

ENVIRONMENTAL SCIENTIFICS GROUP LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

**FOR THE YEAR ENDED
31 DECEMBER 2014**

REGISTERED NUMBER: 2880501

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**Annual report and financial statements
for the year ended 31 December 2014**

	Pages
Directors and advisers	1
Strategic report	2
Directors' report	5
Independent auditors' report	7
Profit and loss account	9
Statement of total recognised gains and losses	10
Balance sheet	11
Notes to the financial statements	12

ENVIRONMENTAL SCIENTIFICS GROUP LIMITED

DIRECTORS AND ADVISERS

For the year ended 31 December 2014

Directors

N Sleeth
S Hammond
P J H Ball
I Sparks
A C Bolter (appointed 22 April 2014)
J Murphy (appointed 01 May 2014)

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 2014

The directors present their strategic report of the Company for the year ended 31 December 2014.

Strategy and business model

ESG's mission is to be its customers': 'Leading partner for technical expertise and service'. The Company is the UK's leading provider of testing, inspection and compliance services, providing comprehensive solutions to a broad range of clients operating in the Infrastructure, Built Environment and Energy & Waste sectors in particular. It works with its customers throughout the lifecycle of infrastructure and buildings, helping them to manage key environmental, construction and statutory or compliance risks efficiently and effectively. ESG has a UK wide network of accredited laboratories and staff and operates from 30 sites nationwide. The Company's strategy is to develop lasting relationships with its customers which will create value for them and deliver sustainable growth for the Company, through providing: quality and reliability at competitive prices; breadth of services; national coverage; efficiency and technical differentiation.

The business structures its operating activities as follows, aligned to the key market sectors served:

i) Infrastructure

The provision of a broad range of infrastructure testing and inspection services, including: geotechnical ground and soil investigation; environmental consulting engineering; specialist geotechnical and structural investigation services; construction materials testing; metallurgical testing; energy services and foundation testing.

ii) Built Environment

Built and natural environment consultancy and on-site testing and inspection services, covering: health & safety, emissions monitoring, asbestos consulting, water safety and occupational hygiene.

iii) Energy & Waste

A bespoke suite of testing, inspection and compliance tests, to support energy and waste projects and businesses nationwide: including fuel testing, cargo analysis and fuel characterisation, environmental chemistry services, transmission and distribution network ground and foundation testing, transformer oil testing, nuclear testing, energy regulation and risk management services

iv) Multi-sector Services

A broad range of testing and analysis delivered from a high quality laboratory infrastructure, offering environmental chemistry, specialist chemistry, forensics science services, drug & alcohol screening, and oil & grease analysis.

Review of the business

2014 was a strong year in which the Company delivered significant organic growth. In addition to making substantial operating and capital investments in its infrastructure and business development capabilities. This has provided a platform to drive sustainable growth as well as bolstering the Company's risk management and governance processes.

The Company's results for the year and financial position at the balance sheet date are shown in the attached financial statements and have been prepared under United Kingdom Generally Accepted Accounting Practice (UK GAAP).

The key financial measurements that are used and reported against within the businesses are turnover and earnings before interest, tax, depreciation, amortisation and exceptionals (EBITDA).

Revenue for the year ended 31 December 2014 was £71.5 million (2013: £70.8 million). EBITDA before exceptional items totalled £7.0 million (2013: £6.7 million) and Operating profit before amortisation, net financing costs, taxation and exceptional items totalled £4.7 million (2013: £4.6 million), both in line with management's expectations.

In addition to financial parameters, the business also uses a number of other key performance indicators ("KPI") to monitor performance in delivering its strategic performance targets; these include: fee earner and asset utilisation, productivity, reporting turnaround times, new business development, health and safety compliance and employee engagement and retention.

Exceptional costs of £1.1m were incurred during the year (2013: £2.0m) of which £1.0m (2013: £2.0m) related to restructuring of the Board of Directors and Senior Management and realignment of the Company's business units to support its core sectors.

Strategic Report for the year ended 31 December 2014 (continued)

Outlook

The Company provides an industry leading range of Inspection, Testing and Consultancy services to a broad range of end markets and customers. It plans to deliver future growth primarily through organic market share gain in its key sectors, by adding breadth to its proposition - to increase the level of complementary services provided to large customers and projects. It will support this by providing best in class customer service to the high quality organisations it works with and by building scale and technically innovative solutions to increasingly complex needs, to increase its business with existing customers and attract new customers.

Market environment

The business operates across a number of sectors and markets, including:

- **Built environment:** compliance related services including legionella monitoring, water safety treatments and advice, health & safety advice, asbestos monitoring, and occupational hygiene assessment to a broad range of clients in the private, public and local authority sectors, including industrial and commercial property owners, property managers and facilities managers.
- **Infrastructure development and maintenance market:** construction materials testing; ground investigation; soils & water analysis and environmental consultancy services to customers in the utilities, road, rail and general construction, refurbishment and maintenance sectors, including main construction contractors, local authorities and leading infrastructure consultant engineers.
- **Energy testing, inspection and compliance tests,** to support energy suppliers, power generators and transmission & distribution networks, as well as energy regulation and risk management services.
- **Specialist niche markets** - including forensic drug testing, drugs in alcohol and urine testing, nuclear radioactivity testing, fuel and specialist metallurgical testing and oil and grease analysis.

The majority of the Company's sales are made in the UK, which is experiencing sustained economic growth, supported by material investment in public and privately financed large scale infrastructure projects.

The broad portfolio of customers, services and markets served, reduces the business's exposure to individual customers or markets.

Trends and factors affecting future development, performance or position

The Company's future development is dependent on a number of factors, including: macro-economic conditions; public and private investment and spending levels; legislative changes; the operational performance of the business; business development; retention and growth of business with customers; the competitor landscape, strategic acquisitions and ongoing availability of financial resources from lenders and investors.

Operational review

There has been significant investment in developing the business's operational infrastructure during the year, including developing laboratory information management systems ('LIMS') to standardise and improve reporting processes, investment in enhancing scheduling and project management tools, mobile applications for handheld data capture and transmission, and application of Lean principles to improve reporting turnaround times and testing throughput.

Essential contractual or other arrangements

The Company has a number of important relationships with its customers, suppliers and bankers. These relationships are managed by key Managers and Directors.

The primary operational resources utilised by the business are its skilled and valued workforce and its portfolio of leasehold properties. The largest and most significant property is the site of the Company's laboratory facilities and head office at Bretby, near Burton Upon Trent which is on a long term lease with more than 7 years remaining at December 2014.

A range of other resources are procured, eg consumables, vehicles, plant & equipment and IT services, however no critical dependencies have been identified on any single supplier.

Strategic Report for the year ended 31 December 2014 (continued)

Principal risk and uncertainties

The Company is exposed to a variety of risks and actively manages them through its risk management procedures. While risk cannot be eliminated altogether, actions are taken to mitigate them wherever possible through the establishment and testing of key controls. As a matter of policy, the Company does not enter into speculative activities.

The key risks that the Company is exposed to include but are not limited to:

- damage to the Company's reputation as a leader in testing and inspection services;
- loss of market share or profitability through the consolidation of the customer base, increased competition or
- exposure to uninsured environmental or commercial claims and liabilities;
- changes in legislation which reduce demand for the Company's services;
- loss of key management and other highly skilled personnel on who the Company has key dependency;
- loss of quality accreditations;
- damage to the environment or to the health or safety of employees, customers or the public resulting from the
- loss of use of intellectual property;
- loss of use of key physical assets, including plant, property or equipment;
- deterioration in cash flow and or interest rate fluctuations, hindering the Company's ability to service and repay its indebtedness and interest;
- loss of availability of funding from the Company's lenders and/or shareholders

In accordance with its risk management guidelines, the Company raises awareness of business risks at all operational board levels, and encourages all management teams to assess and minimise risk through the implementation and testing of key controls.

The Company ensures that it has appropriate insurance cover in respect of all essential liability and claims risks.

Where the Company is exposed to financial risks due to movements in exchange and interest rates, these are mitigated through the use of derivative hedging instruments at the ultimate holding company level as appropriate, which the Company never enters into for speculative purposes.

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



A C Bolter
Director
30 April 2015

Directors' Report for the year ended 31 December 2014

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

Results and dividends

The results on ordinary activities, before taxation, amounted to a profit of £1,156,848 (2013: £138,120).

The directors do not recommend the payment of a dividend (2013: £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 Sleeth

R Hastie (resigned 28 January 2014)

S Hammond

P J H Ball

I Sparks

N J C Walters (resigned 14 July 2014)

A C Bolter (appointed 22 April 2014)

J Murphy (appointed 01 May 2014)

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.

Principle risks and uncertainties

Details of principle risks and uncertainties of the company are disclosed in the strategic report.

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.

Directors' Report for the year end 31 December 2014 (Continued)

Future Developments

The company is well placed to continue developing its position as a leading provider of testing, inspection and compliance services. Offering a broad range of services to its customers, primarily through organic growth, supported by strategic acquisition which fits closely with its strategy. Future developments are discussed further in the strategic report.

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

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 has taken all the steps that he ought to have taken as a director in order to make himself 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:



A C Bolter
Director
30 April 2015

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

Report on the financial statements

Our opinion

In our opinion, Environmental Scientifics Group Limited's financial statements (the "financial statements"):

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

What we have audited

Environmental Scientifics Group Limited's financial statements comprise:

- the Balance Sheet as at 31 December 2014;
- the profit and loss and Statement of total recognised gains and losses for the year then ended; and
- 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 the preparation of the financial statements 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.

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.

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 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

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

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) ("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.

What an audit of financial statements involves

We conducted our audit in accordance with 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.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report and Financial Statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.



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

30 April 2015

Profit and loss account for the year ended 31 December 2014

	Note	2014 £'000	2013 £'000
Turnover	2	71,477	70,829
Cost of sales		(40,317)	(41,125)
Gross profit		31,160	29,704
Administrative expenses (including exceptional costs of £1,106,244 (2013: £2,024,000))	3,9	(29,316)	(28,876)
Operating profit		1,844	828
Operating profit before exceptional items and amortisation			
		4,700	4,602
Impairment of investments	13	-	(1,342)
Loss on disposal of investments	13	(3,444)	-
Income from other fixed asset investments	8	3,426	1,458
Profit on ordinary activities before interest and taxation		1,826	944
Interest receivable and similar income	6	268	131
Interest payable and similar charges	7	(937)	(937)
Profit on ordinary activities before taxation		1,157	138
Tax on profit on ordinary activities	10	(330)	(618)
Profit / (loss) for the financial year	22	827	(480)

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

The accompanying accounting policies and notes on pages 12 to 33 form an integral part of these financial statements.

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

Statement of total recognised gains and losses for the year ended 31 December 2014

	Note	2014 £'000	2013 £'000
Profit / (Loss) for the financial year		827	(480)
Actuarial movement on pension scheme	21	(1,119)	367
Deferred tax on actuarial movement	10	224	(74)
Total recognised losses relating to the year		(68)	(187)

Balance sheet as at 31 December 2014

	Note	2014 £'000	2013 £'000
Fixed assets			
Intangible assets	11	15,002	16,752
Tangible assets	12	9,490	8,821
Investments	13	2,208	5,652
		<u>26,700</u>	<u>31,225</u>
Current assets			
Stock	14	424	164
Debtors: amounts falling due after more than one year	15	31,537	30,996
Debtors: amounts falling due within one year	16	19,596	18,222
Cash at bank and in hand		7,071	5,748
		<u>58,628</u>	<u>55,130</u>
Creditors: amounts falling due within one year	17	<u>(12,287)</u>	<u>(9,578)</u>
Net current assets		46,341	45,552
Total assets less current liabilities		73,041	76,777
Creditors: amounts falling due after more than one year	18	(38,724)	(42,962)
Provisions for liabilities	19	<u>(720)</u>	<u>(798)</u>
Net assets before pension deficit		33,597	33,017
Pension deficit – net of deferred tax	21	<u>(1,483)</u>	<u>(835)</u>
Net assets including pension deficit		32,114	32,182
Capital and reserves			
Called up share capital	23	-	-
Revaluation reserve	22	262	262
Capital redemption reserve	22	28,981	28,981
Profit and loss account	22	<u>2,871</u>	<u>2,939</u>
Total shareholders' funds	24	32,114	32,182

The financial statements on pages 9 to 33 were approved and authorised for issue by the board and signed on its behalf by:



A C Bolter
Director
30 April 2015

Registered number: 02880501

Notes to the financial statements for the year ended 31 December 2014

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	- 3 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 2014 (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 2014 (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 2014 (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:

	2014	2013
	£'000	£'000
United Kingdom	69,240	69,548
Europe	1,976	875
Rest of the World	261	406
	71,477	70,829

3 Exceptional items

Exceptional items consist of the following items:

	2014	2013
	£'000	£'000
Tax on employment benefits - PAYE	(134)	-
Redundancies, reorganisation costs	(972)	(2,024)
	(1,106)	(2,024)

The redundancy and reorganisation costs related to the reorganisation of the Board of Directors and senior managements and realignment of the Group's business units to support its core sectors. The Company also made a voluntary settlement for PAYE following an internal audit exercise.

4 Directors' emoluments

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

	2014	2013
	£'000	£'000
Aggregate emoluments	1,013	1,340
Company contributions to pension schemes	48	49
	1,061	1,389

Included in emoluments is £nil (2013: £474,771) for compensation for loss of office.

None of the directors (2013: None) 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:

	2014	2013
	£'000	£'000
Aggregate emoluments	289	483
Company contributions to money purchase pension scheme	14	10
	303	493

Notes to the financial statements for the year ended 31 December 2014 (continued)**5 Employee information**

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

	2014 Number	2013 Number
By activity		
Direct labour, engineering and operatives	821	771
Management & administration	329	318
	1,150	1,089
	2014 £'000	2013 £'000
Staff costs (for the above persons)		
Wages and salaries	30,190	27,984
Social security costs	2,891	2,661
Other pension costs	997	891
	34,078	31,536

6 Interest receivable and similar income

	2014 £'000	2013 £'000
Bank interest	30	18
Pension interest (note 21)	238	113
	268	131

7 Interest payable and similar charges

	2014 £'000	2013 £'000
Interest on amounts due to other group companies	937	937

Notes to the financial statements for the year ended 31 December 2014 (continued)**8 Income from other fixed asset investments**

	2014	2013
	£'000	£'000
Investment income from subsidiaries	3,426	1,458

9 Total operating profit

	2014	2013
	£'000	£'000
Total operating profit is stated after charging/(crediting):		
Depreciation of tangible fixed assets:		
- owned assets	2,313	1,932
- under finance leases	7	27
Profit on disposal of fixed assets	(18)	(825)
Amortisation of goodwill	1,750	1,750
Operating lease rentals:		
- motor, plant and machinery	3,490	642
- land and buildings	1,917	1,764
Services provided by the company's auditor:		
- Fees payable for the audit of the company	31	31
- Fees payable for the audit of other group companies	25	25
- Fees payable for other services - tax advisory services	39	35
- corporate simplification	-	40
- other non-audit services	5	-

Notes to the financial statements for the year ended 31 December 2014 (continued)**10 Tax on profit on ordinary activities**

	2014 £'000	2013 £'000
Current tax:		
UK corporation tax on profit for the year	-	-
Adjustment to UK corporation tax in respect of previous year	-	-
	-	-
Deferred tax:		
Adjustment in respect of prior year	(37)	(208)
Origination and reversal of timing differences – current year	378	550
Effect on changes in tax rates	(11)	276
Tax charge on profit on ordinary activities	330	618
Charge to profit and loss account	330	618

Current taxation

The tax assessed for the period is lower (2013: lower) than the standard effective rate of corporation tax in the UK for the year ended 31 December 2014 of 21.49% (2013: 23.25%). The differences are explained below:

	2014 £'000	2013 £'000
Profit on ordinary activities before taxation	1,157	138
Profit on ordinary activities multiplied by the standard UK corporation tax rate of 21.49% (2013: 23.25%)	249	32
Effects of:		
Expenses not deductible for tax purposes	1,034	945
Income not taxable for tax purposes	(736)	(339)
Difference between capital allowances and depreciation	(254)	(538)
Other short term timing differences	(141)	-
Group relief – not paid	(152)	(100)
Current tax charge for year	-	-

Factors affecting current and future tax charges

The standard rate of UK corporation tax in the year changed from 23% to 21% with affect from 1 April 2014, and will change to 20% from 1 April 2015. UK deferred tax is, therefore, recognised at the reduced rate of 20%.

Deferred taxation

At 31 December 2014, the company had deferred tax assets as follows:

	Amount recognised 2014 £'000	Amount recognised 2013 £'000
Tax effect of timing differences because of:		
Difference between capital allowances and depreciation	1,154	1,386
Other short term timing differences	252	289
	1,406	1,675

Notes to the financial statements for the year ended 31 December 2014 (continued)**10 Tax on profit on ordinary activities (continued)**

In addition, deferred tax assets of £370,800 (2013: £208,800) have been netted off the pension deficit. See note 20 and below.

The movement in the deferred tax balance is as follows:

	2014	2013
	£'000	£'000
At 1 January	1,883	2,575
Charge to the profit and loss account	(367)	(826)
Adjustment in respect of prior years	37	209
Credit / (charge) to the statement of total recognised gains and losses	224	(74)
Total deferred tax asset recognised	1,777	1,884
Less: amount netted off pension deficit (note 21)	(371)	(209)
Deferred tax asset at 31 December (note 16)	1,406	1,675

Notes to the financial statements for the year ended 31 December 2014 (continued)

11 Intangible assets

	Purchased Goodwill £'000
Cost	
As at 1 January and 31 December 2014	<u>31,565</u>
Accumulated amortisation	
As at 1 January 2014	14,813
Charge for the year	1,750
As at 31 December 2014	<u>16,563</u>
Net book value	
As at 31 December 2014	<u>15,002</u>
As at 31 December 2013	<u>16,752</u>

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 2014	2,883	956	19,300	23,139
Additions	-	-	2,991	2,991
Disposals	-	-	(154)	(154)
At 31 December 2014	<u>2,883</u>	<u>956</u>	<u>22,137</u>	<u>25,976</u>
Accumulated depreciation				
At 1 January 2014	773	585	12,960	14,318
Charge for the year	58	34	2,228	2,320
Disposals	-	-	(152)	(152)
At 31 December 2014	<u>831</u>	<u>619</u>	<u>15,036</u>	<u>16,486</u>
Net book value at 31 December 2014	<u>2,052</u>	<u>337</u>	<u>7,101</u>	<u>9,490</u>
Net book value at 31 December 2013	<u>2,110</u>	<u>371</u>	<u>6,340</u>	<u>8,821</u>

Included in vehicles plant and equipment are assets held under finance leases with a net book value of £nil (2013: £6,561). The depreciation charge relating to the continuing business for the year ended 31 December 2014 in respect of assets held under finance leases was £6,561 (2013: £27,360).

Notes to the financial statements for the year ended 31 December 2014 (continued)**13 Fixed asset investments**

	Other investments £'000	Subsidiary undertakings £'000	Total £'000
Cost and net book value			
At 1 January 2014	18	5,634	5,652
Loss on disposal	(18)	(3,426)	(3,444)
At 31 December 2014	0	2,208	2,208

The loss on subsidiary undertakings in the year is as a result of the voluntary liquidation of dormant subsidiaries. In addition during the year the group disposed of its investment in Ellipta Limited, a private company registered in England & Wales which provides consulting engineering and loss adjusting services. The investment was disposed of during the year with no proceeds arising from this disposal.

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 at 31 December 2014:

	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 Stocks

	2014 £'000	2013 £'000
Goods held for resale and certain consumables	424	164

The difference between the purchase price and replacement cost is not material.

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

	2014 £'000	2013 £'000
Amounts owed by group undertakings	31,537	30,996

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

16 Debtors: amounts falling due within one year

	2014 £'000	2013 £'000
Amounts falling due within one year		
Trade debtors	14,421	13,228
Other debtors	103	155
Prepayments and accrued income	1,789	1,465
Amounts recoverable on contracts	1,877	1,698
Corporation tax	-	1
Deferred tax asset (note 10)	1,406	1,675
	19,596	18,222

17 Creditors: amounts falling due within one year

	2014 £'000	2013 £'000
Trade creditors	2,879	2,307
Other taxation and social security	3,238	2,828
Accruals and deferred income	6,168	4,436
Corporation tax	2	-
Obligations under finance leases and hire purchase contracts (note 20)	-	7
	12,287	9,578

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

18 Creditors: amounts falling due after more than one year

	2014 £'000	2013 £'000
Amounts owed to group undertakings	38,724	42,962

Amounts owed to group undertakings at the year end are unsecured and interest free with the exception of £9,370,000 (2013: £9,370,000) which is interest bearing at a rate of 10%, and not repayable in the short term.

19 Provisions for liabilities

	£'000
At 1 January 2014	798
Additions	117
Utilised during the year	(78)
Released during the year	(117)
At 31 December 2014	720

Provisions principally relate to dilapidations in respect of leasehold properties.

Notes to the financial statements for the year ended 31 December 2014 (continued)**20 Finance leases**

	2014	2013
	£'000	£'000
Amounts due under finance leases and hire purchase contracts		
Within one year	-	7

21 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 has been carried out by a qualified independent actuary.

Employer contributions to the defined benefit scheme for the year were £291,000 (2013: £315,000).

The latest full actuarial valuation was updated to 31 December 2014 by a qualified independent actuary. The main assumptions used by the actuary were:

	2014	2013
	% p. a.	% p. a.
Inflation	3.00	3.40
Rate of increase in salaries	1.40	1.90
Rate of increase of pensions in payment	1.90	3.30
Discount rate applied to scheme liabilities	3.75	4.65

The mortality assumptions used were as follows:

	2014	2013
	Years	Years
Life expectancy at 65 for a current male pensioner	20.9	20.9
Life expectancy at 65 for a future male pensioner	22.5	22.6

Notes to the financial statements for the year ended 31 December 2014 (continued)**21 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-14	Value at 31-Dec-13	Long-term rate of return expected for 31 Dec 2014 % p.a.	Long-term rate of return expected for 31 Dec 2013 % p.a.
	£'000	£'000		
Equities	3,960	3,642	n/a	7.60
Bonds	1,302	1,059	n/a	4.15
Property	490	422	n/a	7.10
Other assets	752	626	n/a	7.60
Cash	26	136	n/a	0.50
Total market value of assets	6,530	5,885		
			2014	2013
			£'000	£'000
Total market value of assets			6,530	5,885
Defined benefit obligation			(7,931)	(7,068)
Deficit in the scheme			(1,401)	(1,183)

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

	2014	2013
	£'000	£'000
Service cost	(188)	(176)
Interest cost	(331)	(271)
Expected return on assets	353	217
Total charge	(166)	(230)

Of the total profit and loss charge of £166,000 (2013: £230,000), £79,549 (2013: £86,586) of the current service cost is included within cost of sales, and £86,451 (2013: £89,414) is included within administrative expenses.

Notes to the financial statements for the year ended 31 December 2014 (continued)**21 Defined benefit scheme (continued)****Reconciliation of fair value of scheme assets:**

	2014	2013
	£'000	£'000
Fair value of plan assets at the beginning of the year	5,885	4,926
Expected return on plan assets	353	217
Gain on assets	67	454
Contributions - Employer	291	315
Contribution by plan participants	35	38
Benefits paid	(101)	(65)
Fair value of plan assets at the end of the year	6,530	5,885

The actual return on scheme assets in the year was £0.420m (2013: £0.671m).

Reconciliation of present value of scheme liabilities:

	2014	2013
	£'000	£'000
Fair value of liabilities at the beginning of the year	7,068	5,581
Current service costs	188	176
Contribution by plan participants	35	38
Interest cost	331	271
Actuarial loss	410	1,067
Benefits paid	(101)	(65)
Fair value of liabilities at the end of the year	7,931	7,068

The movement in the surplus in the year was:

	2014	2013
	£'000	£'000
Deficit in the scheme at 1 January	(1,183)	(655)
Contributions paid	291	315
Current service costs	(188)	(176)
Other finance income / (costs)	22	(54)
Actuarial loss	(343)	(613)
Deficit in the scheme at 31 December before deferred taxation	(1,401)	(1,183)
Deferred tax asset	280	237
Deficit in scheme at 31 December net of deferred taxation	(1,121)	(946)

Notes to the financial statements for the year ended 31 December 2014 (continued)**21 Defined benefit scheme (continued)****Analysis of amounts recognised in the statement of total recognised gains and losses (STRGL):**

	2014	2013
	£'000	£'000
Actual return less expected return on pension scheme assets	67	454
Experience gains and losses arising on the scheme liabilities	(410)	(1,067)
Actuarial loss recognised in STRGL	(343)	(613)
Movement in deferred taxation	69	123
Total loss recognised in STRGL	(274)	(490)

Historic information:

	Year ended 31 Dec 2014	Year ended 31 Dec 2013	Year ended 31 Dec 2012	Year ended 31 Dec 2011	Year ended 31 Dec 2010
	£m	£m	£m	£m	£m
Scheme assets	6.530	5.885	4.926	4.138	3.953
Scheme liabilities	7.931	7.068	5.581	5.209	4.613
(Deficit)	(1.401)	(1.183)	(0.655)	(1.071)	(0.660)
Experience gain / (loss) on scheme assets	0.067	0.454	0.273	(0.293)	0.047
Percentage of scheme assets	1.0%	7.7%	5.5%	(7.1%)	1.2%
Experience gain/(loss) on scheme liabilities	-	(0.298)	-	0.011	(0.083)
Percentage of scheme liabilities	0.0%	(4.2%)	0.0%	0.2%	2.1%
Amount of actuarial (loss)/gain (net of limit on recoverable surplus)	(0.343)	(0.613)	0.353	(0.448)	(0.415)
Percentage of the present value of scheme liabilities	(4.3%)	(8.7%)	6.3%	(8.6%)	(9.0%)

Notes to the financial statements for the year ended 31 December 2014 (continued)

21 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 2014 year end was at 31 December 2013. 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 2013 the market value of the section's assets was £24,179,000 and the actuarial value of those assets represented 100.7% 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 2013 triennial valuation.

Employer contributions to the defined benefit scheme for the year were £118,000 (2013: £140,000).

Notes to the financial statements for the year ended 31 December 2014 (continued)**21 Defined benefit scheme (continued)**

The latest full actuarial valuation was updated to 31 December 2014 by a qualified independent actuary. The main assumptions used by the actuary were:

	2014	2013
	% p. a.	% p. a.
Inflation (RPI)	3.00	3.30
Inflation (CPI)	1.90	2.30
Rate of increase in salaries	1.40	1.80
Rate of increase of pensions in payment	1.90	2.30
Rate of increase for deferred pensioners	1.90	2.30
Discount rate applied to scheme liabilities	3.75	4.55
	2014	2013
	Years	Years
Life expectancy at 65 for a current male pensioner	22.3	22.3
Life expectancy at 65 for a future male pensioner	21.9	22.0

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

	Value at 31 Dec 2014	Value at 31 Dec 2013	Long-term for 31 Dec 2014	Long-term rate for 31 Dec 2013
	£m	£m	% p.a.	% p.a.
Equities	14.824	13.550	n/a	7.60
Bonds	8.579	8.244	n/a	4.10
Property	-	-	n/a	7.10
Other assets	1.688	1.527	n/a	7.60
Cash	0.076	0.084	n/a	0.50
Total market value of assets	<u>25.167</u>	<u>23.405</u>		

Notes to the financial statements for the year ended 31 December 2014 (continued)**21 Defined benefit scheme (continued)**

	2014 £m	2013 £m
Total market value of assets	25.167	23.405
Defined benefit obligation	(25.922)	(23.266)
(Deficit) / surplus in the scheme	(0.755)	0.139
Members' share of surplus	0.302	-
Irrecoverable surplus	-	-
Net pension (deficit) / surplus	(0.453)	0.139

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

	2014 £'000	2013 £'000
Service cost	(150)	(189)
Interest cost	(628)	(614)
Expected return on assets	844	781
Total charge	66	(22)

Of the total profit and loss income of £66,000 (2013: £22,000), £60,900 (2013: £68,665) of the current service cost is included within cost of sales, and income of £126,900 (2013: £113,335) is included within administrative expenses.

Reconciliation of fair value of scheme assets:

	2014 £'000	2013 £'000
Fair value of plan assets at the beginning of the year	23,405	22,569
Expected return on plan assets	1,407	1,302
Gain on assets	982	95
Contributions	199	244
Benefits paid	(826)	(805)
Fair value of plan assets at the end of the year	25,167	23,405

The actual return on scheme assets in the year was £1.826m (2013: £0.876m).

Notes to the financial statements for the year ended 31 December 2014 (continued)**21 Defined benefit scheme (continued)****Reconciliation of present value of scheme liabilities:**

	2014	2013
	£'000	£'000
Fair value of liabilities at the beginning of the year	23,266	23,528
Current service costs	248	312
Interest cost	1,047	1,023
Actuarial loss / (gain)	2,187	(792)
Benefits paid	(826)	(805)
Fair value of liabilities at the end of the year	25,922	23,266

The movement in the surplus in the year was:

	2014	2013
	£'000	£'000
Surplus/(deficit) in the section at 1 January	139	(959)
Contributions paid	118	140
Current service cost	(150)	(189)
Other finance income	216	167
Actuarial (loss) / profit recognised in STRGL	(724)	532
Effect of limit on recoverable surplus recognised in STRGL	(52)	448
(Deficit) / surplus in the scheme at 31 December before deferred taxation	(453)	139
Deferred tax asset / (liability)	91	(28)
(Deficit) / surplus in scheme at 31 December net of deferred taxation	(362)	111

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

	2014	2013
	£'000	£'000
Actual return less expected return on pension scheme assets	589	57
Experience gains and losses arising on the scheme liabilities	(1,313)	475
Actuarial (loss) / profit recognised in STRGL	(724)	532
Effect of limit on recoverable surplus recognised in STRGL	(52)	448
Movement in deferred taxation	155	(197)
Total (loss) / gain recognised in STRGL	(621)	783

Notes to the financial statements for the year ended 31 December 2014 (continued)

21 Defined benefit scheme (continued)

Historic information:

	Year ended 31 Dec 2014	Year ended 31 Dec 2013	Year ended 31 Dec 2012	Year ended 31 Dec 2011	Year ended 31 Dec 2010
	£m	£m	£m	£m	£m
Scheme assets	25.167	23.405	22.569	21.569	21.862
Scheme liabilities	25.922	23.266	23.528	20.985	19.962
(Deficit) / Surplus	(0.755)	0.139	(0.959)	0.584	1.900
Experience gain/(loss) on scheme assets	0.589	0.057	0.139	(0.720)	0.624
Percentage of scheme assets	2.3%	0.2%	0.6%	(3.3%)	2.9%
Experience (loss) / gain on scheme liabilities	(0.406)	0.087	0.000	(0.480)	0.000
Percentage of scheme liabilities	(1.6%)	0.4%	0.0%	(2.3%)	0.0%
Amount of actuarial (loss)/gain (net of limit on recoverable surplus)	(0.724)	0.532	(1.124)	(0.202)	1.945
Percentage of the present value of scheme liabilities	(2.8%)	2.3%	(4.8%)	(1.0%)	9.7%

22 Reserves

	Capital redemption reserve £'000	Revaluation reserve £'000	Profit and loss account £'000
At 1 January 2014	28,981	262	2,939
Profit for the financial year	-	-	827
Actuarial movement on pension scheme	-	-	(1,119)
Deferred tax on actuarial movement	-	-	224
At 31 December 2014	28,981	262	2,871

Notes to the financial statements for the year ended 31 December 2014 (continued)**23 Called up share capital**

	2014 £'000	2013 £'000
Issued, allotted, and fully paid		
288 (2013: 288) ordinary shares of £1 each	-	-

24 Reconciliation of movements in shareholders' funds

	2014 £'000	2013 £'000
Opening shareholders' funds	32,182	32,369
Profit / (loss) for the financial year	827	(480)
Actuarial movement on pension scheme	(1,119)	367
Deferred tax on actuarial movement on pension scheme	224	(74)
Closing shareholders' funds	32,114	32,182

25 Financial commitments

At 31 December 2014, the Company had annual commitments under non-cancellable operating leases as follows:

	Land and buildings 2014 £'000	Motor, plant and equipment 2014 £'000	Land and buildings 2013 £'000	Motor, plant and equipment 2013 £'000
Expiring within one year	84	300	68	233
Expiring within two to five years	488	407	474	409
Expiring after five years	1,345	-	1,222	-
	1,917	707	1,764	642

There were contracted capital commitments at 31 December 2014 of £394,216 (2013: £340,335).

Along with other group undertakings, the company has guaranteed certain loans of the ESG Investments Limited group, which at 31 December 2013 amounted to £22,489,583 (2013: £23,643,803). 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 2014 (continued)

26 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 £Nil at 31 December 2014 (2013: £31,957).

27 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 financial statements are publicly available.

Transactions with related parties outside the group amounted to purchase of services from 3i Investments Plc £70,000 (2013: £42,000) and MCR Holdings Limited £106,000 (2013: £138,000). Amounts due to 3i Investments Plc at 31 December 2014 amounted to £18,000 (2013: £nil) and MCR Holdings Limited £8,000 (2013: £nil).

The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received.

28 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 financial statements is Environmental Scientifics Group Holdings Limited, a company incorporated in the United Kingdom. Its consolidated financial statements may be obtained from the company's registered office at ESG House, Bretby Business Park, Ashby Road, Bretby, DE15 0YZ.