Edif Group Finance Limited

Report and Financial Statements

31 December 2014

Directors
A Chant
R Dilworth
G Higgins

Auditors
Ernst & Young LLP
Bedford House
16 Bedford Street
Belfast BT2 7DT

Registered Office
Cleeve Road
Leatherhead
Surrey KT22 7SA

Strategic report

The directors present their strategic report and the financial statements for the year ended 31 December 2014.

Principal activity and review of the business

The Company is an intermediate parent undertaking within the group of companies headed by Edif Group Limited.

The results show a loss after tax of £76,000 (2013 – £89,000). The directors do not presently expect the activities of the Company to change significantly within the foreseeable future.

The net assets of the Company remain relatively unchanged at £852,000 (2013 – £928,000) with increased borrowings and related interest thereon offset by the push down of this funding to group companies at similar interest rates.

Risk management and principal risks and uncertainties

The Company is financed through a combination of equity and debt finance. The Company's equity is detailed in note 10 to the financial statements. Debt finance comprises loan notes, preference shares and amounts owed to group undertakings as set out in note 9 to the financial statements. These loans are not repayable until March 2021. The loan notes are listed on the Channels Islands Stock Exchange.

The principle risks facing the Company are that group companies would be unable to repay loans, that investments carried in the Company's balance sheet would not be realised, and that the Company is unable to service its loan notes, preference shares and amounts owed to group companies. The objective of Company is to manage these risks at optimum cost. A continuous forecasting and monitoring process is in place to manage these risks.

To manage risks relating to the recovery of investments and loans owed to the Company, the directors monitor the performance and financial status of the relevant group companies.

Since the Company's borrowings are of a long term nature liquidity risk arises only in respect of the payment of interest on borrowings. This risk is managed through the receipt of interest on amounts owing from group companies which approximates to the amounts borrowed and at similar interest rates.

Since the Company's borrowings are primarily at fixed rates of interest the directors consider that the Company does not have a significant interest rate risk exposure.

As the Company transacts mainly in Sterling the directors do not consider that the Company has any significant exposure to currency risks.

Approved by the Board on 23 July 2015 and signed on its behalf by:

Gavin Higgins
Director

Registered No. 07497827

Directors' report

The directors present their report and financial statements for the year ended 31 December 2014.

Results and dividends

The loss for the year after taxation amounted to £76,000 (2013 – £89,000). During the year the company paid an interim dividend of £nil (2013 – £nil).The directors do not recommend a final dividend (2013 – £nil).

Financial instruments

Details of financial instruments are provided in the strategic report.

Future developments

Details of future developments are provided in the strategic report.

Going concern

The Company's business activities, together with the principal risk and uncertainties likely to affect its future performance are described in the Strategic Report.

The Company's forecast and projections show that the Company will have adequate financial resources to enable it to continue to fund its operations for the foreseeable future. Accordingly the directors continue to adopt the going concern basis in preparing the financial statements.

Directors

The directors who served the company during the year were as follows:

A Chant
R Dilworth
C Fairey (resigned 30 June 2014)
G Higgins (appointed 30 June 2014)

Disclosure of information to the auditors

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow directors and the company's auditor, each director has taken all the steps that he is obliged to take as a director in order to make himself aware of any relevant audit information and to establish that the auditor is aware of that information.

Auditors

A resolution to reappoint Ernst & Young LLP as auditors will be put to the members at the Annual General Meeting.

On behalf of the Board

G Higgins

Director

23 July 2015

Statement of directors' responsibilities

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

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

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

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

Independent auditor's report

to the members of Edif Group Finance Limited

We have audited the financial statements of Edif Group Finance Limited for the year ended 31 December 2014 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet and the related notes 1 to 15. The financial reporting framework that has been applied in their preparation 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 auditor

As explained more fully in the Statement of Directors' Responsibilities set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board'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 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. In addition, we read all the financial and non-financial information in the Report and Financial Statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2014 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Independent auditor's report

to the members of Edif Group Finance Limited

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

Ernst & Young LLP

Keith Jess (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Belfast

23 July 2015

Profit and loss account

for the year ended 31 December 2014

	Notes	*2014* *£000*	*2013* *£000*
Interest receivable and similar income	3	5,052	4,492
Interest payable and similar charges	4	(5,128)	(4,581)
Loss on ordinary activities before taxation		(76)	(89)
Tax	5	–	–
Loss for the financial year	11	(76)	(89)

All amounts relate to continuing activities.

Statement of total recognised gains and losses

for the year ended 31 December 2014

There are no recognised gains or losses other than the loss attributable to the shareholders of the company of £76,000 in the year ended 31 December 2014 (2013 – £89,000).

Balance sheet

at 31 December 2014

	Notes	2014 £000	2013 £000
Fixed assets			
Investments	6	2,940	2,940
Current assets			
Debtors: amounts falling due after more than one year	7	45,220	40,168
Creditors: amounts falling due within one year	8	(28)	(25)
Net current assets		45,192	40,143
Total assets less current liabilities		48,132	43,083
Creditors: amounts falling due after more than one year	9	(47,280)	(42,155)
Net assets		852	928
Capital and reserves			
Called up share capital	10		–
Share premium	11	1,017	1,017
Profit and loss account	11	(165)	(89)
Shareholders' funds	12	852	928

The financial statements were approved and authorised for issue by the Board of Directors on 23 July 2015 and were signed on its behalf by:

G Higgins

Director

Notes to the financial statements

at 31 December 2014

1. Accounting policies

Basis of preparation

The financial statements are prepared under the historical cost convention and in accordance with applicable accounting standards.

Group financial statements

The Company is exempt by virtue of s400 of the Companies Act 2006 from the requirement to prepare group financial statements because it is a wholly owned subsidiary of Edif Group Limited, which prepares group financial statements which are publically available and in which the results of the company are consolidated. These financial statements present information about the Company as an individual undertaking and not about its group.

Statement of cash flows

Under FRS 1 the Company is exempt from the requirement to prepare a statement of cash flows on the grounds that a parent undertaking includes the Company in its own published group financial statements.

Going concern

At 31 December 2014 the Company had net current liabilities of £28,000 (2013 – £25,000) and net assets of £852,000 (2013 – £928,000). The Company meets its day to day working capital requirements through its ultimate parent Edif Group Limited's cash and banking facilities.

The Company's Directors have considered the forecasts and projections of the Company and its ultimate parent Edif Group Limited, taking into account reasonably possible changes in trading performance. After making enquires, the Directors have a reasonable expectation that the Company with the support of its ultimate parent, Edif Group Limited, has adequate resources to continue in operational existence for the foreseeable future. Accordingly they have prepared the financial statements on a going concern basis.

Investments

Investments in subsidiary undertakings, associates and joint ventures are stated at cost less amounts written off.

The carrying values of fixed asset investments are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

Deferred taxation

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or right to pay less or to receive more, tax, with the following exception:

- Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Foreign currencies

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of transaction. Exchange differences are taken into account in arriving at the operating result.

Notes to the financial statements

at 31 December 2014

1. Accounting policies (continued)

Interest bearing borrowings

Immediately after issue, debt is stated at the fair value of the consideration received on the issue of the capital instrument after deduction of issue costs. The finance cost of the debt is allocated to periods over the term of the debt at a constant rate on the carrying amount using the effective interest method.

Loan receivables

Loan receivables are initially recorded at cost. After initial recognition, loan receivables are measured at amortised cost using the effective interest method. The carrying values of loan receivables are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. Any impairment arising is recognised within the profit and loss account.

Classification of shares as debt or equity

Financial instruments issued by the Company are treated as equity only to the extent that they meet the following two conditions:

- they include no contractual obligations upon the Company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Company; and
- where the instrument will or may be settled in the Company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Company's own equity instruments or is a derivative that will be settled by the Company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability.

2. Directors' remuneration, employees and auditors remuneration

No remuneration was paid to the directors of the Company during the year in respect of qualifying services (2013 – £nil). The average number of employees, excluding directors, employed by the Company during the year was nil (2013 – nil).

Audit remuneration of £2,000 (2013 - £2,000) has been borne by Edif Group Management Limited a subsidiary undertaking of the company. Fees paid to the company's auditor Ernst & Young LLP and its associates for services other than the statutory audit of the company's financial statements are not disclosed in the company's financial statements since the financial statements of Edif Group Limited, the company's ultimate UK incorporated parent disclose non audit fees on a consolidated basis.

3. Interest receivable and similar income

	2014	*2013*
	£000	*£000*
Interest receivable from group undertakings	4,756	4,229
Preference share dividends	296	263
	5,052	4,492

4. Interest payable and similar charges

	2014	*2013*
	£000	*£000*
Interest payable and similar charges	(4,743)	(4,229)
Preference share dividends	(296)	(263)
Amortisation of transaction costs associated with the raising of finance	(89)	(89)
	(5,128)	(4,581)

Notes to the financial statements

at 31 December 2014

5. Tax

(a) Tax on loss on ordinary activities

The tax charge is made up as follows:

	2014	*2013*
	£000	*£000*
Current tax:		
UK corporation tax on the loss for the year	–	–
Deferred tax:		
Origination and reversal of timing differences	–	–
Tax on loss on ordinary activities (note 5(b))	–	–

(b) Factors affecting tax for the year

The tax assessed for the year differs from the standard rate of corporation tax in the UK of 21.5% (2013 – 23.25%). The differences are explained below:

	2014	*2013*
	£000	*£000*
Loss on ordinary activities before tax	(76)	(89)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 21.5 % (2013 – 23.25%)	(16)	(21)
Effects of:		
Disallowed expenses / (non-taxable income)	5	18
Group relief	280	(133)
Other short-term timing differences	(269)	136
Current tax for the year (note 5(a))	–	–

(c) Deferred tax

Deferred tax asset not recognised

	2014	*2013*
	£000	*£000*
Short term timing differences	307	671

The deferred tax asset has not been recognised in the period due to insufficient foreseeable future taxable profits of which to utilise the deferred tax asset against.

Notes to the financial statements

at 31 December 2014

6. Investments

	Subsidiary undertakings £000
Cost:	
At 1 January 2014 and 31 December 2014	2,940
Net book value:	
At 31 December 2014 and 1 January 2014	2,940

The principal undertakings in which the Company's interests at the year-end is more than 20% are as follows:

Subsidiary undertaking	*Country of incorporation*	*Principal activity*	*Holding*	*Class and percentage of shares held*
Edif Group Management Limited	England	Intermediate parent	Ordinary shares	100%
ERA Technology Limited	England	Engineering consultancy	Preference shares	100%*
Earthing Solutions Limited	England	Engineering consultancy	Ordinary shares	100%*
Persides Holdings Limited	England	Intermediate parent	Ordinary shares	100%*
Persides Consultancy Services Limited	England	Engineering consultancy	Ordinary shares	100%*
London Power Associates Limited	England	Engineering consultancy	Ordinary shares	100%*
NDE Global (Holding) GmbH	Germany	Intermediate parent	Ordinary shares	100%*
NDE Global Technical Services GmbH	Germany	Intermediate parent	Ordinary shares	100%*
NDE Global Technical Services UK Limited	England	Inspection services	Ordinary shares	100%*
Boldbrink Limited	England	Inspection services	Ordinary shares	100%*
NDE Technical Services GmbH	Germany	Inspection services	Ordinary shares	100%*
NDE Technical Services Australia PTY Ltd	Australia	Inspection services	Ordinary shares	100%*
NDE Technical Services Italy s.r.l	Italy	Inspection services	Ordinary shares	100%*
NDE Technical Services Singapore Pte Ltd	Singapore	Inspection services	Ordinary shares	100%*
NDE Technical Services (China) Co Ltd	China	Inspection services	Ordinary shares	100%*
NDE Technical Services USA Inc	USA	Inspection services	Ordinary shares	100%*

Notes to the financial statements

at 31 December 2014

6. Investments (continued)

Subsidiary undertaking	*Country of incorporation*	*Principal activity*	*Holding*	*Class and percentage of shares held*
Construction Technical Services Inc	USA	Inspection services	Ordinary shares	100%*
Canada NDE Technical Services Ltd	Canada	Inspection services	Ordinary shares	100%*
Proweld Training and Consulting Pty Ltd	Australia	Inspection services	Ordinary shares	100%*
CTSI Oil and Gas Projects Nigeria Limited	Nigeria	Inspection Services	Ordinary Shares	51%*

Joint venture undertaking	*Country of incorporation*	*Principal activity*	*Holding*	*Class and percentage of shares held*
Construction Technical Services Arabia Ltd	Saudi Arabia	Inspection services	Ordinary shares	50%*

* These entities are held indirectly

7. Debtors: amounts falling due after more than one year

	2014	*2013*
	£000	*£000*
Amounts owed by group undertakings	45,220	40,168

8. Creditors: amounts falling due within one year

	2014	*2013*
	£000	*£000*
Amounts owed to group undertakings	28	25

Notes to the financial statements

at 31 December 2014

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

	2014 £000	2013 £000
Preference shares classified as debt	2,755	2,459
Amounts owed to group undertakings	736	736
Loan notes	43,789	38,960
Total of loans wholly repayable after more than 5 years	47,280	42,155

The Company has 30 preference shares each at nominal value of 0.099 pence, issued at a premium of £64,117 each. Preference Shares holders are entitled to receive cumulative dividends at 12% and are entitled to one vote per share at meetings of the Company. The shares are redeemable by the Company at any time, subject to the consent of the holder, immediately prior to exit, on repayment of loan notes in an equivalent proportion or on 31 March 2021. Amounts above include £832,000 of cumulative unpaid dividends (2013 – £536,000).

Amounts owed to group undertakings represents an unsecured non-interest bearing loan from the company's immediate subsidiary, Edif Group Management Limited. This loan is repayable in 2021.

Unsecured subordinated loan notes were issued to funds managed by Phoenix Equity Partners 2010 Guernsey Limited (which is advised by Phoenix Equity Partners Limited) and management. The loan notes are redeemable on 31 March 2021 and carry a fixed rate interest of 12%. The loan notes are listed on the Channels Islands Stock Exchange. During the year interest of £4,740,000 (2013 – 4,228,000) was capitalised. The loan note balance is net of £559,000 (2013 – £648,000) of unamortised costs associated with the raising of loan notes that were incurred in prior years by a group undertaking (gross costs of £737,000) and were recharged to the Company in 2013.

10. Issued share capital

Allotted, called up and fully paid	*No.*	*2014* *£*	*No.*	*2013* *£*
Ordinary shares of £0.01 each	9,197	92	9,197	92

11. Movements on reserves

	Profit and loss account *£000*	*Share premium* *£000*	*Total share-holders' funds* *£000*
At 1 January 2014	(89)	1,017	928
Loss for the year	(76)	-	(76)
At 31 December 2014	(165)	1,017	852

Notes to the financial statements

at 31 December 2014

12. Reconciliation of shareholders' funds

	2014	*2013*
	£000	*£000*
Loss for the financial year	(76)	(89)
Net reduction to shareholders' funds	(76)	(89)
Opening shareholders' funds	928	1,017
Closing shareholders' funds	852	928

13. Financial instruments

An explanation of the Company's objectives, policies and strategies in respect of financial instruments can be found in the risk management and principal risks and uncertainties section of the Strategic Report. The disclosures below exclude short-term creditors.

Financial assets

All financial assets are Sterling denominated loans to group undertakings earning interest at a fixed rate of 12% (2013 – 12%) for their remaining 6.25 years (2013 – 7.25 years) until their maturity in March 2021.

Financial liabilities

All financial liabilities are denominated in Sterling. Of these financial liabilities £46,544,000 (2013 – £41,419,000) bears interest at a fixed rate of 12% (2013 – 12%), which are fixed for the remaining 6.25 years (2013 – 7.25 years) until their maturity in March 2021. A further £736,000 (2013 – £736,000) of these financial liabilities is non-interest bearing for 6.25 years (2013 – 7.25) until its maturity in March 2021.

Fair values

The estimated fair values of the Company's financial assets and liabilities are as follows:

	Fair values		*Carrying values*	
	2014	*2013*	*2014*	*2013*
	£000	*£000*	*£000*	*£000*
Amounts owed by group undertakings	36,438	32,535	45,220	40,168
Preference shares classified as debt	2,261	2,020	2,755	2,459
Amounts owed to group undertakings	302	271	736	736
Loan notes	36,350	32,456	43,789	38,960
	38,913	34,747	47,280	42,155

The fair values of financial assets and liabilities have been calculated by discounting the expected future cash flows at a prevailing interest rate of 12% (2013 – 12%).

14. Related party transactions

As the Company is a wholly owned subsidiary of Edif Group Limited, the Company has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed transactions or balances with wholly owned subsidiaries which form part of the group.

Notes to the financial statements

at 31 December 2014

15. Ultimate parent undertaking and controlling party

The Company is a subsidiary undertaking of Edif Group Limited which is incorporated in England & Wales.

The largest and smallest group in which the results of the Company are consolidated is that headed by Edif Group Limited, the ultimate parent undertaking, incorporated in England & Wales. The group financial statements of this group are available from Cleeve Road, Leatherhead, Surrey KT22 7SA.