more cautious with their expenditure plans as oil prices fell and lending patterns slowed down For those customers investing in major capital projects, many projects were deferred or shelved altogether Despite the slow down, revenues for the sale of radiation monitors and reservoir services of tracer products remained strong Return on sales excluding goodwill amortisation was 3 9%

At the end of the year the business had net assets of £32,915,000 excluding funding from its parent company (note 21) As a result, the annualized return on assets was 2 5% excluding goodwill amortisation

During the year to 31 March 2011, it is expected that the business will start to recover as customers' increase their production capacity and capital expenditure spend

Principal risks and uncertainties
Business activity varies with the price of the oil If oil prices fall, or the global recession continues, this could have a significant effect on income streams

The business operates globally Changes in legislation around the world can impact on the business due to the nature of the work carried out and the varying countries in which the business operates

Results and dividends
The company's loss for the year ended 31 March 2010 is £47,000 (2009 £nil) The profit and loss account is set out on page 4

The directors do not recommend payment of a dividend (2009 £ nil)

Directors
The directors who served during the year were S Farrant, I B C Huddart (resigned 1 July 2009), G L McGregor, D W Morgan (resigned 21 July 2009), S P Robinson (appointed 1 July 2009) and N Whitley (appointed 1 July 2009) On 28 June 2010, R J MacLeod was appointed as a director of the company

Policy on Payment of Commercial Debts
The company's policy in relation to the payment of suppliers (set out in Johnson Matthey's Group Control Manual, which is distributed to all its group operations) is that payment should be made within the credit terms agreed with the supplier, subject to the supplier having performed its obligations under the relevant contract At 31 March 2010 the company's level of creditor days was 33 days (2009 nil), calculated by reference to amounts outstanding as trade payables at the end of the year and annualised amounts invoiced by suppliers during the year

Political and charitable donations
During the year the company donated £nil (2009 £nil) to charitable organisations

Directors' indemnity
Under Deed Polls the ultimate parent company has granted indemnities in favour of each director of its subsidiaries in respect of any liability that he may incur to a third party in relation to the affairs of any group member These provisions were in force during the year ended 31 March 2010 for the benefit of all persons who were directors of the subsidiaries at any time during the year ended 31 March 2010 and remain in force for the benefit of all persons who are directors of the subsidiaries as at the date when this report was approved

Directors' report (continued)

Disclosure of information to auditors
So far as each person currently serving as a director of the company at the date this report is approved is aware, there is no relevant audit information of which the company's auditors are unaware and each director hereby confirms that he has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information

Responsibility of directors for the preparation of the directors' report and the accounts
The directors are responsible for preparing the directors' report and the accounts in accordance with applicable law and regulations

Company law requires the directors to prepare accounts for each financial year Under that law the directors have elected to prepare the accounts in accordance with UK Accounting Standards and applicable law Under company law the directors must not approve the accounts 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 accounts, the directors are required to

- select suitable accounting policies and apply them consistently,
- make judgements and 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 accounts, and
- prepare the accounts 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 accounts comply with the Companies Act 2006 They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities

By order of the board

S Farrant
Director
13 December 2010

Independent auditor's report to the members of Tracerco Limited

We have audited the financial statements of Tracerco Limited for the year ended 31 March 2010 which comprise the profit and loss account, the balance sheet and the related notes The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice)

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed

Respective responsibilities of directors and auditors
As explained more fully in the directors' responsibilities statement on page 2, the directors are responsible for the preparation of the accounts and for being satisfied that they give a true and fair view Our responsibility is to audit the accounts in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors

Scope of the audit of the accounts
A description of the scope of an audit of accounts is provided on the APB's website at
www frc org uk/apb/scope/UKNP

Opinion on accounts
In our opinion the accounts

- give a true and fair view of the state of the company's affairs as at 31 March 2010 and of its loss for the year then ended,
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006
In our opinion the information given in the Directors' Report for the financial year for which the accounts are prepared is consistent with the accounts

Matters on which we are require to report by exception
We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the accounts 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

Nick Plumb (Senior Statutory Auditor)
for and on behalf of KPMG Audit Plc, Statutory Auditor
Chartered Accountants
Quayside House 110 Quayside
Newcastle upon Tyne
NE1 3DX
13 December 2010

Tracerco Limited

Profit and loss account

For the year ended 31 March 2010

	Notes	2010 £'000	2009 £'000
Turnover	1	**22,993**	-
Cost of sales		**(11,591)**	-
Gross profit		**11,402**	-
Sales and distribution costs		**(8,567)**	-
Research and development costs		**(645)**	-
Administrative expenses		**(2,015)**	-
Operating profit		**175**	-
Interest payable to ultimate parent company		**(188)**	-
Loss on ordinary activities before taxation	2	**(13)**	-
Taxation	5	**(34)**	-
Loss for the financial year	14	**(47)**	-

All amounts recognised in the year relate to acquired businesses

There were no other recognised gains or losses during the year

The accompanying notes are an integral part of the accounts

Balance sheet

As at 31 March 2010

	Notes	2010 £'000	2009 £'000
Fixed assets			
Tangible fixed assets	6	3,362	-
Goodwill	7	20,710	-
		24,072	-
Current assets			
Stocks	8	1,438	-
Debtors	9	9,322	-
Cash at bank and in hand		696	-
		11,456	-
Creditors: amounts falling due within one year	10	(35,434)	-
Net current liabilities		(23,978)	-
Total assets less current liabilities		94	-
Provisions for liabilities and charges	11	(141)	-
Net liabilities		(47)	-
Capital and reserves			
Called up share capital	13	-	-
Profit and loss account	14	(47)	-
Shareholders' funds	15	(47)	-

The accounts were approved by the board on 13 December 2010 and signed on its behalf by

S P Robinson
Director

Company registration number 4496566

The accompanying notes are an integral part of the accounts

Accounting policies

For the year ended 31 March 2010

Accounting convention
The accounts are prepared in accordance with applicable accounting standards under the historical cost convention

Basis of preparation
The company is exempt from the requirement of Financial Reporting Standard (FRS) 1 (Revised) – "Cash Flow Statements" to present a cash flow statement because it is a wholly owned subsidiary of Johnson Matthey Plc which prepares consolidated accounts that are publicly available (note 21)

Turnover
Turnover comprises all sales of goods and services at the fair value of the right to consideration exclusive of discounts and sales taxes Turnover is recognised when the goods are despatched or made available to the customer or by reference to the stage of completion of the service being rendered

Construction contracts
Where the outcome of a construction contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion This is measured by the proportion that contract costs incurred to date bear to the estimated total contract costs

Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that it is probable will be recoverable Contract costs are recognised as expenses in the period in which they are incurred

When it is probable that the total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately

Research and development expenditure
Expenditure on research and development is charged to the profit and loss account in the year in which it is incurred

Goodwill
Goodwill arising on acquisitions is capitalised and amortised on a straight line basis over the estimated useful economic life, which is considered to be 20 years

Derivatives
Gains and losses arising from forward currency contracts used to reduce exchange rate exposure are recognised when the relevant sale or purchase is recorded in the profit and loss account

Foreign currencies
Transactions in foreign currencies during the year are translated into sterling at the rate of exchange ruling at the date of the transaction or, if hedged, at the forward contract rate Monetary assets and liabilities denominated in foreign currencies are translated into sterling at rates prevailing at the balance sheet date and any differences arising thereon are taken to the profit and loss account

Tangible fixed assets
Tangible fixed assets are stated at cost, net of depreciation and any provision for impairment

Depreciation is provided at rates calculated to write off the cost, less estimated residual value, of each tangible asset on a straight line basis over its estimated useful life as follows

Leasehold improvements	Period of the lease
Plant and machinery	5 - 10 years
Fixtures, fittings and equipment	3 - 10 years

Stocks
Stocks are stated at the lower of cost and net realisable value Cost includes materials, direct labour and an attributable proportion of manufacturing overheads based on normal levels of activity Provision is made for obsolete, slow-moving or defective items

Accounting policies (continued)

For the year ended 31 March 2010

Taxation

Corporation tax payable is provided on taxable profits at the current rate

Deferred tax is provided on all timing differences that have originated but not reversed by the balance sheet date and which could give rise to an obligation to pay more or less tax in the future

Share-based payments

The fair value of outstanding share options in the ultimate parent company granted to employees and shares allocated under the ultimate parent company long term incentive plan after 7 November 2002 is calculated using an adjusted Black-Scholes valuation model and the resulting cost is charged to the profit and loss account over the relevant vesting periods, adjusted to reflect actual and expected levels of vesting where appropriate

Pensions and other retirement benefits

The company operates a defined contribution schemes, and is included in the parent company's defined benefit scheme

The cost of contributions to the company's defined contribution schemes and the parent company's defined benefits scheme is charged to the profit and loss account as incurred

Notes to the accounts

For the year ended 31 March 2010

1 Segmental information

The company has a single class of business, supplying products from the United Kingdom

Turnover	2010 £'000	2009 £'000
United Kingdom	4,985	-
Continental Europe	4,228	-
Asia and the Middle East	6,964	-
Central & South America	2,403	-
Rest of the world	4,413	-
	22,993	-

2 Loss on ordinary activities before taxation

	2010 £'000	2009 £'000
Loss on ordinary activities before taxation is arrived at after charging		
Depreciation of tangible fixed assets - owned	590	-
Research and development costs	645	-
Amortisation of goodwill	900	-
Auditors' remuneration - statutory audit services	37	-
Operating lease rentals	175	-

3 Employee costs and numbers

Aggregate remuneration comprised	2010 £'000	2009 £'000
Wages and salaries	5,236	-
Social security costs	502	-
Other pension costs (note 20)	1,045	-
Share-based payments (note 17)	179	-
	6,962	-

Average monthly number of employees	2010 Number	2009 Number
Production	69	-
Sales and distribution	7	-
Research and development	29	-
Administration	19	-
	124	-

The employee numbers and costs above include all employees who work for and are paid by the company, including certain employees whose contracts of service are with the ultimate parent company (note 21)

Notes to the accounts

For the year ended 31 March 2010

4 Directors' remuneration

All of the directors were remunerated by the ultimate parent company (note 21)

During the year three directors (2009 nil) exercised share options in the ultimate parent company and two of the directors (2009 four) received shares under the ultimate parent company long term incentive plan One of the directors who resigned in the year exercised share options in the ultimate parent company after he had resigned, as he was given six months from his date of cessation of employment with the ultimate parent company in which to exercise his share options Under the rules of the ultimate parent company long term incentive plan, the directors who resigned in the year and ceased to be employed by the ultimate parent company retained their share allocations These will be released on the normal release dates (the third anniversary of the allocation dates) subject to the performance targets over the whole of the performance periods The extent to which the allocations will be released is subject to pro rating based on the time which has elapsed from the allocation dates to the dates of cessation of employment One of the directors who resigned in the year received shares under the ultimate parent company long term incentive plan after he had resigned

5 Taxation

	2010	2009
Analysis of tax charge for the year	**£'000**	£'000
Current tax		
UK corporation tax charge on profits for the year	**37**	-
Overseas tax	**16**	-
Total current tax	**53**	-
Deferred tax		
Provision for deferred tax arising from short term timing differences	**(19)**	-
Total deferred tax	**(19)**	-
Total taxation charge	**34**	-

Factors affecting tax charge for the year

(Loss) on ordinary activities before taxation	**(13)**	-
Tax (credit) at UK corporation tax rate of 28% (2009 28%)	**(4)**	-
Effects of		
Expenses not deductible for tax purposes	**42**	-
Capital allowance less than depreciation	**29**	-
Other short term timing differences	**(14)**	-
Current tax charge for year	**53**	-

Notes to the accounts

For the year ended 31 March 2010

6 Tangible fixed assets

	Leasehold improvements £'000	Plant & machinery £'000	Fixtures & Fittings £'000	Total £'000
Cost				
At beginning of year	-	-	-	-
Acquired with business (note 18)	320	1,984	695	2,999
Additions	123	711	119	953
At end of year	443	2,695	814	3,952
Depreciation				
At beginning of year	-	-	-	-
Charge for year	26	416	148	590
At end of year	26	416	148	590
Net book value at 31 March 2010	**417**	**2,279**	**666**	**3,362**
Net book value at 31 March 2009	-	-	-	-

7 Goodwill

	£'000
Cost	
At beginning of year	-
Acquisition (note 18)	21,610
At end of year	21,610
Amortisation	
At beginning of year	-
Charge for year	900
At end of year	900
Net book value at 31 March 2010	**20,710**
Net book value at 31 March 2009	-

Notes to the accounts

For the year ended 31 March 2010

8 Stocks

	2010 £'000	2009 £'000
Work in progress	1,335	-
Finished goods for resale	103	-
	1,438	-

9 Debtors

	2010 £'000	2009 £'000
Trade debtors	3,728	-
Due from customers for construction contracts	2,210	-
Amounts owed by other Johnson Matthey group companies	2,817	-
Other debtors	188	-
Corporation tax receivable	99	-
Prepayments and accrued income	280	-
	9,322	-

10 Creditors: amounts falling due within one year

	2010 £'000	2009 £'000
Trade creditors	963	-
Amounts owed to ultimate parent company	282	-
Amounts owed to other group companies	287	-
Loans payable to ultimate parent company	33,658	-
Accruals and deferred income	222	-
Sundry creditors	22	-
	35,434	-

11 Provisions for liabilities and charges

	Deferred Taxation £'000
At beginning of year	-
Credit for the year	(19)
Acquisition (note 18)	160
At end of year	141

Notes to the accounts

For the year ended 31 March 2010

12 Deferred taxation

	2010	2009
	£'000	£'000
Accelerated capital allowances	**159**	-
Other timing differences	**(18)**	-
	141	-

13 Called up share capital

	Number	£'000
Allotted, called up and fully paid ordinary shares of £1 each		
At beginning and end of year	2	-

14 Reserves

	Profit and loss account £'000
At beginning of year	-
Loss for the year	(47)
Share-based payments	(179)
Cash paid in relation to share-based payments	179
At end of year	**(47)**

15 Reconciliation of movements in shareholders' funds

	2010	2009
	£'000	£'000
Loss for the financial year	**(47)**	-
Share-based payments	**(179)**	-
Cash paid in relation to share-based payments	**179**	-
Net movement in shareholders' funds	**(47)**	-
Opening shareholders' funds	-	-
Closing shareholders' funds	**(47)**	-

Notes to the accounts

For the year ended 31 March 2010

16 Financial commitments

Capital commitments

	2010 £'000	2009 £'000
Contracted but not provided for	175	-

Leases

Annual commitments under non-cancellable operating leases are as follows

	2010 £'000	2009 £'000
For land and buildings which expire		
- within 2-5 years	160	-
- more than 5 years	15	-
	175	-

17 Share-based payments

Share options

Equity settled share options in the ultimate parent company were granted to employees at the average of the market value of the ultimate parent company's shares over the three days prior to the date of the grant and are subject to performance targets over a three year period and have a maximum life of ten years The number of shares over which options were granted is based on a percentage of the employee's salary In 2007 a long term incentive plan was introduced and allocations of shares under this plan replaced the granting of share options No share options were granted in the years ended 31st March 2008, 2009 and 2010

Options granted in 2004 to 2006 are subject to a minimum three year performance target of earnings per share of the ultimate parent company (EPS) growth of UK RPI plus 3% per annum Other performance targets are EPS growth of UK RPI plus 4% per annum and EPS growth of UK RPI plus 5% per annum If the performance targets are not met at the end of the three year performance period, the options will lapse The targets for options granted in 2004 and 2005 have been met and so these options are exercisable The 5% target for options granted in 2006 was not met and so these options have lapsed Gains are capped at 100% of the grant price

Options granted in 2001 to 2003 can only be exercised if the normalised EPS has grown by at least UK RPI plus 4% per annum over any three consecutive years during the life of the options They are subject to annual retesting until they lapse on the tenth anniversary of grant Since the targets have been met all these options are exercisable

Long term incentive plan (LTIP)

Under the LTIP, shares in the ultimate parent company are allocated to employees based on a percentage of salary and are subject to performance targets over a three year period At 31 March 2010, shares allocated in 2007, 2008 and 2009 (at 31 March 2009, none) were outstanding in respect of which the performance period had not expired The minimum release of 15% of the allocation is subject to the achievement of an EPS growth of 6% compound per annum over the three year period For the maximum release of 100% of the allocation, EPS must have grown by at least 15% compound per annum The number of allocated shares released will vary on a straight line basis between these points Allocations will lapse if the EPS growth is less than 6% compound per annum over the three year performance period For the shares allocated in 2009 only, the performance conditions have been relaxed and so the minimum release requires an EPS growth of 3% compound per annum and the maximum release requires an EPS growth of 10% compound per annum

Notes to the accounts

For the year ended 31 March 2010

17 **Share-based payments (continued)**

Share incentive plan (SIP)

Under the SIP, all employees with at least one year of service within the Johnson Matthey Plc group and who are employed by a participating group company are entitled to contribute up to 2 5% of basic pay each month, subject to a £125 per month limit The SIP trustees buy shares (partnership shares) at market value each month with the employees' contributions For each partnership share purchased, the group purchases two shares (matching shares) which are allocated to the employee If the employee sells or transfers partnership shares within three years from the date of allocation, the linked matching shares are forfeited

Activity relating to share options was

	2010 Number of options	2010 Weighted average exercise price pence
Outstanding at the start of the year	-	-
Transferred during the year	29,760	1,150.00
Lapsed during the year	(2,367)	1,282.00
Exercised during the year	(14,844)	1,117.31
Outstanding at the end of the year	12,549	1,163.77
Exercisable at the end of the year	12,549	1,163 77

Options were exercisable on a regular basis throughout the year The average share price during the year was 1,412 25 pence

Details of share options outstanding at the end of the year are

	2010 Number of options	2010 Weighted average remaining life years
Range of exercise price		
800 pence to 900 pence	373	2 8
1,000 pence to 1,100 pence	6,215	5.3
1,200 pence to 1,300 pence	5,961	6.3
	12,549	5.7

The fair value of the shares allocated during the year under the LTIP was 1,138 9 pence per share allocation The fair value was based on the share price at the date of allocation of 1,245 pence adjusted for the present value of the expected dividends that will not be received at an expected dividend rate of 2 98%

Notes to the accounts

For the year ended 31 March 2010

17 Share-based payments (continued)
Activity relating to the LTIP was

	2010 Number of allocated shares
Outstanding at the start of the year	-
Transferred during the year	7,687
Allocated during the year	11,290
Outstanding at the end of the year	18,977

12,094 (2009 nil) matching shares under the SIP were allocated to employees during the year They are nil cost awards on which performance conditions are substantially completed at the date of grant Consequently the fair value of these awards is based on the market value of the shares at that date

The total expense recognised during the year in respect of equity settled share-based payments, taking into account expected lapses due to leavers and the probability that EPS performance conditions will not be met, was £179,000 (2009 £nil)

18 Acquisitions

Acquisition of oil and gas services business from Johnson Matthey plc
On 29 May 2009 the company purchased the trade and assets of the oil and gas services business known as Tracerco from Johnson Matthey Plc This has been accounted for by acquisition accounting

The net assets and liabilities acquired were

	Book value and fair value at date of acquisition £'000
Tangible fixed assets	2,999
Cash	274
Stocks	664
Loans from other Johnson Matthey group companies	25,269
Debtors and prepayments	7,493
Creditors falling due within one year	(1,529)
Deferred tax	(160)
Net assets acquired	35,010
Goodwill on acquisition	21,610
	56,620

Satisfied by	£'000
Purchase consideration – cash	56,620

Notes to the accounts

For the year ended 31 March 2010

18 Acquisitions (continued)

The results of the acquired business from 1 April 2009 to 29 May 2009 were

	£'000
Turnover	4,328
Expenses	(3,827)
Operating profit	501
Taxation	(111)
Profit attributable to share holders	390

It had no other recognised gains or losses during that period Its profit after tax for its previous financial year was £3,699,000 Its results since its acquisition were turnover of £22,993,000 and an operating profit of £175,000

19 Related party transactions

As the company is a wholly owned subsidiary of Johnson Matthey Plc, it has taken advantage of the exemption contained in Financial Reporting Standard (FRS) 8 – "Related Party Disclosures" and has not disclosed transactions or balances with entities which form part of the Johnson Matthey Group

There were no other related party transactions during the year

20 Retirement benefits

The company is included in the Johnson Matthey Employees Pension Scheme which is a defined benefit scheme The scheme includes employees of several companies in the Johnson Matthey Plc group Consequently, the company is unable to identify its share of the underlying assets and liabilities and so the company accounts for its contributions to the scheme as if it were a defined contribution scheme The cost of the company's contributions to the scheme for the year ended 31 March 2010 amounted to £1,014,000 (2009 £nil) At 31 March 2010, under International Accounting Standard (IAS) 19 – 'Employee Benefits', the scheme had a deficit of £156 9 million (2009 £45 2 million) and contributions should continue at a similar rate The amount recognised as an expense for defined contribution schemes amount to £31,000 (2009 £nil)

21 Ultimate parent company

The company's immediate and ultimate parent company is Johnson Matthey Plc The consolidated accounts of Johnson Matthey Plc are available to the public and may be obtained from 5th Floor, 25 Farringdon Street, London EC4A 4AB