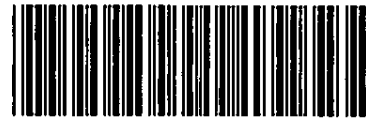


**SGS UNITED KINGDOM LIMITED**

**Report and Financial Statements**

**For the year ended 31 December 2012**

THURSDAY



\*A2FADQX7\*

A19

22/08/2013

#170

COMPANIES HOUSE

**REPORT AND FINANCIAL STATEMENTS 2012**

<b>Officers and professional advisers</b>	<b>1</b>
<b>Directors' report</b>	<b>2</b>
<b>Directors' responsibilities statement</b>	<b>4</b>
<b>Independent auditor's report</b>	<b>5</b>
<b>Consolidated profit and loss account</b>	<b>7</b>
<b>Consolidated reconciliation of movements in equity shareholder's funds</b>	<b>8</b>
<b>Consolidated statement of total recognised gains and losses</b>	<b>8</b>
<b>Consolidated balance sheet</b>	<b>9</b>
<b>Company balance sheet</b>	<b>10</b>
<b>Notes to the accounts</b>	<b>11</b>

**OFFICERS AND PROFESSIONAL ADVISERS**

**DIRECTORS**

P Earl  
J Griffiths

**SECRETARY**

C Aldag

**REGISTERED OFFICE**

Rossmore Business Park  
Ellesmere Port  
South Wirral  
Cheshire  
CH65 3EN

**BANKERS**

National Westminster Bank plc  
5 High Street  
Bracknell  
Berkshire  
RG12 1DH

**AUDITOR**

Deloitte LLP  
Chartered Accountants and Statutory Auditor  
Liverpool  
United Kingdom

## **DIRECTORS' REPORT**

The directors present their report and the audited financial statements for the year ended 31 December 2012

### **PRINCIPAL ACTIVITIES**

The principal activities of the company and its subsidiaries during the year were independent testing, inspection, verification, employment agency services and certification services

### **REVIEW OF BUSINESS AND FUTURE DEVELOPMENTS**

The consolidated profit and loss is set out on page 7 The directors expect the present level of business to be sustained in the foreseeable future

As shown in the consolidated profit and loss account, turnover has increased by 13% to £115,216,000 (2011 £102,095,000) in the main due to growth in existing operations, a full year from operations acquired in 2011 and from operations acquired in 2012 Operating profit from operations has decreased from £13,069,000 to £11,437,000

During the year the company acquired Vitrology Limited, Roplex Limited and Emics Limited and subsequently renamed them as SGS Vitrology Limited, SGS Roplex Limited and SGS Emics Limited respectively The details of these acquisitions are disclosed in note 22 Also during the year, the Wireless division in the UK ceased and as a result a goodwill impairment has been made in the accounts

The statutory change for the indexation of certain future benefits for deferred members of the defined benefit pension schemes was implemented in 2011. The impact of the change from RPI to CPI was recognised as a credit in the income statement during 2011 No such event occurred during 2012

Average group employee numbers have increased in the year from 1,017 to 1,161 heads

The balance sheet shows net assets of £48,393,000 (2011 £39,056,000)

### **PRINCIPAL RISKS AND UNCERTAINTIES**

The group operates in a competitive trading environment The group manages the risk by offering diversified activities in different industry sectors that enable the group to minimise any specific industry downturn risk There is continued focus on the group's product offering and its relationship with its customers

A reasonable proportion of the group's sales are made in US dollars and Euros and it is therefore exposed to the movement in exchange rates While there are some purchases in Euros and US Dollars to offset this risk, the Group also manages this risk by the maintenance of foreign currency bank accounts and the use of forward foreign exchange contracts

Group risks are discussed in the Annual Report of the ultimate parent, SGS SA, which does not form part of this report

The group has prepared the financial statements on a going concern basis, further details of which are given in note 1 to the financial statements

### **DIVIDENDS AND TRANSFERS TO RESERVES**

The profit transferred to reserves for the year was £6,221,000 (2011 £13,434,000).

No interim dividend was paid during the year and no final dividend is proposed (2011 £nil)

## DIRECTORS' REPORT (continued)

### DIRECTORS

The directors of the company as at 31 December 2012, all of whom served throughout the year and thereafter, are listed below

Mrs P Earl

Mrs J Griffiths

### CHARITABLE CONTRIBUTIONS

The contributions made by the group for charitable purposes were £2,030 (2011: £3,844)

The contributions were made to several charities for various charitable purposes.

### EMPLOYEES

The group's policy is to consult and discuss with employees, through unions, staff councils and at meetings, matters likely to affect employees' interests

Information on matters of concern to employees is given through information bulletins and reports which seek to achieve a common awareness on the part of all employees of the financial and economic factors affecting the group's performance

Applications for employment by disabled workers are given full consideration for those vacancies that they are able to fill. All necessary assistance with initial training is given. Once employed, a career plan is developed so as to ensure suitable opportunities for each disabled person. Arrangements are made, wherever possible, for retraining employees who become disabled, to enable them to perform work identified as appropriate to their aptitudes and abilities.

Details of employee numbers are set out in note 5 to the financial statements.

### POLICY ON PAYMENTS OF CREDITORS

The company's policy, which is also applied by the group, is to settle terms of payment with suppliers when agreeing the terms of each transaction and ensure that suppliers are made aware of, and abide by, the terms of payment.

Trade creditor days of the company at 31 December 2012, disclosed in accordance with the requirements of the Companies Act 2006 were 18 days (2011: 27 days). This represents the ratio, expressed in days, between the amounts invoiced to the company in the year by its suppliers and the amounts due, at 31 December 2012, to trade creditors falling due for payment within one year.

### AUDITOR

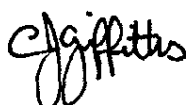
In the case of the persons who are directors of the company at the date when the report is approved

- so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware, and
- the director has taken all the steps that she ought to have taken as a director to make herself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

A resolution to reappoint Deloitte LLP will be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors  
and signed on behalf of the Board



J Griffiths  
Director

15 July 2013

## **DIRECTORS' RESPONSIBILITIES STATEMENT**

The directors are responsible for preparing the annual 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 group and company and of the profit or loss of the group for that period. In preparing these financial statements, the directors are required to:

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

The directors are responsible for keeping proper 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 group and 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 SGS UNITED KINGDOM LIMITED**

We have audited the financial statements of SGS United Kingdom Limited for the year ended 31 December 2012 which comprise the Consolidated Profit and Loss Account, the Consolidated Reconciliation of Movements in Shareholder's Funds, the Consolidated Statement of Total Recognised Gains and Losses, the Group and Parent Company Balance Sheets, and the related notes 1 to 26. 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 Directors' Responsibilities Statement, 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 group's and the parent company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### **Opinion on financial statements**

In our opinion the financial statements

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2012 and of the group's 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 Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF  
SGS UNITED KINGDOM LIMITED (continued)**

**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
- 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



Timothy Edge ACA (Senior Statutory Auditor)  
for and on behalf of Deloitte LLP  
Chartered Accountants and Statutory Auditor  
Liverpool, United Kingdom

15 July 2013



**CONSOLIDATED PROFIT AND LOSS ACCOUNT**  
**Year ended 31 December 2012**

	Note	2012 £000	2011 £000
<b>TURNOVER</b>			
Existing operations		111,647	100,992
Acquisitions		3,569	1,103
		<u>115,216</u>	<u>102,095</u>
Continuing operations	2	115,216	102,095
Cost of sales	3	(87,970)	(81,340)
		<u>27,246</u>	<u>20,755</u>
<b>GROSS PROFIT</b>			
Administrative expenses	3	(15,809)	(7,686)
<b>OPERATING PROFIT</b>	6		
Existing operations		11,300	13,014
Acquisitions		137	55
		<u>11,437</u>	<u>13,069</u>
Continuing operations		11,437	13,069
Impairment of goodwill	7	(2,524)	-
		<u>8,913</u>	<u>13,069</u>
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE FINANCE CHARGES</b>			
Interest receivable		52	13
Other finance income	18	1,328	5,795
Interest payable		(184)	-
		<u>10,109</u>	<u>18,877</u>
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>			
Taxation on profit on ordinary activities	8	(3,888)	(5,443)
		<u>6,221</u>	<u>13,434</u>
<b>PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION</b>	9,20		
		<u>6,221</u>	<u>13,434</u>

**CONSOLIDATED RECONCILIATION OF MOVEMENTS IN SHAREHOLDER'S FUNDS**

**Year ended 31 December 2012**

	<b>2012</b>	<b>2011</b>
	<b>£000</b>	<b>£000</b>
Profit for the year	6,221	13,434
Other recognised profits/(losses)	3,116	(9,203)
Net increase in shareholder's funds	9,337	4,231
Opening shareholder's funds	39,056	34,825
Closing shareholder's funds	48,393	39,056

**CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES**

**Year ended 31 December 2012**

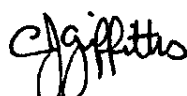
	<b>Note</b>	<b>2012</b>	<b>2011</b>
		<b>£000</b>	<b>£000</b>
Profit for the financial year		6,221	13,434
Actuarial gain/(loss) relating to the pension scheme	18	4,047	(12,271)
Deferred taxation attributable		(931)	3,068
Total recognised gains and losses relating to the year		9,337	4,231

**CONSOLIDATED BALANCE SHEET**  
**As at 31 December 2012**

	Note	2012 £000	2011 £000
<b>FIXED ASSETS</b>			
Intangible assets	10	25,624	17,478
Tangible assets	11	15,246	14,642
		<u>40,870</u>	<u>32,120</u>
<b>CURRENT ASSETS</b>			
Stocks	13	561	378
Debtors			
- falling due within one year	14	32,548	26,267
Cash at bank and in hand		8,169	7,427
		<u>41,278</u>	<u>34,072</u>
<b>CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR</b>	15	<u>(37,170)</u>	<u>(26,208)</u>
<b>NET CURRENT ASSETS</b>		<u>4,108</u>	<u>7,864</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		44,978	39,984
<b>CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR</b>	16	(3,070)	-
<b>PROVISIONS FOR LIABILITIES</b>	17	<u>(72)</u>	<u>(176)</u>
<b>NET ASSETS EXCLUDING PENSION ASSET/(LIABILITY)</b>		41,836	39,808
<b>PENSION ASSET/(LIABILITY)</b>	18	<u>6,557</u>	<u>(752)</u>
<b>NET ASSETS</b>		<u>48,393</u>	<u>39,056</u>
<b>CAPITAL AND RESERVES</b>			
Called-up share capital	19	8,000	8,000
Capital reserve	20	26	26
Profit and loss account	20	40,367	31,030
<b>SHAREHOLDER'S FUNDS</b>		<u>48,393</u>	<u>39,056</u>

The consolidated financial statements of SGS United Kingdom Limited were approved by the Board of Directors on 15 July 2013

Signed on behalf of the Board of Directors



J Griffiths

Director

## COMPANY BALANCE SHEET

As at 31 December 2012

	Note	2012 £000	2011 £000
<b>FIXED ASSETS</b>			
Intangible assets	10	1,269	3,962
Tangible assets	11	12,895	12,754
Investments	12	42,922	27,393
		<u>57,086</u>	<u>44,109</u>
<b>CURRENT ASSETS</b>			
Stocks	13	140	267
Debtors			
- falling due within one year	14	25,234	23,090
Cash at bank and in hand		3,619	4,858
		<u>28,993</u>	<u>28,215</u>
<b>CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR</b>	15	<u>(44,015)</u>	<u>(35,599)</u>
<b>NET CURRENT LIABILITIES</b>		<u>(15,022)</u>	<u>(7,384)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		42,064	36,725
<b>CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR</b>	16	(3,070)	-
<b>PROVISIONS FOR LIABILITIES</b>	17	<u>(72)</u>	<u>(176)</u>
<b>NET ASSETS EXCLUDING PENSION ASSET/(LIABILITY)</b>		38,922	36,549
<b>PENSION ASSET/(LIABILITY)</b>	18	<u>6,557</u>	<u>(752)</u>
<b>NET ASSETS INCLUDING PENSION ASSET/(LIABILITY)</b>		<u>45,479</u>	<u>35,797</u>
<b>CAPITAL AND RESERVES</b>			
Called-up share capital	19	8,000	8,000
Profit and loss account	20	<u>37,479</u>	<u>27,797</u>
<b>SHAREHOLDER'S FUNDS</b>		<u>45,479</u>	<u>35,797</u>

The financial statements of SGS United Kingdom Limited, registered number 1193985, were approved by the Board of Directors on 15 July 2013

Signed on behalf of the Board of Directors

  
J. Griffiths

Director

**NOTES TO THE ACCOUNTS****Year ended 31 December 2012****1. ACCOUNTING POLICIES**

The financial statements have been prepared in accordance with applicable United Kingdom law and accounting standards. The principal accounting policies, which have been applied consistently in the current and prior year, are summarised below.

**Basis of accounting**

The financial statements have been prepared in accordance with the historical cost convention.

**Going concern**

The group's business activities, together with its performance and principal risks and uncertainties, are set out in the Director's Report. The group has considerable financial resources and contracts with a number of customers across different industry sectors and geographical areas. As a consequence, the directors believe that the group is well placed to manage its business risks successfully despite the current uncertain economic outlook.

Based on internal forecasts and projections, prepared for a period of at least 12 months from the date of approval of the financial statements and which take into account reasonably possible changes in the company's trading performance, the directors have a reasonable expectation that the company and the group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, the going concern basis has continued to be adopted in the preparation of the financial statements.

**Basis of consolidation**

The consolidated financial statements include the company and all its subsidiaries. The results of operations sold or acquired during the year are included in the consolidated profit and loss account up to, or from, the date control passes. Intra group sales and profits are eliminated upon consolidation. Acquisitions are accounted for under the acquisition method.

**Goodwill**

Goodwill arising on consolidation, being the excess of the fair value of the consideration given over the fair value of the identifiable net assets of operations acquired at the date of acquisition, is amortised through the profit and loss account on a straight line basis over 5 and 20 years, being its expected useful economic life. Provision is made for any impairment.

**Investments**

Investments held as fixed assets are stated at cost less provision for any impairment.

**Tangible fixed assets**

The cost of fixed assets is their purchase cost, together with any incidental costs of acquisition.

Provision for depreciation is made so as to write off the cost of tangible fixed assets on a straight line basis, over the expected useful economic life of the assets concerned. The principal annual rates used for this purpose are

	%
Freehold buildings	3
Plant and machinery	10-25
Motor vehicles	20-33
Furniture and equipment	10-33

Leasehold buildings are amortised over the period of the lease. Freehold land is not depreciated.

**NOTES TO THE ACCOUNTS (continued)**  
**Year ended 31 December 2012**

**1. ACCOUNTING POLICIES (continued)**

**Taxation**

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the group's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements

A net deferred tax asset is regarded as recoverable and therefore recognised only to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted

Deferred tax is not recognised when fixed assets are revalued unless by the balance sheet date there is a binding agreement to sell the revalued assets and the gain or loss expected to arise on sale has been recognised in the financial statements. Neither is deferred tax recognised when fixed assets are sold and it is more likely than not that the taxable gain will be rolled over, being charged to tax only if and when the replacement assets are sold.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis

**Operating leases**

Costs in respect of operating leases are charged on a straight line basis over the lease term, even where payments are not made on such a basis

**Stocks and work in progress**

Stocks and work in progress are stated at the lower of cost and net realisable value. Net realisable value is the price at which stocks and work in progress can be sold in the normal course of business after allowing for the costs of realisation

**Long-term contracts**

Turnover on long-term contracts is recognised according to the stage reached in the contract by reference to the value of work done. A prudent estimate of the profit attributable to work completed is recognised once the outcome of the contract can be assessed with reasonable certainty. The amount by which the turnover exceeds payments on account is shown under debtors as amounts recoverable on contracts. Payments on account less work completed at the balance sheet date are shown separately in creditors. Provision is made for the full amount of foreseeable losses on contracts

**Foreign currencies**

Trading transactions denominated in foreign currencies are translated into sterling at the exchange rate ruling when the transaction was entered into or at the forward contract rate where applicable. Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the exchange rate ruling at the balance sheet date or, if appropriate, at the forward contract rate. Exchange gains or losses are included in the profit on ordinary activities.

The group uses derivative financial instruments to reduce exposure in foreign exchange risk. The group does not hold or issue derivative financial instruments for speculative purposes

**NOTES TO THE ACCOUNTS (continued)****Year ended 31 December 2012****1. ACCOUNTING POLICIES (continued)****Turnover**

Turnover represents the amount receivable for services during the year and excludes value added tax, and the majority of which is recognised at the point at which the service is provided. Turnover from the supply of services represents the value of services provided under contracts to the extent that there is a right to consideration and is recorded at the value of the consideration due. Where a contract has only been partially completed at the balance sheet date turnover represents the value of the service provided to date based on a proportion of the total contract value. Where payments are received from customers in advance of services provided, the amounts are recorded as deferred income and included as part of creditors due within one year.

**Pension costs**

For defined benefit schemes the amounts charged to operating profit are the current service costs and gains and losses on settlements and curtailments. They are included as part of staff costs. Past service costs are recognised immediately in the profit and loss account if the benefits have vested. If the benefits have not vested immediately, the costs are recognised over the period until vesting occurs. The interest cost and the expected return on assets are shown as a net amount of other finance costs credits adjacent to interest. Actuarial gains and losses are recognised immediately in the statement of total recognised gains and losses.

Defined benefit schemes are funded, with the assets of the scheme held separately from those of the group, in separate trustee administered funds. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit method and discounted at a rate equivalent to the current rate of return on a high quality corporate bond of equivalent currency and term to the scheme liabilities. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date. The resulting defined benefit asset or liability, net of the related deferred tax, is presented separately after other net assets on the face of the balance sheet.

For defined contribution schemes the amount charged to the profit and loss account in respect of pension costs and other post-retirement benefits is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

**Cash flow statement**

As permitted by paragraph 5(a) of FRS 1 'Cash flow Statements' the group's consolidated cash flow statement has not been included in these financial statements. The company is a wholly owned subsidiary of SGS SA, the ultimate parent company, which produces a group cash flow statement.

**Share-based payment**

The group has applied the requirements of FRS 20 'Share-based Payments'.

The ultimate parent SGS SA issues equity-settled share-based payments to certain employees. Equity-settled share-based payments are measured at fair value (excluding the effect of non market-based vesting conditions) at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed over the vesting period, based on the group's estimate of shares that will eventually vest and adjusted for the effect of non market-based vesting conditions. The fair value of share options is based on the market value at grant date.

**Associates**

In the consolidated financial statements investments in associates are accounted for using the equity method. The consolidated profit and loss account includes the group's share of associates' losses while the group's share of the net liabilities of the associates is shown in the consolidated balance sheet. Goodwill arising on the acquisition of associates is accounted for in accordance with the policy set out above. Any unamortised balance of goodwill is included in the carrying value of the investment in associates.

**Intangible assets – brand names and customer relationships**

Patents and trademarks are included at cost and depreciated in equal annual instalments over a period of ten years which is their estimated useful economic life. Provision is made for any impairment.

**NOTES TO THE ACCOUNTS (continued)**  
**Year ended 31 December 2012**

**2. TURNOVER**

Turnover and net assets are derived from the principal activities of independent testing, verification, inspection and certification services and originate in the United Kingdom. The analysis by geographical area of the group's turnover by destination is set out below

	2012 £000	2011 £000
United Kingdom	81,317	75,154
Other countries	33,899	26,941
	<u>115,216</u>	<u>102,095</u>

**3. COST OF SALES, GROSS PROFIT AND ADMINISTRATIVE EXPENSES**

	2012 £'000	2011 £'000
Cost of sales	81,340	81,340
Gross profit	<u>20,755</u>	<u>20,755</u>
Administrative expenses	<u>7,686</u>	<u>7,686</u>

**4. DIRECTORS' REMUNERATION**

The remuneration paid to the directors for their services to the group was

	2012 £000	2011 £000
Emoluments	294	333
Pension contributions	14	14
	<u>308</u>	<u>347</u>
<b>Remuneration of the highest paid director:</b>		
Aggregate emoluments	<u>208</u>	<u>226</u>

The number of directors to whom retirement benefits are accruing under defined benefit schemes in respect of qualifying services was one (2011 one) The number of directors to whom retirement benefits are accruing under defined contribution schemes in respect of qualifying services was one (2011 one)

Two current directors exercised share options during the year



**NOTES TO THE ACCOUNTS (continued)**  
**Year ended 31 December 2012**

**5. EMPLOYEE INFORMATION (continued)**

The average monthly number of persons (including executive directors) employed by the group during the year was

	Group 2012 No.	Group 2011 No.	Company 2012 No.	Company 2011 No.
Production/inspection	1,081	941	953	893
Administration	80	76	72	71
	<u>1,161</u>	<u>1,017</u>	<u>1,025</u>	<u>964</u>
	<b>Group 2012 £'000</b>	<b>Group 2011 £'000</b>	<b>Company 2012 £'000</b>	<b>Company 2011 £'000</b>
Staff costs (for the above persons):				
Wages and salaries	41,191	34,466	35,096	32,293
Social security costs	4,548	3,787	3,918	3,545
Other pension costs/(credit)	458	(289)	196	(524)
	<u>46,197</u>	<u>37,964</u>	<u>39,210</u>	<u>35,314</u>

**Share-based payments**

*Equity-settled share option plan*

Selected directors and employees of the SGS SA group are entitled to participate each year in a group share option plan. The benefit consists of a right to buy SGS SA shares (accounted for as equity-settled share-based payment transactions) at a pre-determined fixed price through a traded option plan. The vesting period is over three years. Options are forfeited if the employee leaves the group before the options vest.

Details of the share options outstanding during the year are as follows

Description	Exercise period		Options outstanding at 31 December 2011	Granted during the year	Forfeited during the year	Exercised during the year	Options outstanding at 31 December 2012
	from	To	No.	No.		No.	No.
SGSMF – LTI 2011	Jan-15	Jan-16	200,000	-	-	-	200,000
SGSMO – LTI Plan	Jan-09	Jan-11	80,000	-	(80,000)	-	-
SGSFS – Ordinarily issued	Jan-10	Jan-12	12,000	-	-	(12,000)	-
SGSMO – 2008 Ordinarily issued	Jan-11	Jan-13	66,600	-	-	(64,600)	2,000
SGSGU – Ordinarily issued	Jan-12	Jan-14	111,313	-	-	(93,313)	18,000
SGSOP – Ordinarily issued	Jan-13	Jan-15	113,659	-	-	-	113,659
SGSMF – Ordinarily issued	Jan-14	Jan-16	100,894	-	-	-	100,894
SGSWS – Ordinarily issued	Jan-16	Jan-18	-	159,872	-	-	159,872
Total			684,466	159,872	(80,000)	(169,913)	594,425

## NOTES TO THE ACCOUNTS (continued)

Year ended 31 December 2012

## 5. EMPLOYEE INFORMATION (continued)

In 2012 159,872 options granting the right to acquire shares of SGS SA, at a strike price of CHF 2,013 (100 options give the right to acquire one share and each option expires in January 2016) were granted. The aggregate of the estimated fair values of the options granted is CHF 455,632. The fair value of the share options granted during the year is based on their market value at grant date. All options are publicly traded.

## 6. OPERATING PROFIT

Operating profit is stated after charging	2012 £000	2011 £000
<b>Depreciation and amortisation charge for the year:</b>		
Intangible fixed assets	2,392	1,789
Tangible fixed assets	2,181	2,512
<b>Auditor's remuneration:</b>		
- for the audit of the company's financial statements	68	68
- for the audit of the financial statements of subsidiaries	39	34
Non-audit services		
- tax services	29	28
Operating leases	2,830	2,616
Loss on disposal of tangible fixed assets	-	89

The disclosures above are for the group. The company is not required, in its financial statements, to disclose separately information about fees for non-audit services to the company as the consolidated financial statements are required to disclose such fees on a consolidated basis.

## 7. NON-OPERATING EXCEPTIONAL COSTS

During the year the group incurred exceptional costs in relation to the termination of trade of a discrete operation within the group. The goodwill in relation to this operation was written down by £2,524,000. Further information is provided in note 10.

## 8. TAX ON PROFIT ON ORDINARY ACTIVITIES

	2012 £000	2011 £000
United Kingdom corporation tax		
- current year charge	2,498	2,985
- adjustment in respect of prior years	-	(8)
Total current tax	2,498	2,977
United Kingdom deferred tax		
- current year charge/(credit)	(128)	(64)
- adjustment in respect of prior years	117	-
- impact of rate change	61	(157)
Movement in respect of deferred tax on pension asset/liability	1,340	2,687
Total tax charge for the year	3,888	5,443

## NOTES TO THE ACCOUNTS (continued)

Year ended 31 December 2012

## 8. TAX ON PROFIT ON ORDINARY ACTIVITIES (continued)

The deferred tax asset consists of the following amounts

	Group 2012 £'000	Group 2011 £'000	Company 2012 £'000	Company 2011 £'000
Difference between capital allowances and depreciation	104	232	190	376
Tax losses	190	-	-	-
Other short term timing differences	26	16	13	16
	<u>320</u>	<u>248</u>	<u>203</u>	<u>392</u>

The movement in the deferred tax balance is given below

	Group 2012 £'000	Group 2011 £'000	Company 2011 £'000	Company 2011 £'000
Deferred tax asset at 1 January	248	196	392	400
(Charged)/credited to the profit and loss in the year	(115)	46	(189)	(8)
Acquisitions	187	6	-	-
	<u>320</u>	<u>248</u>	<u>203</u>	<u>392</u>

## Factors affecting current tax charge for the year

The tax assessed for the year is higher (2011 lower) than that resulting from applying the standard rate of corporation tax in the UK 24.5% (2011 26.5%). The differences are explained below

	2012 %	2011 %
Standard tax rate for year as a percentage of profit	24.5	26.5
Effects of		
Differences between capital allowances and depreciation	0.1	0.4
Expenses not deductible for tax purposes	14.3	1.4
Other timing differences	(13.2)	(12.6)
	<u>25.7</u>	<u>15.7</u>

## 9. PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION

As permitted by section 408 of the Companies Act 2006, the holding company's profit and loss account has not been included in these financial statements

The consolidated retained profit for the year of £6,221,000 (2011 £13,434,000) includes a profit of £6,566,000 (2011 £13,452,000) which relates to the parent company

## NOTES TO THE ACCOUNTS (continued)

Year ended 31 December 2012

## 10. INTANGIBLE FIXED ASSETS

Group	Goodwill £'000	Tradename £'000	Customer relations £'000	Group £'000
<b>Costs</b>				
At 1 January 2012	23,074	2,830	3,270	29,174
Additions	9,988	-	3,074	13,062
At 31 December 2012	33,062	2,830	6,344	42,236
<b>Amortisation and impairment</b>				
At 1 January 2012	10,984	330	382	11,696
Amortisation charge for the year	1,647	283	462	2,392
Impairments (note 7)	2,524	-	-	2,524
At 31 December 2012	15,155	613	844	16,612
<b>Net book value</b>				
At 31 December 2012	17,907	2,217	5,500	25,624
At 31 December 2011	12,090	2,500	2,888	17,478

The additions to goodwill represent consideration paid in excess of the fair value of net assets acquired in the year relating to the acquisitions of SGS Vitrology Limited, SGS Emics Limited and SGS Roplex Limited, see note 22. During the year an exercise to review the provisional fair values of the assets acquired of SGS Vitrology and SGS Emics Limited was completed resulting in the recognition of customer relations intangible assets with a corresponding reduction in goodwill of £3,074,000. During the year the process for finalising the value of assets of SGS Baseefa Limited resulted in an additional £156,000 being recognised as goodwill.

**Company**

Goodwill	Company £'000
<b>Costs</b>	
At 1 January 2012 and 31 December 2012	11,714
<b>Amortisation and impairment</b>	
At 1 January 2012	7,752
Amortisation charge for the year	121
Impairments	2,572
At 31 December 2012	10,445
<b>Net book value</b>	
At 31 December 2012	1,269
At 31 December 2011	3,962

**NOTES TO THE ACCOUNTS (continued)**  
**Year ended 31 December 2012**

**11. TANGIBLE FIXED ASSETS**

<b>Group</b>	<b>Freehold land and buildings £'000</b>	<b>Short term leasehold land and buildings £'000</b>	<b>Plant and machinery £'000</b>	<b>Motor vehicles £'000</b>	<b>Furniture and equipment £'000</b>	<b>Total £'000</b>
<b>Cost</b>						
At 1 January 2012	14,662	1,362	19,855	304	3,026	39,209
Additions	110	40	2,253	-	9	2,412
Acquisitions	-	192	1,577	141	147	2,057
Disposals	-	-	(6)	-	-	(6)
At 31 December 2012	14,772	1,594	23,679	445	3,182	43,672
<b>Depreciation</b>						
At 1 January 2012	4,742	1,203	15,366	279	2,977	24,567
Charge for year	502	24	1,550	19	86	2,181
Acquisitions	-	188	1,276	107	107	1,678
At 31 December 2012	5,244	1,415	18,192	405	3,170	28,426
<b>Net book value</b>						
At 31 December 2012	9,528	179	5,487	40	12	15,246
At 31 December 2011	9,920	159	4,489	25	49	14,642

<b>Company</b>	<b>Freehold land and buildings £'000</b>	<b>Short term leasehold land and buildings £'000</b>	<b>Plant and machinery £'000</b>	<b>Motor vehicles £'000</b>	<b>Furniture and equipment £'000</b>	<b>Total £'000</b>
<b>Cost</b>						
At 1 January 2012	14,087	1,143	16,116	304	2,786	34,436
Additions	110	27	1,641	-	9	1,787
Disposals	-	-	(6)	-	-	(6)
At 31 December 2012	14,197	1,170	17,751	304	2,795	36,217
<b>Depreciation</b>						
At 1 January 2012	4,740	1,032	12,865	279	2,766	21,682
Charge for year	476	14	1,128	12	10	1,640
At 31 December 2012	5,216	1,046	13,993	291	2,776	23,322
<b>Net book value</b>						
At 31 December 2012	8,981	124	3,758	13	19	12,895
At 31 December 2011	9,347	111	3,251	25	20	12,754

The value of the land not depreciated for the group is £918,000 (2011: £918,000) and for the company is £806,000 (2011: £806,000)

**NOTES TO THE ACCOUNTS (continued)**  
**Year ended 31 December 2012**

**12. INVESTMENTS**

	Company 2012 £'000	Company 2011 £'000
Subsidiary undertakings	42,922	27,393
<b>Investments in subsidiary undertakings</b>		<b>Company 2012 £'000</b>
Cost and net book value		
At 1 January		27,393
Additions		15,529
At 31 December		42,922

During the year, in addition to acquisitions totalling £15,389,000 (note 22) there were increases made to the investments of SGS Baseefa Limited £121,000 and SGS Correl Rail Limited £69,000 due to adjustments made to final purchase prices

Name of undertaking:	Activities	Shares held	% Shareholding
SGS Minerals Services UK Limited	Testing and inspection services	Ordinary	100%
SGS M-Scan Limited	Life sciences	Ordinary	100%
SGS Redwood (UK) Limited	Dormant	Ordinary	100%
SGS Baseefa Limited	Testing and inspection services	Ordinary	100%
SGS Correl Rail Limited	Inspection and certification services	Ordinary	100%
SGS Vitrology Limited	Life sciences	Ordinary	100%
SGS Emics Limited	Testing and calibration services	Ordinary	100%
SGS Roplex Limited	Testing and inspection services	Ordinary	100%
SGS Yarsley International Certification Services Limited	Dormant	Ordinary	100%
SGS International Certification Services Limited	Dormant	Ordinary	100%
SGS Environment Limited	Dormant	Ordinary	100%
Cargo Superintendents (London) Limited	Dormant	Ordinary	100%
SGS Inspection Services Limited	Dormant	Ordinary	100%
Wool Testing Services International Limited	Dormant	Ordinary	100%
Environmental Advisory Unit Limited	Dormant	Ordinary	100%
SGS Yarsley Limited	Dormant	Ordinary	100%
SGS Silviconsult Limited	Dormant	Ordinary	100%
SGS Strath Services Limited	Dormant	Ordinary	100%
Auto Marine Specialists Limited	Dormant	Ordinary	100%
SGS Telecommunications Europe Limited	Dormant	Ordinary	100%

All the above subsidiaries are registered in England and Wales except Environmental Advisory Unit Limited and SGS Vitrology Limited, which are registered in Scotland

## NOTES TO THE ACCOUNTS (continued)

Year ended 31 December 2012

## 13. STOCKS

	Group 2012 £000	Group 2011 £000	Company 2012 £000	Company 2011 £000
Raw materials and consumables	36	138	-	138
Work in progress	525	240	140	129
	<u>561</u>	<u>378</u>	<u>140</u>	<u>267</u>

## 14. DEBTORS

	Group 2012 £000	Group 2011 £000	Company 2012 £000	Company 2011 £000
Trade debtors	19,129	15,448	14,834	13,092
Amounts recoverable on contracts	1,420	1,177	1,096	1,122
Amounts owed by group undertakings	10,392	8,574	8,033	7,437
Other debtors and prepayments	1,287	820	1,068	1,047
Deferred tax asset (note 8)	320	248	203	392
	<u>32,548</u>	<u>26,267</u>	<u>25,234</u>	<u>23,090</u>

## 15. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group 2012 £000	Group 2011 £000	Company 2012 £000	Company 2011 £000
Trade creditors	1,638	1,625	1,249	1,479
Amounts owed to group undertakings	12,099	4,642	23,869	16,328
Other taxation and social security	3,455	3,022	3,171	2,921
Corporation tax	2,802	3,267	2,460	3,145
Accruals and deferred income	17,176	13,652	13,266	11,726
	<u>37,170</u>	<u>26,208</u>	<u>44,015</u>	<u>35,599</u>

## 16. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

Group & Company	2012 £'000	2011 £'000
Deferred consideration	3,070	-

Deferred consideration arises on the acquisitions in relation to earn-outs payable with the regards to SGS Vitrology Limited and SGS EMICS Ltd.

**NOTES TO THE ACCOUNTS (continued)**  
**Year ended 31 December 2012**

**17. PROVISIONS**

	<b>Restructuring £'000</b>	<b>Vacant property £'000</b>	<b>Total provisions £'000</b>
<b>Group &amp; Company</b>			
At 1 January 2012	113	63	176
Utilisation of provision	(97)	(7)	(104)
At 31 December 2012	<u>16</u>	<u>56</u>	<u>72</u>

The dates and payments of the vacant lease rentals are certain and the provision has been discounted at a discount rate of 8%. The provision will be utilised within 5 years. The restructuring provision will be utilised within one year.

**18. PENSION ARRANGEMENTS**

**Defined benefit schemes**

The group operates two funded defined benefit pension schemes in the United Kingdom. They are being held in separate trustee administered funds. The information disclosed in these financial statements is on a combined basis.

**Pension scheme valuation**

The pension schemes are valued every three years by independent qualified actuaries, the last valuations being carried out on 31 May 2011 by Mr Ian Kirk, (Mercer), Fellow of the Institute of Actuaries. The valuations of the two schemes have been updated by the actuaries on an FRS 17 basis at 31 December 2012.

Based upon actuarial advice, the major assumptions used in the valuations were:

	<b>2012 %</b>	<b>2011 %</b>	<b>2010 %</b>
Rate of increase in salaries	3.85	4.00	4.40
Rate of increase in pensions in payment (5% LPI)	3.10	3.00	3.40
Discount rate	4.75	4.80	5.50
Inflation assumption	3.10	3.00	3.40
Revaluation rate for deferred pensioners	2.35	2.10	3.40

The mortality assumptions used at 31 December 2012 are based on the SINA tables, with the CMI 2011 projections and a 1% per annum minimum improvement rate and an age rating for male members of the SGS Pension Scheme.

The assumptions used by the actuary are the best estimates chosen from a range of possible actuarial assumptions which, due to the timescale covered, may not necessarily be borne out in practice.



## NOTES TO THE ACCOUNTS (continued)

Year ended 31 December 2012

## 18. PENSION ARRANGEMENTS (continued)

## Scheme assets

The fair value of the assets in the scheme and the expected rate of return were

	2012 %	2012 £'000	2011 %	2011 £'000	2010 %	2010 £'000
Equities	6.80	70,443	7.00	64,133	7.70	67,805
Bonds	4.66	52,595	4.72	44,265	5.42	42,198
Other	3.30	1,930	3.50	1,250	4.20	1,336
Total market value of assets		124,968		109,648		111,339
Actuarial value of liability		(115,446)		(110,650)		(109,158)
Surplus/(deficit) in the scheme		9,522		(1,002)		2,181
Effect of asset limit		(1,007)		-		-
Effect of surplus cap		-		-		(1,054)
		8,515		(1,002)		1,127
Related deferred tax (liability)/asset		(1,958)		250		(316)
Net pension asset/(liability)		6,557		(752)		811

The contribution rate for 2012 was 16% (2011 16%) of pensionable earnings

The movement in deferred tax is reconciled below

	2012 £000	2011 £000
Deferred tax asset/(liability) at 1 January	250	(316)
Charge to profit and loss account	(1,340)	(2,687)
Impact of actuarial losses	(931)	3,068
Impact of rate difference	63	185
Deferred tax (liability)/asset at 31 December	(1,958)	250

	2012 £'000	2011 £'000	2010 £'000
<b>Amounts recognised in the statement of total recognised gains and losses</b>			
Difference between actual and expected return on scheme assets	7,464	(11,383)	7,759
Experience gains arising on scheme liabilities	-	(4,101)	131
Effect of asset limit	(1,007)	1,054	-
Effects of changes in assumptions underlying the present value of the scheme liabilities	(2,410)	2,159	(9,562)
Actuarial gain/(loss) recognised in the statement of total recognised gains and losses	4,047	(12,271)	(1,672)

**NOTES TO THE ACCOUNTS (continued)**  
**Year ended 31 December 2012**

**18. PENSION ARRANGEMENTS (continued)**

	2012 £'000	2011 £'000	2010 £'000
<b>Amounts included within operating profit</b>			
Current service costs	1,096	930	805
	<u>1,096</u>	<u>930</u>	<u>805</u>

	2012 £'000	2011 £'000	2010 £'000
<b>Amounts included as other finance income</b>			
Expected return on scheme assets	6,566	7,637	6,551
Interest discount on scheme liabilities	(5,238)	(5,932)	(5,530)
Recognition of past service cost	-	4,090	-
Effect of surplus cap	-	-	(128)
	<u>1,328</u>	<u>5,795</u>	<u>893</u>

	2012 £'000	2011 £'000	2010 £'000
<b>Net finance income</b>	<u>1,328</u>	<u>5,795</u>	<u>893</u>

	2012 £'000	2011 £'000	2010 £'000
<b>Movement in the scheme (deficit)/surplus during the year</b>			
(Deficit)/surplus in schemes at start of year	(1,002)	1,127	(2,598)
Current service costs	(1,096)	(930)	(805)
Contributions	5,238	5,277	5,309
Net finance income	1,328	5,795	893
Effect of surplus cap	-	-	(1,054)
Actuarial gain/(loss)	4,047	(12,271)	(618)
	<u>8,515</u>	<u>(1,002)</u>	<u>1,127</u>

<b>Surplus/(deficit) in schemes at end of year</b>	<u>8,515</u>	<u>(1,002)</u>	<u>1,127</u>
--	--------------	----------------	--------------

**History of experience gains and losses**

	2012	2011	2010	2009	2008
<b>Difference between expected and actual return on scheme assets.</b>					
Amount (£'000)	7,464	(11,383)	7,759	9,778	(20,217)
Percentage of scheme assets	6%	(10%)	7%	10%	(26%)
<b>Experience gains and losses arising on the scheme liabilities:</b>					
Amount (£'000)	-	(4,101)	131	140	289
Percentage of present value of scheme liabilities	-	(4%)	0%	0%	0%
<b>Total actuarial gain/(loss) in the statement of total recognised gains and losses:</b>					
Amount (£'000)	4,047	(12,271)	(1,672)	(1,674)	(12,387)
Percentage of present value of scheme liabilities	3%	(11%)	(2%)	(2%)	(15%)

The group expects to contribute an additional £5.2m to its pension plans in 2013

**NOTES TO THE ACCOUNTS (continued)**  
**Year ended 31 December 2012**

**18. PENSION ARRANGEMENTS (continued)**

**Movements in the present value of defined benefit obligations were as follows:**

	<b>2012</b>	<b>2011</b>
	<b>£000</b>	<b>£'000</b>
At 1 January	110,650	109,158
Service cost	1,096	930
Interest cost	5,238	5,932
Contributions from scheme members	420	444
Actuarial losses	2,410	1,942
Benefits paid	(4,159)	(3,510)
Premiums paid	(209)	(156)
Past service cost	-	(4,090)
At 31 December	<u>115,446</u>	<u>110,650</u>

**Movements in the fair value of scheme assets were as follows:**

	<b>2012</b>	<b>2011</b>
	<b>£000</b>	<b>£000</b>
At 1 January	109,648	111,339
Expected return on scheme assets	6,566	7,637
Actuarial gain/(loss)	7,464	(11,383)
Contributions from the sponsoring companies	5,238	5,277
Contributions from scheme members	420	444
Benefits paid	(4,159)	(3,510)
Premiums paid	(209)	(156)
At 31 December	<u>124,968</u>	<u>109,648</u>

**Defined contribution scheme**

The group also operates a defined contribution scheme. The assets of the scheme are held separately from those of the group in an independently administered fund. Contributions totalling £9,169 were payable to the fund at the year end (2011: £nil)

	<b>2012</b>	<b>2011</b>
	<b>£000</b>	<b>£000</b>
Contributions payable by the group for the year	<u>731</u>	<u>575</u>

**19. CALLED-UP SHARE CAPITAL**

	<b>Group and company</b>	
	<b>2012</b>	<b>2011</b>
	<b>£000</b>	<b>£000</b>
Allotted, called-up and fully paid		
8,000,000 ordinary shares of £1 each	<u>8,000</u>	<u>8,000</u>

**NOTES TO THE ACCOUNTS (continued)**  
**Year ended 31 December 2012**

**20. RESERVES**

<b>Group</b>	<b>Capital reserve £'000</b>	<b>Profit and loss account £'000</b>	<b>Total £'000</b>
At 1 January 2012	26	31,030	31,056
Retained profit for the year	-	6,221	6,221
Other recognised gains and losses (net)	-	3,116	3,116
At 31 December 2012	26	40,367	40,393

	<b>Profit and loss account £'000</b>
<b>Company</b>	
At 1 January 2012	27,797
Retained profit for the year	6,566
Other recognised gains and losses (net)	3,116
At 31 December 2012	37,479

<b>Pension reserve</b>	<b>Group 2012 £000</b>	<b>Group 2011 £000</b>	<b>Company 2012 £000</b>	<b>Company 2011 £000</b>
Profit and loss surplus excluding pension liability	33,810	31,782	30,922	28,549
Amount relating to defined benefit pension scheme asset/(liability), net of related deferred tax asset	6,557	(752)	6,557	(752)
Profit and loss surplus	40,367	31,030	37,479	27,797

**21. FINANCIAL COMMITMENTS**

At 31 December 2012 the group had annual commitments under non-cancellable operating leases expiring as follows

	<b>Land and buildings 2012 £'000</b>	<b>Other 2012 £'000</b>	<b>Land and buildings 2011 £'000</b>	<b>Other 2011 £'000</b>
Within one year	161	126	83	175
Between two and five years	712	1,090	981	853
After five years	5	-	5	-
	878	1,216	1,069	1,028

**NOTES TO THE ACCOUNTS (continued)****Year ended 31 December 2012****22. ACQUISITIONS**

On 8 February 2012, the company acquired 100% of the issued share capital of Roplex Limited, a company registered in the United Kingdom. The principal activity of the acquired company is testing and inspection. On 8 February, the name of the company was changed to SGS Roplex Limited. The fair value of consideration was £1,254,000. The following table sets out the book values and fair values to the group

	<b>Book and fair value to group £000</b>
<b>Net assets acquired:</b>	
<b>Fixed assets</b>	
Tangible assets	29
<b>Current assets</b>	
Trade and other debtors	271
Cash	219
	<hr/>
<b>Total assets</b>	519
<b>Creditors</b>	
Trade creditors and accruals	(196)
	<hr/>
<b>Total liabilities</b>	(196)
	<hr/>
<b>Net assets</b>	323
Goodwill (note 10)	931
	<hr/>
	1,254
	<hr/> <hr/>
<b>Satisfied by:</b>	
Cash	1,254
	<hr/> <hr/>

No fair value adjustments were made to the book values of the assets and liabilities acquired

## NOTES TO THE ACCOUNTS (continued)

Year ended 31 December 2012

## 22. ACQUISITIONS (continued)

On 17 May 2012, the company acquired 100% of the issued share capital of Vitrology Limited, a company registered in the United Kingdom. The principal activity of the acquired company is life science services. On 18 May 2012, the name of the company was changed to SGS Vitrology Limited. The fair value of consideration was £9,915,000. The following table sets out the book values and fair values to the group.

	Book value £000	Fair value adjustment £000	Fair value £000
<b>Net assets acquired:</b>			
<b>Fixed assets</b>			
Tangible assets	117	-	117
Intangible assets	-	1,998	1,998
<b>Current assets</b>			
Trade and other debtors	886	-	886
Cash	1,559	-	1,559
<b>Total assets</b>	<u>2,562</u>	<u>1,998</u>	<u>4,560</u>
<b>Creditors</b>			
Trade creditors and accruals	(1,099)	-	(1,099)
<b>Total liabilities</b>	<u>(1,099)</u>	<u>-</u>	<u>(1,099)</u>
<b>Net assets</b>	<u>1,463</u>	<u>-</u>	<u>3,461</u>
Goodwill (note 10)	8,452	(1,998)	6,454
	<u>9,915</u>	<u>-</u>	<u>9,915</u>
<b>Satisfied by:</b>			
Cash	<u>9,915</u>	<u>-</u>	<u>9,915</u>

Fair value adjustments of £1,998,000 were made to the book values of the assets and liabilities acquired.

**NOTES TO THE ACCOUNTS (continued)**  
**Year ended 31 December 2012**

**22. ACQUISITIONS (continued)**

On 2 November 2012, the company acquired 100% of the issued share capital of Emics Limited, a company registered in the United Kingdom. The principal activity of the acquired company is calibration and testing services. On 2 November 2012, the name of the company was changed to SGS Emics Limited. The fair value of consideration was £4,170,000. The following table sets out the book values and fair values to the group.

	Book value £000	Fair value adjustment £000	Fair value £000
<b>Net assets acquired:</b>			
<b>Fixed assets</b>			
Tangible assets	233	-	233
Intangible assets	-	1,076	1,076
<b>Current assets</b>			
Trade and other debtors	570	-	570
Cash	440	-	440
<b>Total assets</b>	<u>1,243</u>	<u>1,076</u>	<u>2,319</u>
<b>Creditors</b>			
Trade creditors and accruals	(596)	-	(596)
<b>Total liabilities</b>	<u>(596)</u>	<u>-</u>	<u>(596)</u>
<b>Net assets</b>	647	-	1,723
Goodwill (note 10)	3,523	(1,076)	2,447
	<u>4,170</u>	<u>-</u>	<u>4,170</u>
<b>Satisfied by:</b>			
Cash	<u>4,170</u>	<u>-</u>	<u>4,170</u>

Fair value adjustments of £1,076,000 were made to the book values of the assets and liabilities acquired.

The table below shows the profit and loss account of Roplex Limited (subsequently renamed as SGS Roplex Limited) from the beginning of their accounting period, 1 August 2011, to the date of acquisition, 8 February 2012, and from the date of acquisition to 31 December 2012.

	Pre- acquisition £000	Post- acquisition £000	Total £000
<b>Profit and loss account before exceptional items</b>			
<b>Turnover</b>	769	1,106	1,875
Cost of sales and administrative expenses	(700)	(986)	(1,686)
<b>Operating profit and profit on ordinary activities before taxation</b>	69	120	189
Net interest payable	-	(1)	(1)
Tax on ordinary activities	(19)	(29)	(48)
<b>Profit on ordinary activities after taxation</b>	<u>50</u>	<u>90</u>	<u>140</u>

There were no recognised gains or losses other than the profit shown above.

**NOTES TO THE ACCOUNTS (continued)**  
**Year ended 31 December 2012**

**22. ACQUISITIONS (continued)**

The table below shows the profit and loss account of Vitrology Limited (subsequently renamed as SGS Vitrology Limited) from the beginning of their accounting period, 1 January 2012, to the date of acquisition, 17 May 2012, and from the date of acquisition to 31 December 2012

	Pre-acquisition £000	Post-acquisition £000	Total £000
<b>Profit and loss account before exceptional items</b>			
Turnover	1,283	2,025	3,308
Cost of sales and administrative expenses	(1,279)	(2,037)	(3,316)
<b>Operating profit/(loss) and profit/(loss) on ordinary activities before taxation</b>	4	(12)	(8)
Net interest receivable/ (payable)	19	(12)	7
Tax on ordinary activities	39	(4)	35
<b>Profit/(loss) on ordinary activities after taxation</b>	62	(28)	34

There were no recognised gains or losses other than the profit shown above

The table below shows the profit and loss account of Emics Limited (subsequently renamed as SGS Emics Limited) from the beginning of their accounting period, 1 January 2012, to the date of acquisition, 2 November 2012, and from the date of acquisition to 31 December 2012.

	Pre-acquisition £000	Post-acquisition £000	Total £000
<b>Profit and loss account before exceptional items</b>			
Turnover	2,349	438	2,787
Cost of sales and administrative expenses	(2,039)	(409)	(2,448)
<b>Operating profit and profit on ordinary activities before taxation</b>	310	29	339
Tax on ordinary activities	(139)	(15)	(154)
<b>Profit on ordinary activities after taxation</b>	171	14	185

There were no recognised gains or losses other than the profit shown above

**23. CONTINGENT LIABILITY**

The group has given a joint guarantee in respect of the bank borrowings of its ultimate UK parent company, SGS Holding UK Limited, fellow wholly owned UK trading subsidiaries and SGS Vernolab UK Limited in respect of overdraft facilities provided by the principal bankers. At 31 December 2012, the group's joint and several contingent liability was £1,000,000 (2011 £1,000,000). The directors do not consider that any liability will arise under the guarantee.

**24. DERIVATIVES NOT INCLUDED AT FAIR VALUE - FOREIGN EXCHANGE SWAP CONTRACTS**

As at 31 December 2012, the group has two foreign exchange swap contracts outstanding. The principal amounts are €195m and USD \$5.9m (2011 €195m and USD \$5.9m). As at 31 December 2012 the unrealised gain was £14,000 (2011 gain £116,000) which has not been reflected in the financial statements.



**NOTES TO THE ACCOUNTS (continued)****Year ended 31 December 2012****25. RELATED PARTY TRANSACTIONS**

The group has taken advantage of the exemptions provided by FRS 8 'Related Party Disclosures' and has not disclosed details of transactions with members of the SGS SA group of companies, as the group is 100% owned by SGS SA

**26. ULTIMATE AND IMMEDIATE PARENT COMPANY**

The ultimate parent company and controlling party of SGS United Kingdom Limited is SGS SA, a company incorporated in Switzerland. SGS SA is the parent company of the largest group for which group accounts are prepared. Copies of the financial statements of SGS SA are available from 1 Place des Alpes, B P.2152, CH-1211 Genève 1, Switzerland. The parent undertaking of the smallest group which includes the company and for which group accounts are prepared is SGS Holding UK Limited, a company incorporated in Great Britain and registered in England and Wales. Copies of the financial statements of SGS Holding UK Limited are available from Companies House, Crown Way, Mandy, Cardiff, CF14 3UZ.