

ENVIRONMENTAL SCIENTIFICS GROUP LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

**FOR THE YEAR ENDED
31 DECEMBER 2013**

REGISTERED NUMBER: 2880501

WEDNESDAY



A3H3TL2X

A35

24/09/2014

#104

COMPANIES HOUSE

**Annual report and financial statements
for the year ended 31 December 2013**

	Pages
Directors and advisers	1
Strategic report	2
Directors' report	4
Independent auditors' report	6
Profit and loss account	8
Statement of total recognised gains and losses	9
Balance sheet	10
Notes to the financial statements	11

ENVIRONMENTAL SCIENTIFICS GROUP LIMITED

DIRECTORS AND ADVISORS

For the year ended 31 December 2013

Directors

N Sleeth
R Hastie
S Hammond
P J H Ball (appointed 1 January 2013)
I Sparks (appointed 3 July 2013)
N J C Walters (appointed 28 June 2013)

Registered Office

ESG House
Bretby Business Park
Ashby Road
Bretby
Burton-on-Trent
DE15 0YZ

Independent Auditors

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Donington Court
Pegasus Business Park
Castle Donington
East Midlands
DE74 2UZ

Principal Bankers and Lenders

HSBC Bank plc
26 Broad Street
Reading
Berkshire RG1 2BU

Barclays Bank plc
1 Churchill Place
Canary Wharf
London E14 5HP

Solicitors

Travers Smith
10 Snow Hill
London EC1A 2AL

Registered company number

2880501

Website

www.esg.co.uk

Strategic Report for the year ended 31 December 2013

The directors present their strategic report of the company for the year ended 31 December 2013.

Review of the business

The company provides a complementary suite of environmental testing, inspection and consultancy services to a broad range of clients.

The company's activities can be categorised into four focussed market facing divisions providing the following services.

i) Compliance

Built and natural environment consultancy, inspection and testing covering health & safety, emissions monitoring, water safety and occupational hygiene.

ii) Laboratory & analytical

A broad range testing and analysis business delivered from a high quality laboratory infrastructure delivering environmental chemistry, specialist chemistry, nuclear, forensics and materials & oils testing.

iii) Geotechnical

Providing geotechnical ground and soil investigation, environmental consulting engineering, specialist geotechnical and structural investigation services.

iv) Materials testing

Providing construction materials testing, metallurgical testing, energy services and foundation testing.

2013 was a challenging year for the business with a continuation of difficult market conditions due to the economic backdrop. Despite these challenges, the company performed well delivering strong turnover and margin performance. The company's results for the financial year are shown in the profit and loss account on page 8.

Performance and Outlook

The company's key measure of effectiveness of its operations is operating profit before interest, tax, depreciation, amortisation and exceptionals (EBITDA). This year the company reported EBITDA of £6.6m compared to £6.6m in 2012.

Risks and uncertainties and key performance indicators

The company's objective is to minimise risks and uncertainties through its internal controls and review procedures. The specific risks and uncertainties relating to the company and the key performance indicators which are applied to it are set out in the Environmental Scientifics Group Holdings Limited annual report for the year ended 31 December 2013.

Health & safety

The company is committed to achieving and maintaining high standards of health & safety and to minimising the environmental impact of its business activities. It is the company's policy to provide and maintain safe working conditions, equipment and systems of work for all employees, contractors, visitors and other people affected by its operations.

Strategic Report for the year ended 31 December 2013 (continued)

Employment policy

It is the policy of the company to encourage and develop every member of staff to realise their maximum potential. Wherever possible, vacancies are filled from within the company and adequate opportunities for internal promotion are created. The company is committed to a systematic training policy.

The company has continued its practice of keeping employees informed of matters affecting them as employees and the financial and economic factors affecting the performance of the company. This is achieved through regular staff newsletters, regular team meetings, roadshows and other presentations to all employees and the group's intranet.

Disabled persons

It is the policy of the company, where possible, to give sympathetic consideration to disabled persons in their applications for employment or promotion within the company and to protect the interests of existing members of staff who are disabled.

This report was approved by the board and signed on its behalf by:



N J C Walters
Director
29 April 2014

Directors Report for the year ended 31 December 2013

The directors present their report and the audited financial statements of the company for the year ended 31 December 2013.

Results and dividends

The results for the year, before taxation, amounted to a profit of £138,120 (2012: £837,227).

The directors do not recommend the payment of a dividend (2012: £nil).

Insurance of directors

As permitted by the Articles of Association, the Directors have the benefit of an indemnity which is a qualifying third party indemnity provision as defined by Section 234 of the Companies Act 2006. The indemnity was in force throughout the last financial year and is currently in force. The Company also purchased and maintained throughout the financial year Directors' and Officers' liability insurance in respect of itself and its Directors.

Directors

The directors of the company who were in office during the year and up to the date of signing the financial statements were:

N W Loudon (resigned 28 June 2013)

A Sleeth (resigned 29 June 2013)

N Sleeth

R Hastie (resigned 28 January 2014)

S Hammond

S Lynas (resigned 31 October 2013)

P J H Ball (appointed 1 January 2013)

I Sparks (appointed 3 July 2013)

N J C Walters (appointed 28 June 2013)

Independent Auditors

The directors will place a resolution before the Annual General Meeting to re-appoint PricewaterhouseCoopers LLP as auditors of the company for the ensuing year.

Financial risk management

The company's objective regarding financial risk management is to keep exposure of price risk, credit risk, liquidity risk and cash flow risk to a minimum. In the opinion of the directors the exposure to financial risks has been assessed and at present is deemed to be low and at an acceptable level for the company's operations.

Future Developments

The company is well placed to continue pursuing its strategic objectives of developing a leading broad range environmental services business that can be viewed as a platform for growth by strategic acquisition and organic expansion.

Statement of directors' responsibilities

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting 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;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

Directors Report for the year end 31 December 2013 (Continued)

Statement of directors' responsibilities (continued)

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.

The directors are responsible for the maintenance and integrity of the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Disclosure of information to independent auditors

In the case of each director in office at the date the directors' report is approved, the following applies:

- (a) so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- (b) he/she has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

This report was approved by the board and signed on its behalf by:



N J C Walters
Director
29 April 2014

Independent auditors' report to the members of Environmental Scientifics Group Limited

Report on the financial statements

Our opinion

In our opinion the financial statements, defined below:

- give a true and fair view of the state of the company's affairs as at 31 December 2013 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

This opinion is to be read in the context of what we say in the remainder of this report.

What we have audited

The financial statements, which are prepared by Environmental Scientifics Group Limited, comprise:

- the balance sheet as at 31 December 2013;
- the profit and loss account and statement of total recognised gains and losses for the year then ended;
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

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).

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

What an audit of financial statements involves

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). 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 Annual Report and financial statements (the "Annual Report") 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 other matter prescribed by the Companies Act 2006

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

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- 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.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Independent auditors' report to the members of Environmental Scientifics Group Limited

(Continued)

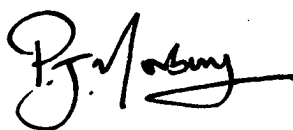
Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the statement of directors' responsibilities set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and ISAs (UK & Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.



Paul Norbury (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
East Midlands

29 April 2014

Profit and loss account for the year ended 31 December 2013

	Note	2013 £'000	2012 £'000
Turnover	2	70,829	66,619
Cost of sales	2	(41,125)	(36,907)
Gross profit		29,704	29,712
Administrative expenses (including exceptional costs of £2,024,000 (2012: £1,224,000))	2	(28,876)	(28,154)
Operating profit		828	1,558
Operating profit before exceptional items and amortisation			
		4,602	4,436
Impairment of investments	13	(1,342)	-
Income from fixed asset investments	8	1,458	-
Profit on ordinary activities before interest and taxation		944	1,558
Interest receivable and similar income	6	185	221
Interest payable and similar charges	7	(991)	(941)
Profit on ordinary activities before taxation		138	838
Tax on profit on ordinary activities	10	(618)	(375)
(Loss) / profit for the financial year	21	(480)	463

The company's results shown above all derive from continuing operations.

The accompanying accounting policies and notes on pages 11 to 32 form an integral part of these financial statements.

There is no material difference between the (loss) / profit on ordinary activities before taxation and the (loss) / profit for the financial year stated above and their historical cost equivalents.

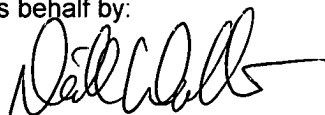
Statement of total recognised gains and losses for the year ended 31 December 2013

	Note	2013 £'000	2012 £'000
(Loss) / profit for the financial year		(480)	463
Actuarial movement on pension scheme	20	367	(800)
Deferred tax on actuarial movement	10	(74)	184
Total recognised losses relating to the year		(187)	(153)

Balance sheet as at 31 December 2013

	Note	2013 £'000	2012 £'000
Fixed assets			
Intangible assets	11	16,752	18,502
Tangible assets	12	8,821	8,400
Investments	13	5,652	6,994
		31,225	33,896
Current assets			
Stock		164	144
Debtors: amounts falling due after more than one year	14	30,996	18,710
Debtors: amounts falling due within one year	15	18,222	20,512
Cash at bank and in hand		5,748	6,060
		55,130	45,426
Creditors: amounts falling due within one year	16	(9,578)	(10,151)
Net current assets		45,552	35,275
Total assets less current liabilities		76,777	69,171
Creditors: amounts falling due after more than one year	17	(42,962)	(34,744)
Provisions for liabilities	18	(798)	(815)
Net assets before pension deficit		33,017	33,612
Pension deficit – net of deferred tax	20	(835)	(1,243)
Net assets including pension deficit		32,182	32,369
Capital and reserves			
Called up share capital	22	-	-
Revaluation reserve	21	262	262
Capital redemption reserve	21	28,981	28,981
Profit and loss account	21	2,939	3,126
Total shareholders' funds	23	32,182	32,369

The financial statements on pages 8 to 32 were approved and authorised for issue by the board and signed on its behalf by:



N J C Walters
Director
29 April 2014

Registered number: 02880501

Notes to the financial statements for the year ended 31 December 2013

1 Principal accounting policies

Basis of accounting

The financial statements have been prepared on the going concern basis, under the historical cost convention and in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom. A summary of the more important accounting policies, which have been reviewed by the board of directors in accordance with Financial Reporting Standard (FRS) 18, "Accounting Policies" and have been applied consistently except where noted, is set out below

The financial statements contain information about Environmental Scientifics Group Limited as an individual company and do not contain the consolidated financial information of its group. The group is exempt under section 400 of the Companies Act 2006 from the requirements to prepare consolidated financial statements for it and its subsidiary undertakings. The results of the group are included by full consolidation in the consolidated financial statements of its parent, Environmental Scientifics Group Holdings Limited, which are publicly available.

Cash flow

The company is a wholly owned subsidiary of Environmental Scientifics Group Holdings Limited and is included in the consolidated financial statements of Environmental Scientifics Group Holdings Limited, which are publicly available. Consequently, the company has taken advantage of the exemption from preparing a cash flow statement under the terms of FRS 1 (Revised 1996) "Cash flow statements".

Tangible fixed assets

The majority of the company's properties were revalued on the basis of open market valuation in 1998, and that valuation was incorporated into the accounts. These values have been frozen under the transitional provisions of FRS 15 and the directors do not intend to adopt a policy of revaluation in the future. Any impairment loss arising on fixed assets will be recognised in accordance with the requirements of FRS 11. The cost of recently acquired tangible fixed assets is their purchase cost, together with any incidental costs of acquisition.

Depreciation is calculated so as to write off the cost of tangible fixed assets, less their estimated residual values, on a straight line basis over the expected useful economic lives of the assets concerned. The useful economic lives used for this purpose are:

Vehicles, plant and equipment	- 2 to 7 years
Short leasehold improvements	- Shorter of lease term or useful life
Freehold and long leasehold buildings	- 30 years

No depreciation is charged on freehold or long leasehold land.

Fixed asset investments

Investments are valued at cost, except where the directors consider that there has been a diminution in value. Provision is made against the cost of an investment to reduce its value where a diminution is considered to have occurred. Impairments are expensed through the Profit and Loss account.

Exceptional items

Exceptional items are those which, in the judgement of the directors need to be disclosed separately by virtue of their size or incidence in order to obtain a proper understanding of the financial information, such as restructuring costs.

Notes to the financial statements for the year ended 31 December 2013 (continued)

1 Principal accounting policies (continued)

Finance and operating leases

Costs in respect of operating leases are charged on a straight line basis over the lease term. Leasing agreements which transfer to the company substantially all the benefits and risks of ownership of an asset are treated as if the asset had been purchased outright. The assets are included in fixed assets and the capital element of the leasing commitment is shown as obligations under finance leases. The lease rentals are treated as consisting of capital and interest elements. The capital element is applied to reduce the outstanding obligations and the interest element is charged to the profit and loss account in proportion to the reducing capital element outstanding. Assets held under finance leases are depreciated over the useful lives of equivalent owned assets.

Foreign currencies

Items included in the financial statements are measured using the currency of the primary economic environment in which the relevant part of the entity operates (the "functional currency"). Transactions denominated in currencies other than the functional currency are translated into the functional currency at spot rates. Foreign exchange gains and losses arising from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies, which are held at the year-end, are taken to the profit and loss account.

Turnover and contract work in progress

Turnover, which is stated net of value added tax, represents net amounts receivable from external customers for the value of the services supplied.

Turnover from inspections and tests is recognised when the service is complete.

Turnover arising from long term contracts represents the proportion of the contract value applicable to the activity in the period ascertained by reference to the application for payments on each contract.

Estimates of total contract costs and turnover are reviewed periodically and the cumulative effects of changes are recognised in the period in which they are identified. All known or anticipated losses are provided in full as soon as they are foreseen.

Turnover recognised in excess of amounts billed, less applicable payments on account, are classified as amounts recoverable on contracts.

Intangibles

Purchased goodwill (representing the excess of the fair value of the consideration given over the fair value of the separable net assets acquired) arising on business combinations is capitalised in accordance with FRS 10, "Goodwill and Intangible assets". Goodwill is amortised to nil by equal annual instalments over its estimated useful life of between 10 to 20 years.

Notes to the financial statements for the year ended 31 December 2013 (continued)

1 Principal accounting policies (continued)

Taxation

Current tax is the expected tax payable on the taxable income for the year, and any adjustment in respect of the prior year.

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.

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

Deferred tax is measured at the 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 an undiscounted basis.

Contributions to pension funds

a) Defined contribution scheme

The company operates a defined contribution pension scheme and the pension charge in the profit and loss account represents the amounts payable by the company to the fund in respect of the year.

b) Defined benefit scheme

The company operates two defined benefit schemes. The amounts charged to operating profit in respect of these schemes are current service costs and any gains and losses on settlements and curtailments. They are included as part of staff costs. Past service costs are charged to operating profit immediately if the benefits have vested. If the benefits have not vested immediately, the costs are recognised by equal annual instalments over the period until vesting occurs.

The interest cost and the expected return on assets are included as other finance income. Actuarial gains and losses net of deferred tax are recognised immediately in the statement of total recognised gains and losses.

Notes to the financial statements for the year ended 31 December 2013 (continued)**2 Turnover**

Turnover arises from the company's activities as outlined in the Strategic report. The analysis of turnover by geographical area of destination is shown below:

	2013 £'000	2012 £'000
United Kingdom	69,548	63,682
Europe	875	1,484
Rest of the World	406	1,453
	70,829	66,619

3 Exceptional items

Exceptional items consist of the following items:

	2013 £'000	2012 £'000
Redundancies, reorganisation costs	(2,024)	(1,224)

The redundancy and reorganisation costs mainly relate to the rationalisation of properties and laboratories within the group and the restructuring of the Geotechnical division.

4 Directors' emoluments

The aggregate emoluments of the directors of the company are set out below:

	2013 £'000	2012 £'000
Aggregate emoluments	1,640	1,486
Company contributions to pension schemes	62	88
	1,702	1,574

Included in emoluments is £474,771 (2012: £83,924) for compensation for loss of office.

None of the (2012: two) directors had retirement benefits accruing from defined benefit pension schemes as a result of services to the company.

The aggregate emoluments of the highest paid director of the company are set out below:

	2013 £'000	2012 £'000
Aggregate emoluments	483	516
Company contributions to money purchase pension scheme	10	20
	493	536

Notes to the financial statements for the year ended 31 December 2013 (continued)**5 Employee information**

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

	2013 Number	2012 Number
By activity		
Direct labour, engineering and operatives	771	970
Management & administration	318	218
	1,089	1,188

	2013 £'000	2012 £'000
Staff costs (for the above persons)		
Wages and salaries	27,984	28,723
Social security costs	2,661	2,679
Other pension costs	891	1,061
	31,536	32,463

6 Interest receivable and similar income

	2013 £'000	2012 £'000
Bank interest	18	9
Pension interest (note 20)	167	212
	185	221

7 Interest payable and similar charges

	2013 £'000	2012 £'000
Interest on amounts due to other group companies	937	836
Pension interest (note 20)	54	104
Other finance costs	-	1
	991	941

Notes to the financial statements for the year ended 31 December 2013 (continued)**8 Income from fixed asset investments**

	2013 £'000	2012 £'000
Investment income from subsidiaries	<u>1,458</u>	<u>-</u>

9 Total operating profit

	2013 £'000	2012 £'000
Total operating profit is stated after charging/(crediting):		
Depreciation of tangible fixed assets:		
- owned assets	1,932	2,148
- under finance leases	27	14
(Profit) / loss on disposal of fixed assets	(825)	15
Amortisation of goodwill	1,750	1,654
Operating lease rentals:		
- motor, plant and machinery	642	1,083
- land and buildings	1,764	1,766
Services provided by the company's auditor:		
- Fees payable for the audit	56	56
- Fees payable for other services - tax	35	-
- corporate simplification	<u>40</u>	<u>-</u>

Notes to the financial statements for the year ended 31 December 2013 (continued)**10 Taxation on profit on ordinary activities**

	2013	2012
	£'000	£'000
Current tax:		
UK corporation tax on profit for the year	-	-
Adjustment to UK corporation tax in respect of previous year	-	-
	<u>-</u>	<u>-</u>
Deferred tax:		
Adjustment in respect of prior year	(208)	204
Origination and reversal of timing differences – current year	550	171
Effect on changes in tax rates	276	-
Tax charge on profit on ordinary activities	<u>618</u>	<u>375</u>
Charge to profit and loss account	<u>618</u>	<u>375</u>

Current taxation

The tax charge for the year differs (2012: differs) from the standard UK corporation tax rate of 23.25% (2012: 24.5%). The differences are explained below:

	2013	2012
	£'000	£'000
Profit on ordinary activities before tax	<u>138</u>	<u>838</u>
Profit on ordinary activities multiplied by the standard UK corporation tax rate of 23.25% (2012: 24.5%)	32	205
Effects of:		
Expenses not deductible for tax purposes	945	459
Income not taxable for tax purposes	(339)	-
Difference between capital allowances and depreciation	(538)	(59)
Other short term timing differences	-	(31)
Adjustments to tax charge in respect of previous periods	-	-
Group relief – not paid	(100)	(574)
Current tax charge for year	<u>-</u>	<u>-</u>

Deferred taxation

At 31 December 2013, the company had deferred tax assets as follows:

	Amount	Amount
	recognised	recognised
	2013	2012
	£'000	£'000
Tax effect of timing differences because of:		
Difference between capital allowances and depreciation	1,386	1,918
Other short term timing differences	289	286
	<u>1,675</u>	<u>2,204</u>

Notes to the financial statements for the year ended 31 December 2013 (continued)**10 Taxation on profit on ordinary activities (continued)**

In addition, deferred tax assets of £208,800 (2012: £371,220) have been netted off the pension deficit. See note 20 and below.

The movement in the deferred tax balance is as follows:

	2013	2012
	£'000	£'000
At 1 January	2,575	2,766
Charge to the profit and loss account	(826)	(375)
Adjustment in respect of prior years	208	-
(Charge) / credit to the statement of total recognised gains and losses	(74)	184
Total deferred tax asset recognised	1,883	2,575
Less: amount netted off pension deficit (note 20)	(209)	(371)
Deferred tax asset at 31 December (note 15)	1,675	2,204

Factors effecting future tax charges

The tax charge for the year differs to the standard UK corporation tax rate of 23.25% (2012: 24.5%).

The Finance Act 2013, which provides for a reduction in the main rate of corporation tax from 23% to 21% with effect from 1 April 2014, and from 21% to 20% with effect from 1 April 2015, was substantively enacted on 2 July 2013. Deferred tax assets and liabilities have been calculated based on a rate of 20% at the balance sheet date (2012: 23%).

Notes to the financial statements for the year ended 31 December 2013 (continued)

11 Intangible assets

	Purchased Goodwill £'000
Cost	
As at 1 January and 31 December 2013	31,565
Accumulated amortisation	
As at 1 January 2013	13,063
Charge for the year	1,750
As at 31 December 2013	14,813
Net book value	
As at 31 December 2013	16,752
As at 31 December 2012	18,502

12 Tangible assets

	Freehold and long leasehold land and buildings £'000	Short leasehold improvements £'000	Vehicles, Plant and Equipment £'000	Total £'000
Cost				
At 1 January 2013	2,798	933	17,235	20,966
Additions	85	23	2,899	3,007
Disposals	-	-	(834)	(834)
At 31 December 2013	2,883	956	19,300	23,139
Accumulated depreciation				
At 1 January 2013	721	548	11,298	12,567
Charge for the year	52	37	1,870	1,959
Disposals	-	-	(208)	(208)
At 31 December 2013	773	585	12,960	14,318
Net book value at 31 December 2013	2,110	371	6,340	8,821
Net book value at 31 December 2012	2,077	385	5,937	8,400

Included in vehicles plant and equipment are assets held under finance leases with a net book value of £6,561 (2012: £33,921). The depreciation charge relating to the continuing business for the year ended 31 December 2013 in respect of assets held under finance leases was £27,360 (2012: £13,884).

Notes to the financial statements for the year ended 31 December 2013**13 Fixed asset investments**

	Other investments £'000	Subsidiary undertakings £'000	Total £'000
Cost and net book value			
At 1 January 2013	18	6,976	6,994
Impairment in the year	-	(1,342)	(1,342)
At 31 December 2013	18	5,634	5,652

The impairment in the year is as a result of the voluntary liquidation of dormant subsidiaries as a consequence of pre liquidation transaction to reduce the balance sheet positions.

The company indirectly holds 100% of the share capital of ESG Asbestos Limited.

The company holds 100% of the issued share capital of Geotech Specialists Limited, a company registered in Ireland.

Investments in group undertakings are stated at cost. The directors believe that the carrying value of the investments is supported by their underlying net assets.

The following is a list of subsidiaries:

	Class of shares	% interest	Country of incorporation or registration	Type of business
Environmental Scientifics Group Limited	Ordinary	100	England & Wales	Environmental testing and consultancy
Precision Monitoring and Control Limited	Ordinary	100	England & Wales	Dormant company
Geotech Specialists Limited	Ordinary	100	Ireland	Property holding company
Soil Mechanics Limited	Ordinary	100	England & Wales	Dormant company
Henley Water Limited	Ordinary	100	England & Wales	Dormant company
Waterwise Technology Limited	Ordinary	100	England & Wales	Dormant company
Scientifics Limited	Ordinary	100	England & Wales	Holding company
ESG Asbestos Limited	Ordinary	100	England & Wales	Asbestos testing and consultancy

14 Debtors: amounts falling due after more than one

	2013 £'000	2012 £'000
Amounts due from group undertakings	30,996	18,710

Amounts owed from group undertakings are unsecured, interest free and not repayable in the short term.

Notes to the financial statements for the year ended 31 December 2013 (continued)**15 Debtors: amounts falling due within one year**

	2013 £'000	2012 £'000
Amounts falling due within one year		
Trade debtors	13,228	14,509
Other debtors	155	290
Prepayments and accrued income	1,465	1,542
Amounts recoverable on contracts	1,698	1,967
Corporation tax	1	-
Deferred tax asset (note 10)	1,675	2,204
	18,222	20,512

16 Creditors: amounts falling due within one year

	2013 £'000	2012 £'000
Trade creditors	2,307	3,761
Other creditors	-	62
Other taxation and social security	2,828	2,453
Accruals and deferred income	4,436	3,790
Corporation tax	-	51
Obligations under finance leases and hire purchase contracts (note 19)	7	34
	9,578	10,151

The hire purchase creditors are secured on the assets to which they relate.

17 Creditors: amounts falling due after more than one year

	2013 £'000	2012 £'000
Amounts owed to group undertakings	42,962	34,744

Amounts owed to group undertakings at the year end are unsecured and interest free with the exception of £9,370,000 (2012: £9,370,000) which is interest bearing at a rate of 10%, and not repayable in the short term.

18 Provisions for liabilities

	£'000
At 1 January 2013	815
Credited to the profit and loss account	(17)
At 31 December 2013	798

Provisions principally relate to dilapidations.

Notes to the financial statements for the year ended 31 December 2013 (continued)**19 Finance leases**

	2013	2012
	£'000	£'000
Amounts due under finance leases and hire purchase contracts		
Within one year	<u>7</u>	<u>34</u>

20 Defined benefit scheme**Industry Wide Coal Staff Superannuation Scheme (Scheme 1)**

The company participates in the Industry Wide Coal Staff Superannuation Scheme ("IWC-SSS").

The assets of the scheme are held separately from those of the company, and all other defined benefit schemes the company is currently operating, with the funds valued at least every three years by a professionally qualified independent actuary. The scheme is closed to new members and the rate of contributions payable are determined by the actuary, and in the intervening years the actuary reviews the continuing appropriateness of these rates.

A full actuarial valuation as at 31 December 2012 is currently being carried out by a qualified independent actuary.

Employer contributions to the defined benefit scheme for the year were £315,000 (2012: £344,000).

The latest full actuarial valuation was updated to 31 December 2013 by a qualified independent actuary. The main assumptions used by the actuary were:

	2013	2012
	% p. a.	% p. a.
Inflation	3.40	2.90
Rate of increase in salaries	1.90	2.20
Rate of increase of pensions in payment	3.30	2.80
Discount rate applied to scheme liabilities	4.65	4.60

The mortality assumptions used were as follows:

	2013	2012
	Years	Years
Life expectancy at 65 for a current male pensioner	20.9	20.6
Life expectancy at 65 for a future male pensioner	22.6	22.0

Notes to the financial statements for the year ended 31 December 2013 (continued)**20 Defined benefit scheme (continued)**

To develop the expected long-term rate of return on assets assumption, the company considered the current level of expected returns on risk free investments (i.e. government bonds), the historical level of the risk premium associated with equities and the expectations for future returns of each asset class. The expected return for each asset class was then weighted based on the asset distribution at the start of the period to develop the expected long-term rate of return on assets assumption for the portfolio.

The assets of the schemes and the weighted average expected rate of return were as follows:

	Value at 31-Dec-13 £'000	Value at 31-Dec-12 £'000	Long-term rate of return expected for 31 Dec 2013 % p.a.	Long-term rate of return expected for 31 Dec 2012 % p.a.
Equities	3,642	2,813	7.60	7.00
Bonds	1,059	87	4.15	4.35
Property	422	374	7.10	6.50
Other assets	626	703	7.60	7.00
Cash	136	166	0.50	0.50
Total market value of assets	5,885	4,926		
			2013	2012
			£'000	£'000
Total market value of assets			5,885	4,926
Defined benefit obligation			(7,068)	(5,581)
Deficit in the scheme			(1,183)	(655)

The amounts recognised in the profit and loss account are as follows:

	2013 £'000	2012 £'000
Service cost	(176)	(177)
Interest cost	(271)	(257)
Expected return on assets	217	153
Total charge	(230)	(281)

Of the total profit and loss charge of £230,000 (2012: £281,000), £86,586 (2012: £85,814) of the current service cost is included within cost of sales, and £89,414 (2012: £91,186) is included within administrative expenses.

Notes to the financial statements for the year ended 31 December 2013 (continued)**20 Defined benefit scheme (continued)****Reconciliation of fair value of scheme assets:**

	2013	2012
	£'000	£'000
Fair value of plan assets at the beginning of the year	4,926	4,138
Expected return on plan assets	217	153
Gain on assets	454	273
Contributions - Employer	315	344
Contribution by plan participants	38	45
Benefits paid	(65)	(27)
Fair value of plan assets at the end of the year	5,885	4,926

The actual return on scheme assets in the year was £5.143m (2012: £4.291m).

Reconciliation of present value of scheme liabilities:

	2013	2012
	£'000	£'000
Fair value of liabilities at the beginning of the year	5,581	5,209
Current service costs	176	177
Contribution by plan participants	38	45
Interest cost	271	257
Actuarial gain	1,067	(80)
Benefits paid	(65)	(27)
Fair value of liabilities at the end of the year	7,068	5,581

The movement in the surplus in the year was:

	2013	2012
	£'000	£'000
Deficit in the section at 1 January	(655)	(1,071)
Contributions paid	315	344
Current service costs	(176)	(177)
Other finance costs	(54)	(104)
Actuarial (loss) / profit	(613)	353
Deficit in the section at 31 December before deferred taxation	(1,183)	(655)
Deferred tax asset	237	151
Deficit in scheme at 31 December net of deferred taxation	(946)	(504)

Notes to the financial statements for the year ended 31 December 2013 (continued)**20 Defined benefit scheme (continued)****Analysis of amounts recognised in the statement of total recognised gains and losses (STRGL):**

	2013	2012
	£'000	£'000
Actual return less expected return on pension scheme assets	454	273
Experience gains and losses arising on the scheme liabilities	(1,067)	80
Actuarial (loss) / gain recognised in STRGL	(613)	353
Movement in deferred taxation	123	(88)
Total (loss) / gain recognised in STRGL	(490)	265

Historic information:

	Year ended	Year ended	Year ended	Year ended	Year ended
	31 Dec 2013	31 Dec 2012	31 Dec 2011	31 Dec 2010	31 Dec 2009
	£m	£m	£m	£m	£m
Section assets	5.885	4.926	4.138	3.953	3.433
Section liabilities	7.068	5.581	5.209	4.613	3.758
(Deficit)	(1.183)	(0.655)	(1.071)	(0.660)	(0.325)
Experience (loss)/gain on section assets	0.454	0.273	(0.293)	0.047	0.532
Percentage of section assets	7.7%	5.5%	(7.1%)	1.2%	15.5%
Experience gain/(loss) on section liabilities	(0.298)	-	0.011	(0.083)	0.093
Percentage of section liabilities	(4.2%)	0.0%	0.2%	2.1%	2.7%
Amount of actuarial (loss)/gain (net of limit on recoverable surplus)	(0.613)	0.353	(0.448)	(0.415)	(0.185)
Percentage of the present value of section liabilities	(8.7%)	6.3%	(8.6%)	(9.0%)	4.9%

Notes to the financial statements for the year ended 31 December 2013 (continued)

20 Defined benefit scheme (continued)

Scientifics Shared Cost Section of the Railways Pension Scheme (Scheme 2)

The company is the designated employer of the Scientifics Shared Cost Section of the Railways Pension Scheme, which provides benefits, based on final pensionable salary, for employees of the company.

The assets of the scheme are held separately from those of the company, and any other defined benefit schemes the company are currently operating. Also, the assets and liabilities of the Scientifics Shared Cost Section are identified separately from the remainder of the scheme. The scheme is closed to new members and the contributions are determined by a qualified actuary on the basis of triennial valuations using the projected unit method.

The last full actuarial valuation finalised prior to the 31 December 2013 period end was at 31 December 2010. The major assumptions used for that valuation were those relating to the rate of return on investments and the rates of increase in salaries and pensions. It was assumed that the investment returns would be 6.81% pre-retirement and 5.52% post-retirement per annum and that salary increases would average 3.2% per annum.

At 31 December 2010 the market value of the section's assets was £22,552,000 and the actuarial value of those assets represented 111.7% of the benefits that had accrued to members, after allowing for contributions payable and reserves.

Contributions are dependent on when employees joined the scheme.

The company contribution rate is 15.9% and the employee contribution rate is 10.6%. This is set out in the Schedule of Contributions agreed as part of the 31 December 2010 triennial valuation.

Employer contributions to the defined benefit scheme for the year were £140,000 (2012: £164,000).

Notes to the financial statements for the year ended 31 December 2013 (continued)**20 Defined benefit scheme (continued)**

The latest full actuarial valuation was updated to 31 December 2013 by a qualified independent actuary. The main assumptions used by the actuary were:

	2013	2012
	% p. a.	% p. a.
Inflation (RPI)	3.30	2.85
Inflation (CPI)	2.30	2.15
Rate of increase in salaries	1.80	2.15
Rate of increase of pensions in payment	2.30	2.15
Rate of increase for deferred pensioners	2.30	2.15
Discount rate applied to scheme liabilities	4.55	4.40
	2013	2012
	Years	Years
Life expectancy at 65 for a current male pensioner	22.3	22.7
Life expectancy at 65 for a future male pensioner	22.0	22.8

The assets of the schemes and the weighted average expected rate of return were as follows:

	Value at 31 Dec 2013	Value at 31 Dec 2012	Long-term for 31 Dec 2013	Long-term rate for 31 Dec 2012
	£m	£m	% p.a.	% p.a.
Equities	13.550	13.250	7.60	7.00
Bonds	8.244	7.86	4.10	4.40
Property	-	-	7.10	6.50
Other assets	1.527	1.405	7.60	7.00
Cash	0.084	0.054	0.50	0.50
Total market value of assets	23.405	22.569		

Notes to the financial statements for the year ended 31 December 2013 (continued)**20 Defined benefit scheme (continued)**

	2013 £m	2012 £m
Total market value of assets	23,405	22,569
Defined benefit obligation	(23,266)	(23,528)
Surplus / (deficit) in the scheme	0.139	(0.959)
Members' share of surplus / (deficit)	-	-
Irrecoverable surplus	-	-
Net pension surplus / (deficit)	0.139	(0.959)

The amounts recognised in the profit and loss account are as follows:

	2013 £'000	2012 £'000
Service cost	(189)	(182)
Interest cost	(614)	(605)
Expected return on assets	781	817
Total charge	(22)	30

Of the total profit and loss (cost)/income of (£22,000) (2012: £30,000) £68,665 (2012: £69,851) of the current service cost is included within cost of sales, and £113,335 (2012: £112,149) is included within administrative expenses.

Reconciliation of fair value of scheme assets:

	2013 £'000	2012 £'000
Fair value of plan assets at the beginning of the year	22,569	21,569
Expected return on plan assets	1,302	1,362
Gain on assets	95	232
Contributions	244	272
Benefits paid	(805)	(866)
Fair value of plan assets at the end of the year	23,405	22,569

The actual return on scheme assets in the year was £1.397m (2012: £1.594m).

Notes to the financial statements for the year ended 31 December 2013 (continued)**20 Defined benefit scheme (continued)****Reconciliation of present value of scheme liabilities:**

	2013	2012
	£'000	£'000
Fair value of liabilities at the beginning of the year	23,528	20,985
Current service costs	312	296
Interest cost	1,023	1,008
Actuarial (gain) / loss	(792)	2,105
Benefits paid	(805)	(866)
Fair value of liabilities at the end of the year	23,266	23,528

The movement in the surplus in the year was:

	2013	2012
	£'000	£'000
Surplus/(deficit) in the section at 1 January	(959)	0
Contributions paid	140	164
Current service cost	(189)	(182)
Other finance income/(costs)	167	212
Actuarial profit/(loss) recognised in STRGL	532	(1,124)
Effect of limit on recoverable surplus recognised in STRGL	448	(29)
Surplus / (Deficit) in the section at 31 December before deferred taxation	139	(959)
Deferred tax (liability) / asset	(28)	221
Surplus / (Deficit) in scheme at 31 December net of deferred taxation	111	(738)

Analysis of amounts recognised in the statement of total recognised gains and losses (STRGL):

	2013	2012
	£'000	£'000
Actual return less expected return on pension scheme assets	57	139
Experience gains and losses arising on the scheme liabilities	475	(1,263)
Actuarial profit / (loss) recognised in STRGL	532	(1,124)
Effect of limit on recoverable surplus recognised in STRGL	448	(29)
Movement in deferred taxation	-	-
Total loss recognised in STRGL	980	(1,153)

Notes to the financial statements for the year ended 31 December 2013 (continued)**20 Defined benefit scheme (continued)****Historic information:**

	Year ended 31 Dec 2013	Year ended 31 Dec 2012	Year ended 31 Dec 2011	Year ended 31 Dec 2010	Year ended 31 Dec 2009
	£m	£m	£m	£m	£m
Section assets	23.405	22.569	21.569	21.862	19.321
Section liabilities	23.266	23.528	20.985	19.962	20.710
(Deficit) / Surplus	0.139	(0.959)	0.584	1.900	(1.389)
Experience gain/(loss) on section assets	0.057	0.139	(0.720)	0.624	0.675
Percentage of section assets	0.2%	0.6%	(3.3%)	2.9%	3.5%
Experience gain/(loss) on section liabilities	0.087	0.000	(0.480)	0.000	(0.140)
Percentage of section liabilities	0.4%	0.0%	(2.3%)	0.0%	(0.7%)
Amount of actuarial (loss)/gain (net of limit on recoverable surplus)	0.532	(1.124)	(0.202)	1.945	(1.863)
Percentage of the present value of section liabilities	2.3%	(4.8%)	(1.0%)	9.7%	(9.0%)

21 Reserves

	Capital redemption reserve £'000	Revaluation reserve £'000	Profit and loss account £'000
At 1 January 2013	28,981	262	3,126
Profit for the financial year	-	-	(480)
Actuarial movement on pension scheme	-	-	367
Deferred tax on actuarial movement	-	-	(74)
At 31 December 2013	28,981	262	2,939

Notes to the financial statements for the year ended 31 December 2013**22 Called up share capital**

	2013	2012
	£'000	£'000
Issued, allotted, and fully paid		
288 (2012: 288) ordinary shares of £1 each	-	-

23 Reconciliation of movements in shareholders' funds

	2013	2012
	£'000	£'000
Opening shareholders' funds	32,369	30,633
Profit for the financial year	(480)	463
Actuarial movement on pension scheme	367	(800)
Deferred tax on actuarial movement on pension scheme	(74)	184
Capital contribution reserve	-	341
Other gain	-	1,549
Closing shareholders' funds	32,182	32,369

24 Financial commitments

At 31 December 2013, the Company had annual commitments under non-cancellable operating leases as follows:

	Land and buildings	Motor, plant and equipment	Land and buildings	Motor, plant and equipment
	2013	2013	2012	2012
	£'000	£'000	£'000	£'000
Expiring within one year	68	233	80	51
Expiring within two to five years	474	409	775	916
Expiring after five years	1,222	-	932	2
	1,764	642	1,787	969

There were contracted capital commitments at 31 December 2013 of £340,335 (2012: £378,233).

Along with other group undertakings, the company has guaranteed certain loans of the ESG Investments Limited group, which at 31 December 2013 amounted to £23,643,803 (2012: £24,882,384). The Directors believe that there will be no material impact on the Company's financial position as a result of these guarantees.

Notes to the financial statements for the year ended 31 December 2013 (continued)

25 Contingent liabilities

The company issues counter-indemnities to clients in respect of tender, advance payment, retention and performance bonds. Terms and conditions of such bonds vary but may prescribe payment on demand. The bonds amounted to £31,957 at 31 December 2013 (2012: £31,957).

26 Related party transactions

The company has taken advantage of the exemption under paragraph 3(c) from the provisions of FRS 8, 'Related Party Disclosures', on the grounds that it is a wholly owned subsidiary of a group headed by Environmental Scientifics Group Holdings Limited, whose accounts are publicly available.

27 Ultimate parent company and ultimate controlling party

The company is a wholly-owned subsidiary of Inspicio Environmental Services Group Limited, which is registered in the United Kingdom.

In the opinion of the directors the ultimate parent undertaking of the company is ESG Investments Limited, a company registered in the Cayman Islands.

The share capital of ESG Investments Limited is owned by several parties including a number of funds each under the management of 3i Investment plc. None of these funds individually has a controlling interest in the company and the directors are therefore of the opinion that there is no ultimate controlling party.

The smallest and largest group of undertakings of which the company is a member that produces publically available consolidated accounts is Environmental Scientifics Group Holdings Limited, a company incorporated in the United Kingdom. Its consolidated accounts may be obtained from the company's registered office at ESG House, Bretby Business Park, Ashby Road, Bretby, DE15 0YZ.