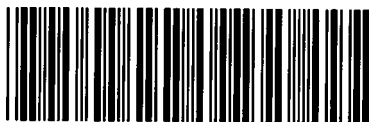


Exova (UK) Limited

Financial Statements

For the year ended 31 December 2014

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Strategic report

For the year ended 31 December 2014

The Directors present their Strategic Report for the year ended 31 December 2014.

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.

On 6 January 2014, the Company acquired 100% of the share capital of Catalyst Environmental Limited for a total consideration of £6.5m (including £1.3m of contingent consideration) and during the year the assets and liabilities were transferred to Exova (UK) Limited. These activities are now included within the Exova (UK) Limited Health Sciences cluster carrying out environmental testing.

On 21 July 2014, the Company acquired 100% of the share capital of Metallurgical Services Private Limited, a company registered in India for a cash consideration of £6.3m with a £2.8m contingent consideration.

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

	2014	2013	Change
	£m	£m	%
Turnover	67.0	62.4	7.4%
Operating profit	11.5	11.3	1.8%
Shareholders' funds	59.9	49.6	20.8%

The key developments in 2014 reported by cluster were:

Aerospace

Following strong growth in 2013 the European market demand for commercial aerospace testing slowed in 2014 due to a transition from development to production release work, coupled with delays in production ramping up in certain supply chains. This adversely affected testing volumes with customers such as forgers supplying components for airframes and engines. Volumes began to recover somewhat in the second half, particularly from engine OEMs and better demand for testing of composite materials. We consolidated our three non-destructive testing laboratories into a single location in Dudley, significantly reducing the cost base of the business.

Oil & Gas and Industrials

There was modest growth in the Oil & Gas materials testing market compared to 2013 with some large subsea pipeline projects taking place in southern Europe and off the west coast of Africa. We saw continued North Sea project work flowing into the UK laboratories. However, there was an increasing emphasis on technically demanding services while more routine testing work slowed. The investment in our Dudley laboratory at the end of 2013 proved very successful with strong demand for corrosion testing throughout the year. There was also sustained demand for work in coatings and fracture mechanics, supporting large pipeline construction projects around the world. During the year we relocated our laboratory in Aberdeen to larger premises to improve efficiency and expand our service offering to the North Sea market. The new Aberdeen laboratory will focus on supporting the local welding market and has expanded non-destructive capability, making it a "one stop shop" for key clients. In the Industrials sector weaker demand in our polymers business in the UK was offset by better performance in routine metals testing work.

Strategic report (continued)

For the year ended 31 December 2014

Product

Our Fire Testing business continued to grow strongly in 2014 with continued development and acceptance of European standards being a key driver. Demand for product certification remained high and investments in additional people and systems were made to service increased volumes in both voluntary and mandatory schemes.

Health Sciences

We saw strong organic growth in 2014 due to major contract wins in the food sector, driven by increasing consumer demand for food safety and authenticity. There was also growth in the water hygiene and pharmaceuticals testing laboratories as a result of increasing market share and key contract renewals. To support the food contract wins, we made significant upgrades to automation and testing equipment in our Birmingham laboratory. The management team in the sector has been significantly strengthened during the year, with a number of experienced general managers joining the business to help support the strong customer demand. The Catalyst Environmental stack emissions testing business acquired at the beginning of the year was successfully integrated and delivered good organic growth.

Future developments

The Directors do not expect any significant change in the activities of the Company in the future. On 9 February 2015 the Company acquired 100% of the share capital of Environmental Evaluation Limited (see note 27).

Principal risks and uncertainties

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

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.

Loss of accreditation or customer approvals

The Company relies on being awarded and retaining a wide range of accreditations and customer specific approvals in order to provide its services. As a service business where customers rely on the quality and integrity of our results, our reputation and the value of our brand is critical to our success. 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.

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 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.

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 an outsourced internal audit function.

Strategic report (continued)

For the year ended 31 December 2014

Treasury

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



Alison Stevenson
Director

24 September 2015

Registered No. SC070429

Directors' report

For the year ended 31 December 2014

The Directors present their report for the year ended 31 December 2014.

Directors

The Directors who served during the year and up to the date of the report were:

A Thorburn

I Power

M Gilder (resigned 4/9/15)

J Willox

R Lewis (resigned 22/8/14)

M Pooley

R Veitch

A Stevenson (appointed 6/3/15)

A Douglas (appointed 11/9/15)

Dividends

The Directors do not recommend payment of a dividend (2013- 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. Our parent company deploys a number of communication vehicles including an all-employee e-newsletter, *Exova Live*, which highlights the work of our people and helps colleagues better understand the Group's strengths and capabilities. Regular update calls are also hosted for our senior leaders, providing them with commercial and operational updates, as well as best practices that can help enhance personal and business performance.

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.

Directors' report (continued)

For the year ended 31 December 2014

Statement as to disclosure of information to auditors

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

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

24 September 2015

Statement of Directors' responsibilities

For the year ended 31 December 2014

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 auditors' report

to the members of Exova (UK) Limited

We have audited the financial statements of Exova (UK) Limited for the year ended 31 December 2014 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Reconciliation of Movements in Shareholders' Funds, the Balance Sheet and the related notes 1 to 27. 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 6, 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 2014 and of its profit 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.

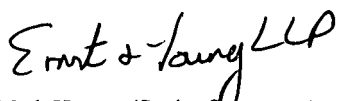
Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic 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)
Edinburgh

28 September 2015

Profit and loss account

for the year ended 31 December 2014

	Notes	2014 £m	2013 £m
Turnover	2	67.0	62.4
Cost of sales		(41.4)	(38.8)
Gross profit		25.6	23.6
Other operating expenses	3	(14.1)	(12.3)
Operating profit	6	11.5	11.3
Restructuring costs	7	(0.6)	(1.6)
Interest receivable and similar income	4	0.2	0.2
Interest payable and similar charges	5	(0.6)	(0.1)
Profit on ordinary activities before taxation		10.5	9.8
Tax on profit on ordinary activities	10	—	—
Profit for the year		10.5	9.8

The accompanying notes are an integral part of this profit and loss account.

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

Statement of total recognised gains and losses

for the year ended 31 December 2014

	Note	2014 £m	2013 £m
Profit for the year		10.5	9.8
Movement on currency reserve	20	(0.2)	0.1
Total recognised gains for the year		10.3	9.9

Reconciliation of movement in shareholders' funds

for the year ended 31 December 2014

	Note	2014 £m	2013 £m
Profit for the year		10.5	9.8
Net increase in shareholders' funds		10.5	9.8
Shareholders' funds at 1 January		49.6	39.7
Movement on currency reserve	20	(0.2)	0.1
Shareholders' funds at 31 December		59.9	49.6


Balance sheet

As at 31 December 2014

	Notes	2014 £m	2013 £m
Non-current assets			
Intangible assets	11	6.2	0.6
Tangible fixed assets	12	19.5	17.4
Investments	13	14.1	3.5
		<u>39.8</u>	<u>21.5</u>
Current assets			
Debtors due after more than one year	14	23.2	22.7
Debtors due within one year	14	31.6	23.0
Cash at bank and in hand		0.8	6.2
		<u>55.6</u>	<u>51.9</u>
Creditors: amounts falling due within one year	15	<u>(17.7)</u>	<u>(10.2)</u>
Net current assets		<u>37.9</u>	<u>41.7</u>
Total assets less current liabilities		<u>77.7</u>	<u>63.2</u>
Creditors; amounts falling due after more than one year	16	<u>(13.9)</u>	<u>(9.4)</u>
Provisions for liabilities and charges	17	<u>(3.9)</u>	<u>(4.2)</u>
Net assets		<u>59.9</u>	<u>49.6</u>
Capital and reserves			
Issued share capital	18	–	–
Profit and loss account	19	60.1	49.6
Currency reserve	20	(0.2)	–
Shareholders' funds		<u>59.9</u>	<u>49.6</u>

These financial statements were approved by the Board of Directors and authorised for issue on 24 September 2015.

Signed on behalf of the Board of Directors on 24 September 2015


 Allison Stevenson
 Director

Notes to the financial statements

For the year ended 31 December 2014

1. Accounting policies

The principal accounting policies applied consistently throughout the year are:

Basis of preparation

The Company financial statements have been prepared on an historical cost basis and in accordance with United Kingdom Generally Accepted Accounting Practice and applicable accounting standards. 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 4.

The Company has taken advantage of the exemption from preparing a cash flow statement as permitted by FRS 1 "Cash Flow Statements".

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

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 FRS10, "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, the policy is to capitalise goodwill on the balance sheet and amortise it over its anticipated useful economic life of 20 years.

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;

Computer software	–	3-5 years
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Tangible fixed assets

Tangible fixed assets are shown at cost, net of depreciation and any provision for impairment. Such cost includes costs directly attributable to making the asset capable of operating as intended.

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

Buildings	–	50 years
Plant and machinery	–	3-10 years

Freehold land is not depreciated.

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

Investments

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

Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable for services rendered, net of discounts, VAT and other sales-related taxes. Revenue represents the sale value of work carried out for customers during the year.

Notes to the financial statements

For the year ended 31 December 2014

1. Accounting policies (continued)

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.

1.

Restructuring costs

The Company presents separately on the face of the profit and loss account, after operating profit, 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 year. Only those items which relate to the permanent restructuring of the business may be included, such as site closure and relocation costs, termination costs for roles that will not be replaced, recruitment costs in relation to new roles or upgrades and costs in relation to changes in the corporate structure of the Company and Group. Those termination and recruitment costs that relate to the normal ongoing activity of the business may not be charged as exceptional items. The Company believes this presentation facilitates a better comparison with prior periods and a better assessment of trends on financial performance.

Taxation

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

The current tax charge is calculated on the basis of the tax laws enacted or substantially enacted at the balance sheet date.

The taxation liabilities of certain group undertakings are reduced wholly, or in part, by the surrender of losses by fellow group undertakings. The tax benefits arising from group relief are recognised in the financial statements of the recipient companies.

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

Pension costs

The Company participates in a defined contribution pension scheme. Contributions to this scheme are charged to the profit and loss account 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.

Foreign currency translation

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction. Monetary assets and liabilities held in foreign currency are translated at the year-end rate. Profits and losses arising on retranslation are taken to profit and loss account. Exchange differences arising from the retranslation of investments in subsidiary undertakings at closing rates are taken to a currency reserve, together with exchange differences on foreign currency borrowings which finance a proportion of the foreign currency investments, and such movements are reported in the statement of total recognised gains and losses.

Notes to the financial statements

For the year ended 31 December 2014

1. Accounting policies (continued)

Leasing and hire purchase commitments

Assets held under finance leases, which are leases where substantially all the risks and rewards of ownership of the asset have passed to the Company, and hire purchase contracts are capitalised in the balance sheet and are depreciated over the shorter of the lease term and the asset's useful lives. The capital elements of future obligations under leases and hire purchase contracts are included as liabilities on the balance sheet. The interest elements of the rental obligations are charged to the profit and loss accounts over the periods of the leases and hire purchase contracts and represent a constant proportion of the balance of capital payments outstanding.

Rentals payable under operating leases are charged to the profit and loss account on a straight line basis over the lease term. Lease incentives are recognised over the shorter of the lease term and the date of the next rent review.

2. 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:

	2014 £m	2013 £m
United Kingdom	51.4	49.5
Rest of Europe	10.1	8.6
Middle East	0.8	0.9
North America	1.3	1.6
Rest of world	3.4	1.8
	<u>67.0</u>	<u>62.4</u>

Included in turnover are sales to fellow group undertakings of £2.5m (2013 – £1.9m).

3. Other operating expenses

	2014 £m	2013 £m
Selling costs	3.3	3.1
Administrative expenses	11.3	9.5
	<u>14.6</u>	<u>12.6</u>
Other operating income	(0.5)	(0.3)
	<u>14.1</u>	<u>12.3</u>

4. Interest receivable and similar income

	2014 £m	2013 £m
Interest receivable on loans from group undertakings	<u>0.2</u>	<u>0.2</u>

Notes to the financial statements

For the year ended 31 December 2014

5. Interest payable and similar charges

	2014 £m	2013 £m
Interest payable on loans from group undertakings	0.6	0.1

6. Operating profit

Operating profit is stated after charging:

	2014 £m	2013 £m
Depreciation (note 12)	3.0	2.7
Amortisation (note 11)	0.5	0.1
Management charges	1.8	1.3
Hire of plant and machinery	0.5	0.5
Operating lease rentals – property	1.6	1.7
– other	0.3	0.3

Auditors' remuneration of £25,000 (2013 - £25,000) is paid by Exova Group (UK) Limited.

7. Restructuring costs

	2014 £m	2013 £m
Termination payments	0.3	0.2
Integration costs	0.2	–
Other re-organisation costs	0.1	1.4
	0.6	1.6

8. Staff costs

	2014 £m	2013 £m
Wages and salaries	27.4	25.4
Social security costs	2.6	2.4
Other pension costs (note 23)	0.9	0.8
	30.9	28.6

Other pension costs represents payments of £0.9m (2013 – £0.8m) in respect of contributions to the company pension scheme.

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

	2014 No.	2013 No.
Production and distribution	795	729
Administration	198	189
	993	918

Notes to the financial statements

For the year ended 31 December 2014

9. Directors' remuneration

	2014 £m	2013 £m
Aggregate remuneration in respect of qualifying services	0.7	0.8

The emoluments of the highest paid director paid by the Company were £0.2m (2013 - £0.3m). 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.

10. Tax

The tax charge is based on the profit for the year and comprises:

	2014 £m	2013 £m
Corporation tax at 21.5% (2013 – 23.25%)	–	–
Total tax on profit on ordinary activities	–	–

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 £m	2013 £m
Profit on ordinary activities before tax	10.5	9.8
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 21.5% (2013 – 23.25%)	2.3	2.3
<i>Effects of:</i>		
– group relief claimed for nil payment	(3.1)	(3.2)
– transfer to unrecognised deferred tax assets	0.6	0.6
– expenses not deductible for tax purposes	0.2	0.3
Current tax for the year	–	–

Factors that may affect future tax charges

At the balance sheet date the Company had an unrecognised deferred tax asset of £2.1m (2013 - £1.7m). The deferred tax asset mainly arises as a result of timing differences due to disclaiming capital allowances in the last four years. The assets have not been recognised as there is uncertainty as to when these assets will reverse.

The main UK corporation tax rate reduced from 23% to 21%, effective 1 April 2014 and from 21% to 20%, effective 1 April 2015. These rate reductions had been substantively enacted by the balance sheet date and are accordingly used in these financial statements.

In the Budget on 8 July 2015, the Chancellor announced additional planned reductions to 18% by 2020 which may reduce any future tax charges accordingly.

Notes to the financial statements

For the year ended 31 December 2014

11. Intangible assets

	<i>Computer software</i> £m	<i>Goodwill</i> £m	<i>Total</i> £m
Cost:			
At 1 January 2014	–	1.2	1.2
Reclassification from investments	–	5.2	5.2
Reallocation from tangible assets (note 12)	0.8	–	0.8
Additions	0.2	–	0.2
At 31 December 2014	<u>1.0</u>	<u>6.4</u>	<u>7.4</u>
Amortisation:			
At 1 January 2014	–	(0.6)	(0.6)
Reallocation from tangible assets (note 12)	(0.1)	–	(0.1)
Charge for the year	(0.2)	(0.3)	(0.5)
At 31 December 2014	<u>(0.3)</u>	<u>(0.9)</u>	<u>(1.2)</u>
Net book value:			
At 31 December 2014	<u>0.7</u>	<u>5.5</u>	<u>6.2</u>
At 31 December 2013	<u>–</u>	<u>0.6</u>	<u>0.6</u>

The decision was taken during 2014 to classify computer software as an intangible asset rather than within fixed assets resulting in the reallocation shown above.

Goodwill arising on the acquisition of various historical acquisitions is being amortised over the Directors' estimate of their useful economic life of 20 years.

On 1 August 2014, the trade and net assets of Catalyst Environmental Limited were transferred to the Company at book value. The cost of the Company's investment in Catalyst Environmental Limited reflected the underlying fair value of its net assets and goodwill at the date of acquisition. The transfer of net assets causes the value of the Company's investment in Catalyst Environmental Limited to fall below the previous carrying amount. Schedule 4 to the Companies Act 2006 would require the investment 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 transferred, 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 £5.2m. Goodwill is being written off in equal instalments over its estimated economic life of 20 years.

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

	£m
Tangible fixed assets	0.4
Debtors	0.9
Cash	0.8
Creditors: amounts falling due within one year	(0.8)
Total net assets transferred	<u>1.3</u>

The consideration for the transfer was equal to the net asset values above, and is included within amounts owed to Group undertakings in note 16.

Notes to the financial statements

For the year ended 31 December 2014

12. Tangible fixed assets

	<i>Land and buildings</i>	<i>Plant and machinery</i>	<i>Assets under construction</i>	<i>Total</i>
	<i>£m</i>	<i>£m</i>	<i>£m</i>	<i>£m</i>
Cost:				
At 1 January 2014	9.3	45.2	0.9	55.4
Additions	0.5	3.8	1.2	5.5
Acquired from previously held investment	–	0.4	–	0.4
Disposals	–	(0.1)	–	(0.1)
Reallocation to intangible assets (note 11)	–	(0.8)	–	(0.8)
At 31 December 2014	9.8	48.5	2.1	60.4
Depreciation:				
At 1 January 2014	(4.5)	(33.5)	–	(38.0)
Charge for the year	(0.5)	(2.5)	–	(3.0)
Reallocation to intangible assets (note 11)	–	0.1	–	0.1
At 31 December 2014	(5.0)	(35.9)	–	(40.9)
Net book value:				
At 31 December 2014	4.8	12.6	2.1	19.5
At 31 December 2013	4.8	11.7	0.9	17.4

Included within the above table are the following assets held under finance leases.

	2014		2013	
	<i>Net book value</i>	<i>Depreciation charge</i>	<i>Net book value</i>	<i>Depreciation charge</i>
	<i>£m</i>	<i>£m</i>	<i>£m</i>	<i>£m</i>
Plant and machinery	–	–	0.1	–

Notes to the financial statements

For the year ended 31 December 2014

13. Investments

	2014 £m	2013 £m
Cost and net book value:		
At 1 January 2014	3.5	1.6
Additions during the year – Catalyst Environmental Limited	6.5	–
Additions during the year – Metallurgical Services Private Limited	9.1	–
Additions during the year – Exova (Singapore) PTE Limited	–	1.9
Reclassified as goodwill – Catalyst Environmental Limited	(5.2)	–
Exchange movement in the year	0.2	–
At 31 December 2014	<u>14.1</u>	<u>3.5</u>

The Company has investments in the following subsidiary undertakings:

<i>Name</i>	<i>Proportion held</i>	<i>Country of registration</i>
Exova AS	100%	Norway
Exova (Singapore) PTE Limited	100%	Singapore
Catalyst Environmental Limited	100%	England
Metallurgical Services Private Limited	100%	India

The principal activities of these subsidiaries are similar to that of the Company.

On 6 January 2014, the Company acquired 100% of the share capital of Catalyst Environmental Limited, a company incorporated in England for an initial cash consideration of £5.2m (£4.9m net of cash acquired) with a further payment of up to £1.3m contingent upon the future profitability in the year following acquisition. The value of the contingent consideration payable on the date of acquisition has been assessed and the full amount has been recognised in the financial statements as the profitability target was met in full. On 1 August 2014, the trade and net assets were transferred to the Company at book value (see note 11).

On 21 July 2014, the Company acquired 100% of the share capital of Metallurgical Services Private Limited, a company registered in India for a cash consideration of £6.3m (£6.2m net of cash acquired) with a further payment of up to £2.8m contingent upon the future profitability in the year following acquisition. The value of the contingent consideration payable on the date of acquisition has been assessed and the full amount has been recognised in the financial statements as the profitability target is likely to be achieved.

During the year the assets and trade of Exova AS' Sandness facility were transferred to other group entities within Exova Group plc, in order to focus on servicing this market from alternative facilities within Exova (UK) Limited and other European group companies.

The Company has taken advantage of the exemption from including the results of the subsidiary companies within the financial statements as permitted by Section 405 of the Companies Act 2006.

Notes to the financial statements

For the year ended 31 December 2014

14. Debtors

	2014 £m	2013 £m
Amounts falling due within one year:		
Trade debtors	14.2	11.1
Amounts owed by group undertakings	15.5	10.0
Prepayments and accrued income	0.7	0.8
Other debtors	1.2	1.1
	<u>31.6</u>	<u>23.0</u>
Amounts falling due after one year:		
Amounts owed by group undertakings	23.2	22.7
	<u>54.8</u>	<u>45.7</u>

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

15. Creditors: amounts falling due within one year

	2014 £m	2013 £m
Trade creditors	2.0	2.0
Amounts owed to group undertakings	2.9	1.4
Other taxes and social security costs	2.2	1.5
Other creditors	1.8	1.7
Accruals and deferred income	8.7	3.6
Amounts owed under finance leases	0.1	–
	<u>17.7</u>	<u>10.2</u>

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

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

	2014 £m	2013 £m
Amounts owed to group undertakings	13.8	9.4
Amounts owed under finance leases	0.1	–
	<u>13.9</u>	<u>9.4</u>

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 2014

17. Provisions for liabilities and charges

	<i>Dilapidations</i>	<i>Restructuring</i>	<i>Total</i>
	<i>£m</i>	<i>£m</i>	<i>£m</i>
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	<u>2.5</u>	<u>1.4</u>	<u>3.9</u>

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 seven years.

The restructuring provision principally relates to future payments under onerous leases on closed sites.

18. Issued share capital

		<i>2014</i>		<i>2013</i>
<i>Authorised, called up and fully paid</i>	<i>No.</i>	<i>£</i>	<i>No.</i>	<i>£</i>
Ordinary shares of £1 each	10,000	<u>10,000</u>	10,000	<u>10,000</u>

19. Profit and loss account

	<i>2014</i>
	<i>£m</i>
At 1 January 2014	49.6
Profit for the year	10.5
At 31 December 2014	<u>60.1</u>

20. Currency reserve

	<i>2014</i>
	<i>£m</i>
At 1 January 2014	–
Movement arising during the year	(0.2)
At 31 December 2014	<u>(0.2)</u>

Notes to the financial statements

For the year ended 31 December 2014

21. Obligations under leases and hire purchase contracts

Amounts due under finance lease and hire purchase contracts:

	2014	2013
	£m	£m
Amounts payable:		
within 1 year	0.1	–
within 2-5 years	0.1	0.1
Contracted but not provided	0.2	0.1

Annual commitments under non-cancellable operating leases are as follows:

	2014		2013	
	<i>Land and buildings</i>	<i>Plant and machinery</i>	<i>Land and buildings</i>	<i>Plant and machinery</i>
	£m	£m	£m	£m
Operating leases which expire:				
within 1 year	1.6	0.2	1.5	0.2
within 2-5 years	4.4	0.2	3.7	0.1
after 5 years	6.7	–	4.8	–
	12.7	0.4	10.0	0.3

22. Cash flow statement

The Company has taken advantage of the exemption in Financial Reporting Standard 1 (Revised 1996) not to produce a cash flow statement on the grounds that the Company's results are included within the consolidated financial statements of Exova Group plc whose financial statements include a consolidated cash flow statement.

23. Pensions

Contributions to this scheme are charged to the profit and loss account 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 £0.9m (2013 - £0.8m).

24. Related parties

The Company has taken advantage of the exemption in FRS 8 "Related Parties Disclosures", paragraph C not to disclose transactions with other group companies which meet the criteria that all subsidiary undertakings which are party to the transactions are wholly owned by the ultimate parent undertaking. The Company has not transacted with any other related parties in the year.

25. 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.

Notes to the financial statements

For the year ended 31 December 2014

26. Capital commitments

Amounts contracted for but not provided in the financial statements amounted to £0.4m (2013 - £0.7m).

27. Post balance sheet events

On 9 February 2015, the Company acquired 100% of the share capital of Environmental Evaluation Limited for a consideration of £5.3m (£4.7m net of cash acquired). The company helps customers meet environmental regulations through the provision of asbestos testing and inspection, stack sampling and occupational hygiene advisory services. The acquisition adds 83 colleagues and forms part of the Company's Health Sciences cluster.