Edif Group Finance Limited

Report and Financial Statements

31 December 2016

Registered No. 07497827

Directors

R Cavanna
A Du Plessis

Auditors

Anderson Anderson & Brown LLP
Kingshill View
Prime Four Business Park
Kingswells
Aberdeen
AB15 8PU

Registered Office

Cleeve Road
Leatherhead
Surrey
KT22 7SA

Registered Number

07497827

Strategic report

The directors present their strategic report and the financial statements for the year ended 31 December 2016.

Principal activity and review of the business

Until 20 July 2016, the Company was an intermediate parent undertaking within the group of companies headed by Edif Group Limited. On 24 May 2016, RINA S.p.A ("RINA"), the holding company of the multinational testing, inspection, certification and consulting engineering ("TIC-CE") group based in Genoa, Italy, announced that it has signed a definitive agreement for the acquisition of the entire share capital of the company's holding company, Edif Group Limited, for £118.5 million. The merger control clearances were received on 20 July 2016 which completed the deal.

As part of the RINA acquisition the loan notes were repaid in full on 21 July 2016. The repayment was financed by the Company's immediate parent undertaking.

The results show a profit after tax of £630,000 (2015 – loss of £194,000). The directors do not presently expect the activities of the Company to change significantly within the foreseeable future.

The net assets of the Company improved to £1,288,000 (2015 – £658,000) with new borrowings at a lower interest rate than the interest on the loan notes which were repaid, offset by the funding to group companies.

Principal risks and uncertainties

The Company is financed through a combination of equity and debt finance. The Company's equity is detailed in the Statement of Changes in Equity. Debt finance comprises loan notes (until 20 July 2016), preference shares and amounts owed to group undertakings as set out in note 11 to the financial statements. These loans are not repayable until March 2021.

The principal risks facing the Company are that group companies would be unable to repay loans, that investments carried in the Company's balance sheet would not be realised, and that the Company is unable to service its preference shares and amounts owed to group companies. The objective of Company is to manage these risks at optimum cost. A continuous forecasting and monitoring process is in place to manage these risks.

To manage risks relating to the recovery of investments and loans owed to the Company, the directors monitor the performance and financial status of the relevant group companies.

Since the Company's borrowings are of a long term nature liquidity risk arises only in respect of the payment of interest on borrowings. This risk is managed through the receipt of interest on amounts owing from group companies which approximates to the amounts borrowed and at similar interest rates.

Since the Company's borrowings are primarily at fixed rates of interest the directors consider that the Company does not have a significant interest rate risk exposure.

As the Company transacts mainly in Sterling the directors do not consider that the Company has any significant exposure to currency risks.

On behalf of the Board

A Du Plessis
Director
26 May 2017

Registered No. 07497827

Directors' report

The directors present their report and financial statements for the year ended 31 December 2016.

Results and dividends

The profit for the year after taxation amounted to £630,000 (2015 – loss of £194,000). The directors do not recommend a final dividend (2015 – £nil). During the year the company paid an interim dividend of £nil (2015 – £nil).

Future developments

The Company acts as an intermediate holding company and will continue to provide funding support to its subsidiary undertakings.

Going concern

The Company's business activities, together with the principal risk and uncertainties likely to affect its future performance are described in the Strategic Report.

The Company's forecast and projections show that the Company will have adequate financial resources to enable it to continue to fund its operations for the foreseeable future. Accordingly the directors continue to adopt the going concern basis in preparing the financial statements.

Directors

The directors who served the company during the year and since then until approval of the report and financial statements were as follows:

A Chant	(resigned 20 July 2016)
R Dilworth	(resigned 20 July 2016)
G Higgins	(resigned 28 November 2016)
R Cavanna	(appointed 20 July 2016)
A Du Plessis	(appointed 19 December 2016)

Disclosure of information to the auditors

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow directors and the company's auditor, each director has taken all the steps that he is obliged to take as a director in order to make himself aware of any relevant audit information and to establish that the auditor is aware of that information.

Auditors

A resolution to reappoint Anderson Anderson & Brown LLP as auditors will be put to the members at the Annual General Meeting.

On behalf of the Board

A Du Plessis
Director
26 May 2017

Directors' Responsibilities Statement

The directors are responsible for preparing the Strategic Report, Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 101 'Reduced Disclosure Framework' (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 judgments and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent auditor's report

to the members of Edif Group Finance Limited

We have audited the financial statements of Edif Group Finance Limited for the year ended 31 December 2016 which comprise the Profit and Loss Account, the Statement of Comprehensive Income, the Statement of Changes in Equity, the Balance Sheet and the related notes 1 to 14. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 'Reduced Disclosure Framework'.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 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 International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report and financial statements to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 'Reduced Disclosure Framework'; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit, 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 those financial statements and such reports have been prepared in accordance with applicable legal requirements.

In the light of our knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report and the Directors' report.

Independent auditor's report

to the members of Edif Group Finance Limited

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Anderson Anderson & Brown LLP

Christopher Masson (Senior Statutory Auditor)
For and on behalf of Anderson Anderson & Brown LLP
Statutory Auditor
Kingshill View
Prime Four Business Park
Kingswells
Aberdeen
AB15 8PU

30/5/17

Profit and loss account

for the year ended 31 December 2016

	Notes	2016 £000	2015 £000
Interest receivable and similar income	5	7,046	5,818
Interest payable and similar charges	6	(6,416)	(6,012)
Profit/(loss) on ordinary activities before taxation		630	(194)
Tax	7	–	–
Profit/(loss) for the financial year		630	(194)

Statement of comprehensive income

for the year ended 31 December 2016

There are no comprehensive income other than the profits attributable to the shareholders of the company of £630,000 in the year ended 31 December 2016 (2015 – loss of £194,000).

Statement of changes in equity

at 31 December 2016

	Share capital £000	Share premium £000	Retained earnings £000	Total equity £000
At 1 January 2015	–	1,017	(165)	852
Loss for the year	–		(194)	(194)
Total comprehensive income for the year	–	–	(194)	(194)
At 31 December 2015	–	1,017	(359)	658
Profit for the year	–	–	630	630
Total comprehensive income for the year	–	–	630	630
At 31 December 2016	–	1,017	271	1,288

Registered No. 07497827

Balance sheet

at 31 December 2016

	Notes	*2016* *£000*	*2015* *£000*
Fixed assets			
Investments	8	2,940	2,940
Current assets			
Debtors: amounts falling due after more than one year	9	63,597	56,549
Creditors: amounts falling due within one year	10	–	(231)
Net current assets		63,597	56,318
Total assets less current liabilities		66,537	59,258
Creditors: amounts falling due after more than one year	11	(65,249)	(58,600)
Net assets		1,288	658
Capital and reserves			
Called up share capital	12	–	–
Share premium	13	1,017	1,017
Profit and loss account	13	271	(359)
Shareholders' funds		1,288	658

The financial statements were approved for issue by the board of directors on 26 May 2017 and signed on its behalf by:

A Du Plessis

Director

Notes to the financial statements

at 31 December 2016

1. Accounting policies

Statement of compliance and basis of preparation

The financial statements of Edif Group Finance Limited (the "Company") for the year ended 31 December 2016 were authorised for issue by the board of directors on 26 May 2017 and the balance sheet was signed on the board's behalf by Annelie Du Plessis. Edif Group Finance Limited is incorporated and domiciled in England.

The Company's financial statements are presented in Sterling and all values are rounded to the nearest thousand pounds (£000) except when otherwise stated.

The financial statements of the company have been prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ('FRS 101') and with those parts of the Companies Act 2006 applicable to companies reporting under FRS 101.

The Company meets the definition of a qualifying entity under FRS 101 and has therefore taken advantage of the following disclosure exemptions available to it under FRS 101:

(a) the requirements of IFRS 7 Financial Instruments;

(b) the requirements of paragraph 91 to 99 of IFRS 13 Fair Value Measurement;

(c) the requirements of IAS 7 Statement of Cash Flows;

(d) the requirements of paragraphs 10(d), 16, 111 and 134 to 136 of IAS 1 Presentation of Financial Statements;

(e) the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors;

(f) the requirements of paragraph 17 of IAS 24 Related Party Disclosures; and

(g) the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member.

The Company is a subsidiary undertaking of Edif Group Limited. The largest and smallest group in which the results of the Company are consolidated is that headed by RINA S.p.A. See note 14 for further information.

The preparation of financial statements in conformity with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. There are no critical judgments, estimates or assumptions within these financial statements.

Group financial statements

The Company is exempt by virtue of section 400 of the Companies Act 2006 from the requirement to prepare group financial statements because it is a wholly owned subsidiary of RINA S.p.A., which prepares group financial statements which are publically available and in which the results of the company are consolidated. These financial statements present information about the Company as an individual undertaking and not about its group.

Investments

Investments in subsidiary undertakings, associates and joint ventures are stated at cost less any provisions for impairment.

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

Notes to the financial statements

at 31 December 2016

1. Accounting policies (continued)

Taxation

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes with the following exceptions:

- where the initial recognition of goodwill, or any asset or liability in a transaction that is not a business combination, affects neither the accounting nor the taxable profit;
- where differences relate to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future; and
- a deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

Interest bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses. Gains and losses are recognised in net profit or loss when the liabilities are derecognised or impaired, as well as through the amortisation process.

Classification of financial instruments issued by the company

Financial instruments issued by the group are treated as equity only to the extent that they meet the following two conditions:

(a) they include no contractual obligations upon the group to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the group; and

(b) where the instrument will or may be settled in the company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the company's own equity instruments or is a derivative that will be settled by the company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability.

Foreign currencies

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of transaction. Exchange differences are taken into account in arriving at the operating result.

Loan receivables

Loan receivables are initially recorded at cost. After initial recognition, loan receivables are measured at amortised cost using the effective interest method. The carrying values of loan receivables are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. Any impairment arising is recognised within the profit and loss account.

Notes to the financial statements

at 31 December 2016

2. Directors' remuneration

No remuneration was paid to the directors of the Company during the year in respect of qualifying services (2015 – £nil).

3. Auditor's remuneration

Audit remuneration of £2,250 (2015 – £2,050) has been borne by Edif Group Management Limited a subsidiary undertaking of the company. No fees were paid to the company's auditor Anderson Anderson & Brown LLP for services other than the statutory audit of the company's financial statements.

4. Staff costs

The average number of employees, excluding directors, employed by the Company during the year was nil (2015 – nil).

5. Interest receivable and similar income

	2016	*2015*
	£000	*£000*
Interest receivable from group undertakings	6,675	5,487
Preference share dividends	371	331
	7,046	5,818

6. Interest payable and similar charges

	2016	*2015*
	£000	*£000*
Interest payable and similar charges	(5,385)	(5,582)
Preference share dividends	(371)	(331)
Amortisation of transaction costs associated with the raising of finance	(660)	(99)
	(6,416)	(6,012)

7. Tax

(a) Tax on profit/(losses) on ordinary activities

The tax is made up as follows:

	2016	*2015*
	£000	*£000*
Current tax:		
UK corporation tax on the profit/(loss) for the year	–	–
Deferred tax:		
Origination and reversal of temporary differences	–	–
Tax on loss on ordinary activities (note 7(b))	–	–

Notes to the financial statements

at 31 December 2016

7. Tax (continued)

(b) Factors affecting the current tax for the year

The tax assessed for the year differs from the standard rate of corporation tax in the UK of 20% (2015 – 20.25%). The differences are explained below:

	2016	*2015*
	£000	*£000*
Profit/(loss) on ordinary activities before tax	630	(194)
Profit/(loss) on ordinary activities multiplied by standard rate of corporation tax in the UK of 20% (2015 – 20.25%)	126	(39)
Effects of:		
Disallowed expenses/(non-taxable income)	(643)	40
Group relief	517	(1)
Current tax for the year (note 7(a))	–	–

(c) Deferred tax

Deferred tax asset not recognised

	2016	*2015*
	£000	*£000*
Short term temporary differences	–	307

The deferred tax asset has not been recognised in the period due to insufficient foreseeable future taxable profits of which to utilise the deferred tax asset against.

(d) Factors that may affect future tax charges

The UK corporation tax rate will reduce to 19% from 1 April 2017 and reduce further to 17% from 1 April 2020. The reduction to 17% was announced in the March 2016 Budget and was substantively enacted on 6 September 2016 and this is the rate at which deferred tax has been provided.

8. Investments

	Subsidiary undertakings
	£000
Cost:	
At 1 January 2016 and 31 December 2016	2,940
Net book value:	
At 1 January 2016 and 31 December 2016	2,940

Notes to the financial statements

at 31 December 2016

8. Investments (continued)

The undertakings in which the Company's interests at the year-end is more than 20% are as follows:

Subsidiary undertaking	*Country of incorporation*	*Principal activity*	*Holding*	*Class and percentage of shares held*
Edif Group Management Limited	England	Intermediate parent	Ordinary shares	100%
ERA Technology Limited	England	Engineering consultancy	Ordinary shares	100%*
Matthews Engineering Training Limited	England	Engineering training services	Ordinary shares	100%*
Cuerden Consulting Limited	England	Engineering consultancy	Ordinary shares	100%*
Edif Certification Limited	England	Engineering consultancy	Ordinary shares	100%*
OST Energy Limited	UK	Technical consultancy	Ordinary shares	100%*
OST Environment Limited	UK	Technical consultancy	Ordinary shares	100%*
OST Energy Pty Limited	South Africa	Technical consultancy	Ordinary shares	100%*
OST North America Inc	USA	Technical consultancy	Ordinary shares	100%*
OST Italia SRL	Italy	Technical consultancy	Ordinary shares	100%*
OST Energy Pty Ltd	Australia	Technical consultancy	Ordinary shares	100%*
OST Energy Private Limited	India	Technical consultancy	Ordinary shares	100%*
Earthing Solutions Limited	England	Engineering consultancy	Ordinary shares	100%*
Persides Holdings Limited	England	Intermediate parent	Ordinary shares	100%*
Persides Consultancy Services Limited	England	Engineering consultancy	Ordinary shares	100%*
London Power Associates Limited	England	Engineering consultancy	Ordinary shares	100%*
London Power Associates Limited (Nigeria) Limited	Nigeria	Engineering consultancy	Ordinary shares	100%*

* These entities are held indirectly.

9. Debtors: amounts falling due after more than one year

	2016	*2015*
	£000	*£000*
Amounts owed by group undertakings	63,597	56,549

Notes to the financial statements

at 31 December 2016

10. Creditors: amounts falling due within one year

	2016	*2015*
	£000	*£000*
Amounts owed to group undertakings	–	31
Accruals	–	200
	–	231

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

	2016	*2015*
	£000	*£000*
Preference shares classified as debt	3,457	3,086
Amounts owed to group undertakings	61,792	833
Loan notes	–	54,681
Total of loans wholly repayable after more than 5 years	65,249	58,600

The Company has 30 preference shares each at nominal value of 0.099 pence, issued at a premium of £64,117 each. Preference Shares holders are entitled to receive cumulative dividends at 12% and are entitled to one vote per share at meetings of the Company. The shares are redeemable by the Company at any time, subject to the consent of the holder, immediately prior to exit, on repayment of loan notes in an equivalent proportion or on 31 March 2021. Amounts above include £1,534,000 of cumulative unpaid dividends and interest (2015 – £1,163,000).

Amounts owed to group undertakings represents unsecured fixed rate interest bearing loans of 6.5% (2015 – 6.5%) from the company's immediate subsidiary, Edif Group Management Limited and from the company's immediate parent undertaking, Edif Group Limited. The loans are repayable in March 2021.

Following the Company's ownership change on 21 July 2016, the unsecured subordinated loan notes issued to funds managed by Phoenix Equity Partners 2010 Guernsey Limited (which is advised by Phoenix Equity Partners Limited) and to management, were repaid. The loan notes were redeemable on 31 March 2021 and carried a fixed rate interest of 12% and were listed on the Channels Islands Stock Exchange. During the year interest of £3,587,000 (2015 – £5,482,000) was capitalised.

The loan note balance in 2015 was net of £660,000 of unamortised costs associated with the raising of the loan notes and these costs were totally amortised in 2016 (2015 – £99,000). The company incurred total costs of finance in the year of £nil (2015 – £200,000).

12. Issued share capital

		2016		*2015*
Allotted, called up and fully paid	*No.*	*£*	*No.*	*£*
Ordinary shares of £0.01 each		92	9,197	92

Notes to the financial statements

at 31 December 2016

13. Movements on reserves

	Profit and loss account	*Share premium*	*Total share-holders' funds*
	£000	*£000*	*£000*
At 1 January 2016	(359)	1,017	658
Profit for the year	630	–	630
At 31 December 2016	271	1,017	1,288

Share capital

Share capital represents the nominal value of the allotted, called up and fully paid shares.

Share premium

Share premium represents the balance of the total net proceeds on issue of the company's share capital less the nominal value of the shares.

Profit and loss account

Profit and loss account represents the distributable reserves of the company.

14. Ultimate parent undertaking and controlling party

The Company is a subsidiary undertaking of Edif Group Limited which is incorporated in England & Wales. The Company's ultimate parent undertaking is Registro Italiano Navale which is incorporated in Italy.

The largest and smallest group in which the results of the Company are consolidated is that headed by RINA S.p.A incorporated in Italy. The group financial statements of this group are available from the Chamber of Commerce of Genoa, Plazza de Ferrari 2, Genoa, Italy.