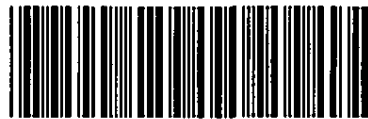


Exova (UK) Limited

Financial Statements

For the year ended 31 December 2015

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Strategic report

For the year ended 31 December 2015

The Directors present their Strategic Report for the year ended 31 December 2015.

Review of the business

The Company is a wholly owned subsidiary of Exova Group (UK) Limited and operates as part of Exova Group plc's European region.

The principal activity of the Company continues to be specialist testing covering the areas of metallurgy, environmental, pharmaceutical, food, and analysis of materials and the associated manufacturing of test specimens.

The key financial performance indicators during the year were as follows:

	2015	2014 Restated	Change
	£m	£m	%
Turnover	75.0	67.0	11%
Operating profit	12.5	11.8	5%
Total equity	69.3	60.3	14%

During the year, the Company acquired a number of companies as detailed below:

i) Environmental Evaluation Limited

On 9 February 2015, the Company acquired 100% of the share capital of Environmental Evaluation Limited for a consideration of £5.4m (£4.8m net of cash acquired). The Company helps UK customers meet environmental regulations through the provision of asbestos testing and inspection, stack sampling and occupational hygiene advisory services. The acquisition added 83 colleagues and forms part of the Company's Health Sciences cluster.

ii) BM TRADA Group Limited

On 13 May 2015, the immediate parent Company, Exova Group (UK) Limited acquired 100% of the share capital of BM TRADA Group Limited (BM TRADA), a provider of certification and building products testing services employing 340 colleagues in 16 countries. The purchase consideration was £14.3m (net of retirement benefit obligation assumed). The total consideration paid will be adjusted to reflect the final valuation of the pension scheme at the date of acquisition. The acquisition provides a new platform for growth in systems certification in addition to extending the global reach into eight new countries and expanding the Company's range of building products testing and certification services.

On 1 December 2015, Exova (UK) Limited acquired the business and assets of the BM TRADA Group Limited from Exova Group (UK) Limited, other than the shares in its dormant subsidiaries. The assets transferred included the entire share capital of TRADA Technology Limited, Chiltern International Limited, FIRA International Limited, BM TRADA Certification Limited and BM TRADA Overseas Limited. TRADA Technology Limited, Chiltern International Limited, and, BM TRADA Certification Limited then transferred their business and assets to Exova (UK) Limited.

On 1 December 2015 Exova (UK) Limited assumed responsibility of the defined benefit pension scheme TTL Chiltern Group Pension Scheme by signing a deed of substitution and amendment. Full details of the scheme are contained in note 18.

Strategic report (continued)

For the year ended 31 December 2015

Review of the business (continued)

iii) On 2 December 2015, the Company acquired 100% of the share capital of Western Technical Services Limited and Accusense Systems Limited, specialist providers of non-destructive testing and inspection of components and equipment in the food, dairy and pharmaceutical industries, for a purchase consideration of £1.7m including £0.3m of contingent consideration. The acquisition will form part of the Aerospace cluster.

iv) On 31 December 2015 the Company completed the acquisition of the environmental monitoring division of Resource and Environmental Consultants Limited for a consideration of £0.1m. The business was incorporated into the Health Sciences cluster.

Transition to FRS 101

During the year, the Company transitioned from previously extant United Kingdom Generally Accepted Accounting Practice (UK GAAP) to FRS 101 Reduced Disclosure Framework and has taken advantage of the disclosure exemptions allowed under the standard. The Company's shareholders (Exova Group (UK) Limited) were notified of and did not object to the use of the EU-adopted IFRS disclosure exemptions. The principle transition adjustments identified during the transition process related to the non-amortisation of goodwill. The cumulative impact of all transition adjustments was to increase net assets at the date of transition of 31 December 2013 by £0.1m, increase reported profits for the year ended 31 December 2014 by £0.3m and increase the net assets at 31 December 2014 by £0.4m. Transition tables showing the adjustments are disclosed in Note 22.

Business Review

The key developments in 2015 reported by cluster were:

Aerospace

Following a flat 2014, the European Aerospace sector returned to good organic growth in 2015. Growth was driven by strong performances with the supply chains of OEMs supporting increased build rates. There has been a shift in mix for the sector towards production release testing. New material developments have helped to maintain research and development volumes despite no completely new airframe platforms being developed in Europe. Continued investment in the latest technology enabled the sector to continue to support the development programmes of the European aerospace OEMs, work that looks set to grow further in 2016. The benefits of strong cost control and service delivery contributed to a strong performance from our Non Destructive Testing (NDT) business.

Oil & Gas and Industrials

The impact of low oil prices led to contraction and price pressure in the oil & gas testing market. Despite a relatively strong start to the year as a result of the completion of some 2014 projects, we experienced lower levels of new approved projects later in the year. During the year cost action was taken to mitigate volume and price pressures in line with the market and we will continue to monitor our cost base closely. Additionally, and as part of the focus on diversification, we won a number of contracts with non-oil & gas customers.

Product and Certification

Fire, Building Products and Certification had another successful year across the UK. Regulations and standards helped support the positive testing and certification pipeline. The acquisition of BM TRADA increased fire testing capacity as well as extending the overall scope of building products testing and certification. It also saw Exova enter into management systems and chain of custody certification for the first time.

Strategic report (continued)

For the year ended 31 December 2015

Business Review (continued)

Health Sciences

Last year's strong organic growth continued in 2015 with further major contract wins in the food business. This was through a continued focus on food safety and integrity by both retail and manufacturing clients as well as the commissioning of new manufacturing operations and associated testing by a number of our larger clients. Our water testing business continued to perform well and, as a result, additional capacity was introduced through the opening of a new laboratory in the south of England in December. There was also continued growth in our pharmaceutical business as a result of new contract wins. Our environmental testing business continued to flourish with the Catalyst stack emissions testing operation delivering strong double-digit growth. As part of the region's strategy to expand and develop its capability in environmental testing, this was further enhanced through the acquisition in February of Environmental Evaluation Limited (EEL). The stack emissions operations of EEL were integrated into the Catalyst business, providing increased capacity for growth across the UK. EEL's asbestos surveying operation complemented our existing business in Scotland creating a UK wide network for this capability.

Future developments

On 19 May 2016, the Company entered into a conditional sale and purchase agreement to sell its UK and Ireland Food, Water and Pharmaceutical business to international life sciences Company, Eurofins Scientific, for a cash consideration of around £18m.

The sale consists of a portfolio of ten well-established, accredited laboratories across the UK and Ireland which provide a wide range of chemistry and microbiological testing services. Exova's Food, Water and Pharmaceutical business in the UK and Ireland generated revenues of around £20m in 2015. The sale completed on 1 July 2016.

On 1 July 2016, the Company acquired 100% of the share capital of Jones Environmental Forensics Limited (Jones) for a cash consideration of £13.9m. A further payment £1.0m was retained and an amount up to £1.6m is contingent upon future profitability in the year following acquisition. The purchase consideration is subject to further purchase price adjustments. Jones is a North Wales-based independent environmental laboratory business and the UK's market leader in contaminated land analysis and a specialist in environmental forensics, with an excellent reputation for both quality and service. Jones has built a strong reputation as a laboratory of choice for contaminated soil and water analysis, primarily selling its services to leading global environmental consultants, with the ultimate end customer covering a variety of market segments, many in which Exova has an existing presence. The business which has a team of over 150 specialists achieved revenues of around £8m in 2015.

Principal risks and uncertainties

The principal risks and uncertainties facing the Company are outlined below.

Operational risks

Health and safety

The Company's work environment presents various potential risks within our laboratories and when operating on customers' premises. Health and safety is always the first item on all meeting agendas. Overall strategy and compliance is monitored by the Group health and safety director. Clear guidance is given on appropriate procedures and maintenance of equipment, supported by regular training, supervision and compliance audits. Bulletins are issued in response to any significant incidents which might have group-wide implications.

Strategic report (continued)

For the year ended 31 December 2015

Principal risks and uncertainties (continued)

Reputational damage

The Company relies on its reputation and being awarded and retaining a wide range of accreditations and customer specific approvals in order to provide its services. A comprehensive quality management system is in place which is regularly audited both internally and by external accreditation bodies and customer approval teams. Employee technical competence is maintained through mentoring and training programmes.

People

The Company provides specialised technical services and is dependent on attracting and retaining appropriately qualified staff. There is a comprehensive recruitment and on-going evaluation process supported by incentive plans based on personal and financial performance. A Technical Career Development Programme is in place which is designed to develop and retain technical staff and support succession planning.

UK withdrawal from EU

Many of the standards and schemes under which we operate are international or client specific and we anticipate little or no impact in these areas. We will monitor the impact on testing regimes and certification programmes and will engage with the relevant representative bodies and working groups as required.

Business infrastructure

The business depends on its laboratory network to service customers' needs. Business continuity plans are in place across the Company and our substantial laboratory network often allows work to be transferred to alternative sites.

IT systems

The business depends on the effective operation of global IT systems for its key business processes. There is a global information security policy and disaster recovery plans are in place across the network. There is a continual review and improvement of cyber defences.

Acquisitions

The process of identifying, acquiring and integrating new businesses is fundamental to the Company's growth plan. There is a well-developed screening process to ensure that potential acquisitions meet the criteria in our strategic plan for market penetration and geographic expansion and the targeted return on investment. Integration plans are approved prior to completion and are closely monitored in line with an agreed timetable.

Legal and regulatory risks

Litigation

The Company's operations are subject to wide-ranging laws and regulations including business conduct, employment, environmental and health and safety legislation. There is also exposure to contract risk. We have a process for monitoring compliance with laws and regulations and internal Group procedures and reporting any significant deviations to the Exova Group plc Board. We also monitor changes in regulations and communicate these as appropriate. We have clear delegation of authority for business decisions and detailed training is provided on key areas of risk. We carry insurance against all standard risk categories.

Business integrity and ethics

The activities of the business are governed by various ethical requirements including anti-corruption and bribery laws, competition laws and trade sanctions. We have a strong Company culture of integrity and ethical behaviour to ensure a consistent approach. We encourage reporting of any concerns about wrongdoing or impropriety and have a whistleblowing service managed by a third party.

Principal risks and uncertainties (continued)

Financial Risks

Strategic report (continued)

For the year ended 31 December 2015

Principal risks and uncertainties (continued)

Financial Risks

Financial irregularity

The Company could suffer financial loss either through misappropriation of assets or the misrepresentation of financial results. The Company has a well-established system of operational and financial controls including documented procedures and delegation of authorities supported by a co-sourced internal audit function.

Treasury

The Company is exposed to liquidity and credit risks. Forecast cash flows are regularly reviewed to ensure that sufficient facilities are in place. The Company is also supported by intergroup funding provided by the Group headed by Exova Group plc. Credit risk is actively monitored and is mitigated by the wide spread of our customer base.

On behalf of the Board



Allison Stevenson
Director

28 September 2016

Registered No. SC070429

Directors' report

For the year ended 31 December 2015

The Directors present their report for the year ended 31 December 2015.

Directors

J Willox and R Veitch served as directors throughout the financial year. Changes since 1 January 2015 are as follows:

	Appointed	Resigned
A Stevenson	6 March 2015	-
R Bhogaita	27 October 2015	-
P Barry	7 December 2015	-
B Reynolds	4 March 2016	-
A Douglas	11 September 2015	17 December 2015
M Glider	-	4 September 2015
M Pooley	-	30 September 2015
A Thorburn	-	19 November 2015
I Power		27 June 2016

Dividends

The Directors do not recommend payment of a dividend (2014- £nil).

Going concern

The Company meets its working capital requirements through its cash flow from operations and through intergroup funding provided by the Group headed by Exova Group plc.

After making enquiries, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly they continue to adopt the going concern basis in preparing the financial statements.

Political contributions

No political donations were made by the Company during the period covered by these financial statements.

Our people

The Company aims to recruit, develop and retain the best talent. Our people are at the very heart of our business and we are committed to creating an engaging and rewarding culture. We achieve this by focusing on the development of technical skills and capabilities, engaging our employees through effective communications, ensuring the highest standards of ethical conduct and developing industry standards. We take communication with our people seriously and understand how effective two-way dialogue fosters teamwork, supports retention, and encourages excellent performance. It also ensures our people understand the importance of working safely, conducting business in an ethical way, and mitigating the potential impact of our work on the environment. In 2015, we continued to develop our internal communications programme, with an increased focus on better targeted messaging for the range of teams in our business. We recognise that colleagues who are aware and knowledgeable about the business and its progress are more likely to be better engaged.

We communicate via a range of channels, with our annual Exova Leadership Team roadshows the key opportunity to reinforce our strategy and values, and to share progress against our plans. In 2015 these roadshows were once again held and brought together senior leaders who heard directly from our Group CEO and CFO, as well as being able to consider opportunities and challenges and they were able to celebrate success on a team and individual basis. These events also helped to foster greater collaboration between subject matter experts across the business. The roadshows were complemented by quarterly calls, scheduled to follow Group results announcements or trading updates, which are always headed up by our Exova Group plc CEO and present an opportunity to talk about safety, customer wins and key company initiatives.

Directors' report (continued)

For the year ended 31 December 2015

Our people (continued)

Leadership engagement is supported by extensive communication with all colleagues in the business via our company magazine, Exova Live and by an email alert service. The latter keeps people up-to-date with contract wins, successful innovation and external recognition, as well as senior appointments and a variety of compliance matters. Exova Live, published online three times a year, showcases the best of what the business does and ensures everyone from our laboratory technicians to our mobile environmental testing teams, gets a comprehensive view of what's happening where in the global Exova network. Our values are constantly reinforced through both the magazine and the alert service

We believe the diversity of our people should reflect that of our customers and the markets in which we operate. Our commitment to diversity means creating a working environment that is respectful and engaging and that creates opportunities for all. We not only believe this is the right thing to do, but that it makes sound business sense as it helps enhance productivity, quality and innovation.

Directors' insurances and indemnities

As permitted by the Companies Act 2006, Exova Group plc purchases and maintains Directors' and Officers' insurance cover against certain legal liabilities and costs incurred by the Directors and Officers of the companies within the Group, in the performance of their duties. The Company has also granted an indemnity to each of its Directors' in relation to the Directors' exercise of their powers, duties, and responsibilities as Directors of the Company, the terms of which are in the Companies Act 2006.

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.

Appointment of auditors

In accordance with Section 485 of the Companies Act 2006, a resolution is to be proposed at the Annual General Meeting for reappointment of Ernst & Young LLP as auditor of the Company.

On behalf of the Board



Alison Stevenson
Director

28 September 2016

Directors' responsibilities statement

For the year ended 31 December 2015

The Directors are responsible for preparing the Strategic Report, 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 those 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;
- 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 Exova (UK) Limited

We have audited the financial statements of Exova (UK) Limited for the year ended 31 December 2015 which comprise the Income Statement, the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity and the related notes 1 to 24. 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) including Financial Reporting Standard 101 "Reduced Disclosure Framework".

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 Directors' Responsibilities Statement set out on page 8, 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 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 2015 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

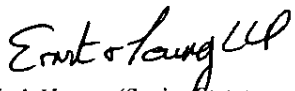
Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic and Directors' Reports for the financial period for which the financial statements are prepared are 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, 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.


Mark Harvey (Senior Statutory Auditor)
For and on behalf of Ernst & Young LLP, Statutory Auditor
Glasgow

30 September 2016

Income Statement

for the year ended 31 December 2015

		2015	2014 Restated
	Notes	£m	£m
Turnover	3	75.0	67.0
Net operating costs	4,8,9	(62.5)	(55.2)
Operating profit		12.5	11.8
Exceptional charges	5	(2.9)	(0.6)
Interest receivable and similar income	6	0.2	0.2
Interest payable and similar charges	7	(0.9)	(0.6)
Profit on ordinary activities before taxation		8.9	10.8
Taxation	10	0.2	-
Profit for the year		9.1	10.8

The results for the current and preceding years relate wholly to continuing activities.

Statement of comprehensive income

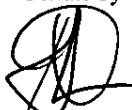
for the year ended 31 December 2015

		2015	2014 Restated
	Notes	£m	£m
Profit for the year		9.1	10.8
Other comprehensive income not to be reclassified in profit or loss in subsequent periods			
Actuarial gain	18	0.3	-
Income tax effect		(0.1)	-
Impact of rate change on deferred tax		(0.1)	-
Other comprehensive income (net of tax)		0.1	-
Total comprehensive income for the year		9.2	10.8

Balance sheet**As at 31 December 2015**

		2015	2014 <i>Restated</i>
	<i>Notes</i>	<i>£m</i>	<i>£m</i>
Fixed assets			
Intangible assets	11	25.8	6.6
Tangible fixed assets	12	20.5	19.5
Investments	13	17.1	14.1
Deferred tax asset	17	3.1	-
		<u>66.5</u>	<u>40.2</u>
Current assets			
Trade and other debtors	14	78.4	54.8
Cash at bank and in hand		0.1	0.8
		<u>78.5</u>	<u>55.6</u>
Creditors: amounts falling due within one year	15	(21.0)	(17.7)
Net current assets		<u>57.5</u>	<u>37.9</u>
Total assets less current liabilities		<u>124.0</u>	<u>78.1</u>
Creditors: amounts falling due after more than one year	15	(38.1)	(13.9)
Provisions	16	(3.3)	(3.9)
Retirement benefit obligation	18	(13.3)	-
Net assets		<u>69.3</u>	<u>60.3</u>
Capital and reserves			
Issued share capital	19	-	-
Profit and loss account		69.7	60.5
Foreign currency translation reserve		(0.4)	(0.2)
Total equity		<u>69.3</u>	<u>60.3</u>

These financial statements were approved by the Board of Directors 28 September 2016 and signed on its behalf by



Alison Stevenson

Director

28 September 2016

Statement of changes in equity

For the year ended 31 December 2015

	Share capital £m	Foreign currency translation reserve £m	Retained earnings £m	Total shareholders' equity £m
At 1 January 2014 (restated)	-	-	49.7	49.7
Profit for the year	-	(0.2)	10.8	10.6
At 31 December 2014 (restated)	-	(0.2)	60.5	60.3
Profit for the year	-	(0.2)	9.1	8.9
Other comprehensive income	-	-	0.1	0.1
At 31 December 2015	-	(0.4)	69.7	69.3

Notes to the financial statements

For the year ended 31 December 2015

1. Authorisation of financial statements of compliance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101)

The financial statements of Exova (UK) Limited for the year ended 31 December 2015 were approved by the Board of Directors on 28 September 2016 and the balance sheet was signed on the Board's behalf by Alison Stevenson. Exova (UK) Limited is a limited Company incorporated in Scotland. The Company meets the definition of a qualifying entity under Financial Reporting Standard 101 Reduced Disclosure (FRS 101) issued by the Financial Reporting Council. Accordingly in the year ended 31 December 2015 the Company has changed its accounting framework from previously extant United Kingdom Generally Accepted Accounting Practices (UK GAAP) to FRS 101 as issued by the Financial Reporting Council. These financial statements were prepared in accordance with FRS 101 and the provisions of the Companies Act 2006.

2. Basis of presentation and significant accounting policies

Basis of preparation

The financial statements have been prepared in accordance with FRS 101. The financial statements have been prepared under the historical cost basis modified to include the revaluation of financial instruments. The transition process resulted in revised accounting treatments affecting goodwill amortisation. As permitted by Section 400 of the Companies Act 2006, consolidated accounts have not been prepared as the Company is a wholly owned subsidiary of Exova Group (UK) Limited. The parent Company of the smallest group of which the Company is a member and for which group financial statements are prepared is Exova Group plc.

The financial statements have been prepared on a going concern basis. The reasons for this are outlined in the Director's report on page 5.

The accounting policies have been consistently applied to all years presented. Where retrospective restatements were required as a result of the implementation of new accounting standards or changes to existing standards, these have been applied to all comparative years.

The financial statements are presented in Pounds Sterling (£) and all values are rounded to the nearest hundred thousand (£0.1m) except where otherwise indicated.

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to:

- The requirements of paragraphs 62, B64(d), B64 (e), B64(g), B64(h), B64(j), to B64(m), B64(n)(ii), B64(o)(ii), B64(p), B64(q)(ii), B66, and B67 of IFRS 3 Business Combinations as the equivalent disclosures are in the consolidated financial statements of Exova Group plc in which the company is consolidated;
- the requirements of IFRS 7 Financial Instruments: Disclosures;
- the requirements of paragraphs 10(d), and 134-136 of IAS 1 Presentation of Financial statements;
- the requirement in paragraph 38 of IAS 1 Presentation of Financial Statements to present comparative information in respect of:
 - paragraph 79(a)(iv) of IAS 1;
 - paragraph 73(e) of IAS 16 Property, Plant and Equipment; and,
 - paragraph 118(e) of IAS 38 Intangible Assets.
- the requirements of IAS 7 Statement of Cash Flows;
- the requirements of paragraphs 91 - 99 of IFRS 13 Fair Value Measurement;
- the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors in relation to standards not yet effective;
- the requirements of paragraph 17 of IAS 24 Related Party Disclosure; and
- the requirements of paragraph 17 and 18A of IAS 24 Related Party Disclosure, and the requirements of IAS 24 Related Party Disclosure to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member.
- the requirements of IFRS 1 First-time Adoption of International Financial Reporting Standards paragraphs 6 to 21 to present an opening statement of financial transition, where required, equivalent disclosures are given in the group financial statements of Exova Group plc. The group

financial statements of Exova Group plc are available to the public and can be obtained as set out in Note 24.

Notes to the financial statements

For the year ended 31 December 2015

2 Basis of presentation and significant accounting policies (continued)

Significant accounting judgements, estimates and assumptions

The preparation of financial statements requires the Directors to make judgements, 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 judgements 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 judgements, estimates and assumptions are highlighted in these accounting policies and throughout the notes to the consolidated financial statements. Key estimation and judgement area are as follows:

Revenue recognition

The varied nature of the contractual arrangements entered into by the Company requires consideration to be given to the most appropriate accounting treatment. This involves judgement over whether partly completed work meets the Group's revenue recognition policies. The details of the revenue recognition policy are given below.

Taxation

The Company is subject to income taxes in the various jurisdictions in which it operates. Judgements are required in determining the 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 Company 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 judgements 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. Note 10 Income tax, and note 17 Deferred tax provide further details of the judgements made.

Summary of significant accounting policies

Intangible assets

Goodwill arising on acquisitions in the year ended 31 December 1997 and earlier periods was written off to reserves in accordance with the accounting standard then in force. On transition to FRS 10, "Goodwill and Intangible Assets", goodwill previously written off to reserves has not been reinstated in the balance sheet. On disposal or closure of a business acquired prior to 31 December 1997, the attributable amount of goodwill previously written off to reserves is included in determining the profit or loss on disposal.

For goodwill arising on acquisitions after 31 December 1997, goodwill represents the excess of the cost of an acquisition over the fair value of the Company'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.

The UK Companies Act required goodwill to be reduced by provisions for depreciation on a systematic basis over its useful economic life. However under IFRS 3 Business Combinations, goodwill is not amortised. Consequently, the Company does not amortise goodwill, but reviews it for impairment on an annual basis or whenever there are indicators of impairment. The Company is therefore invoking a 'true and fair view override' to overcome the prohibition on the non-amortisation of goodwill in the Companies Act. Had the Company determined a useful life of 20 years, as it did before transition to FRS 101, goodwill amortisation of £0.3m in the year (2014: £0.4m) would otherwise have been recognised.

Other intangibles are stated at cost less accumulated amortisation and any recognised impairment losses. The estimated useful lives of other intangibles assets are as follows;

Customer relationships	5-20 years
Computer software	3-5 years

Notes to the financial statements

For the year ended 31 December 2015

2 Basis of presentation and significant accounting policies (continued)

Property plant and equipment

Property, plant and equipment are shown at historical cost, less subsequent depreciation and impairment. Cost represents invoiced cost plus other costs that are directly attributable to the acquisition of the item.

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
Plant and equipment	Between 3 and 15 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.

Investments

Investments represent shareholdings in subsidiary undertakings and are shown at cost, less provision for any impairment.

Revenue recognition

Revenue comprises the fair value net of tax of the consideration received or receivable for services rendered by the Company in the ordinary course of their business; the Company recognises revenue when the amount of revenue can be reliably measured and it is probable that future economic benefits will flow to the Company. Short term projects are recognised in revenue once the service is completed, this is usually when the report of findings is issued. In some instances, where the project is classed as long term, the Company accounts for the transaction on the basis of the value of the work done if this can be measured reliably. In the case that it cannot be measured reliably the revenue is limited to the recoverable value of the cost so far incurred.

Provisions

A provision is recognised in the balance sheet when the Company 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.

Exceptional items

The Company presents, as separately disclosed items on the face of the Income Statement, those items of income and expense which, because of their nature, merit separate presentation to allow users to understand better the elements of financial performance in the period. The Group believes this presentation facilitates a comparison with prior periods and a better assessment of trends in financial performance.

Where applicable, these items include amortisation of intangible assets, impairment of property, plant and equipment, acquisition and integration costs, profit or loss on disposal of a business, and restructuring costs.

Notes to the financial statements

For the year ended 31 December 2015

2 Basis of presentation and significant accounting policies (continued)

Income Tax

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

The current tax (charge)/credit is calculated on the basis of the tax laws enacted or substantially 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 substantively 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; and
- 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.

Retirement benefit obligations

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due. The cost of providing benefits under the defined benefit plan are determined using the projected unit credit method in accordance with the advice of qualified actuaries. The liability recognised in the balance sheet in respect of defined benefit plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of the plan assets. Re-measurements arising from adjustments and changes in the actuarial assumptions when estimating the present value of the obligation are recognised in equity in the Company statement of comprehensive income in the period in which they arise.

Foreign currency translation

Foreign currency transactions are translated into the functional currency of the Company 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.

Leasing

Finance leases that transfer substantially all the risks and benefits incidental to ownership of the leased item to the Group, are capitalised at the commencement of the lease at the fair value of the leased assets or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in the Income Statement.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life and the lease term.

Rentals paid under operating lease (those 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 on a straight line basis.

Notes to the financial statements

For the year ended 31 December 2015

3. Turnover and segmental analysis

Turnover represents the amounts derived from the provision of goods and services which fall within the Company's ordinary activities, stated net of tax.

Turnover, profit before taxation and net assets are all attributable to one activity and originate in one geographical location (the UK).

The turnover is analysed by destination as follows:

	2015	2014
	£m	£m
United Kingdom	59.4	51.4
Rest of Europe	8.0	10.1
Middle East	1.5	0.8
North America	2.6	1.3
Rest of world	3.5	3.4
	<u>75.0</u>	<u>67.0</u>

Included in turnover are sales to fellow group undertakings of £0.9m (2014 – £2.5m).

4. Operating costs

	2015	2014
	£m	Restated £m
Selling costs	3.3	3.3
Administrative expenses	12.7	11.3
Other operating income	(0.3)	(0.5)
Operating profit is stated after charging:		
Depreciation (note 12)	3.5	3.0
Amortisation (note 11)	0.4	0.2
Management charges	1.8	1.8
Hire of plant and machinery	0.4	0.5
Operating lease rentals – property	1.8	1.6
– other	0.4	0.3

Auditors' remuneration of £25,000 (2014 - £25,000) is paid by Exova Group (UK) Limited.

Fees paid to the Company's auditor, Ernst & Young LLP, and its associates for services other than the statutory audit of the Company are not disclosed in these financial statements since the consolidated financial statements of Exova (UK) Limited's ultimate parent company, Exova Group plc, are required to disclose non-audit fees on a consolidated basis.

5. Exceptional costs

	2015	2014
	£m	£m
Write off of investment	0.8	-
Acquisition and integration costs	1.0	0.2
Restructuring costs	1.1	0.4
	<u>2.9</u>	<u>0.6</u>

Notes to the financial statements

For the year ended 31 December 2015

The purchase of the BM Trada Group of companies, and subsequently the transfer of assets and business of the BM Trada Group to Exova (UK) Limited, resulted in a review of all investments within the BM Trada Group. As a result of this review the value of the investment £800k in Fira International Limited has been written off through exceptional items.

Acquisition and integration costs relate to the acquisition and integration of BM Trada Group Limited, Environmental Evaluation Limited and Western Technical Services Limited. Restructuring costs represent staff redundancy costs related to rationalisation and restructuring of certain laboratories and administrative departments.

6 Interest receivable and similar income

	2015 £m	2014 £m
Interest receivable on loans from group undertakings	0.2	0.2

7 Interest payable and similar charges

	2015 £m	2014 £m
Interest payable on loans from group undertakings	0.9	0.6

8 Staff costs

	2015 £m	2014 £m
Wages and salaries	31.5	27.4
Social security costs	2.9	2.6
Defined contribution pension costs	1.0	0.9
	<u>35.4</u>	<u>30.9</u>

The average monthly number of employees during the year was made up as follows:

	2015 No.	2014 No.
Production and distribution	827	795
Administration	228	198
	<u>1,055</u>	<u>993</u>

9 Directors' remuneration

	2015 £m	2014 £m
Aggregate remuneration in respect of qualifying services	0.7	0.7

The emoluments of the highest paid director paid by the Company were £0.2m (2014 - £0.2m). Some of the Directors are paid by other companies within the Group. No Company contributions were made to a pension scheme on behalf of directors' qualifying services.

Notes to the financial statements

For the year ended 31 December 2015

10 Tax

Tax credit in the Income Statement

	2015 £m	2014 £m
UK corporation tax	0.5	-
Overseas tax	-	-
Deferred tax	(0.7)	-
Tax credit in the Income Statement	(0.2)	-

The tax assessed for the year differs from the standard rate of corporation tax in the UK of 20.25% (2014 – 21.5%). The differences are explained below:

	2015 £m	2014 Restated £m
Profit on ordinary activities before tax	9.1	10.8
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 20.25% (2014 – 21.5%)	1.8	2.3
<i>Effects of:</i>		
Group relief claimed for nil payment	(1.2)	(3.1)
Transfer to / from unrecognised deferred tax assets	(1.2)	0.6
Expenses not deductible for tax purposes	0.4	0.2
Current tax for the year	(0.2)	-

Factors that may affect future tax charges

At the balance sheet date the Company had an unrecognised deferred tax asset of £1.0m (2014 - £2.1m). The deferred tax asset mainly arises as a result of timing differences due to disclaiming capital allowances. The assets have been partially recognised as there is uncertainty as to when these assets will reverse.

Finance Act (No.2) 2015, which was substantively enacted on 18 November 2015, includes legislation reducing the main rate of UK corporation tax from 20% to 18%. This decrease is to be phased in with a reduction to 19%, effective from 1 April 2017, and a reduction to 18%, effective from 1 April 2020. Consequently UK deferred tax has been provided at the tax rates at which temporary differences are expected to reverse.

Notes to the financial statements

For the year ended 31 December 2015

11 Intangible assets

	<i>Computer software</i> £m	<i>Goodwill</i> £m	<i>Total</i> £m
Cost:			
At 1 January 2015 (restated)	1.0	6.4	7.4
Reclassification from investments	-	18.5	18.5
Additions	1.1	-	1.1
At 31 December 2015	2.1	24.9	27.0
Amortisation:			
At 1 January 2015	(0.3)	(0.5)	(0.8)
Charge for the year	(0.4)	-	(0.4)
At 31 December 2015	(0.7)	(0.5)	(1.2)
Net book value:			
At 31 December 2015	1.4	24.4	25.8
At 31 December 2014 (restated)	0.7	5.9	6.6

On 29 May 2015 the trade and net assets of Environmental Evaluation Limited were transferred to the Company at book value. The cost of the company investment in Environmental Evaluation Limited reflected the underlying fair value of the net assets and goodwill at the date of acquisition. The transfer of net assets caused the value of the Company's investment in Environmental Evaluation Limited to fall below the previously carrying amount.

On 1 December 2015, Exova (UK) Limited acquired the business and assets of BM TRADA Group Limited other than the shares in specific dormant companies. The transfer included the business and assets of TRADA Technology Limited, Chiltern International Limited, FIRA International Limited, BM TRADA Certification Limited and BM TRADA Overseas Limited. The cost of the company investment in Trada Technology Limited, Chiltern International Fire Limited, and BM Trada Certification Limited reflected the underlying fair value of the net assets and goodwill at the date of acquisition. The transfer of net assets caused the value of the Company's investment in Trada Technology Limited, Chiltern International Fire Limited, and BM Trada Certification Limited to fall below the previously carrying amount.

Schedule 4 to the Companies Act 2006 would require the above mentioned investments to be written down accordingly. However, the Directors consider that this treatment would not give a true and fair view because there has been no disposal of assets outside the Group and no overall loss has been incurred. Instead the Directors believe it is more appropriate to reallocate these amounts to goodwill and the identifiable net assets, so as to recognise in the Company's balance sheet the effective cost of those net assets and goodwill. The effect on the Company's balance sheet is to recognise goodwill of £18.5m.

Notes to the financial statements

For the year ended 31 December 2015

11 Intangible assets (continued)

As a result of the acquisition and subsequent hive-ups the following net assets were transferred to the Company during the year:

	Environmental Evaluation Limited	Trada Technology Limited	Chiltern International Fire Limited	BM Trada Certification Limited	BM Trada (Group) Limited
	£m	£m	£m	£m	£m
Tangible fixed assets	0.2	0.1	0.7	0.1	-
Deferred tax	-	2.4	-	-	-
Debtors	0.7	0.4	3.9	8.7	3.4
Cash	0.7	-	-	0.1	0.7
Creditors	(0.7)	(1.3)	(1.1)	(5.3)	(7.8)
Pension Deficit	-	(13.3)	-	-	-
Net assets transferred	0.9	(11.7)	3.5	3.6	(3.7)

The consideration for the transfer was equal to the net asset values above, and is included within amounts owed to Group undertakings in note 15.

	Computer software £m	Goodwill £m	Total £m
Cost:			
At 1 January 2014	-	1.2	1.2
Reclassification from investments	-	5.2	5.2
Reallocation from tangible assets	0.8	-	0.8
Additions	0.2	-	0.2
At 31 December 2014	1.0	6.4	7.4
Amortisation:			
At 1 January 2014 (restated)	-	(0.5)	(0.5)
Charge for the year	(0.2)	-	(0.2)
Reallocation from tangible assets	(0.1)	-	(0.1)
At 31 December 2014 (restated)	(0.3)	(0.5)	(0.8)
Net book value:			
At 31 December 2014 (restated)	0.7	5.9	6.6
At 31 December 2013 (restated)	-	0.7	0.7

As a result of the acquisition and subsequent hive-up of Catalyst Environmental Limited the following net assets were transferred to the Company in 2014.

	£m
Tangible fixed assets	0.4
Debtors	0.9
Cash	0.8
Creditors	(0.8)

Net assets transferred

1.3

Notes to the financial statements

For the year ended 31 December 2015

12 Tangible fixed assets

	<i>Land and buildings £m</i>	<i>Plant and machinery £m</i>	<i>Total £m</i>
Cost:			
At 1 January 2015	9.8	50.6	60.4
Additions	0.6	4.1	4.7
Disposals	-	(0.5)	(0.5)
At 31 December 2015	10.4	54.2	64.6
Depreciation:			
At 1 January 2015	(5.0)	(35.9)	(40.9)
Charge for the year	(0.4)	(3.1)	(3.5)
Disposals	-	0.3	0.3
At 31 December 2015	(5.4)	(38.7)	(44.1)
Net book value:			
At 31 December 2015	5.0	15.5	20.5
At 31 December 2014	4.8	14.7	19.5

Finance lease

The carrying value of tangible fixed assets held under finance leases at 31 December 2015 was £0.2m (2014: £0.2m). Additions during the year include £nil (2014: £0.1m) of plant and equipment under finance leases. Leases assets are pledged as security for the related finance lease.

Notes to the financial statements

For the year ended 31 December 2015

13 Investments

	2015 £m	2014 £m
Cost and net book value:		
At 1 January 2015	14.1	3.5
Additions in year:		
BM TRADA Group Limited	14.3	-
Environmental Evaluation Limited	5.4	-
Western Technical Services Limited	1.7	-
Resource and Environmental Consultants Limited	0.1	-
Catalyst Environmental Limited	-	6.5
Metallurgical Services Private Limited	-	9.1
Reclassification of goodwill:		
Catalyst Environmental Limited	-	(5.2)
BM TRADA Group Limited	(14.0)	-
Environmental Evaluation Limited	(4.5)	-
Revaluation	-	0.2
At 31 December 2015	17.1	14.1

On 9 February 2015, the Company acquired 100% of the share capital of Environmental Evaluation Limited for a consideration of £5.4m. The Company helps UK customers meet environmental regulations through the provision of asbestos testing and inspection, stack sampling and occupational hygiene advisory services.

On 13 May 2015, the immediate parent Company, Exova Group (UK) Limited acquired 100% of the share capital of BM TRADA Group Limited (BM TRADA), who employed 340 colleagues in 16 countries. The purchase consideration was £14.3m (net of retirement benefit obligation assumed). The total consideration paid will be adjusted to reflect the final valuation of the pension scheme at the date of acquisition. The acquisition provides a new platform for growth in systems certification in addition to extending the global reach into eight new countries and expanding the Company's range of building products testing and certification services.

On 1 December 2015, Exova (UK) Limited acquired the business and assets of BM TRADA Group Limited other than the shares in specific dormant companies. The transfer included the business and assets of TRADA Technology Limited, Chiltern International Limited, FIRA International Limited, BM TRADA Certification Limited and BM TRADA Overseas Limited.

On 2 December 2015, the Company acquired 100% of the share capital of Western Technical Services Limited and Accusense Systems Limited, specialist providers of non-destructive testing and inspection of components and equipment in the food, dairy and pharmaceutical industries, for a purchase consideration of £1.7m including £0.3m of contingent consideration.

On 31 December 2015, the Company completed the acquisition of the environmental monitoring division of Resource and Environmental Consultants Limited for a consideration of £0.1m.

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

Notes to the financial statements

For the year ended 31 December 2015

13 Investments (continued)

Subsidiary undertakings	Country of Incorporation	Principal activity	Percentage holding
Catalyst Environmental Limited	UK	Dormant	100%
Environmental Evaluation Limited	UK	Testing	100%
Western Technical Services Limited	UK	Testing	100%
Accusense Systems Limited	UK	Testing	100%
BM TRADA Certification Limited	UK	Testing	100%
TRADA Technology Limited	UK	Testing	100%
Chiltern International Fire Limited	UK	Testing	100%
FIRA International Limited	UK	Testing	100%
BM TRADA Overseas Limited	UK	Holding	100%
BM TRADA Italia S.R.L.	Italy	Testing	100%
BM TRADA Deutschland GmbH	Germany	Testing	100%
BM TRADA Certification Espana SL	Spain	Testing	100%
BM TRADA Certificaciones Lusas SL	Spain	Testing	100%
BM TRADA Suomi OY	Finland	Certification	50%
Exova AS	Norway	Testing	100%
Tianjin C-Kai BM TRADA Certification Company Limited	China	Certification	40%
BM TRADA North America Inc	US	Testing	100%
BM TRADA Certification North America Inc	Canada	Testing	100%
Exova Warringtonfire LLC	Qatar	Testing	49%
Exova (Singapore) Pte Ltd	Singapore	Testing	100%
Exova Warringtonfire Consulting (Singapore) Pte Limited	Singapore	Testing	100%
Metallurgical Services Private Limited	India	Testing	100%
BM TRADA RKCA Certifications Private Limited	India	Certification	50%
BM TRADA (HK) Limited	Hong Kong	Certification	70%
FIRA - CMA Testing Services Limited	Hong Kong	Certification	50%
BM TRADA Cyprus Limited	Cyprus	Certification	50%
Standard BM TRADA Belgelendirme AS	Turkey	Certification	50%
BM TRADA Latvija	Latvia	Certification	50%
BM TRADA RKCA Lanka Certifications (Private) Limited	Sri Lanka	Certification	50%
BM TRADA Eesti Ou	Estonia	Certification	50%
BM TRADA Lietuva	Lithuania	Certification	50%
BM TRADA RKCA Lanka Certifications (Private) Limited	Sri Lanka	Certification	50%
BM TRADA Eesti Ou	Estonia	Certification	50%
BM TRADA Lietuva	Lithuania	Certification	50%

Notes to the financial statements

For the year ended 31 December 2015

14 Trade and other debtors

	2015 £m	2014 £m
<i>Due within one year</i>		
Trade debtors	16.9	14.3
Less provision for impairment of receivables	(0.4)	(0.1)
Net trade receivables	16.5	14.2
Other receivables	1.2	1.2
Prepayments and accrued income	0.8	0.7
Amounts owed by group undertakings	21.6	15.5
	40.1	31.6
<i>Due after more than one year</i>		
Amounts owed by group undertakings	38.2	23.2
Other debtors	0.1	-
	78.4	54.8

Loans to Group companies bear interest between nil and 3 month EURIBOR/LIBOR plus 4% and are repayable in 2018.

15 Creditors

	2015 £m	2014 £m
<i>Due within one year</i>		
Trade creditors	1.7	2.0
Amounts owed to group undertakings	2.2	2.9
Corporate tax	0.7	-
Other taxes and social security costs	3.3	2.2
Other creditors	4.8	1.8
Accruals and deferred income	8.2	8.7
Amounts owed under finance leases	0.1	0.1
	21.0	17.7
<i>Due after more than one year</i>		
Amounts owed to group undertakings	38.0	13.8
Amounts owed under finance leases	0.1	0.1
	38.1	13.9

Loans from Group companies bear interest between nil and 3 month EURIBOR/LIBOR plus 4% and are repayable in 2018.

Notes to the financial statements

For the year ended 31 December 2015

16 Provisions for liabilities and charges

	<i>Dilapidations</i> £m	<i>Restructuring</i> £m	<i>Total</i> £m
At 1 January 2015	2.5	1.4	3.9
Additions in year	0.3	1.4	1.7
Utilised during the year	(0.5)	(1.8)	(2.3)
At 31 December 2015	2.3	1.0	3.3
At 1 January 2014	2.0	2.2	4.2
Additions in year	0.6	-	0.6
Utilised during the year	(0.1)	(0.8)	(0.9)
At 31 December 2014	2.5	1.4	3.9
At 31 December 2015			
Current	0.6	0.4	1.0
Non-current	1.7	0.6	2.3
	2.3	1.0	3.3
At 31 December 2014			
Current	0.8	0.5	1.3
Non-current	1.7	0.9	2.6
	2.5	1.4	3.9

Restructuring provisions relate to termination payments and onerous lease contracts payable within six years.

Provisions have been recognised for the dilapidation costs associated with exiting operating leases. It is expected that these costs will be incurred within the next five years.

17 Deferred tax

	2015 £m	2014 £m
Tangible fixed asset timing differences	0.7	-
Retirement benefit obligations	2.4	-
	3.1	-

18 Pension obligation

Defined contribution scheme

The Company operates a defined contribution scheme. Contributions to this scheme are charged to the Income Statement as they become payable. Differences between contributions payable in the period and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

Contributions to the scheme for the year were £0.6m (2014:£0.9m).

Defined benefit scheme

As part of the BM TRADA Group Limited acquisition the TTL Chiltern Group Pension Scheme, became the obligation of Exova (UK) Limited on 1 December 2015. The assets of this scheme are administered by trustees in a fund independent from those of the Company and invested directly on the advice of the independent professional investment managers. The scheme was closed to future accruals from 30 September 2015. The last full actuarial valuation was carried out for the trustees of the pension fund as at 31 December 2013 and was updated by the actuary due to the disclosure requirements of IAS 19, as at 31 December 2015.

Notes to the financial statements

For the year ended 31 December 2015

18 Pension obligation (continued)

It has been agreed with the trustees that amounts of £60,862 per month, increasing annually by 3% from 1 January 2015 to 31 December 2025 will be paid by the Company to eliminate the deficit. In addition, the Company will pay administration expenses and the Pension Protection Fund Levy.

The assets and liabilities of the scheme at 31 December 2015 are:

	2015 £m	2014 £m
Scheme assets at fair value		
Equity	17.6	-
Bonds	8.8	-
Property	6.4	-
Cash	0.4	-
Fair value of scheme assets	33.2	-
Present value of scheme liabilities	(46.5)	-
Defined benefit pension plan deficit	13.3	-

The amounts recognised in the Income Statement and in the Statement of Comprehensive Income for the year are analysed as follows:

	2015 £m	2014 £m
Recognised in the Income Statement		
Current service cost	-	-
Past service cost	-	-
Recognised in arriving at operating profit	-	-
Net interest on defined benefit liability	-	-
Taken to Statement of Comprehensive Income		
Actuarial gains	0.3	-
Income tax	(0.1)	-
Effect of rate change of deferred tax	(0.1)	-
	0.1	-

	2015	2014
Principal actuarial assumptions:		
Discount rate	3.8%	-
Inflation rate	2.9%	-
Rate of salary increases	1.9%	-
Life expectancy for pensioners at the age of 65 (years):		
Male	22.1	-
Female	24.1	-

Notes to the financial statements

For the year ended 31 December 2015

18 Pension obligation (continued)

Changes in significant assumptions and the impact on the defined benefit obligation at 31 December 2015 are shown below

	0.25% increase	
	£m	£m
Assumptions:		
Inflation rate	1.0	-
Discount rate	-	1.8
Rate of salary increase	-	-
	increase by one year	decrease by one year
Assumed life expectancy at age 65	1.3	n/a

The sensitivity analyses above have been determined based on a method that extrapolates the impact on the defined benefit obligation as a result of reasonable changes in key assumptions occurring at the end of the reporting period.

The average duration of the defined benefit plan obligations at the end of the reporting period is 15 years (2014: n/a).

19 Issued share capital

	2015	2014
	£	£
Authorised, called up and fully paid		
10,000 Ordinary shares of £1 each	10,000	10,000

20 Commitments

Capital commitments

	2015	2014
	£m	£m
Contracted for but not provided	0.8	0.2

Operating lease commitments:

	2015	2015	2014	2014
	Land and buildings	Plant and machinery	Land and buildings	Plant and machinery
	£m	£m	£m	£m
Amounts payable:				
within 1 year	1.6	0.2	1.5	0.2
within 2-5 years	4.0	0.2	3.7	0.1
after 5 years	5.9	-	4.8	-

Notes to the financial statements

For the year ended 31 December 2015

20 Commitments (continued)

Finance lease and hire purchase commitments

	2015	2015	2014	2014
	<i>Minimum</i>	<i>Present</i>	<i>Minimum</i>	<i>Present</i>
	<i>payments</i>	<i>value of</i>	<i>payments</i>	<i>value of</i>
	<i>£m</i>	<i>£m</i>	<i>£m</i>	<i>£m</i>
Within 1 year	0.1	0.1	0.1	0.1
Between 2-5 years	-	-	0.1	0.1
	0.1	0.1	0.2	0.2

21 Related parties

The Company has taken advantage of the exemption contained within paragraph 8(j) and (k) of FRS 101, and has not disclosed transactions entered into with wholly owned group companies or key management personnel. There were no other related party transactions in the year.

22 Explanation of transition to FRS 101

For all periods up to and including the year ended 31 December 2014, the Company prepared its financial statements in accordance with previously extant United Kingdom generally accepted accounting practice (UK GAAP). These financial statements for the year ended 31 December 2015 are the first the Company has prepared in accordance with FRS 101, with reduced disclosures.

Accordingly, the Company has prepared individual financial statements which comply with FRS 101 applicable for periods beginning on or after 1 January 2014 and the significant accounting policies meeting those requirements are described in the relevant notes.

In preparing these financial statements, the Company has started from an opening Balance Sheet as at 31 December 2013, the Company's date of transition to FRS 101, and made those changes in accounting policies and other restatements required for first time adoption of FRS 101. As such this note explains the principal adjustments made by the Company in restating its Balance Sheet as at 31 December 2013 prepared under previously extant UK GAAP and its previously published UK GAAP financial statements for the year ended 31 December 2014.

On transition to FRS 101 the Company has applied the requirements of paragraphs 6 – 33 of IFRS 1 "First time adoption of International Financial Reporting Standards."

Exemptions applied

IFRS 1 allows first time adopters certain exemptions from the general requirements to apply IFRSs as effective for December 2015 year ends retrospectively. The Company has taken advantage of the following exemptions:

- (a) investments in subsidiaries, jointly controlled entities and associates (paragraphs D14 and D15)
- (b) assets and liabilities of subsidiaries, associates and joint ventures (paragraphs D16 and D17);
- (c) cumulative translation differences (paragraph D13)
- (d) compound financial instruments (D18)
- (e) designation of previously recognised financial instruments (D19- D19C)
- (f) fair value measurement of financial assets or financial liabilities at initial recognition (paragraph D20)

Notes to the financial statements

For the year ended 31 December 2015

22 Explanation of transition to FRS 101 (continued)

Income Statement for year ended 31 December 2014

	Notes	As reported under UK GAAP £m	Effect of transition and other adjustments £m	As reported under FRS 101 £m
Turnover		67.0	-	67.0
Net operating cost	(a)	(55.5)	0.3	(55.2)
Operating profit		11.5	0.3	11.8
Exceptional charges		(0.6)	-	(0.6)
Interest receivable and similar income		0.2	-	0.2
Interest payable and similar charges		(0.6)	-	(0.6)
Profit before taxation		10.5	0.3	10.8
Taxation		-	-	-
Profit for the year		10.5	0.3	10.8

Principal adjustments made as a result of the transition to FRS 101

(a)	Reversal of goodwill amortisation	IAS 38	0.3
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Notes to the financial statements

For the year ended 31 December 2015

22 Explanation of transition to FRS 101 (continued)

Balance Sheet as at 31 December 2013 (FRS 101 opening position)

	Notes	As reported under UK GAAP £m	Effect of transition and other adjustments £m	As reported under FRS 101 £m
Fixed Assets				
Intangible assets	(a)	0.6	0.1	0.7
Tangible assets		17.4	-	17.4
Investments		3.5	-	3.5
		<u>21.5</u>	<u>0.1</u>	<u>21.6</u>
Current assets				
Trade and other debtors		45.7	-	45.7
Cash at bank and in hand		6.2	-	6.2
		<u>51.9</u>	<u>-</u>	<u>51.9</u>
Creditors: amounts falling due within one year				
Trade and other creditors		(10.2)	-	(10.2)
Net current assets		<u>41.7</u>	<u>-</u>	<u>41.7</u>
Total assets less current liabilities		63.2	0.1	63.3
Creditors: amounts falling due more than one year				
Other creditors		(9.4)	-	(9.4)
Provisions		(4.2)	-	(4.2)
		<u>(13.6)</u>	<u>-</u>	<u>(13.6)</u>
Net assets		<u>49.6</u>	<u>0.1</u>	<u>49.7</u>
Capital and reserves				
Ordinary shares		-	-	-
Retained earnings		49.6	0.1	49.7
Total equity		<u>49.6</u>	<u>0.1</u>	<u>49.7</u>

Principal adjustments made as a result of the transition to FRS 101

(a) Reversal of goodwill amortisation previously charged under UK GAAP	IAS 38	0.1
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Notes to the financial statements

For the year ended 31 December 2015

22 Explanation of transition to FRS 101 (continued)

Balance Sheet as at 31 December 2014

	Notes	As reported under UK GAAP £m	Effect of transition and other adjustments £m	As reported under FRS 101 £m
Fixed assets				
Goodwill	(a)	5.5	0.4	5.9
Intangible assets		0.7	-	0.7
Tangible assets		19.5	-	19.5
Investments		14.1	-	14.1
		<u>39.8</u>	<u>0.4</u>	<u>40.2</u>
Current assets				
Trade and other debtors		54.8	-	54.8
Cash at bank and in hand		0.8	-	0.8
		<u>55.6</u>	<u>-</u>	<u>55.6</u>
LIABILITIES				
Creditors: amounts falling due within one year				
Trade and other creditors		(17.7)	-	(17.7)
Net current assets		<u>37.9</u>	<u>-</u>	<u>37.9</u>
Total assets less current liabilities		<u>77.7</u>	<u>0.4</u>	<u>78.1</u>
Creditors: amounts falling due after one year				
Other creditors		(13.9)	-	(13.9)
Provisions		(3.9)	-	(3.9)
		<u>(17.8)</u>	<u>-</u>	<u>(17.8)</u>
Net assets		<u>59.9</u>	<u>0.4</u>	<u>60.3</u>
Capital and reserves				
Ordinary shares		-	-	-
Retained earnings		59.9	0.4	60.3
Total equity		<u>59.9</u>	<u>0.4</u>	<u>60.3</u>

Principal adjustments made as a result of the transition to FRS 101

(a) Reversal of goodwill amortisation previously charged under UK GAAP	IAS 38	0.4
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Notes to the financial statements

For the year ended 31 December 2015

23 Post balance sheet events

On 19 May 2016, the Company entered into a conditional sale and purchase agreement to sell its UK and Ireland Food, Water and Pharmaceutical business to international life sciences Company, Eurofins Scientific, for a cash consideration of around £18m.

The sale consists of a portfolio of ten well-established, accredited laboratories across the UK and Ireland which provide a wide range of chemistry and microbiological testing services. Exova's Food, Water and Pharmaceutical business in the UK and Ireland generated revenues of around £20m in 2015. The sale completed on 1 July 2016.

On 1 July 2016, the Company acquired 100% of the share capital of Jones Environmental Forensics Limited (Jones) for a cash consideration of £13.9m. A further payment £1.0m was retained and an amount up to £1.6m is contingent upon future profitability in the year following acquisition. The purchase consideration is subject to further purchase price adjustments. Jones is a North Wales-based independent environmental laboratory business and the UK's market leader in contaminated land analysis and a specialist in environmental forensics, with an excellent reputation for both quality and service. Jones has built a strong reputation as a laboratory of choice for contaminated soil and water analysis, primarily selling its services to leading global environmental consultants, with the ultimate end customer covering a variety of market segments, many in which Exova has an existing presence. The business which has a team of over 150 specialists achieved revenues of around £8m in 2015.

24 Ultimate holding company and controlling party

The immediate parent undertaking is Exova Group (UK) Limited, which is incorporated in England. Clayton, Dubilier & Rice LLC, the manager of Clayton, Dubilier & Rice Fund VII LP, is considered to be the ultimate controlling party. The parent company of the smallest group of which the company is a member, and for which group financial statements are prepared, is Exova Group plc. Copies of the consolidated financial statements of Exova Group plc can be obtained from Exova Group plc, Queen Anne Drive, Newbridge, Edinburgh, EH28 8PL.