Exova Group Limited (formerly CDR Tabasco Parentco Limited)

Report and Accounts

For the period from incorporation on 10 October 2008 to 31 December 2009

Registered number: 06720350

RE-SCAN

FRIDAY
A8EH3LCD
A19 02/07/2010 231
COMPANIES HOUSE

7-7-10 034

Exova Group Limited

Report and Accounts

Contents	Page

Cautionary statements

This document has been prepared solely to provide information to shareholders to assess the Company's strategies and the potential for those strategies to succeed, and to inform them of the Company's performance during the period ended 31 December 2009 The document which contains the Director's Report and Business Review, the Financial Statements and the Independent Auditor's Report should not be relied on by any third party or for any other purpose

The document contains certain forward looking statements based on knowledge and information available to the directors at the date the document was prepared Although the directors' expectations are based on reasonable assumptions, these statements should be treated with caution due to the inherent uncertainties underlying such forward looking information and any statements about the future outlook may be influenced by factors that could cause actual outcomes and results to be materially different

DIRECTORS' REPORT AND BUSINESS REVIEW

Exova Group Limited Registered Number 06720350

CHAIRMAN'S REPORT

2009 was a time of change for the business The Group was established by funds managed by private equity firm Clayton, Dubilier & Rice (CD&R)

Headquartered in the UK and operating 111 laboratories in 24 countries worldwide, the Group provides technical and advisory services to the Aerospace, Automotive, Construction/Civil Engineering, Defence, Environmental, Food & Consumer, Energy, Metallurgy & Engineering, Pharmaceuticals & Medical, Plastics & Polymers, Telecommunications & Electronics and Utilities industries The Group's services include quality control, product accreditation, and specification compliance and are, invariably, mission critical to its clients

CD&R has developed a global reputation as the pioneer of active management in private equity and has received broad recognition for its long-standing business model of generating superior returns by enhancing the business performance of its portfolio companies CD&R invests in market-leading companies, often, but not exclusively, in services-related sectors, and in companies where it believes significant value can be created through operating performance improvements

CD&R acquired the Testing business from Bodycote plc because the business is a strong market leader, operating in attractive long-term growth markets, with significant potential to improve its operations and performance Since joining as Chairman of the Group in October 2008, I have seen the business rebrand as Exova and make tremendous strides to embrace change, in order to become more streamlined, and to exploit the significant opportunities available to develop the business across its range of end markets

A structure for the future
Since acquisition, we have reorganised our management structure to ensure that the Senior Leadership of the Group is as close to the operations of the business as possible We have made a number of structural changes to ensure our staff has the best possible leadership and the technical expertise for which we have a world-wide reputation continues to be nurtured Successful companies are those where the staff has a pride and passion for their organisation, and it is our objective to ensure this will always be the case

The challenges ahead
The Group delivered good operating results in the period, despite tough economic conditions and a significant restructuring programme Our very talented staff embrace our values - Integrity, Teamwork, Performance and Innovation and I would like to thank them for their achievements and continued dedication 2010 will continue to be challenging, but we now have a much stronger platform for growth and development Our investment in resources and people will continue so that we can deliver the outstanding service to our customers

Our aim is to be the best in what we do I believe we have a firm foundation to build and grow a profitable and world leading testing business, which will be rewarding for the company's employees and shareholders alike, and I look forward to working with everyone at Exova to realise this goal in the months and years ahead

F. Kindle

FRED KINDLE
Chairman

7 April 2010

GROUP AND MARKET OVERVIEW

Introduction

Exova Group Limited (formerly CDR Tabasco Parentco Limited) was incorporated on 10 October 2008 It was formed to effect the acquisition of the Testing Division of Bodycote plc on 17 October 2008 by funds managed by Clayton, Dubilier & Rice, a private equity investment firm The Company remained dormant from incorporation until 17 October 2008 when it became the holding company of the Bodycote Testing Group of companies The Group was later rebranded as Exova The results presented in this report are, therefore, for the period from 17 October 2008 until 31 December 2009

The principal activities of the Group are specialist testing and advisory services and the key markets served are Aerospace, Transportation, Construction/Civil Engineering, Defence, Environmental, Food & Consumer, Energy, Metallurgy & Engineering, Pharmaceuticals & Medical, Plastics & Polymers, Telecommunications & Electronics and Utilities

The Group employs more than 3,500 people

Background

Although the Exova Group is relatively new, the underlying business is one of the most respected testing and related services companies in the world, with over 30 years of industry experience

The business comprises 111 laboratories in 24 countries, staffed by an exceptional workforce of scientists, engineers, chemists and materials specialists Our laboratories are accredited by national agencies such as UKAS and, in many cases, enjoy client specific approvals from major blue chip companies such as Rolls Royce, General Motors and Wall Mart

Our global network services both our multinational clients and local markets in a wide range of industries, providing national and international standard tests Our network allows us to transfer knowledge and deliver global best practice, locally

Exova operates in the Testing, Inspection and Certification ("TIC") market, but focuses globally on the Testing sector, with Inspection and Certification activities limited to niche market and geographic areas

Market overview

The global Testing, Inspection and Certification market has been valued at approximately £35 billion and is highly fragmented – served by a mixture of global and local players Historically, the market place has been dominated by in-house provision and by public sector entities While a number of private sector providers have been established, the top five global players account for less than 15% of the market, with 65% of the market still operated in-house High barriers to entry make it difficult for new players to make a significant entry to the TIC market organically This is driven by the need for capital and accreditation, multi-skilled personnel requirements, competitive dynamics and demanding client requirements

Due to the mission critical nature of the services provided, the market is relatively resilient in economic downturns This is reflected in the reported results for Exova in 2009

BUSINESS REVIEW

Chief Executive's review

Strategy
2009 has been a year of new beginnings for Exova In May 2009 we launched our new name and brand – our mission, vision and values Exova has a clear strategy to be recognised as the number one supplier of choice for Testing and Advisory Services We aspire to be the best We believe that being at the forefront of our industry requires talented people, expertise and excellent processes, which we continuously seek to improve We aim to balance the demands of our stakeholders creating a sustainable, high growth organisation, whilst providing additional value to our employees, clients, shareholders and the communities we work in

To support our strategy we have the following business priorities

- **Organisation and people** – create a devolved organisational model led by talented leaders
- **Operations** – simplify operations to ensure safe, efficient services underpinned by exceptional quality to delight our clients
- **Growth** – embrace a culture of growth with effective sales processes to increase market share

Operating initiatives
We continue to expand our technical competence, as demonstrated by the multiple additional accreditations we have achieved in 2009

A reorganisation of the management structure was completed in 2009, allowing further devolvement of management responsibility and authority The structure facilitates a quick response to client needs whilst ensuring appropriate governance

We have implemented a range of cost efficiency and productivity initiatives In 2009 we began the process of embedding a continuous improvement culture within the business, which is part of our focus on simplifying operations

Marketing and business development
In support of the rebranding, during 2009 our new website exova com was launched Phase 2 of the website will be implemented in 2010 and will provide multiple supporting websites for each business sector to further enhance our clients' experience when dealing with Exova

To support our growth strategy, the sales function is being enhanced in a number of ways Improvements include realigning the sales organisation, systems, sales processes, incentives and rewards

Significant contractual and other relationships
The Group does not have any clients that account for more than 3% of Group turnover As a service Company, the Group's main operating resource is its employees and there are no individually significant external suppliers The Group has arranged its finance through a syndicate of banks to access the level of funding required for its leveraged structure and the continuation of strong relationships with these banks is critical for the Group

Restructuring
During the year we carried out a significant level of restructuring as we reduced our cost base to counter reduced volumes in this recessionary environment

Outlook
With our diverse client base, and with demand from our key market sectors stabilising, we are confident in the future outlook for the business During a recession a number of outsourcing opportunities arise as our clients seek to reduce costs and our relationships with these clients and our service reputation place us in a strong position to benefit The business is well positioned for growth as markets slowly recover We will continue to develop our people, processes and expertise and further invest in technologies to support our clients' ambitions

Operating review

The Group operates across three geographical regions, Europe, Americas and Middle East / Asia / Asia Pacific

A segmental analysis of these regions for the period is detailed below

	2009 * £'m
Revenue	
Europe	136 1
Americas	92 6
Middle East / Asia / Asia Pacific	40 2
	268 9
Adjusted EBITDA (before restructuring costs and management fee to private equity investor)	
Europe	25 3
Americas	17 5
Middle East / Asia / Asia Pacific	10 2
	53 0

* For the fourteen month and fifteen day period since acquisition
Note the commentary below compares trading activities for the 12 months ended 31 December 2009 with the previous 12 month period, based on information available at the time of the acquisition

Europe

In Europe, Exova operates from 59 permanent laboratories and offices across 12 countries The business services the following sectors - Energy & General Engineering, Aerospace, Measurement Technologies (Metech), Health Sciences & Environmental and Fire Safety & Engineering Technology

The key developments in 2009 were

- **Restructuring** – We moved to a flatter management structure which has resulted in more agile, efficient and effective management of our operations
- **Cost reduction and rationalisation** – In line with reduced demand in some sectors, we significantly reduced our cost base We also consolidated four of our businesses which resulted in the closure of three laboratories and one consulting office, and transferred the work to other sites
- **Investment in efficiency** – We introduced lean programs in three pilot laboratories, supported by investments in capital equipment
- **Improved sales and marketing** – We strengthened our sales and marketing function through the introduction of a range of changes to people and processes and improved key account management to support our larger clients
- **Significant contract wins** – Several major wins were achieved in 2009, the most significant of which were outsourcing deals in our calibration business (Exova Metech)
- **New laboratories** – New laboratories were opened in Gothenburg, Berlin and Aberdeen
- **New services** – We introduced an MHRA-approved drug formulation facility at our Camberley laboratory in order to provide an end-to-end service and we set up a corrosion-fatigue testing facility in our Daventry engineering laboratory

As a result of the global recession, trading activity was down nearly 4% in 2009, but adjusted EBITDA and margin were improved due to early cost reduction actions

Despite the overall downturn, parts of our business performed very well Energy grew on the back of sustained project activity Our fire business grew, despite a significant downturn in the UK construction sector, through a need for testing to satisfy new EU regulations on fire protection production

General Engineering and Aerospace were more affected by the downturn, particularly as a result of destocking in the supply chain Our Metech business suffered from the loss of a large contract at the end of 2008, but has since won some significant new work

Overall, the European business is now well placed to take advantage of economic recovery when it arrives

Americas

The Americas business operates a range of laboratories on 37 sites in the USA, Canada and Mexico, including managing client based laboratories through outsourcing agreements The laboratories provide specialised testing services to the aerospace, energy, general engineering, automotive, pharmaceutical, food and construction markets

The key developments in 2009 were

- **Laboratory rationalisation and consolidation** - Material testing laboratories in the Los Angeles and Chicago areas were consolidated to maximise efficiency and we exited long term underperforming laboratories in Calgary, Winnipeg and Rockport
- **Management changes** - During the year we continued to refine our management structure and developed our leadership The Senior Leadership Group is now a cohesive unit, very focused on maximising market opportunities A range of marketing and sales initiatives will enhance sales performance in 2010
- **Operational improvements** – New processes were implemented to further improve client service Client satisfaction is monitored closely to ensure the business continues to positively respond to changing client testing requirements
- **Outsourcing** - Exova is able to provide clients with additional quality and cost benefits through outsourcing of in-house client laboratories The business has been working with major clients and is now positioned for a number of opportunities, which will be bid in early 2010

In 2009, both the US and Canadian markets were negatively impacted by the economic downturn, resulting in an 18% reduction in sales Aggressive cost control limited the impact of the sales reduction and profit margins were improved

During Q4 the reduction in business was seen to stabilise and a slow economic recovery is expected in the majority of markets In particular, energy clients in western Canada are expecting to further invest in oil exploration and production, supported by an oil price which has almost doubled in the past year Also a number of very large pipeline projects, which were delayed last year commenced testing at the end of 2009 The automotive sector is also slowly returning to normality with six new model cars forecast to be developed in the Detroit area in 2010, compared to zero models in 2009 The client diversification of our automotive laboratory, which commenced in early 2009 places the business in a stronger position for 2010

Following a year of restructuring and market positioning in 2009, the business is well placed for growth in 2010

Middle East / Asia / Asia Pacific

The Exova business in the Middle East / Asia / Asia Pacific operates from 15 permanent offices and laboratories across the region, 10 in the Arabian Gulf Region and 5 in Australia, Hong Kong and Singapore Additionally, the business has established numerous site based project laboratories, particularly on large construction projects where considerable volumes of routine tests are performed on site We also manage client based laboratories through outsourcing agreements

Within the Middle East, our businesses generally comprise large multidisciplinary laboratories in key geographical centres The major end markets are construction, energy, environmental, general engineering and the rapidly expanding food market Some of the Middle East businesses are set up as Joint Ventures with local partners who can help entry to and growth in more challenging markets like Saudi Arabia

In Singapore we operate both a state-of-the-art metallurgical and corrosion testing facility serving the energy sector and a fire protection engineering business delivering consulting, advisory, and inspection and certification activities In Australia we have multi-disciplined fire safety consulting businesses in Melbourne, Sydney and Brisbane, complemented by a fire testing laboratory in Melbourne

The key developments in 2009 were

- **Saudi Arabia** – A new 'state of the art' 3600m² laboratory opened for business in September 2009 and by the year end had achieved all appropriate accreditations, permits and approvals including the Saudi Aramco formal approval The business has overcome significant logistical and bureaucratic obstacles but is now well positioned for 2010
- **Certification and Inspection** - 2009 saw the creation of a dedicated Certification and Inspection company based in the UAE We are targeting strategic clients, regulators, government entities and key investment stakeholders to ensure quality conformance of products, assets and services via integrated testing, certification and inspection
- **New services in Dubai and Abu Dhabi** – In a conscious effort to diversify our services away from general construction into more specialist areas we have introduced an acoustics and thermal transmission testing capability in Dubai and have also established a new cladding / façade testing capability on Reem Island in Abu Dhabi These new services will be operational in Q1 2010 and we already have orders in hand

- **NDT and on-site services** – As a result of market opportunity and client requests, and as a bolt-on service to our metallurgical laboratory based testing capabilities, we have established NDT, weld inspection and site services capability The key success in 2009 was the work done for the Yas Island Formula 1 Hotel and we have recently been awarded a contract in Abu Dhabi for the new Sorbonne University project
- **Singapore Fire Safety Technology business** – During 2009 we registered a new entity in Singapore 'Exova Warringtonfire (Singapore) Pte' The business will deliver assessment work, fire safety engineering and a fire product certification scheme, specifically written to suit the Singapore market This business secured its first FSE contract in September 2009 associated with the new Singapore National Arts Gallery
- **Singapore Testing** – Restructuring of the Singapore Testing business has allowed us to grow the business substantially and we are rapidly becoming one of the leading accredited testing centres in SE Asia, serving the oil and gas sectors Additional capabilities are being added and in Q4 the first Engineering Critical Assessment project was awarded and delivered with support from Exova (Daventry) We are now preparing to enter the aerospace testing market in Singapore and will be applying for NADCAP approval in early 2010
- **Bushfires** – The FST team in Australia have been working with the Australian Buildings Code Board on aspects of a building's ability to resist bushfires This work will lead to additional fire testing codes and requirements in the future The Exova Warringtonfire brand is officially recognised as part of this published code

The entire region showed 3% revenue growth in 2009 and 26% adjusted EBITDA growth Adjusted EBITDA margins also improved despite the impact of start up costs in the new businesses

The Middle East based mature testing businesses delivered overall growth, despite a significant downturn in the Dubai construction market The strongest markets were Oman and Qatar, where the energy and construction sectors remained buoyant The Dubai based environmental testing business and façade technology centre delivered robust performances as a significant portion of their client base is located in other Emirates or other countries around the Gulf Cooperation Council (GCC) and wider region

The collective Asia/Asia Pacific fire safety technology (FST) businesses delivered strong revenue growth in 2009 The Australian businesses delivered progressively improving performances in the second half as the Australian economy started its recovery from the global economic recession

Our fledgling Singapore testing business benefitted from the increasingly buoyant energy market in Asia The business grew 43% from the previous year with improving margins

Many of the economies in which we operate are showing growth and diversification and we continually look for opportunities to leverage the expertise available within the wider Exova Group to serve the emerging opportunities in these new markets This has been successfully achieved via the Group's Technology Transfer teams

KEY PERFORMANCE INDICATORS (KPIs)

The Group utilises the following indicators of performance to assess its development against its strategic, financial and operational objectives The 14 month and 15 day period to 31 December 2009 is the first period of trading for the Group under the current ownership and capital structure It is the intention in future years to establish three year trends to record our performance in delivery of improvements in each of these measures

Adjusted EBITDA margin (%)

2009 19 7%

Strategic Rationale

Adjusted EBITDA margin is the most significant indicator of operating performance for the Group It measures elements of cost efficiency and cash generation in relation to overall activity levels Comparisons are measured to establish optimum performance and targets for underperforming sites

Definition and calculation

The definition of adjusted EBITDA margin is profit before restructuring costs, management fee to private equity investor, interest, taxation, depreciation of fixed assets and amortisation of intangibles expressed as a percentage of sales

Net debt (£'m)

2009 £188 6 million

Strategic Rationale

As a private equity backed business with a relatively high level of gearing, there is a particular focus on cash generation at all levels within the business in order to reduce external borrowings

Definition and calculation

Net debt is defined as the carrying value of all bank financing, other external loans and finance leases net of cash and short-term deposits Net debt does not include loans from parent undertakings or preference shares

Days sales outstanding (days)

2009 62 days

Strategic Rationale

Trade receivables are the most significant element of working capital and the main focus of working capital management in the Group Days sales outstanding ("DSO") is measured for each entity in the Group and benchmarked against internal targets

Definition and calculation

DSO is calculated on the countback method where receivables at the balance sheet date are mapped to daily sales (including sales taxes) Daily sales are calculated as an average of the total sales for each month divided by the number of days in the month

Lost time accident frequency rate (accidents/200k hours)

2009 0 39

Strategic Rationale

As a people intensive business with a very rigorous focus on Health and Safety issues, we measure lost time accidents for each site and benchmark against the rest of the Group

Definition and calculation

Lost time accidents are accidents that cause employees to be unavailable for normal duties for more than one day The rate is expressed as the number of accidents per 200,000 hours worked

FINANCIAL REVIEW

Accounts

The first consolidated financial statements for the Group for the 14 months and 15 days to 31 December 2009 have been prepared in accordance with International Financial Reporting Standards, as adopted by the EU and are included on pages 19 to 40 The individual accounts of the holding company, Exova Group Limited, are prepared under UK GAAP and are shown separately on pages 41 to 43

Results

Total sales were £268 9 million As a result of the global recession, volumes declined during the period in certain areas, particularly in the general engineering, automotive, construction and environmental sectors By the end of 2009 the decline appeared to have stabilised in most areas The downturn in sales was mitigated by early actions to reduce costs and, as a result, adjusted EBITDA margins steadily improved during the period No dividend has been declared

Restructuring

Restructuring costs of £12 6 million were incurred in the period These mainly related to redundancies, closures of under-performing sites and consolidation of smaller sites into larger, more efficient laboratories In addition, costs were incurred in rebranding the business and separating from the previous parent, Bodycote plc

Finance costs

Finance costs payable in cash were £18 7 million and non-cash interest on mezzanine debt and loans from parent undertakings and preference shares amounted to £51 6 million In addition, amortisation of debt issue costs and the ineffective portion of cash flow hedges amounted to £4 9 million

Taxation

The taxation charge of £3 0 million is made up of £2 0 million of current tax and £1 0 million of deferred tax The current tax charge related entirely to overseas territories The Group has £24 0 million of tax losses in various jurisdictions which are available for offset against future taxable profits

Cash flow & borrowings

Cash generated from operations was £46 4 million This included an reduction of £9 7 million in working capital which was mainly achieved through better collection of receivables as days sales outstanding improved by 10 days over the period Capital expenditure on tangible fixed assets was £14 4 million compared to a depreciation charge of £16 9 million

At 31 December 2009, net debt, excluding loans from parent undertakings, preference shares and derivative financial instruments, was £188 6 million

Treasury management

The general policy is to finance the Group through a mixture of equity and debt with a variety of maturity dates The objective is to provide sufficient capital to develop the business while safeguarding the Group's ability to continue as a going concern

The capital structure is managed centrally through the Group Treasury function which has responsibility for monitoring funding and liquidity, foreign exchange and interest rate risks

Further information on financial risk management can be found in Note 17 to the Group financial statements

Funding and liquidity
The Group banking facilities were negotiated in 2008 and total available facilities are £263 7 million of which £34 2 million was undrawn at 31 December 2009

The facilities comprise £35 million of revolving credit facility, £10 million of which has been allocated to an overdraft facility, £170 million of senior debt and medium term loans and £58 7 million of mezzanine finance Borrowings are maintained in each of the major functional currencies of the Group and maturities range from 6 years to 9 years All facilities have common standard covenant structures and all covenants were met at 31 December 2009

The Group also held cash balances of £24 9 million at 31 December 2009

Foreign exchange
The Group operates in 24 countries and is exposed to the effect of movements in exchange rates for transactions undertaken in foreign currencies and the translation of currency denominated net assets and trading results

Material transactional currency exposures are hedged on an ongoing basis, usually by means of forward contracts, to provide certainty of revenues and costs No speculative transactions are undertaken

Borrowings are held in currencies other than sterling to provide a hedge against a proportion of the net assets denominated in foreign currencies The Group does not hedge currency translation exposures on earnings from overseas subsidiaries

Interest rates
All external borrowing facilities are charged at variable rates of interest However, the Group maintains a proportion of its debt at fixed rates by entering into interest rate swaps At 31 December 2009 77% of the Group's external debt was at fixed interest rates for up to 2 years

Going concern

The Company's business activities, together with the factors likely to affect its future development, performance and position are described in the Business Review on pages 4 to 7 The financial position of the Company, its cash flows, liquidity position and borrowing facilities are described in this Financial Review In addition, notes 17 and 18 to the financial statements includes the Company's objectives, policies and processes for managing its capital, its financial risk management objectives, details of its financial instruments and hedging activities, and its exposures to credit risk and liquidity risk

The Directors have reviewed the Group's budget for 2010 and its medium term financial trading projections and cash flows, taking account of possible sensitivities to the risks outlined on page 11 This review considered the projected financial performance in relation to the Group's existing banking facilities described above As a result of this review, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future For this reason, they continue to adopt the going concern basis in preparing the financial statements

Policy on payment of suppliers

Terms and conditions are agreed with suppliers before business takes place and the policy is to pay agreed invoices in accordance with the terms of payment At the year end the amount owed to trade creditors by the Group was equivalent to 49 days of purchases from suppliers

Political and charitable donations

The Group made no charitable or political donations during the period

Events since the balance sheet date

There have been no significant post balance sheet events

Auditors

Ernst & Young LLP shall remain in office as auditors until the Company or Ernst & Young LLP otherwise determine

Statement as to disclosure of information to auditors

The Directors who held office at the date of approval of this report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware, and each Director has taken all the steps that he/she ought to have taken as a Director to make himself/herself aware of any audit information and to establish that the Company's auditors are aware of that information

PRINCIPAL RISKS AND UNCERTAINTIES

The principal risks and uncertainties that affect the Group are outlined below

Operational

Markets
The strength of our end markets is key to our success Forecast of demand is difficult in the current economic conditions and we are focused on remaining agile to adapt to the changing environment We do, however, see opportunities arising in these conditions, with an increased potential for outsourcing from our clients of their non-core activities, while increasing regulatory requirements across various sectors further drive our revenues

Commercial relationships
Across the Group no client accounts for more than 3% of revenues and, with a highly diverse client base across our regions, there is no key dependence globally on any one relationship There is no significant supplier dependency within the Group

Competitors
The testing market is highly fragmented and there is no single direct competitor operating across all of our defined testing markets In most sectors competition is local rather than global and we use our high standards of service to maintain our competitive advantage

Human resources
People are our greatest asset and loyalty is engendered through good working conditions, career progression opportunities and focused training programmes We are also aware, however, that we must react to market conditions to maintain performance of the business and close control is kept over people costs across all regions

Reputation
As a service business our reputation is key to our success, and stringent attention to compliance with all applicable laws and regulations is essential The business is regularly audited both internally and externally and an open door policy is in place through which all employees are encouraged to report any legitimate concerns to senior executives

Health and safety
The Group's work environment presents various potential risks which are mitigated by providing training, supervision, procedures and appropriate maintenance of equipment A full quality and compliance department is embedded in the organisation and risk is continuously managed and assessed for maximum mitigation

Environment
The Group is aware of its corporate responsibility to minimize its effect on the environment and makes efforts to reduce its carbon footprint wherever possible The operations of its laboratories have minimal impact on the environment We have an Environmental Policy in accordance with the requirements of EN ISO 14001

Financial

Foreign exchange risk
The Group operates globally with the majority of its profit being earned outside the UK As a result, the Group is exposed to two types of currency risk transactional and translational

Transactional currency exposure arises when operating subsidiaries enter into transactions denominated in a currency other than their functional currency Although around 75% of the Group's sales are generated outside the UK, the overwhelming majority of those sales are supplied locally to clients buying in the same currency as input costs Consequently, foreign exchange transaction risk is low Any significant exposures are hedged, usually by means of forward foreign exchange transactions

Translational currency exposure can impact reported earnings through the translation of the profits of overseas subsidiaries into sterling for consolidated reporting purposes and can impact net assets through the translation of the Group's net investments in overseas subsidiaries The Group reduces its net assets translational currency exposures by means of foreign currency borrowings The Group does not hedge the translational exposure arising from profit and loss items

Liquidity risk
Liquidity risk is the risk that the Group will be unable to meet its liabilities as they fall due This is managed by monitoring forecast and actual cash flows and ensuring sufficient cash and committed borrowing facilities are in place at all times and, also, that additional headroom is available to meet possible downside scenarios Loans from investors are predominately non-current liabilities with interest rolled up into final amounts payable Details of the Group's cash and committed borrowing facilities can be found in note 16 to the Group financial statements

Credit risk

Credit risk is the risk of financial loss if a client or counterparty fails to meet an obligation under a contract In relation to the risk that clients fail to settle outstanding debts, this is mitigated by the large number of clients and countries over which this risk is spread In addition, credit quality of the Group's significant clients is monitored through an assessment of financial position, previous payment history and with reference to external credit rating agencies Further information regarding the Group's credit risk can be found in note 17 to the Group financial statements

CORPORATE SOCIAL RESPONSIBILITY

Our vision

Exova's vision to be recognised as the number one supplier of choice of testing and advisory services is ambitious Every employee has a role to play in meeting this goal by demonstrating our values – innovation, integrity, teamwork and performance – on a daily basis These qualities unite all of our colleagues across the world and help us to meet and exceed our clients' expectations

Corporate and social responsibility encompasses a broad range of philosophies, activities and standards As a relatively new entity our objective is to consider the issues that are material to our business in order to target continuous improvement and to achieve the best possible outcomes for our stakeholders

Our values

Integrity is at the heart of everything we do It is ingrained in our culture and is paramount in our dealings with all our stakeholders We comply with the letter of the agreement and the spirit in which it was conceived

Teamwork is our number one differentiator We share ideas seamlessly, with teamwork providing the foundation for global delivery Our people's combined knowledge and experience power our vision and their passion constantly raises the bar on what we can achieve

Performance The importance of execution is recognised We are action orientated, accountable and deliver on our promises

Innovation supports the continuous improvement culture embedded in our business Our people are encouraged and expected to innovate

Our people

Exova aims to attract, retain, develop and inspire exceptional talent and teamwork We are committed to providing a safe work environment whilst promoting the health and well-being of our people This allows us to improve individual and team performance and practices and encourage and enable innovation

2009 was a year of considerable change including the introduction of a new de-layered organisational model to devolve responsibility and authority and to increase the speed of decisions and actions We established our Senior Leadership Group and have made a number of senior external appointments to strengthen our management team We implemented our vision and values to support our culture and embedded these through a programme of meetings and roadshows across the Group

At Exova we have an uncompromising commitment to equal opportunities We will not discriminate against anyone applying for a job or whilst in our employment for reasons of gender, marital status, family status, sexual orientation, religion or belief, age, disability, race, ethnic or national origin or for any other reason Our employees will always be treated in a fair and unbiased way and their opportunities to progress will be based on merit alone

Communications

Exova takes communication with its employees very seriously and understands how a regular two-way dialogue will improve business performance both internally and with our clients We have an intranet based internal communications infrastructure called ExovaNet delivering relevant information which is regularly refreshed and is available to all employees across the Group ExovaNet offers news, blogs from the Chief Executive and Managing Directors, HSEQ information and policies and HR information Employees are invited to take part in Group wide discussion forums We publish a bi-annual magazine, The Exova Magazine, which offers a perspective on the work Exova does as well as regional Teamwork newsletters In addition, there are ad hoc communications appropriate to Group wide initiatives

Health, safety, environment & quality

Our business model is structured to embrace sustainable development and mitigate the impact on the natural environmental by reducing waste, emissions, our carbon footprint and consumption of water and supplies

Exova is committed to demonstrating world class leadership in ensuring the health, safety and welfare of its employees, clients, suppliers and visitors It is also strives to ensure that the environments in which it operates are protected responsibly In order to achieve this, Exova management have introduced Health, Safety and Environmental policies and procedures throughout the Group To complement these, formal training courses, both internal and external, are delivered throughout the business as required

Formal Health, Safety and Environmental audits are performed in each facility on an on-going basis Non-conformances raised and preventative actions completed are monitored to ensure a culture of continuous improvement throughout the Group's laboratories and offices

Health, Safety and Environmental KPIs are detailed below

Description	2009	2008
Lost Work Day Incidents	15	21
Lost Work Days	103	177
Frequency Rate	0 39	0 5
Severity Rate	2 7	3 4

The table shows a reduction in the number of incidents including, lost work day incidents, lost work days, frequency rate and severity rate (The frequency rate and severity rates given are calculated using a factor of 200,000)

An analysis of 2008 lost time data highlighted a significant number of manual handling related injuries This prompted a series of targeted training courses and it is pleasing to note a reduction in manual handling incidents during 2009

Quality

Exova has 111 permanent sites of which 90 hold ISO 17025 accreditation ISO 17025 is the global standard detailing the general requirements for the competence of testing and calibration laboratories In the other facilities, which mainly provide advisory and consultancy services, 17025 is not applicable and other accreditations apply

In addition to the ISO standards, most laboratories hold other approvals from, for example, national bodies such as the FDA (Food and Drug Administration, US), MHRA (Medicines and Healthcare Products Regulatory Agency, UK) or client approvals such as Marks & Spencer or Rolls Royce Other, industry specific, approvals apply, for example Nadcap (Aerospace industry)

During 2009, the scope of ISO 17025 accreditations was significantly increased throughout the Group as was the number and type of other approvals granted Such additions to Exova's quality portfolio ensure a stronger position in the marketplaces in which it operates

Exova is committed to complying with the requirements of standards such as ISO 17025, as well as its internal policies and procedures, in ensuring demonstrable continuous improvement in its operations and functions This is realised, primarily, through a thorough auditing and non-conformance process, where root cause analysis as well as corrective and preventative measures ensure that non-conformances and defects are used as an opportunity to improve the quality of service to the client

In further demonstration of Exova's commitment to delivering client excellence and continuous improvement through Health, Safety, Environmental and Quality matters, a global Director, HSEQ has recently been appointed The HSEQ director has no operational responsibilities and reports directly to the Chief Executive Officer

BOARD OF DIRECTORS AND SHAREHOLDER

Board members

Fred Kindle
Chairman – Appointed 27 November 2008
Fred joined CD&R in 2008 He is the former President and Chief Executive Officer of ABB Ltd, the world's leading supplier of electrical and automation equipment, systems and services Prior to joining ABB, Fred served from 1999 to 2004 as President and Chief Executive Officer of Sulzer Ltd, a global industrial engineering and manufacturing company Previously, Fred served at McKinsey & Company in New York and Zurich In his function as partner of CD&R, Fred chairs BCA and is a board member of Rexel SA In addition, he is a member of the boards of Zurich Financial Services, VZ Holding Ltd and Stadler Rail Ltd

Grant Rumbles
Chief Executive Officer - Appointed 26 January 2009
Grant joined Exova as Chief Executive Officer in October 2008 Previously, Grant was with Serco plc for 25 years where he held a range of operational and management positions and worked across Europe and the Middle East From 2004 to 2008 he was the Chief Operating Officer and in 2007 was appointed an Executive Director of Serco plc

Anne Thorburn
Chief Financial Officer – Appointed 4 December 2009
Anne Thorburn joined Exova in August 2009 as Chief Financial Officer Anne was previously Group Finance Director of British Polythene Industries PLC and, before that, she was Group Finance Director of Clyde Blowers PLC and a Senior Manager in KPMG Corporate Finance

Christian Rochat
CD&R – Appointed 10 October 2008
Christian joined CD&R in 2004 Christian led the sale of Brakes and served as a director prior to CD&R's sale Prior to joining CD&R, he was a Managing Director at Morgan Stanley Capital Partners, where he was one of three partners responsible for the European activities of the Firm's multi-billion-dollar buyout funds Christian previously was a director at Schroder Ventures (now Permira), where he was responsible for European business development He also worked in the London and New York offices of Morgan Stanley's mergers and acquisitions department He holds a B A and Ph D in law from the Université de Lausanne, as well as an MBA from the Stanford Graduate School of Business

Huw Phillips
CD&R – Appointed 10 October 2008
Huw joined CD&R in 2004 He played a key role in CD&R's acquisitions of Rexel and Exova Prior to CD&R, he was a principal at Texas Pacific Group in Europe and at pan-European buyout firm Doughty Hanson He was previously an investment manager at Claridge, Inc , a holding company managing assets for the Bronfman family, where he helped manage a health-services company, a restaurant group, a chain of gas stations and a magazine-publishing group Huw also worked as a management consultant with McKinsey & Co , Inc in the U K He is a graduate of St Peter's College, Oxford University

Andrew Simon
Non-Executive Director – Appointed 27 November 2008
Andrew spent the first 23 years of his career at the Evode Group variously as Chief Executive and Chairman, building it from a £23 million turnover adhesives and sealants business into a £300 million turnover international materials and specialty chemicals group Since 1993 he has built up a varied career of non executive directorships in the UK and overseas in both Private Equity and Public companies He studied at the University of Southampton and has an MBA from the Wharton Business School at the University of Pennsylvania Andrew was appointed by the Board of Exova Group Limited as Chairman of the Audit Committee

Helmut Eschwey
Non-Executive Director – Appointed 27 November 2008
Helmut served until 2008 as Chairman and CEO of Heraeus Holding GmbH, a privately owned conglomerate of precious metals and high-tech companies headquartered in Germany Before joining Heraeus, he held senior positions at Henkel, Pirelli, Freudenberg and the SMS group He also serves as a Non-Executive Director of Altana AG and as a board member in a number of private corporations He is a member of the Board of Trustees of European Business School's Business Ethics Institute

Shareholder
Clayton, Dubilier & Rice LLC, the manager of Clayton Dubilier & Rice Fund VII LP, is considered to be the ultimate controlling party Fred Kindle, an operating partner at Clayton Dubilier & Rice, has oversight of the Company on behalf of the fund Christian Rochat and Huw Phillips also represent Clayton, Dubilier & Rice

Corporate governance

The Board is responsible for the strategic direction, development and control of the Company and there is a clear division of responsibility between the Chairman and the Chief Executive Fred Kindle of CD&R is the Chairman while Grant Rumbles as Chief Executive has responsibility for implementing the plans and policies established by the Board

Board meetings are held quarterly and the Directors are supplied in a timely manner with information necessary to discharge their duties Directors may, from time to time in the furtherance of their duties, take independent professional advice at the Company's expense The Group has in place appropriate insurance cover for the Board members, in respect of any legal action taken against them

The Directors have responsibility for consideration of matters including determination of overall Group strategy, approval of business plans, major capital investments, acquisitions and disposals, risk management strategy, review of corporate governance policy and approval of the Annual Report & Accounts

The Board's strategy is implemented by the Executive team comprising senior executives of the business who assist the Chief Executive in the management of the operations and development of the Group as a whole The Executive Team have monthly meetings, chaired by the Chief Executive and, additionally hold regular strategy sessions Detailed operational activity is the focus of divisional operational boards

Board committees
The Board has established Audit and Remuneration Committees which meet quarterly Each committee has formal terms of reference which are reviewed regularly by the Board Andrew Simon is the Chairman of the Audit Committee and Fred Kindle is the Chairman of the Remuneration Committee

Statement of Directors' Responsibilities

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

Company law requires the Directors to prepare Group and Parent Company financial statements for each financial year Under that law the Directors have elected to prepare the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU) and applicable law and have elected to prepare the parent company financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice)

Under company law the Directors must not approve the Group financial statements unless they are satisfied that they present fairly the financial position, performance and cash flows of the Group for that period

Under company law the Directors must not approve the parent company financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the parent company and of the profit or loss of the company for that period

In preparing each of the Group and parent company financial statements the Directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- for the Group financial statements, state whether they have been prepared in accordance with IFRSs as adopted by the EU
- for the parent company financial statements, 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 Group will continue in business

The Directors are responsible for keeping proper accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements 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 Group and to prevent and detect fraud and other irregularities

Under applicable law and regulations, the Directors are also responsible for preparing a Directors' Report that complies with that law and those regulations

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions

By order of the board

G RUMBLES
Chief Executive Officer

7 April 2010

Independent Auditor's Report to the Members of Exova Group Limited (Formerly CDR Tabasco Parentco Limited)

We have audited the financial statements of Exova Group Limited for the period ended 31 December 2009 which comprise the consolidated Balance Sheet, the Parent Company Balance Sheet, the consolidated Statement of Comprehensive Income, the consolidated statement of Cash Flows, the consolidated Statement of Changes in Equity and the related notes 1 to 24 to the consolidated financial statements and notes 1 to 8 to the parent company financial statements The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

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

Respective responsibilities of directors and auditors
As explained more fully in the Directors' Responsibilities Statement set out on page 17, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit the financial statements 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 financial statements
An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error This includes an assessment of whether the accounting policies are appropriate to the Group's and the parent company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements

Opinion on financial statements
In our opinion

- the financial statements give a true and fair view of the state of the Group's and of the parent company's affairs as at 31 December 2009 and of the Group's loss for the period then ended,
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union,
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice,
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006

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

Matters on which we are required 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 by the parent company, or returns adequate for our audit have not been received from branches not visited by us, or
- the parent company 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

Ernst & Young LLP.
ANNIE GRAHAM
(Senior statutory auditor)
For and on behalf of Ernst & Young LLP, Statutory Auditor
Edinburgh
7 April 2010

COMBINED STATEMENT OF COMPREHENSIVE INCOME

For the period from incorporation on 10 October 2008 to 31 December 2009

Continuing Operations	Notes	2009 Before intangibles amortisation & restructuring costs £m	Intangibles amortisation & restructuring costs £m	Total £m
Revenue	2	268 9	-	268 9
Operating profit before restructuring costs	2	35 4	(11 3)	24 1
Restructuring costs	2	-	(12.6)	(12 6)
Operating profit	2	35 4	(23.9)	11 5
Finance costs	5	(75 2)	-	(75 2)
Finance income	5	1 0	-	1 0
Loss before taxation		(38 8)	(23 9)	(62 7)
Income tax	6	(8.5)	5 5	(3 0)
Loss for the period		(47 3)	(18 4)	(65.7)
Other comprehensive income				
Exchange differences on translation of foreign operations and related borrowings				14 1
Net movement on cash flow hedges				(0 6)
Other comprehensive income for the period				13 5
Total comprehensive income for the period				(52.2)
(Loss) / profit attributable to				
Equity holders of the parent				(67 2)
Minority interests				1 5
Loss for the period				(65 7)
Comprehensive income for the period attributable to				
Equity holders of the parent				(53 7)
Minority interests				1 5
Total comprehensive income for the period				(52 2)

CONSOLIDATED BALANCE SHEET **Company Registration No 06720350**

At 31 December 2009

	Notes	2009 £m
Assets		
Non-current assets		
Property plant and equipment	7	60 2
Goodwill	8	320 7
Intangible assets	10	50 8
Government grants	11	9 4
Deferred tax asset	20	1 4
		442 5
Current assets		
Inventories	13	1 3
Trade and other receivables	14	47 2
Cash and short term deposits	16	24 9
		73 4
Total assets		515 9
Equity and Liabilities		
Equity		
Issued share capital	21	3 9
Foreign currency translation reserve		14 1
Hedging reserve		(0 6)
Retained earnings		(67 2)
Equity attributable to equity holders of the parent		(49 8)
Minority interests		5 4
Total Equity		(44 4)
Non-current liabilities		
Financial liabilities external borrowings	16	211 4
Financial liabilities loan due to parent undertaking	16	248 4
Financial liabilities preference shares	16	34 2
Financial liabilities - derivative financial instruments	17	2 0
Provisions	19	4 6
Deferred tax liability	20	8.3
Other liabilities		9 7
		518 6
Current liabilities		
Financial liabilities external borrowings	16	2 1
Financial liabilities derivative financial instruments	17	1 1
Trade and other payables	15	36 2
Current tax liabilities		0 5
Provisions	19	1 8
		41 7
Total liabilities		560 3
Total equity and liabilities		515 9

The financial statements were approved by the Board of Directors on 7 April 2010 and signed on its behalf by

G RUMBLES
Chief Executive Officer

CONSOLIDATED STATEMENT OF CASH FLOWS

For the period from incorporation on 10 October 2008 to 31 December 2009

	Note	2009 £m	£m
Operating profit			11 5
Depreciation of property, plant and equipment	7		16.9
Amortisation of intangibles	10		11 3
Gain on sale of property plant and equipment			(0 6)
Government grants earned	11		(2 4)
Operating cash flows before movements in working capital			36 7
Decrease in inventories		0 7	
Decrease in trade and other receivables and prepayments		10 2	
Increase in provisions		1 5	
Decrease in trade and other payables		(2 7)	
Movements in working capital			9 7
Cash generated from operations			46 4
Interest paid			(18 5)
Tax paid			(4 7)
Net cash flows from operating activities			23 2
Investing activities			
Purchase of property, plant and equipment	7	(14 4)	
Purchase of intangible assets	10	(1 1)	
Sale of property, plant and equipment		2.1	
Acquisition of subsidiaries, net of cash acquired	9	(420 5)	
Interest received		0 4	
Net cash used in investing activities			(433 5)
Net cash flows before financing			(410 3)
Financing activities			
Proceeds from the issue of ordinary shares	21	3 9	
Proceeds from issue of preference shares	16	34 2	
Proceeds from borrowings		213 2	
Loans received from parent undertakings		207 8	
Repayment of bank borrowings		(6 5)	
Loans repaid to minority shareholders		(0 4)	
Debt issue costs paid		(19 4)	
Net cash inflow from financing activities			432 8
Net increase in cash and cash equivalents			22 5
Cash and cash equivalents at incorporation			-
Effects of exchange rate changes			0 7
Cash and cash equivalents at 31 December 2009	16		23 2

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the period from incorporation on 10 October 2008 to 31 December 2009

		Attributable to equity holders of the parent						
		Share capital and share premium	Foreign currency translation reserve	Hedging reserve	Retained earnings	**Total shareholders' equity**	Minority interests	**Total equity**
Group	Note	£m	£m	£m	£m	**£m**	£m	**£m**
At incorporation			-	-	-	-	-	-
(Loss) / profit for the period		-	-	-	(67 2)	**(67 2)**	1 5	**(65 7)**
Other comprehensive income		-	14 1	(0 6)		**13 5**	-	**13 5**
Total comprehensive income for the period		**-**	**14 1**	**(0 6)**	**(67 2)**	**(53 7)**	**1 5**	**(52 2)**
Shares issued in the period and premium on share issue	21	3 9			-	**3 9**	-	**3 9**
Acquisition of subsidiaries	9	-			-	**-**	3 9	**3 9**
At 31 December 2009		**3.9**	**14 1**	**(0 6)**	**(67 2)**	**(49 8)**	**5 4**	**(44 4)**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the period from incorporation on 10 October 2008 to 31 December 2009

1 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

Exova Group Limited ("the Company") is a company domiciled and incorporated in the United Kingdom The consolidated financial statements (the "financial statements") of the Company for the period from incorporation on the 10 October 2008 to 31 December 2009 include trading activity for the 14 month and 15 day period from 17 October 2008 to 31 December 2009 and incorporate the financial statements of the Company and its subsidiaries (together referred to as the "Group")

Authorisation of financial statements and statement of compliance with IFRSs

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the EU ("adopted IFRSs") The Company has elected to prepare its parent company financial statements in accordance with UK GAAP These are presented on pages 41 to 43

The consolidated financial statements were authorised for issue by the Board of Directors on 7 April 2010

Basis of preparation

The financial statements are prepared on the historical cost basis except for derivative financial instruments and intangible assets acquired through business combinations These are stated at their fair value

The financial statements have been prepared on a going concern basis The reasons for this are outlined in the Directors Report and business review on page 10

The financial statements are presented in Pounds Sterling (£) and all values are rounded to the nearest hundred thousand (£0 1m) except where otherwise indicated

Basis of consolidation

Subsidiaries are entities controlled by the Company Control exists when the Company has the power to, directly or indirectly govern the financial and operating policies of an entity so as to obtain benefits from its activities

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal as appropriate Where necessary adjustments are made to the financial statements of subsidiaries acquired to bring the accounting policies used into line with those used by the Group

All intra Group transactions, balances, income and expenses are eliminated on consolidation

Minority interests are stated at their proportion of the fair values of the assets and liabilities recognised Subsequently, any losses applicable to the non-controlling interests in excess of the non-controlling interest are allocated against the interests of the parent

The Company has a number of joint venture investments where it exercises effective management control and these are accounted for as subsidiaries

Foreign currency

Items included in the financial statements of the Group s subsidiary companies are measured using the currency of the primary economic environment in which the subsidiary operates ('the functional currency') The consolidated financial statements are presented in sterling which is the Company's functional and presentational currency

Foreign currency transactions

Foreign currency transactions are translated into the functional currency of the Group using the exchange rates prevailing at the dates of the transactions

Monetary assets and liabilities denominated in foreign currencies are translated at the rates of exchange ruling at the balance sheet date Differences arising on translation are charged or credited to the income statement except when deferred in equity as qualifying cash flow hedges or qualifying net investment hedges

Foreign operations

The income statements of foreign subsidiary companies are translated into sterling at monthly average exchange rates and the balance sheets are translated at the exchange rates ruling at the balance sheet date

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate

Hedge of net investment in foreign operation

On consolidation, exchange differences arising from the translation of the net investment in foreign subsidiaries and of borrowings designated as hedges of such investments are taken to shareholders equity These exchange differences are disclosed as separate components of shareholders equity

Revenue recognition

Rendering of services

Revenue from the supply of testing services related to contract arrangements is recognised by reference to the stage of completion Stage of completion is measured by reference to labour hours incurred to date as a percentage of total estimated labour hours for each contract Where the contract outcome cannot be measured reliably, revenue is recognised only to the extent that the expenses incurred are eligible to be recovered

Revenue from testing activities

Revenue from testing activities is recognised when the test has been completed

Interest income

Interest income is included in finance income in the income statement

Research and development

Research costs are expensed as incurred Development expenditure on an individual project is recognised as an intangible asset when the Group can demonstrate
- the technical feasibility of completing the intangible asset so that it will be available for use,
- its intention to complete and its ability to use the asset
- how the asset will generate future economic benefit
- the availability of resources to complete the asset and
- the ability to measure reliably the expenditure during development.

Following initial recognition of the development expenditure as an asset, the cost model is applied requiring the asset to be carried at cost less any accumulated amortisation and accumulated impairment losses Amortisation of the asset begins when development is complete and the asset is available for use

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the period from incorporation on 10 October 2008 to 31 December 2009

Restructuring costs

Separate disclosure of material restructuring costs has been provided, detailing the nature and amount of these costs

Retirement benefit obligations

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due Payments to state-managed retirement benefit schemes are dealt with as payments to defined contribution schemes where the Group s obligation under the schemes are equivalent to those arising in a defined contribution retirement benefit scheme

Finance income and finance costs

Finance income and finance costs which comprise interest expense on borrowings are recognised on a time proportion basis using the effective interest method

Income tax

The tax expense represents the sum of the current taxes payable and deferred tax

The current tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities The tax charge is included in the income statement except if it relates to an item recognised directly in equity or other comprehensive income

Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which the temporary differences can be utilised

Deferred tax liabilities are recognised for all taxable temporary differences, except

where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and at the time of the transaction, affects neither the accounting profit nor taxable profit or loss

in respect of taxable temporary differences associated with investments in subsidiaries associates and interests in joint ventures where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future

Property plant and equipment

Property plant and equipment is shown at historical cost less subsequent depreciation and impairment

Cost represents invoiced cost plus any other costs that are directly attributable to the acquisition of the item The Group charges borrowing costs to the income statement as they are incurred

No depreciation is provided on freehold land

Depreciation is provided on all other property plant and equipment to write down their cost or where their useful economic lives have been revised their carrying amount at the date of revision to their estimated residual values on a straight line basis over the periods of their estimated or revised, remaining useful economic lives respectively These lives are considered to be

Freehold buildings	50 years
Leasehold buildings	Over the period of the lease
Plant and equipment	Between 3 and 10 years
Information technology	Between 3 and 5 years

The residual value and useful economic life are reviewed, and adjusted if appropriate at each balance sheet date

An asset s carrying amount is written down immediately to its recoverable amount if the asset s carrying amount is greater than its estimated recoverable amount

Intangible assets
Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group s share of the net identifiable assets of the acquired subsidiary at the date of acquisition Goodwill is not subject to annual amortisation but is instead tested annually for impairment and carried at cost less accumulated impairment losses

Goodwill is allocated to cash generating units for the purpose of impairment testing The allocation is made to those cash-generating units that are expected to benefit from the business combination in which the goodwill arose

Other intangible assets

Other intangible assets are stated at cost less accumulated amortisation and any recognised impairment losses

Intangible assets acquired separately are measured on initial recognition at cost An intangible asset acquired in a business combination is recognised as an intangible asset if it is separable from the acquired business or arises from contractual or legal rights is expected to generate future economic benefits and its fair value can be measured reliably

Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is reflected in the income statement in the year in which the expenditure is incurred

The expected useful lives of intangible assets are as follows

Customer relationships	Between 5 and 15 years
Trade names	Between 5 and 15 years
Trademarks	Between 5 and 15 years
Capitalised development costs	4 years
Computer software	3 years

The residual value and useful economic life are reviewed, and adjusted if appropriate at each balance sheet date

Government grants

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with When the grant relates to an expense item it is recognised as income over the period necessary to match the grant on a systematic basis to the costs that it is intended to compensate

Impairment

At each balance sheet date the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss If any such indication exists the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any) Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs Intangible assets with indefinite useful lives including goodwill are tested for impairment annually and whenever there is an indication that the asset may be impaired

Recoverable amount is the higher of fair value less costs to sell and value in use In assessing value in use the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount in which case the impairment loss is treated as a revaluation decrease

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount. The increase applied brings the revised carrying value to an amount that does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years Goodwill impairments are never reversed

Inventories

Inventories are valued at the lower of cost and net realisable value Work in progress is stated at cost of direct materials and labour and a proportion of overheads based on normal operating activity but excluding borrowing costs

Trade receivables

Trade receivables do not carry interest and are stated at the lower of their original invoiced value and recoverable amount Balances are written off when the probability of recovery is assessed as being remote

Cash and short term deposits

Cash and short term deposits comprise cash at bank and in hand short term deposits and other short term highly liquid investments with original maturities of three months or less held for the purpose of meeting short term cash commitments Bank overdrafts are presented in current liabilities to the extent that there is no right of offset with cash balances

Borrowings

Borrowings are recognised initially at fair value, being the issue proceeds net of any transaction costs incurred

Borrowings are subsequently measured at amortised cost using the effective interest method Amortised cost is adjusted for the amortisation of any transaction costs The amortisation is recognised in finance costs

All borrowings denominated in currencies other than sterling are translated at the rate ruling at the balance sheet date

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the balance sheet date

Preference shares

Redeemable preference shares are classified as a financial liability measured at amortised cost until it is extinguished on redemption

Leases

Rentals paid under operating leases (those leases where a significant portion of the risks and rewards of ownership are retained by the lessor) are charged to the income statement over the term of the lease

Provisions

A provision is recognised in the balance sheet when the Group has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation If the effect is material, provisions are determined by discounting the future expected cash flows at a pre tax rate that reflects the current market assessment of the time value of money and where appropriate the risks specific to the liability

Trade and other payables

Trade payables are non interest bearing and are stated at amortised cost.

Financial instruments

Financial assets

The Group's financial assets comprise 'trade and other receivables and cash and short term deposits in the balance sheet. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market They are included in current assets except for maturities greater than 12 months after the balance sheet date, which are classifies as non current assets These assets are carried at amortised cost using the effective interest method

Derivative financial instruments

The Group uses derivative financial instruments to hedge exposure to changes in the value of specific assets, liabilities or cash flows It does not use derivative financial instruments for speculative purposes

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and subsequently remeasured at fair value The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so the nature of the item being hedged The Group designates certain derivatives as either

hedges of a particular risk associated with a recognised asset or liability or a highly probable forecasted transaction (cash flow hedge)

hedges of a net investment in a foreign operation (net investment hedge)

Derivative financial instruments (continued)

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions The Group also documents its assessment, both at hedge inception and on an ongoing basis of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in cash flows of hedged items

The effective portion of changes in the fair value of cash flow and net investment derivatives that are designated and qualify as hedges are recognised in equity The gain or loss relating to the ineffective portion is recognised immediately in net finance costs in the income statement.

The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than one year and as a current asset or liability when the remaining maturity of the hedged item is less than one year

Hedge accounting is discontinued when the Group revokes the hedging relationship, the hedge instrument expires or is sold terminated, exercised or no longer qualifies for hedge accounting Any cumulative gain or loss previously recognised in other comprehensive income remains in other comprehensive income until the forecast transaction or firm commitment affects profit or loss

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities Equity instruments issued by the Group are recorded at the proceeds received net of direct issue costs Financial liabilities and equity instruments are classified according to the substance of the contractual arrangement entered into

Significant accounting judgments, estimates and assumptions

The preparation of the consolidated financial statements requires the Directors to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities income and expenses The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources Actual results may differ from these estimates Areas requiring the Directors to make judgments, estimates and assumptions are highlighted in these accounting policies and throughout the notes to the consolidated financial statements Key estimation and judgment areas are as follows

(i) Property plant and equipment
Depreciation rates are regularly reviewed to ensure they reflect accurately useful lives and residual values are reviewed on an annual basis in line with market conditions

(ii) Other intangible assets
Amortisation rates are regularly reviewed to ensure they reflect accurately useful lives and residual values are reviewed on an annual basis in line with market conditions

(iii) Trade and other receivables
The recoverability of trade and other receivables are kept under constant review and provision is made where appropriate

(iv) Trade and other payables
Where the amount payable in respect of any liability is uncertain, the amount provided in the accounts is based on the best estimate available at the time

(v) Impairment of goodwill
The Group tests annually whether goodwill has suffered any impairment in accordance with the accounting policy stated above The recoverable amounts of cash-generating units have been determined based on value-in-use calculations These calculations require the use of estimates as detailed in the financial statements

(vi) Taxation
The Group is subject to income taxes in the various jurisdictions in which it operates Judgments are required in determining the consolidated provision for income taxes During the ordinary course of business, there are transactions and calculations for which the ultimate tax determination is uncertain As a result, the Group recognises tax liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due The amount of such liabilities is based on an assessment of various factors such as experience of previous tax audits and differing interpretations of tax law This assessment relies on estimates and assumptions and involves a series of complex judgments about future events To the extent that the final tax outcome of these matters is different from the amount recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made

Standards and interpretations not yet effective and early adopted

In preparing the Group financial statements for the current period, the Group has early adopted IFRS 8 "Operating Segments , effective for annual periods beginning on or after 1 January 2009 This new standard replaces IAS 14 "Segment Reporting" and requires segmental information to be presented on the same basis that management uses to evaluate performance of its reporting segments in its management reporting The full disclosure requirements of IFRS 8 are presented in note 3 of the Group s financial statements

New standards and interpretations not yet effective

Standards issued but not yet effective up to the date of issuance of the Group s financial statements are listed below
International Accounting Standards (IAS/IFRS)
Improvements to IFRS (issued 16 April 2009 not yet adopted for use in the European Union) effective for periods commencing 1 July 2009
IFRS 1 (Amendment) Limited Exemption from Comparative IFRS 7 disclosures is effective for periods on or after 1 July 2010
IFRS 2 (Amendment) Share Based Payment Vesting Conditions and Cancellations is effective for periods on or after 1 January 2009
IFRS 2 (Amendment) Group Cash-settled Share-based Payment Transactions is effective for periods on or after 1 January 2010
IFRS 3 Business Combinations (Revised) is effective for annual periods on or after 1 July 2009
*IFRS 9 Financial Instruments Classification & Measurement' is effective for periods on or after 1 January 2013
IAS 1 (Amendment) Presentation of Financial Statements A Revised Presentation is effective for periods commencing on or after 1 January 2009
IAS 23 (Amendment) Borrowing Costs is effective for periods commencing on or after 1 January 2009
*IAS 24 (Revised) Related Party Disclosures is effective for periods on or after 1 January 2011
IAS 27 'Consolidated and Separate Financial Statements (Revised) is effective for annual periods on or after 1 July 2009
IAS 32 (Amendment) Financial Instruments Presentation is effective for periods commencing on or after 1 January 2009
IAS 32 (Amendment) Classification of Right Issues' is effective for annual periods on or after 1 February 2010
IAS 39 (Amendment) Eligible Hedged Items is effective for annual periods on or after 1 July 2009

International Financial Reporting Interpretations Committee (IFRIC)
IFRIC 9 & IAS 39 (Amendment) Embedded Derivatives is effective for periods on or after 30 June 2009
IFRIC 14 (Amendment) Prepayments of a Minimum Funding Requirement' is effective for periods on or after 1 January 2011
IFRIC 15 Agreements for Construction of Real Estates is effective for periods commencing on or after 1 January 2009
IFRIC 16 Hedges of a Net Investment in a Foreign Operation is effective for periods commencing 30 June 2009
IFRIC 17 Distribution of Non-cash Assets to Owners is effective for annual periods on or after 1 July 2009
IFRIC 18 'Transfers of Assets from Customers is effective for annual periods on or after 1 July 2009
*IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments is effective for periods on or after 1 July 2010

The above standards and interpretations will be adopted in accordance with their effective dates and have not been adopted in these financial statements The directors do not expect any of these standards and interpretations to have a material impact on the Group s consolidated financial statements in the period of initial application

*not yet adopted for use in the European Union

2 OPERATING PROFIT

	Before restructuring costs 2009 £m	Restructuring costs 2009 £m	Total 2009 £m
Revenue	268 9		268 9
Cost of sales	(175 6)		(175 6)
Gross profit	93 3		93 3
Other income	3 5		3 5
Selling and administrative expenses	(72 7)	(12 6)	(85 3)
Operating profit	24 1	(12 6)	11.5

Group operating profit is arrived at after charging / (crediting)	2009 £m
Cost of sales	
Depreciation of property, plant and equipment	15 0
Other operating lease rentals payable	
plant and machinery	1 6
property	10 2
Repairs and maintenance expenditure on property, plant and equipment	5 4
Other income	
Government grants	(2.4)
Rental income	(1 1)
Selling and administrative expenses	
Depreciation of property, plant and equipment	1 9
Amortisation of intangible assets	11 3

Audit services

The Group paid the following amounts to its auditors in respect of the audit of the financial statements and for other audit services provided to the Group

Audit	2009 £m
Audit of the Group financial statements	0 2
Other fees	
Other services relating to taxation	0 6
Corporate finance fees	0.5
	1 1

* £5 000 of this relates to the Company

In addition to the above, during the period the Group paid amounts to its auditors in respect of corporate finance fees which have been capitalised as financing costs of £0 8m

Restructuring costs

Restructuring costs are analysed as follows	2009 £m
Redundancy costs	9 4
Other re-organisation costs	1.3
Rebranding costs	1 9
	12 6

3 SEGMENTAL REPORTING

For management purposes, the Group is organised into business units based on their products and services and has three reportable operating segments being Europe Americas and Middle East/Asia Pacific Pages 5 to 7 of the operating review included within the business review provides information on how the business is managed and the three operating segments performance measures

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment Segment performance is evaluated based on EBITDA before restructuring costs and management fee to private equity investor and is measured consistently with EBITDA before restructuring costs and management fee to private equity investor in the consolidated financial statements However Group financing (including finance costs and finance income) and incomes taxes are managed on a group basis and are not allocated to operating segments

Transfer prices between operating segments are on an arm s length basis in a manner similar to transactions with third parties and inter segment revenues are eliminated on consolidation

For the year ended 31 December 2009	Europe 2009 £m	Americas 2009 £m	Middle East/ Asia Pacific 2009 £m	Eliminations 2009 £m	Unallocated 2009 £m	Total 2009 £m
Operations						
Revenue - external customers	136 1	92 6	40 2			268 9
Revenue - inter business segments	0 7	-		(0 7)		-
Total revenue	**136.8**	**92.6**	**40 2**	**(0 7)**	**-**	**268 9**
Segmental EBITDA before restructuring costs and management fee to private equity investor	**25.3**	**17.5**	**10.2**		**-**	**53.0**
Management fee to private equity investor	(0 4)	(0 2)	(0 1)			(0 7)
Depreciation	(7 1)	(7 4)	(2 4)			(16 9)
Amortisation of intangible assets	(5 4)	(3 5)	(2 4)			(11 3)
Segmental operating profit before restructuring costs	**12.4**	**6 4**	**5.3**			**24 1**
Restructuring costs	(6 8)	(3 0)	(0 7)		(2 1)	(12 6)
Segmental operating profit	**5 6**	**3 4**	**4 6**	**-**	**(2 1)**	**11 5**
Finance costs					(75 2)	(75 2)
Finance income					1 0	1 0
Profit/(loss) before tax	**5 6**	**3.4**	**4 6**	**-**	**(76 3)**	**(62 7)**
Income tax					(3 0)	(3 0)
Profit/(loss) for the period	**5 6**	**3 4**	**4 6**	**-**	**(79 3)**	**(65 7)**
Segment assets	224 5	172 3	92 8			489 6
Unallocated assets						
- deferred tax asset					1 4	1.4
cash and cash equivalents					24 9	24 9
Total assets	**224.5**	**172 3**	**92 8**	**-**	**26 3**	**515 9**
Segment liabilities	(34 3)	(10 7)	(7 3)			(52 3)
Unallocated liabilities						
- financial liabilities external borrowings					(213 5)	(213 5)
- financial liabilities loan due to parent undertaking					(248 4)	(248.4)
- financial liabilities preference share capital					(34 2)	(34 2)
- financial liabilities derivative financial instruments					(3 1)	(3 1)
- deferred tax liability					(8 3)	(8.3)
- current tax					(0 5)	(0 5)
Total liabilities	**(34 3)**	**(10 7)**	**(7 3)**		**(508 0)**	**(560 3)**
Other segment items						
Capital expenditure (property, plant and equipment)	5 5	3 4	5 5			14 4
Impairment of trade receivables	0 7	0 5	1 2			2 4

Allocated segment assets comprise goodwill of £320 7m intangible assets of £50 8m property, plant and equipment of £60 2m, inventories of £1 3m, government grants of £9 4m and trade and other receivables of £47 2m.

Allocated segment liabilities comprise trade and other payables of £42 4m provisions of £6 4m and other liabilities of £3 5m

The revenue analysis in the tables above is based on the location of the customer which is not materially different from the location where the order is received and where the assets are located

Geographical analysis	Revenues 2009 £m	Non-current assets 2009 £m
UK	66.6	118.7
Canada	53 7	114 0
USA	38 9	62.8
Other countries individually less than 10% of total revenue / non-current assets	109 7	147 0
	268 9	**442.5**

The revenue above is based on the location of the customer

Non-current assets comprise property plant and equipment, goodwill intangible assets non-current government grants and non-current deferred tax assets

4 STAFF COSTS

Average monthly number of people (including executive directors) employed by the Group during the period	2009 Number
Production	2,978
Selling and administration	707
	3,685

	2009 £m
The costs incurred in respect of these employees were	
Wages and salaries	119.5
Social security costs	11 4
Defined contribution pension costs	4 1
	135 0

Directors remuneration	2009 £m
Salaries and short term benefits	0.5

Company pension contributions of £8,000 were made on behalf of Directors qualifying services

Defined contribution pension schemes

The Group operates a defined contribution scheme in the UK The assets of this scheme are held separately from those of the Group being invested in funds under the control of a number of insurance companies The pension charge includes contributions payable by the Group to the various insurance companies

5 NET FINANCE COSTS

	2009 £m
Finance costs	
Bank loans	22.8
Loan owed to parent undertaking	40 7
Preference share dividend	6 2
Ineffectiveness on cash flow hedges	2.5
Other loans and charges	0 6
Amortisation of debt issue costs	2 4
Total finance costs	75 2
Finance income	
Interest income on short term deposits	(0 2)
Other interest receivable	(0 8)
Total finance income	(1 0)

6 INCOME TAX

a) Current year tax charge	2009
The taxation charge for the period comprises	£m
Current tax	
Income tax	
UK	-
overseas	2.0
Total current tax	2 0
Deferred taxation	
Origination and reversal of temporary differences	
UK	(0 3)
- overseas	1 3
Total deferred tax	1 0
Total income tax expense	3 0

There is no tax recorded in other comprehensive income

A reconciliation of the total tax charge for the period compared to the effective standard rate of corporation tax is summarised below

	2009 £m
Loss on ordinary activities before tax	(62.7)
Tax at 28%	(17 6)
Effects of	
Permanent differences arising from UK and overseas operations	11 0
Other non-deductible expenses	1.8
Current year losses unrelieved	7.8
Total charge for the year	3 0

The Group has tax losses of £24 0m which arose in various jurisdictions that are available for offset against future taxable profits of the companies in which the losses arose The majority of the losses are available for carry forward indefinitely The jurisdictions affected are UK (£14 5m) USA (£6m) Sweden (£2 5m) and Saudi Arabia (£1m)

Deferred tax assets have not been recognised in respect of these losses as they may not be used to offset taxable profits elsewhere in the Group and it is not sufficiently certain that these losses will be utilised against future profits

7 PROPERTY, PLANT AND EQUIPMENT

Group	Land and buildings £m	Plant and equipment £m	Total £m
Cost			
At incorporation			-
Acquisition of subsidiaries (see note 9)	17 8	42 5	60 3
Exchange adjustments	1 1	2 8	3 9
Additions	1 6	12 8	14 4
Disposals	(1 1)	(1 1)	(2 2)
At 31 December 2009	**19 4**	**57 0**	**76 4**
Accumulated depreciation			
At incorporation			-
Charge for the period	1 5	15 4	16 9
Disposals	(0 1)	(0 6)	(0 7)
At 31 December 2009	**1 4**	**14 8**	**16 2**
Net book value at 31 December 2009	**18 0**	**42 2**	**60.2**

Land and buildings comprise	2009 £m
Cost	
Freehold	10 8
Long leasehold	3 5
Short leasehold	11 9
	26 2
Accumulated depreciation	
Freehold	2 9
Long leasehold	1 5
Short leasehold	3 8
	8 2

Security

Borrowings have been provided by a banking syndicate who have security over the assets of the material entities of the Group

8 GOODWILL

Group	£m
Cost and net book value	
At incorporation	-
Acquisition of subsidiaries (note 9)	301 9
Exchange adjustment	18.8
At 31 December 2009	**320 7**

Goodwill is allocated to the group s cash-generating units (CGUs) identified according to operating segment A summary of the carrying amounts of goodwill by operating segments (representing groups of cash generating units) is presented below

	2009 £m
Europe	149 5
Americas	106 8
Middle East / Asia Pacific	64 4
At 31 December 2009	**320 7**

The goodwill relates to the acquisition of the testing business of Bodycote plc as detailed in note 9

Impairment reviews

Goodwill has been tested for impairment by comparing the carrying amount of each cash-generating unit ("CGU") including goodwill with the recoverable amount The recoverable amounts are determined from value-in-use calculations

The key assumptions for the value-in-use calculations are those regarding operating margin, discount rates and growth rates The operating margin is based on past performance and management's expectations of cost savings as set out in the latest forecasts for the next five years for the CGUs approved by management and the discount rate reflects current market assessments of the time value of money and the risks specific to the CGUs The Group prepares cash flow forecasts derived from the most recent financial forecasts approved by management and extrapolates cash flows for the following years based on the long term growth rates The Group s long-term growth rates reflect industry experience by geographic area creating an average estimated Group growth rate of 3 0% The pre-tax rate used to discount the cash flows is the Group s weighted average cost of capital of 10 1% The characteristics of the CGUs are largely similar to each other and therefore the same pre-tax weighted average cost of capital and long term growth rates have been applied to each CGU

Impairment reviews were carried out at the year end by comparing the carrying value of goodwill with the recoverable amount of the CGUs to which goodwill has been allocated Management determined that there has been no impairment

A sensitivity analysis has been performed in assessing recoverable amounts of goodwill

There is no reasonable possible change to a key assumption which would cause the recoverable amount to fall below the carrying amount for any CGU

9 BUSINESS COMBINATIONS

On 17 October 2008 Exova Limited (formerly CDR Tabasco Limited) a wholly owned subsidiary company of Exova Group Limited (formerly CDR Tabasco Parentco Limited) acquired 100% of the testing business of Bodycote plc

Details of the goodwill and net assets acquired are as follows	Goodwill to the group £m
Purchase consideration	
Cash paid	418.7
Direct costs relating to the acquisition	14 3
Total purchase consideration	433 0
Fair value of net assets acquired	(131 1)
Goodwill (note 8)	**301 9**

The assets and liabilities arising from the acquisition are determined as follows	Carrying values £m	Recognised on acquisition £m
Non-current assets		
Property plant and equipment	65 2	60 3
Intangible assets	3 4	57 5
Investments	0 1	0 1
Government grants	5 7	5 7
Deferred tax asset	0 4	1 4
Current assets		
Inventories	6 9	1 5
Trade and other receivables	58 1	52 9
Government grants	0 5	0 5
Cash and short term deposits	12 5	12 5
Non-current liabilities		
Provisions		(4 8)
Other liabilities	(2 2)	(2 1)
Deferred tax liability	(1 8)	(8.2)
Current liabilities		
Trade and other payables	(32 1)	(38 2)
Current tax liabilities	(2 3)	(2 8)
Other loans and borrowings	(1 3)	(1 3)
	113 1	135 0
Minority interests	(3 9)	(3 9)
Net assets	**109 2**	**131 1**

The net outflow of cash in respect of this acquisition was as follows	£m
Purchase consideration settled in cash	433 0
Cash and cash equivalents in subsidiary acquired	(12 5)
Cash outflow on acquisition	420 5

Goodwill represents the opportunity to improve the financial and operational performance of the business in a number of ways

Bringing together a large Group of individual laboratories as a more cohesive business under a new identity

Making the business more market focused cross fertilising between laboratories servicing similar market sectors and improving the sales and marketing organisation

Utilising a large, skilled workforce to establish best operating practice and transferring knowledge across the Group

Reducing costs by removing unnecessary layers of management

Closing underperforming sites and consolidating smaller sites into larger more efficient units

Improving working capital management

Due to their nature the value of these intangible assets cannot be individually separated and reliably measured

10 INTANGIBLE ASSETS

Group	Customer relationships £m	Trade names £m	Trademarks £m	Capitalised development costs £m	Computer software £m	Total £m
Cost						
At incorporation		-	-			
Exchange movement	3 4	0 1	-			3 5
Acquisition of subsidiaries (note 9)	56 0	0 4	0 5		0 6	57 5
Additions			-	0 3	0 8	1 1
At 31 December 2009	**59.4**	**0.5**	**0.5**	**0.3**	**1 4**	**62.1**
Accumulated amortisation						
At incorporation	-			-		-
Charge for the period	10 5	0 3	0 1		0 4	11.3
At 31 December 2009	**10.5**	**0 3**	**0 1**	**-**	**0 4**	**11.3**
Net book value at 31 December 2009	**48.9**	**0 2**	**0 4**	**0 3**	**1.0**	**50.8**

The intangible assets primarily represent the fair value of customer relationships which were in place at the date of acquisition We base our valuation on the expected future cash flows using the Multi-Period Excess Earnings approach This method employs a discounted cash flow analysis using the present value of the estimated after tax cash flows expected to be generated from the purchased intangible asset using risk adjusted discount rates and revenue forecasts as appropriate The discount rate applied in the valuation was the weighted cost of capital of 10 1%

11 GOVERNMENT GRANTS

Group	£m
At incorporation	
Acquisition of subsidiaries (note 9)	6.2
Exchange adjustment	1.2
Amount earned in the period	2.4
Utilised during the period	(0 4)
At 31 December 2009	**9 4**
Current	
Non-current	**9 4**
At 31 December 2009	**9 4**

Government grants are receivable in relation to research and development expenditure

12 INVESTMENT IN SUBSIDIARIES

A list of the significant investments in subsidiaries, including the name, country of incorporation and proportion of ownership interest is given below	Country of Incorporation	Principal Activity	Percentage holding
Subsidiary Undertakings			
Exova Topco Limited (Formerly CDR Tabasco Topco Limited)	UK	Holding	100%
Exova Holdings Limited (Formerly CDR Tabasco (Holdings) Limited)	UK	Holding	100%
Exova Limited (formerly CDR Tabasco Limited)	UK	Holding	100%
Exova Group (UK) Limited (formerly Bodycote Testing Group Limited)	UK	Holding	100%
MTS Pendar Limited	UK	Holding	100%
Warrington Fire Research Group Ltd	UK	Holding	100%
Exova (UK) Limited (formerly Bodycote Testing Limited)	UK	Testing	100%
Exova Warrington Fire Consulting (Guernsey) Ltd (formerly Bodycote Warrington Fire Consulting (Guernsey) Ltd)	UK	Testing	100%
Warrington Fire Research Gent NV	Belgium	Testing	100%
Exova S r o (formerly Bodycote Materials Testing S r o)	Czech Republic	Testing	100%
Exova Metech AS (formerly Bodycote Metech AS)	Denmark	Testing	100%
Exova Metech Oy (formerly Bodycote Metech Oy)	Finland	Testing	100%
Exova SA (formerly Centech SAS)	France	Testing	100%
Exova (Holdings) GmbH (formerly Bodycote Testing Holdings GmBH)	Germany	Holding	100%
Exova Metech GmbH (formerly Bodycote Metech GmbH)	Germany	Testing	100%
Exova GmbH (formerly Bodycote Testing GmBH)	Germany	Testing	100%
Exova (Ireland) Limited (formerly Bodycote Consultus Limited)	Ireland	Testing	100%
Exova Metlab Limited (formerly Metlab (International) Limited)	Ireland	Testing	100%
Exova Srl (formerly Bodycote Materials Testing Srl)	Italy	Testing	100%
Centro Triveneto Richerche Srl	Italy	Testing	100%
Componants Stability Assessment Srl	Italy	Testing	51%
Exova BV (formerly Bodycote Materials Testing B V)	Netherlands	Testing	100%
Exova (Holdings) B V (formerly Bodycote Materials Testing Europe B V)	Netherlands	Holding	100%
Exova Rotterdam BV (formerly Rotterdam Painting Consultants B V)	Netherlands	Testing	100%
Exova A/S (formerly Bodycote Materials Testing A/S)	Norway	Testing	100%
Exova (Sweden) Holdings AB (formerly CDRT (Sweden) AB)	Sweden	Holding	100%
Exova AB (formerly Bodycote Materials Testing AB)	Sweden	Testing	100%
CSM NDT Certification AB	Sweden	Testing	100%
Exova Metech AB (formerly Bodycote Metech AB)	Sweden	Testing	100%
Exova (US) Holdings Inc (formerly CDR Tabasco (US) Inc)	US	Holding	100%
Exova Inc (formerly Bodycote Materials Testing Inc)	US	Testing	100%
Exova (Canada) Inc (formerly Bodycote Canada Inc)	Canada	Testing	100%
Exova Property Holdings Inc (formerly Bodycote Property Holdings Inc)	Canada	Testing	100%
Exova (Mexico) Testing Inc (formerly Bodycote Materials Testing de Mexico SRL de CV)	Mexico	Testing	100%
Exova Warringtonfire Middle East LLC (formerly Bodycote Warrington Fire Middle East LLC)	Dubai	Testing	49%
Al Futtaim Exova LLC (formerly Al Futtaim Bodycote Testing LLC)	Dubai	Testing	49% *
Exova Limited & Co LLC (formerly Bodycote Materials Testing Services Limited & Co LLC)	Oman	Testing	70%
Exova (Qatar) LLC (formerly Bodycote Materials Testing Services LLC) *	Qatar	Testing	24 5%
Exova (Saudi Arabia) Limited (formerly Bodycote Testing Saudi Arabia Ltd LLC) *	Saudi Arabia	Testing	50%
Exova Warrington Aus Pty Limited (formerly Bodycote Warrington Fire (Aus) Pty Ltd)	Australia	Testing	100%
Exova (Cayman) Limited (formerly Bodycote Testing Cayman Limited)	Cayman Islands	Testing	100%
Exova Warringtonfire HK Limited (formerly Warrington Fire Research (Asia Pacific) Ltd)	Hong Kong	Testing	100%
Exova (Singapore) Pte Limited (formerly Bodycote Testing Singapore Pte Limited)	Singapore	Testing	100%

These companies are treated as subsidiaries in the results of the Group as effective control over their operations exists as described in the shareholder and management services agreements with the relative parties

The Company is taking the exemption available under Section 410 of the Companies Act 2006 to only disclose principal subsidiaries

Exova Topco Limited shareholding are held directly whilst all others are held through wholly owned subsidiaries

13 INVENTORIES

	2009 £m
Work in progress	1 3

14 TRADE AND OTHER RECEIVABLES

	2009 £m
Trade receivables	41 0
Less provision for impairment of receivables	(2 4)
Net trade receivables	38.6
Other receivables	5 4
Prepayments	3.2
	47.2

The average credit period on sales was 62 days

Analysis of trade receivables	£m
Neither impaired nor past due	24.3
Past due but not impaired	14.3
Impaired	2.4
	41 0

The ageing of past due but not impaired trade receivables	2009 £m
Up to 3 months	12.8
Over 3 months	1.5
	14 3

Movements on the provision for impairment of trade receivables	2009 £m
At incorporation	-
Acquisition of subsidiaries	3.7
Exchange adjustment	0.2
Provision for receivables impairment	(0.9)
Amounts recovered during the period	(0.4)
Receivables written off during the period as uncollectible	(0 2)
At 31 December	2.4

Ageing of impaired trade receivables	2009 £m
Up to 3 months	0 2
Over 3 months	2 2
	2.4

15 TRADE AND OTHER PAYABLES

	2009 £m
Trade payables	11 1
Other taxes and social security	3 6
Other payables	9 0
Accruals	12.5
	36 2

16 BANK AND OTHER BORROWINGS

	Amounts falling due in less than one year £m	more than one year £m	Total 2009 £m
Bank overdrafts	1 7		1 7
Acquisitions / Capex facility	0 0	9 1	9 1
Mezzanine debt facility	0 0	58 7	58.7
Senior bank loans	2 4	157 6	160.0
Loan due to minority shareholders	0 0	1 0	1 0
Debt issue costs	(2 0)	(15 0)	(17 0)
Financial liabilities external borrowings	2 1	211 4	213.5
Financial liabilities loan due to parent undertaking		248 4	248 4
Financial liabilities preference shares		34 2	34.2
	2.1	494 0	496.1

The following analysis details outstanding borrowings, the facilities available to the Group and the undrawn amounts at the balance date

Maturity	Amounts falling due in less than one year £m	between one and two years £m	between two and five years £m	after five years £m	Total 2009 £m
Cash at bank	(24 9)	-			(24 9)
Bank overdrafts	1 7	-			1 7
Cash and cash equivalents in the cash flow statement	(23 2)	-	-		(23.2)
Revolving credit facility			-		-
Acquisitions / Capex facility			6 8	2 3	9 1
Mezzanine debt facility			-	58 7	58.7
Senior bank loans	2 4	8 2	29 3	120 1	160 0
Loan due to parent undertaking			-	248 4	248 4
Preference shares				34 2	34.2
Loan due to minority shareholders			-	1 0	1.0
Debt issue costs	(2 0)	(2 0)	(5 9)	(7 1)	(17 0)
	(22.8)	6.2	30 2	457 6	471.2
Undrawn facilities					
Bank overdrafts	8 3				8.3
Revolving credit facility	25 0				25 0
Acquisitions / Capex facility		0 9			0 9
Total facilities	10 5	7 1	30 2	457 6	505 4

Preference Shares

Authorised	
50,000,000 preference shares of £1 each	50 0
Allotted issued and fully paid	
34,216,459 preference shares of £1 each	34 2

During the period 34 216 459 £1 preference shares were issued for £1 each

At 31 December 2009 there were 34 216 459 redeemable preference shares on issue Each share has a par value of £1 and has no fixed redemption date The preference shares carry a dividend of 15% per annum payable annually in arrears on 31 December The dividend rights are cumulative The preference shares rank ahead of the ordinary shares in the event of a liquidation

17 FINANCIAL INSTRUMENTS

Financial risk management objectives & policies

The Group Board has the responsibility for setting the financial risk management policies applied by the Group The policies are implemented by the central treasury department which receives regular reports from the operating companies to enable prompt identification of financial risks so that the appropriate actions may be taken

(i) Foreign exchange risk policy

The Group has operations in 24 countries and is therefore exposed to foreign exchange translation risk when the profits and net assets of these entities are consolidated into the Group Accounts

Assets are partially hedged where appropriate, by matching the currency of borrowings to the net assets of the subsidiaries

It is Group policy not to hedge the translational exposure arising from profit and loss items

Transaction foreign exchange exposures arise when entities within the Group enter into contracts to pay or receive funds in a currency different from the functional currency of the entity concerned

It is Group policy that all operating units eliminate exposures on material committed transactions usually by undertaking forward foreign currency contracts through the Group s treasury function

However the nature of the business is such that cross border sales and purchases are limited and, other than currency interest such exposures are immaterial for the Group

(ii) Interest rate risk policy

The Group s borrowings are at variable rates of interest Interest rate risk is regularly monitored to ensure that the mix of variable and fixed rate borrowing is appropriate for the Group in the short to medium-term. Interest rate swaps are utilised that have the economic effect of converting borrowings from floating to fixed rates At the balance sheet date approximately 87% of variable rate debt had been converted to fixed rate through the use of floating to fixed interest rate swaps

(iii) Credit risk policy

Concentrations of credit risk with respect to trade receivables are limited due to the Group s customer base being large and unrelated Consequently management believe there is no further credit risk provision required in excess of a normal provision for doubtful receivables Therefore the maximum exposure to credit risk at the reporting date is the fair value of each class of receivable

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer and before accepting any significant new customer, the Group uses an external credit scoring system to assess the potential customer's credit quality and defines credit limits by the customer Limits and scoring attributed to customers are reviewed once a year

The geographic profile of credit risk over the period of these financial statements is broadly in line with that of revenue in note 3

(iv) Liquidity risk policy

The Group actively maintains a mixture of long-term and short term committed facilities that are designed to ensure the Group has sufficient available funds for existing operations and planned expansions

Management monitors rolling forecasts of the Group s liquidity reserve (comprising undrawn borrowing facility and cash and cash equivalents (note 16)) on the basis of expected cash flow This is generally carried out a local level in the operating companies of the Group in accordance with practice and limits set by the Group These limits vary by location to take into account the liquidity of the market in which the entity operates In addition the Group s liquidity management policy involves projecting cash flows in major currencies and considering the level of liquid assets necessary to meet these, monitoring balance sheet liquidity ratios against internal and external requirements and maintaining debt financing plans

The Group has no derivative financial instruments which will be settled on a gross basis

(v) Net Investment in foreign operations

EUR variable loans included in interest bearing loans and borrowings amounting to EUR32m, USD variable loans included in interest bearing loans and borrowings, amounting to USD104m SEK variable loans included in interest bearing loans and borrowings amounting to SEK255m and CAD variable loans included in interest bearing loans and borrowings amounting to CAD50m have been designated as a hedge of the Group s exposure to translational foreign exchange risk on its net investments in foreign operations Gains or losses on the retranslation of the borrowings are transferred to equity to offset any gains or losses on translation of the net investments in these subsidiaries

Carrying amounts & fair values

Set out below is a comparison by category of carrying amounts and fair values of all the Group s financial instruments that are carried in the financial statements

	Carrying amount 2009 £m	Fair value 2009 £m
Amortised costs		
Non-derivative financial assets		
Trade receivables	(41 0)	(41 0)
Cash and short term deposits	(24 9)	(24 9)
Non-derivative financial liabilities		
Trade payables and accruals	23 6	23 6
Bank overdraft	1 7	1 7
Revolving credit facility	-	-
Acquisition/Capex facility	9 1	9 1
Senior bank loans	160 0	160 0
Mezzanine debt facility	58.7	58.7
Loan due to parent undertaking	248 4	248.4
Preference shares	34.2	34 2
Loan due to minority shareholders	1.0	1 0
Fair value through profit and loss		
Derivative financial liabilities		
Interest rate swaps designated as cash flow hedges	3 1	3 1
	473 9	473 9

The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows The carrying amount of other financial instruments of the Group i e trade receivables and payables that are included in the above table is a reasonable approximation of fair value

The fair value of all other items has been calculated by discounting the expected future cash flows at prevailing interest rates

17 FINANCIAL INSTRUMENTS (continued)

Liquidity and credit risk

The Group manages liquidity risk by maintaining adequate banking facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities The Group has at its disposal additional undrawn facilities which further reduces the liquidity risk and is disclosed above

The following analysis details the contractual maturities of financial liabilities at the balance sheet date including interest and principal cash flows using undiscounted cash flows

	Amounts falling due				Total
At 31 December 2009	**In less than one year £m**	**between one and two years £m**	**between two and five years £m**	**after five years £m**	**2009 £m**
Amortised costs					
Non-derivative financial liabilities					
Trade payables and accruals	23 6	-			**23 6**
Bank overdrafts	1 7	-			**1 7**
Acquisition/Capex facility	0 7	0 7	8 8	2 6	**12.8**
Senior bank loans	13 2	18 8	60 0	148 2	**240 2**
Mezzanine debt facility	4 6	4 6	13 9	121 7	**144.8**
Loan due to parent undertaking		-	-	922 8	**922.8**
Preference shares				140 0	**140 0**
Loan due to minority shareholders		-		2 1	**2 1**
Fair value through income statement					
Derivative financial liabilities					
Interest rate swaps used for hedging	1 1	1 5	0 5		**3 1**
	44 9	**25 6**	**83 2**	**1,337 4**	**1,491 1**

Interest rate risk

The following table sets out the carrying amount of the Group s financial instruments and notional value of derivatives that are exposed to interest rate risk.

	Fixed rate Net Debt 2009 £m	**Floating rate Net Debt 2009 £m**	**Notional Interest Rate Swaps 2009 £m**	**Cash at bank 2009 £m**	**Total 2009 £m**
Currency and interest rate profile					
Currency					
Sterling	282 6	68 6	1 3	(3 4)	**349 1**
Euro		28 7	0 6	(2 1)	**27 2**
US dollar		64 4	1 0	(0 3)	**65 1**
Canadian dollar		29 2	-	(2 0)	**27 2**
Swedish krona		21 6	0 2	(1 6)	**20 2**
UAE dirham	1 0	-		(7 0)	**(6 0)**
Qatar riyal		-		(5 1)	**(5 1)**
Other				(3 4)	**(3.4)**
	283 6	**212 5**	**3 1**	**(24 9)**	**474 3**

Interest on financial instruments classified as fixed rate is fixed until the maturity of the instrument Interest on financial instruments classified as floating rate is repriced at intervals of less than one year The other financial instruments of the Group that are not included in the above table are non-interest bearing and are therefore not subject to interest rate risk

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant of the Group s profit before tax and equity through the impact on floating rate borrowings and interest rate swaps There is no impact on the Group s equity with the exception of the Group s interest rate swaps

2009 Group	**Increase in basis points**	**Effect on profit before tax gain/(loss) £m**	**Effect on equity gain/(loss) £m**
Canadian dollar	+100	**(0 3)**	**-**
Euro	+100	**(0 6)**	**(0 4)**
Swedish krona	+100	**(0 3)**	**(0 3)**
UK sterling	+100	**(1 7)**	**(1 0)**
US dollar	+100	**(1 6)**	**(1 0)**

A decrease of 100 basis points would have an equal and opposite effect

The Group utilises interest rate swaps to convert borrowings from floating to fixed rates of interest These interest rate swaps are subject to cash flow hedge accounting effectiveness testing

The net carrying amount maturity dates and the amounts recognised for the period in profit or loss and equity for each derivative financial instrument are set out below

2009 Group	**Net carrying amount £m**	**Maturity dates**	**Recognised in profit or loss gain/(loss) £m**	**Recognised in equity gain/(loss) £m**
Interest rate swaps designated as cash flow hedges	3 1	2011	(2.5)	(0 6)

The Group s interest rate swaps were partially deemed ineffective during the period resulting in a charge to the income statement of £1 9m

17 FINANCIAL INSTRUMENTS (continued)

Foreign exchange risk

The Group considers the most significant foreign exchange risks relate to the Canadian dollar Euro Swedish Krona US dollar UAE dirham and Qatar riyal The following table demonstrates the sensitivity to a reasonably possible change in these foreign currency exchange rates with all other variables held constant The sensitivity analysis shows the effect on profit or loss and equity in respect of assets and liabilities unhedged by instruments qualifying as net investment hedges and the translation of foreign subsidiary results denominated in these foreign currencies

2009 Group	Increase in currency rate	Effect on profit after tax loss £m	Effect on equity gain/(loss) £m
Canadian dollar	+25%	(0.8)	(16 6)
Euro	+25%	(0 9)	(5 4)
Swedish krona	+25%	(0 3)	0 2
US dollar	+25%	(0 5)	2.2
UAE dirham	+25%	(1 1)	(9 7)
Qatar riyal	+25%	(0 6)	(5.3)

A decrease of 25% in the currency rate would have an equal and opposite effect

The following significant exchange rates applied during the year

	Average rate	Closing rate
Euro	1 1330	1 1255
US dollar	1 5625	1 6149
Canadian dollar	1 8001	1 6930
Swedish krona	11 9656	11 5302
UAE dirham	5 7405	5 9316
Qatar riyal	5 6987	5 8040

18 CAPITAL MANAGEMENT

The primary objective of the Group s capital management is to ensure that it maintains healthy capital ratios in order to support its business and maximise shareholder value The Group manages its capital structure and makes adjustments to it in the light of changes in economic conditions

As the Company is a private equity backed business the loan due to parent undertaking is considered to represent equity rather than debt in the consideration of capital management

The Group monitors capital using the following indicators

Gearing ratio

Gearing comprises net debt, excluding loan due to parent undertaking, preference shares and derivative financial instruments divided by total equity including loan due to parent undertaking and preference shares Net debt comprises cash and short term deposits less financial liabilities as detailed in note 16

	2009
Net debt excluding loan to parent undertaking preference shares and derivative financial instruments (£m)	188.6
Total equity including loan to parent undertaking and preference shares (£m)	238.2
Gearing ratio (%)	79

Adjusted net debt to adjusted EBITDA cover

Adjusted net debt to adjusted EBITDA comprises net debt excluding loan due to parent undertaking divided by operating profit from continuing operations before restructuring costs management fee to private equity investor depreciation intangibles amortisation and impairment of assets

	2009
Net debt excluding loan to parent undertaking, preference shares and derivative financial instruments (£m)	188.6
Operating profit before restructuring costs (£m)	24 1
Management fee to private equity investor depreciation, intangibles amortisation and impairment of assets (£m)	28 9
Adjusted EBITDA (£m)	53 0
Adjusted net debt to adjusted EBITDA cover (ratio)	3 6

Interest cover

Interest cover comprises operating profit from continuing operations before restructuring costs, management fee to private equity investor and intangibles amortisation divided by the net finance costs excluding interest on loan to parent undertaking and preference dividend

	2009
Operating profit before restructuring costs management fee to private equity investor and intangibles amortisation (£m)	36 1
Net finance costs excluding interest on loan to parent undertaking (£m)	27 4
Interest cover (ratio)	1 3

19 PROVISIONS

	Restructuring £m	Dilapidations £m	2009 £m
At incorporation	-		-
Acquisition of subsidiaries (note 9)	0 4	4 5	4 9
Additions in the period	2 0		2 0
Utilised	(0 3)		(0 3)
Exchange adjustment		0 1	0 1
Credit to income statement for the period	(0 3)		(0 3)
At 31 December	**1.8**	**4 6**	**6 4**
Current	**1.8**		**1 8**
Non-current		**4 6**	**4 6**
At 31 December 2009	**1.8**	**4 6**	**6 4**

On acquisition of the testing business of Bodycote plc provision has been recognised for the dilapidation costs associated with exiting existing operating lease which have an average life of 5 to 7 years remaining

20 DEFERRED TAX

	Other temporary differences 2009 £m
Deferred tax assets	1 4
Deferred tax liabilities	(8.3)
Net deferred tax liability	(6 9)

Certain deferred tax assets and liabilities have been offset where the Group has a legally enforceable right to set off current tax assets against current tax liabilities and where the deferred tax assets and liabilities relate to income taxes levied by the same tax jurisdictions

21 ISSUED SHARE CAPITAL AND RESERVES

	2009 £m
Called Up Share Capital	
Ordinary Shares	
Authorised	
10 000 000 ordinary share of £1 each	10 0
Allotted, issued and fully paid	
3 927 961 ordinary share of £1 each	3 9

The company allotted one £1 ordinary share at par on 10 October 2008 During the period a further 3 927 960 £1 ordinary shares were issued for £1 each

Deferred Shares	
Authorised	
5 000 000 deferred share of £1 each	5 0
Allotted issued and fully paid	
Nil	-

No deferred shares were issued during the period

Foreign currency translation reserve

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations as well as from the translation of the liabilities that hedge the Group s net investment in a foreign subsidiary

Hedging reserve

The hedging reserve records the effective portion of gains and losses arising from the remeasurement of financial instruments designated as hedging instruments in cash flow hedges

22 COMMITMENTS

(a) Capital commitments	2009 £m
At 31 December	
Contracted for but not provided	1 7

(b) Operating lease commitments The total of future minimum lease payments in respect of non-cancellable operating leases are as follows	Land and buildings 2009 £m	Other 2009 £m	Total 2009 £m
At 31 December			
Within one year	7 7	1 6	9 3
Between two and five years	16 9	1 9	18 8
After five years	14 9		14 9
	39.5	3 5	43 0

The Group leases various properties and plant and equipment under non-cancellable operating lease agreements The leases have various terms and renewal rights The Group has also sub-let certain properties under non-cancellable sublease agreements and the total of future minimum lease payments expected to be received amounts to £1 1m

23 RELATED PARTY TRANSACTIONS

During the period the Company has entered into certain transactions with other companies in the Exova Group Details of these transactions are as follows

(a) Income statement	2009 £m
Management fee to private equity investor	0 7
Finance costs on loan from parent undertaking (note 5)	40 7
Preference share dividend	6 2

(b) Period-end balances at 31 December	2009 £m
Loans owed to parent undertaking (note 16)	248 4

(c) Key management compensation	2009 £m
Salaries and short-term benefits	1 0
Post employment benefits	-
Termination benefits	0 2
	1 2

Key management comprises members of the executive team

d) Transactions with equity interests of less than 51%

The Group holds equity interests of less than 51% in the following companies
Exova (Qatar) LLC 24 5%
Al Futtaim Exova LLC 49%
Exova Warringtonfire Middle East LLC 49%
Exova (Saudi Arabia) Limited 50%

The Group has majority representation on these entities boards of directors and is required to approve all major operational decisions The operations are used solely by the Group Based on these facts and circumstances, management has determined that in substance the Group controls these entities and therefore consolidates the entities in its financial statements

(e) Other transactions with private equity investor

Upon completion of the acquisition of the testing business from Bodycote plc fees of £5 3m were paid to the private equity investor in connection with services provided in respect of the acquisition and the related debt financing

24 ULTIMATE PARENT COMPANY AND CONTROLLING PARTIES

The immediate parent undertaking and controlling party is Exova Group BV, a private limited company registered in the Netherlands Clayton, Dubilier & Rice LLC, the manager of Clayton Dubilier & Rice Fund VII LP is considered to be the ultimate controlling party

PARENT COMPANY BALANCE SHEET

Company Registration No 06720350

At 31 December 2009

	Notes	2009 £m	2009 £m
Assets			
Fixed assets			
Investments in subsidiaries	3	2 4	
Loans due from subsidiary undertakings		40.9	43 3
Current assets			
Amounts due from parent undertaking		0 8	
Cash		0 8	1 6
Creditors falling due within one year			
Trade and other payables		(0 2)	(0 2)
Net current assets			1 4
Total assets less current liabilities			44 7
Creditors falling due after more than one year			
Preference share dividend payable		(6.2)	(6 2)
Net assets			38 5
Creditors falling due after more than one year			
Financial liabilities - preference shares	7	(34 2)	(34.2)
Total assets			4 3
Shareholders' equity			
Called up share capital	4		3 9
Retained earnings			0 4
Total shareholders' equity			4 3

The financial statements were approved by the Board of Directors on 7 April 2010 and signed on its behalf by

G RUMBLES
Chief Executive Officer

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

For the period from incorporation on 10 October 2008 to 31 December 2009

1 Significant accounting policies

Basis of preparation

The Company's financial statements have been prepared under the historical cost convention and in accordance with applicable UK accounting standards The financial statements have been prepared on a going concern basis

Profit and loss account

Under section 408 of the Companies Act 2006, the Company is exempt from the requirement to present its own profit and loss account.

Related party transaction

As the parent company of the Exova Group (the financial statements for which can be found on pages 19 to 40) the Company has taken advantage of the exemption contained in FRS8 and has therefore not disclosed transactions or balances with entities which form part of the Group

Foreign currencies

Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing on the dates of the transactions At each balance sheet date monetary assets and liabilities that are denominated in foreign currencies are retranslated

Taxation

The Company's tax charge is based on the result for the period and tax rates in force during the period Estimation of the tax charge requires an assessment to be made of the potential tax treatment of certain items which will only be resolved once final

Investments

Investments are stated at cost less provisions for any impairment

Dividends

Dividends payable to the Company's shareholders are recorded as a liability in the period in which the dividends are approved

Preference shares

Redeemable preference shares are classified as a financial liability measured at amortised cost until it is extinguished on redemption

Segmental reporting

The Company's business is to invest and then provide finance to its subsidiaries and operates in a single segment.

Audit fees

Audit fees for the Company of £5 000 were borne by a subsidiary undertaking

2 Staff costs

Employees and Directors' emoluments

The Group considers key management to be those persons who have the authority and responsibility for planning directing and controlling the activities of the

No emoluments were payable to the Directors in respect of services to the Company

Disclosures regarding Director's remuneration and pension entitlements are included in note 4 of the group financial statements

3 Investments

A list of the significant investments in subsidiaries including the name, country of incorporation and proportion of ownership interest is given below

Subsidiary Undertakings	Country of Incorporation	Principal Activity	Percentage holding
Exova Topco Limited (Formerly CDR Tabasco Topco Limited)	UK	Holding	100%
Exova Holdings Limited (Formerly CDR Tabasco (Holdings) Limited)	UK	Holding	100%
Exova Limited (formerly CDR Tabasco Limited)	UK	Holding	100%
Exova Group (UK) Limited (formerly Bodycote Testing Group Limited)	UK	Holding	100%
MTS Pendar Limited	UK	Holding	100%
Warrington Fire Research Group Ltd	UK	Holding	100%
Exova (UK) Limited (formerly Bodycote Testing Limited)	UK	Testing	100%
Exova Warrington Fire Consulting (Guernsey) Ltd (formerly Bodycote	UK	Testing	100%
Warrington Fire Research Gent NV	Belgium	Testing	100%
Exova S r o (formerly Bodycote Materials Testing S r o)	Czech Republic	Testing	100%
Exova Metech AS (formerly Bodycote Metech AS)	Denmark	Testing	100%
Exova Metech Oy (formerly Bodycote Metech Oy)	Finland	Testing	100%
Exova SA (formerly Centech SAS)	France	Testing	100%
Exova (Holdings) GmbH (formerly Bodycote Testing Holdings GmBH)	Germany	Holding	100%
Exova Metech GmbH (formerly Bodycote Metech GmbH)	Germany	Testing	100%
Exova GmbH (formerly Bodycote Testing GmBH)	Germany	Testing	100%
Exova (Ireland) Limited (formerly Bodycote Consultus Limited)	Ireland	Testing	100%
Exova Metlab Limited (formerly Metlab (International) Limited)	Ireland	Testing	100%
Exova Srl (formerly Bodycote Materials Testing Srl)	Italy	Testing	100%
Centro Triveneto Richerche Srl	Italy	Testing	100%
Componants Stability Assessment Srl	Italy	Testing	51%
Exova BV (formerly Bodycote Materials Testing B V)	Netherlands	Testing	100%
Exova (Holdings) B V (formerly Bodycote Materials Testing Europe B V)	Netherlands	Holding	100%
Exova Rotterdam BV (formerly Rotterdam Painting Consultants B V)	Netherlands	Testing	100%
Exova A/S (formerly Bodycote Materials Testing A/S)	Norway	Testing	100%
Exova (Sweden) Holdings AB (formerly CDRT (Sweden) AB)	Sweden	Holding	100%
Exova AB (formerly Bodycote Materials Testing AB)	Sweden	Testing	100%
CSM NDT Certification AB	Sweden	Testing	100%
Exova Metech AB (formerly Bodycote Metech AB)	Sweden	Testing	100%
Exova (US) Holdings Inc (formerly CDR Tabasco (US) Inc)	US	Holding	100%
Exova Inc (formerly Bodycote Materials Testing Inc)	US	Testing	100%
Exova (Canada) Inc (formerly Bodycote Canada Inc)	Canada	Testing	100%
Exova Property Holdings Inc (formerly Bodycote Property Holdings Inc)	Canada	Testing	100%
Exova (Mexico) Testing Inc (formerly Bodycote Materials Testing de Mexico SRL de CV)	Mexico	Testing	100%
Exova Warringtonfire Middle East LLC (formerly Bodycote Warrington Fire Middle East LLC)	Dubai	Testing	49% *
Al Futtaim Exova LLC (formerly Al Futtaim Bodycote Testing LLC) *	Dubai	Testing	49% *
Exova Limited & Co LLC (formerly Bodycote Materials Testing Services Limited & Co LLC)	Oman	Testing	70%
Exova (Qatar) LLC (formerly Bodycote Materials Testing Services LLC) *	Qatar	Testing	24 5% *
Exova (Saudi Arabia) Limited (formerly Bodycote Testing Saudi Arabia Ltd LLC) *	Saudi Arabia	Testing	50% *
Exova Warrington Aus Pty Limited (formerly Bodycote Warrington Fire (Aus) Pty Ltd)	Australia	Testing	100%
Exova (Cayman) Limited (formerly Bodycote Testing Cayman Limited)	Cayman Islands	Testing	100%
Exova Warringtonfire HK Limited (formerly Warrington Fire Research (Asia Pacific) Ltd)	Hong Kong	Testing	100%
Exova (Singapore) Pte Limited (formerly Bodycote Testing Singapore Pte Limited)	Singapore	Testing	100%

These companies are treated as subsidiaries in the results of the Group as effective control over their operations exists as described in the shareholder and management services agreements with the relative parties

The Company is taking the exemption available under Section 410 of the Companies Act 2006 to only disclose principal subsidiaries

Exova Topco Limited shareholding are held directly whilst all others are held through wholly owned subsidiaries

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

For the period from incorporation on 10 October 2008 to 31 December 2009

3 Investments (continued)	**Subsidiary undertakings equity £m**
Shares at cost less provisions	
At date of incorporation	
Additions in the period	2 4
As at 31 December 2009	2 4

4 Called Up Share Capital	**2009**
Ordinary Shares	**£m**
Authorised	
10 000 000 ordinary share of £1 each	10 0
Allotted issued and fully paid	
3 927 961 ordinary share of £1 each	3 9

The company allotted one £1 ordinary share at par on 10 October 2008 During the period a further 3 927 960 £1 ordinary shares were issued for £1 each

Deferred Shares	
Authorised	
5 000 000 deferred share of £1 each	5 0
Allotted issued and fully paid	
Nil	-

No deferred shares were issued during the period

5 Profit and loss account	**2009 £m**
At incorporation	-
Profit arising for the period	0.2
At 31 December 2009	0 2

6 Reconciliation of movement in shareholders funds.	**2009 £m**
Opening shareholders funds	-
Profit for the period	0.4
New shares subscribed	3 9
Net movement in shareholders' funds	4 3
Closing shareholders' funds	4 3

7 Preference Shares	
Authorised	
50 000 000 preference shares of £1 each	50 0
Allotted issued and fully paid	
34,216 459 preference shares of £1 each	34 2

During the period 34 216 459 £1 preference shares were issued for £1 each

At 31 December 2009 there were 34,216 459 redeemable preference shares on issue Each share has a par value of £1 and has no fixed redemption date The preference shares carry a dividend of 15% per annum, payable annually in arrears on 31 December The dividend rights are cumulative The preference shares rank ahead of the ordinary shares in the event of a liquidation

8 Ultimate parent company and controlling parties

The immediate parent undertaking and controlling party is Exova Group BV, a private limited company registered in the Netherlands Clayton, Dubilier & Rice LLC the manager of Clayton Dubilier & Rice Fund VII LP, is considered to be the ultimate controlling party