



**Inspicio plc** is an AIM listed company which acquires and manages market-leading organisations in the testing, inspection and performance conformity markets, both in the UK and internationally.

**Inspicio plc** has more than 6,500 employees and operates in over 125 countries. Its operating businesses include Inspectorate – a global leader in commodity testing and inspection services, the Environmental Services Group – a leading provider of environmental testing services, the Eclipse Scientific Group – the UK’s leading food testing business and the Scientifics Group – a leading analytical testing and consultancy business.

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## highlights

### Financial highlights:

- Group turnover of £100.7m (2006: £67.8m)
- Inspectorate organic revenue growth of 19.7%
- Operating profit before amortisation of intangible assets and non-recurring items of £6.7m (2006: £2.6m) before charging share option costs of £0.4m (2006: £0.2m)
- Profit before interest and tax of £5.4m (2006: £2.1m)
- Operating margin in Inspectorate of 5.2% (2006: 3.0%)
- Adjusted EPS of 2.5p (2006: 1.4p)

### Operational highlights:

- The Group has successfully continued its strategy to build a leading international inspection and testing business
- Strategy underpinned by continued strong trading in Inspectorate, Inspicio’s largest operating subsidiary
- Acquisition of the Scientifics Group Limited (“Scientifics”) on 5 June 2007 for £22m
- Acquisition of majority stakes in two South African agents
- Rationalisation of ESG and Scientifics Group businesses commenced
- Major contract wins including ground testing for the London 2012 Olympics site and an international contract for coal testing with BHP Billiton

# chairman's statement

Keith Tozzi

I am very pleased to report the interim financial statements for the Inspicio group for the first six months to 30 June 2007 which are presented under International Financial Reporting Standards for the first time. The Group has progressed very well throughout the first half of 2007. The turnaround of Inspectorate has continued on track and in addition, the Group continued its acquisition strategy with the purchase of Scientifics, its fourth major acquisition, as well as two infills in South Africa.

Trading in the first half of the year was strong. Turnover was £100.7m (2006: £67.8m) which included £2.1m from acquisitions, £1.5m of which was contributed by Scientifics. Organic sales growth in our largest business, Inspectorate, was 19.7% at comparable exchange rates. Operating profit before amortisation of intangibles and non-recurring items was £6.7m (2006: £2.6m).

Inspectorate's trading was strong with new monthly revenue records during the period. It remains on track to meet the margin targets of 8% in the second half of 2007 as outlined by management in the Admission Document at the time of the acquisition of Inspectorate.

During the first half of the year Inspectorate acquired two small infill acquisitions in the Metals and Minerals ("M&M") and Oil and Petroleum ("O&P") testing sectors cementing Inspectorate's South African presence.

The Group's businesses continue to be driven by increasing regulation, high barriers to entry and growing world trade, all of which underpin the Group's growth strategy.



**Keith Tozzi**  
Non-executive Chairman  
21 September 2007

"Trading in the first half of the year was strong, with new monthly revenue records in Inspectorate, the Group's largest business."



"Organic revenue growth in Inspectorate was 19.7% at comparable exchange rates."

# chief executive's review

Mark Silver

Sales for the six months ended 30 June 2007, were £100.7m (2006: £67.8m). The comparative six-month period to 30 June 2006 included six months trading of Inspectorate and two months trading of the Environmental Services Group ("ESG"). Both the Eclipse Scientific Group ("Eclipse") and Scientifics were acquired after 30 June 2006 and consequently there was no trading from those businesses in the six months to 30 June 2006. The Group's business remains oriented towards the second half of its financial year.

## Operational review Inspectorate

Sales in Inspectorate for the six months to 30 June 2007 were £68.8m (2006: £60.2m) representing organic growth of 19.7% at comparable exchange rates. At actual exchange rates organic growth was 11.6% despite the weakness of the US Dollar. Operating profit before non-recurring items was £3.6m (2006: £1.8m) and the margin improved from 3.0% in the prior period to 5.2%. Inspectorate remains on track to deliver on its margin target of 8% in the second half of the year.

Oil prices have remained strong during the period generating high refining margins. This, together with US oil refineries operating at near maximum capacity, has resulted in a strong O&P testing and inspection market and their consequent high growth.

New O&P laboratories in St Petersburg and Lagos commenced operations in the first half of the year, whilst a new geochemical facility, currently under construction in Medellin, Colombia, is already handling some 2,500 samples a month. In addition, laboratory outsourcing continues to expand, especially in biofuels and refinery support projects.

Buoyant market conditions prevailed in the M&M sector where strong gold and base metal prices have encouraged exploration and trading continued during the period with both US and Chinese businesses performing well. Business in China was boosted by strong performances in coal and coke, and in addition, inspections of steel, iron ore and ferro-alloys.

At the end of the period, Inspectorate secured a five year contract with BHP Billiton for the testing of upwards of 80 million tonnes of Traded Energy Coal for the Atlantic market, over the duration of the contract. TES, part of the Environmental Services Group, will provide the testing capability in the UK demonstrating the ability of the separate divisions to work effectively with each other.

## Environmental Services Group and Scientifics

The combined sales of ESG and Scientifics were £22.6m (2006: £7.5m) for the period. Scientifics was acquired on 5 June 2007 and contributed £1.5m revenue during the period.

Trading has been strong and full year revenues will be underpinned by a number of new contract wins. In particular, ESG has been awarded the prestigious major Tier 2 contract for all on and off site chemical and geotechnical testing and water monitoring, in both the North and South London 2012 Olympic Park sites. This is clearly a significant win for ESG and it is expected that future business prospects will be enhanced through successful delivery on the contract.

Soil Mechanics has seen a number of business wins, including the ground investigation contract for the new Tyne Tunnel crossing. With the contract valued at £1.8m, it will bring together Soil Mechanics' total technical capability in both land and over water investigation.

In addition, ESG is working with Inspectorate to develop a range of environmental services to the Indian market. Further international opportunities are being pursued in the Huainan coalfield in China to support a consultancy in establishing opportunities to provide gas monitoring systems to Chinese coal mines.

Since its acquisition, Scientifics has traded as expected, and integration initiatives with ESG are underway to realise synergies between the two groups.

## Eclipse

Sales in Eclipse were £9.3m (2006: £nil) for the six months to 30 June 2007. The business is oriented towards the second half of the year, with the busiest period being prior to Christmas.

During the first half, contract wins included the outsourced testing business of a major food producer in Ireland. We estimate that there is still some £65 to £70m of work in the UK that could potentially be outsourced.

The acquisition of Envirolab was completed in December 2006 and therefore its first financial impact was in the first half of 2007. Envirolab, which is based in Waterford in Ireland and provides food and water microbiology as well as water and waste water chemical testing services, has been integrated into the existing business. This has increased the Company's geographic coverage in the Republic of Ireland.

Eclipse's procurement company, Hypergraph, has been developed during the period to expand its purchasing capabilities for the benefit of the wider Inspicio Group.

## Financial results

### Overview

Turnover for the six months to 30 June 2007 was £100.7m (2006: £67.8m). Of this £98.6m (2006: £60.2m) was generated from continuing operations and £2.1m (2006: £7.6m) was generated from acquisitions. Earnings before non-recurring items, interest, tax, depreciation and amortisation (EBITDA) were £9.3m (2006: £4.7m) and after charging depreciation of £3.0m (2006: £2.3m) EBITA were £6.3m (2006: £2.4m).

For the six months to 30 June 2007 there was non-recurring operating income of £0.4m principally as a result of the profit on the sale of the holding in Concateno Plc. This was partially offset by restructuring and acquisition costs.

### Interest and tax

Net interest cost before non-recurring items was £1.8m and was covered 5.2 times by EBITDA.

Non-recurring interest costs of £0.5m were incurred on the crystallisation of loans in June at the time of the Scientifics acquisition. These costs represent the capitalised bank fees for previous funding arrangements held on the balance sheet.

The underlying tax rate for the full year is forecast to be 40% on profit before amortisation and non-recurring items. Deferred tax on the amortisation of intangibles and the unwinding of deferred tax assets on the balance sheets of the acquisitions has raised this rate to 50% on profit before tax and non-recurring items for the six months to June 2007.

### EPS

Basic earnings per share for the six months to 30 June 2007 was 1.0p (2006 as restated: profit of 1.0p). Adjusted earnings per share (calculated on profit before amortisation of goodwill and non-recurring items) was 2.5p (2006 as restated: profit of 1.4p).

### Cash and financing

Net debt at 30 June 2007 was £42.6m (2006: £17.1m) including loan notes and deferred consideration paid immediately after the period end.

In the six-month period to 30 June 2007, there was an operating cash inflow of £2.3m (2006: £3m), servicing of finance represented a cash outflow of £2.4m (2006: £0.8m), tax paid was £1.4m (2006: £1.2m) and capital expenditure, net of disposals was £2.4m (2006: £0.8m).

In May, Inspectorate acquired 73.3% of Chemtaur Technologies (Pty) Ltd for 14.3m Rand (approximately £1.0m) and 70.0% of Gazelle Testing Services (Pty) Ltd for 4.6m Rand (approximately £0.3m). Together these companies provide a wide range of services in commodity testing in South Africa. In June, the Group acquired Scientifics for £22m.

The assets and the liabilities acquired are given in note 10 to the financial statements.

To fund the acquisitions, 13.3m shares were issued during the period raising £23.5m net of costs.

### Dividends

The Board is not recommending a dividend for the six months to 30 June 2007 (2006: £nil).

### IFRS

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union and the comparative figures in this Interim Report have therefore been restated to reflect the anticipated IFRS accounting policies that are expected to be applied in the Annual Report and Accounts for the year ended 31 December 2007.

The most significant impact on the results reported in previous periods are the differences between the amortisation charges under UK GAAP and IFRS and the impact of deferred taxation under IAS 12. Further details on this, and the restatements made to the comparative figures, are given in the notes to this Interim Report.

### Strategy

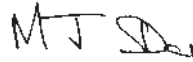
Inspicio's strategy is to build a £500m business by a combination of organic growth and by acquiring and managing businesses in the fragmented inspection and testing market.

Aside from acquisition opportunities, there are a number of key underlying factors driving growth in the market including world trade growth of 6–7 per cent per annum, increased regulation, high barriers to entry, trends to outsourced testing and the growth in demand for consistent, independent, global inspection services. We will continue to use Inspectorate's infrastructure to grow our business on an international stage.

### Current trading and outlook

We remain positive about the Group's outlook in 2007. Inspectorate continues to move forward and we are confident that its 8 per cent operating margin target will be achieved in the second half of the year. The integration between Scientifics and ESG will yield tangible benefits before the end of 2007. Eclipse is tendering for bigger contracts and is continuing to see real traction in its market. We see opportunities to increase margins in 2008 above those targeted for the current year.

We will take advantage of today's positive market conditions by a combination of organic growth and, with the support of our stakeholders, via targeted acquisitions.



**Mark Silver**  
Chief Executive  
21 September 2007

"Adjusted EPS earnings per share was 2.5p (2006: 1.4p)."



"We are positive about the Group's outlook in 2007 and we see opportunities to increase margins in 2008."

# consolidated income statement

## for the six months ended 30 June 2007

	Note	6 months ended 30 June 2007 (Before non-recurring items and unaudited) £'000	Non-recurring items 30 June 2007 (Unaudited) see note 3 £'000	6 months ended 30 June 2007 (Unaudited) £'000	6 months ended 30 June 2006 (Unaudited and restated)* £'000	Year ended 31 December 2006 (Unaudited and restated)* £'000
<b>Revenue</b>	2	<b>100,662</b>	—	<b>100,662</b>	67,777	161,851
Cost of sales		(63,622)	—	(63,622)	(42,624)	(103,084)
<b>Gross profit</b>		<b>37,040</b>	—	<b>37,040</b>	25,153	58,767
Administrative expenses before amortisation		(30,851)	393	(30,458)	(22,931)	(52,821)
<b>Operating profit before amortisation</b>		<b>6,189</b>	<b>393</b>	<b>6,582</b>	2,222	5,946
Amortisation of intangible assets		(1,322)	—	(1,322)	(104)	(1,106)
Total administrative expenses		(32,173)	393	(31,780)	(23,035)	(53,927)
<b>Operating profit</b>		<b>4,867</b>	<b>393</b>	<b>5,260</b>	2,118	4,840
Financial income		301	—	301	76	227
Financial expenses		(2,092)	(479)	(2,571)	(531)	(2,922)
<b>Net financing costs</b>		<b>(1,791)</b>	<b>(479)</b>	<b>(2,270)</b>	(455)	(2,695)
Share of joint venture profit		128	—	128	31	189
Profit before tax		3,204	(86)	3,118	1,694	2,334
Taxation	4	(1,602)	(273)	(1,875)	(889)	(2,654)
<b>Profit/(loss) for the period</b>		<b>1,602</b>	<b>(359)</b>	<b>1,243</b>	805	(320)
<b>Attributable to:</b>						
Equity holders of the parent		1,266	(359)	907	589	(782)
Minority interests		336	—	336	216	462
<b>Profit/(loss) for the period</b>		<b>1,602</b>	<b>(359)</b>	<b>1,243</b>	805	(320)
<b>Basic earnings per share</b>	6			<b>1.0p</b>	1.0p	(1.1)p
<b>Diluted earnings per share</b>	6			<b>1.0p</b>	1.0p	(1.1)p

\* Refer to note 11 for restatement.

# consolidated statement of recognised income and expense

for the six months ended 30 June 2007

	6 months ended 30 June 2007 (Unaudited) £'000	6 months ended 30 June 2006 (Unaudited and restated) £'000	Year ended 31 December 2006 (Unaudited and restated) £'000
<b>Net of tax:</b>			
Change in fair value of available for sale investment	307	—	269
Fair value gain realised on sale of an available for sale investment	(576)	—	—
Actuarial gains/(losses) on retirement benefit obligations	264	(13)	(94)
Foreign exchange translation differences	(230)	(3,707)	(6,442)
Tax on income and expenses recognised directly in equity	244	2	152
<b>Net income/(expense) recognised directly in equity</b>	<b>9</b>	<b>(3,718)</b>	<b>(6,115)</b>
Profit/(loss) for the period	1,243	805	(320)
<b>Total recognised income/(expense) for the period</b>	<b>1,252</b>	<b>(2,913)</b>	<b>(6,435)</b>
<b>Attributable to:</b>			
Equity holders of the parent	916	(3,129)	(6,897)
Minority interests	336	216	462
<b>Total recognised income/(expense) for the period</b>	<b>1,252</b>	<b>(2,913)</b>	<b>(6,435)</b>

# consolidated balance sheet

## as at 30 June 2007

Note	30 June 2007 (Unaudited) £'000	30 June 2006 (Unaudited and restated)* £'000	31 December 2006 (Unaudited and restated)* £'000	
<b>Assets</b>				
<b>Non-current assets</b>				
	118,338	42,185	94,297	
Intangible assets				
Property, plant and equipment	28,758	21,874	27,029	
Other investments	609	294	2,052	
Deferred tax assets	3,852	2,870	4,090	
	<b>151,557</b>	<b>67,223</b>	<b>127,468</b>	
<b>Current assets</b>				
Inventories	221	—	98	
Derivative financial instruments	355	224	84	
Trade and other receivables	54,045	40,782	43,508	
Retirement benefit obligations	2,050	—	—	
Restricted cash	—	—	9,724	
Cash and cash equivalents	18,182	13,383	13,255	
	<b>74,853</b>	<b>54,389</b>	<b>66,669</b>	
<b>Total assets</b>	<b>226,410</b>	<b>121,612</b>	<b>194,137</b>	
<b>Liabilities</b>				
<b>Current liabilities</b>				
Interest bearing loans and borrowings	11,742	5,338	13,171	
Derivative financial instruments	1	—	19	
Trade and other payables	50,657	30,111	50,467	
Provisions for liabilities and charges	3,797	5,252	3,141	
	<b>66,197</b>	<b>40,701</b>	<b>66,798</b>	
<b>Net current assets/(liabilities)</b>	<b>8,656</b>	<b>13,688</b>	<b>(129)</b>	
<b>Non-current liabilities</b>				
Interest bearing loans and borrowings	42,169	25,198	37,515	
Trade and other payables	3,810	—	2,581	
Retirement benefit obligations	395	712	824	
Provisions for liabilities and charges	949	195	906	
Deferred tax liabilities	8,112	2,981	6,123	
	<b>55,435</b>	<b>29,086</b>	<b>47,949</b>	
<b>Total liabilities</b>	<b>121,632</b>	<b>69,787</b>	<b>114,747</b>	
<b>Net assets</b>	<b>104,778</b>	<b>51,825</b>	<b>79,390</b>	
<b>Equity</b>				
Issued capital	7, 8	10,160	5,875	8,827
Share premium	8	98,043	50,293	75,856
Merger reserve	8	2,571	—	2,571
Retained earnings	8	(3,472)	(3,345)	(4,379)
Foreign exchange translation reserve	8	(5,893)	(2,931)	(5,663)
Other reserves	8	933	(11)	333
<b>Total equity attributable to equity holders of the parent</b>		<b>102,342</b>	<b>49,881</b>	<b>77,545</b>
<b>Minority interest in equity</b>		<b>2,436</b>	<b>1,944</b>	<b>1,845</b>
<b>Total equity</b>		<b>104,778</b>	<b>51,825</b>	<b>79,390</b>

\* Refer to note 11 for restatement.

# consolidated cash flow statement

## for the six months ended 30 June 2007

	Note	6 months ended 30 June 2007 (Unaudited) £'000	6 months ended 30 June 2006 (Unaudited and restated) £'000	Year ended 31 December 2006 (Unaudited and restated) £'000
<b>Cash generated from operations</b>	9	<b>2,336</b>	3,048	13,233
Interest paid		(2,105)	(456)	(1,885)
Issue cost of bank loans		(280)	(342)	(1,004)
Income taxes paid		(1,351)	(1,164)	(3,059)
<b>Net cash (used in)/generated from operating activities</b>		<b>(1,400)</b>	1,086	7,285
<b>Cash flows from investing activities</b>				
Proceeds from sale of property, plant and equipment		41	687	811
Proceeds from sale of investments		2,011	—	—
Interest received		65	8	59
Acquisition of subsidiaries, net of cash acquired		(19,527)	(18,520)	(57,597)
Purchase of property, plant and equipment		(2,399)	(1,465)	(5,919)
Purchase of other investments		—	—	(1,188)
<b>Net cash outflow from investing activities</b>		<b>(19,809)</b>	(19,290)	(63,834)
<b>Cash flows from financing activities</b>				
Issue of ordinary share capital		24,000	4,481	34,133
Share issue costs		(480)	(134)	(1,687)
Draw down of revolving credit facility		11,682	18,358	41,613
Decrease/(increase) in restricted cash		9,724	—	(9,724)
Repayment of loan notes		(9,724)	—	—
Bank loan repayments		(6,815)	—	—
Dividends paid to minority interests		—	—	(306)
Payment of finance lease liabilities		(72)	(3)	(142)
<b>Net cash inflow from financing activities</b>		<b>28,315</b>	22,702	63,887
Net increase in cash, cash equivalents and overdraft		<b>7,106</b>	4,498	7,338
Cash, cash equivalents and overdraft at 1 January		<b>10,698</b>	3,829	3,829
Effect of exchange rate fluctuations on cash held		(110)	(282)	(469)
<b>Cash, cash equivalents and overdraft at period end</b>		<b>17,694</b>	8,045	10,698

# notes to the financial statements

## for the six months ended 30 June 2007

### First time adoption of IFRS

The Group has adopted International Accounting Standards ("IFRS") as adopted by the European Union for the first time in 2007. In prior years, the Group reported under UK Generally Accepted Accounting Principles ("UK GAAP").

The Group has applied IFRS 1 ("First Time Adoption of International Financial Reporting Standards") to provide a starting point for reporting under IFRS and reports its results for the six months ended 30 June 2007 and comparative six month period under IFRS. The Group also presents restated results for the year ended 31 December 2006 covering the first full year from the date of transition, 1 January 2006, and its restated balance sheet at the date of transition.

The adoption of IFRS has resulted in the following main changes in the Group's policies, the revised accounting policies are shown in note 1 below.

### Business combinations

Under IFRS1, a company may elect not to apply IFRS 3 ("Business Combinations") retrospectively to transactions occurring prior to the date of transition to IFRS and the Group has elected to take this exemption. The carrying amount of goodwill in the opening IFRS balance sheet is that recorded under UK GAAP at the date of transition. As from the date of transition, goodwill is not amortised but subject to annual tests for impairment.

From transition date, the most significant differences from UK GAAP arise from the requirement under IFRS to bring all the assets and liabilities of acquired entities into the consolidated financial statements at fair value, including intangible assets which would not meet the criteria had they been internally developed.

Under IFRS, the Group considers it probable that in future more intangible assets will be recognised separately from goodwill, including customer relationships, brands, technology and patents which will result in a corresponding reduction in goodwill relative to other intangible assets after the date of transition compared to UK GAAP.

### Deferred tax

Under UK GAAP 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 have occurred at that date that will result in an obligation to pay more, or a right to pay less or receive more tax.

Under IFRS, the change to the balance sheet liability method gives rise to a number of GAAP differences. The most significant difference arises in respect of the requirement to provide deferred tax in relation to intangible assets.

### 1 Basis of accounting

The interim financial statements for the period to 30 June 2007 have not been audited or reviewed and do not constitute statutory accounts within the meaning of Section 240 of the Companies Act 1985. The Company's statutory accounts for the year ended 31 December 2006, prepared under UK GAAP have been delivered to the Registrar of Companies. The report of the Auditors included in these statutory accounts was not qualified and did not contain a statement under Section 237 (2) or (3) of the Companies Act 1985.

The financial statements for the year to 31 December 2006 were audited. The restatement of these figures to reflect the introduction of IFRS has not yet been subject to audit and as such comparative figures for that period are disclosed as unaudited.

The interim financial statements for the six months to 30 June 2007 have been prepared in accordance with the accounting policies set out below, taking into account the requirements and options set out in IFRS 1 "First Time Adoption of International Financial Reporting Standards". In preparing these interim financial statements the Board has not sought to implement the early adoption of IAS 34 "Interim financial reporting". The transition date for the Group's application of IFRS is 1 January 2006 and comparative figures for 30 June 2006, 31 December 2006 and 31 December 2005 have been restated to reflect IFRS. Reconciliations of the income statement and balance sheet from those previously reported under UK GAAP to the restated IFRS figures are also given later in this report.

The interim financial statements have been prepared on the historic cost basis as modified by the revaluation of available for sale financial assets and financial liabilities (including derivative financial instruments) at fair value through the income statement.

### Consolidation

The Group financial statements consolidate the financial statements of the Company and the entities controlled by the Company (its subsidiaries) up to 30 June 2007.

On acquisition the assets and liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill. Any deficiency of the cost of acquisition below the fair values of the identifiable net assets acquired (i.e. discount on acquisition) is credited to the income statement in the period of the acquisition. The interest of minority shareholders is stated as the minority's proportion of the fair values of the assets and liabilities recognised. Subsequently, any losses applicable to the minority interest in excess of the minority interest are allocated against the interests of the parent.

The results of subsidiaries acquired or disposed of during the period are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

### Revenue

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

Revenue is recognised when the inspection is complete. Long term contracts are recognised in revenue on the basis of the sales value of work performed during the period by reference to the stage of completion, on a contract by contract basis.

### Cost of sales

Cost of sales represents amounts paid for salaries, direct costs of running the laboratories around the Group, and amounts due to external third parties for inspection services directly related to revenue.

## 1 Basis of accounting continued

### Non-recurring items

Non-recurring items are not explicitly addressed under IFRS. Accordingly, the Group has defined non-recurring items as those items of financial significance to be disclosed separately in order to assist in understanding the financial performance achieved. Each of these items relate to events or circumstances that are non-recurring in nature.

### Foreign currencies

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency").

Transactions denominated in currencies other than an entity's 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 income statement.

The consolidated financial statements are presented in pounds Sterling, which is the Group's presentation currency. Profits and losses of overseas subsidiary undertakings are expressed in Sterling at average exchange rates for the year. The balance sheets of overseas subsidiary undertakings are expressed in Sterling at year end exchange rates. Exchange differences arising on the translation of overseas subsidiary undertakings are recorded as a movement in reserves, and are reported in the statement of total recognised income and expense.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

### Financial instruments – derivatives

The Group does not hold or issue derivative financial instruments for trading purposes. Derivatives used include forward currency contracts, currency options and interest rate caps.

Derivative financial instruments are recognised initially at fair value. Subsequent to initial recognition, derivative financial instruments are stated at fair value at each balance sheet date. The gain or loss on re-measurement to fair value is recognised immediately in the income statement.

### Debt instruments

Debt instruments are recorded at the proceeds received, net of direct issue costs. Issue costs are amortised over the period of the debt instrument.

### Equity instruments

Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs.

### Bad debt allowance

Trade receivables are assessed individually for impairment. Movements in the allowance for bad debts are recorded in the income statement.

### Finance and operating leases

Costs in respect of operating leases are charged on a straight-line basis over the lease term. Leasing agreements that transfer to the Group 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 commitments 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 against profit so as to give a constant periodic rate of charge on the remaining balance outstanding at each accounting period. Assets held under finance leases are depreciated over the shorter of the lease terms and the useful lives of equivalent owned assets.

### Property, plant and equipment

The cost of property, plant and equipment is the purchase cost, together with any incidental costs of acquisition.

Depreciation is calculated on a straight-line basis so as to write off the cost of property, plant and equipment less their estimated residual values, over the expected useful economic lives of the assets concerned. The principal annual rates used for this purpose are:

Freehold buildings	2–20%
Laboratory equipment	10–33%
Fixtures and fittings	10–33%
Computer equipment	20–33%
Motor vehicles	25–33%

Freehold and leasehold improvements are depreciated over periods of 5 to 50 years. Freehold land is not depreciated. Short leasehold assets are depreciated over the period of the lease.

The Group selects these depreciation rates carefully and reviews them regularly, to take account of any changes in circumstances.

### Intangible assets

Purchased intangible assets, including but not limited to brands, technology and customer relationships are capitalised when acquired as part of a business combination and amortised on a straight-line basis over their estimated useful lives. The estimated useful life of an intangible asset is summarised below:

Brands	25 years
Customer relationships	4–15 years
Technology	5 years

# notes to the financial statements

## for the six months ended 30 June 2007 continued

### 1 Basis of accounting continued

#### Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary, associate or jointly controlled entity at the date of acquisition.

Goodwill is recognised as an asset and reviewed for impairment at least annually. Any impairment is recognised immediately in profit and loss and is not subsequently reversed.

On disposal of subsidiaries, associates or jointly controlled entities, the attributable amount of goodwill is included in the determination of the profit and loss on disposal.

Goodwill arising on acquisitions before the date of transition to IFRS has been retained at the previous UK GAAP amounts subject to being tested for impairment at that date.

#### Impairment of fixed assets

Fixed assets are tested for impairment when a triggering event occurs by comparing the post-tax realisable value of the asset being tested with the value in use. Value in use is calculated on the basis of estimated future cash flows, using a discount rate appropriate to the Group.

#### Provisions

Provisions are made when an obligation exists for a future liability in respect of a past event and where the amount of the obligation can be reliably estimated. Where liabilities are expected to be discharged over a number of years, the provisions are discounted using an appropriate risk free rate.

In the case of claims against the Group, provisions are made on a case by case basis, with an additional amount allocated for claims incurred but not reported.

#### Retirement benefit costs

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

For defined benefit schemes, the cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at least annually. Actuarial gains and losses are recognised in full in the period in which they occur. They are recognised outside the income statement and presented in the statement of recognised income and expense.

Past service cost is recognised immediately in the income statement to the extent that the benefits are already vested, and otherwise amortised on a straight-line basis over the average period until benefits become vested.

The retirement benefit obligation recognised in the balance sheet represents the present value of the defined benefit obligation as adjusted for unrecognised past service cost, and as reduced by the fair value of scheme assets. Any asset resulting from the calculation is limited to past service cost, plus the present value of available refunds and reductions in future contributions to the plan.

#### Short term employee benefits

The Group accrues for all short-term accumulating compensated balances such as holiday entitlement earned but not taken at the balance sheet date.

#### Deferred and contingent consideration

In respect of acquisitions for which part of the purchase consideration is payable during future accounting periods, the full amount of the deferred consideration is recognised immediately, except in respect of acquisitions for which part of the purchase consideration is determined by the profits generated by the acquired company during future accounting periods. In such cases the contingent consideration is included in the accounts based on the best estimates of future profitability at this time. Estimates are revised as further and more certain information becomes available. Goodwill and shares to be issued are adjusted accordingly.

#### Cash and cash equivalents

Cash and cash equivalents, with original maturities at inception of less than three months, comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

For the purpose of the cash flow statement, cash and cash equivalents comprise cash at bank, cash in hand, short-term deposits with an original maturity of three months or less held for the purpose of meeting short-term cash commitments and bank overdrafts.

#### Inventories

Inventories are valued at the lower of cost and net realisable value.

Where the outcome of a contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the balance sheet date. This is normally measured by the proportion of contract costs incurred for work performed to date against the estimated total costs, except where this would not be representative of the stage of completion.

Amounts recoverable on contracts, which include attributable profit on contracts determined on the basis of measured work to the balance sheet date, are included in trade and other receivables. Deductions are made for net foreseeable losses and progress payments received.

## 1 Basis of accounting continued

### Consumables

Consumables are written off to cost of sales in the period in which they are purchased unless they are held for resale.

### Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that never become taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. The Group's liability for deferred tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

### Share-based payments

The Group issues equity-settled share-based payments to certain employees and advisers. In accordance with IFRS 2 "Share-based Payments", equity-settled share-based payments are measured at fair value at the date of grant. Fair value is normally measured by use of a binomial pricing model. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of the number of shares that will eventually vest.

The share-based payments charge is included within administrative expenses as this is the category which includes the payroll costs of the relevant employees.

### Employee share ownership plan

The Company's Employee Benefits Trust ("EBT") is a separately administered trust which will be funded by loans from the Company, the assets of which will comprise shares in the Company. The Company will recognise the assets and liabilities of the EBT in its own accounts and shares held by the trust will be recorded at cost as a deduction in arriving at shareholders' funds until such time as the shares vest unconditionally to employees.

### Employer's taxes on share options

Employer's National Insurance in the UK and equivalent taxes in other jurisdictions are payable on the exercise of certain share options. In accordance with IFRS 2, this is treated as a cash-settled transaction. A provision is made, calculated using the fair value of the Group's shares at the balance sheet date, pro-rata'd over the vesting period of the options.

### Investment in joint venture

The Group has a contractual arrangement with a third party which represents a joint venture which takes the form of an agreement to share control over another company. The Group recognises its interest in the entity's assets and liabilities using the equity method of accounting. Under the equity method, the interest in the joint venture is carried in the balance sheet at cost plus post-acquisition changes in the Group's share of its net assets, less distributions received and less any impairment in the value of the investments.

Financial statements of jointly controlled entities are prepared for the same reporting period as the Group. Where necessary, adjustments are made to bring the accounting policies used into line with those of the Group. The Group ceases to use the equity method on the date from which it no longer has joint control over or significant influence in, the joint venture.

## 2 Segmental information

The table below provides additional disclosure on revenue by geographical market by origin.

	6 months ended 30 June 2007 £'000	6 months ended 30 June 2006 £'000	Year ended 31 December 2006 £'000
<b>Revenue by geographical segment</b>			
Europe, Middle East and Africa	60,817	33,603	88,220
Americas	33,090	29,894	62,200
Asia	6,755	4,280	11,431
<b>Total revenue</b>	<b>100,662</b>	<b>67,777</b>	<b>161,851</b>

# notes to the financial statements

## for the six months ended 30 June 2007 continued

### 3 Non-recurring items

	6 months ended 30 June 2007 (Unaudited) £'000	6 months ended 30 June 2006 (Unaudited and restated) £'000	Year ended 31 December 2006 (Unaudited and restated) £'000
Gain arising on sale of investment	823	—	—
Acquisition and restructuring costs	(430)	(170)	(1,498)
	393	(170)	(1,498)
Non-recurring financing costs	(479)	—	(468)

The non-recurring items represent the gain on disposal of the Group's interest in Concateno Plc on 4 April 2007 and acquisition and restructuring costs.

The non-recurring financing costs relate to capitalised bank fees charged on loan facilities which crystallised in the period.

### 4 Taxation

Taxation has been charged at the expected full year rate of 50% on profit before non-recurring items. This includes the deferred tax effect of amortisation of intangible assets and other items as reported under IFRS. Excluding these effects, the underlying tax rate is expected to be 40% for the full year.

### 5 Dividends

The directors do not propose the payment of a dividend for the period.

### 6 Earnings per share

The calculation of basic earnings per share is based on the earnings attributable to equity share holders divided by the weighted average number of shares in issue during the period.

Details of the earnings and weighted average number of shares used in the calculation are as follows:

	6 months ended 30 June 2007 (Unaudited) £'000	6 months ended 30 June 2006 (Unaudited and restated) £'000	Year ended 31 December 2006 (Unaudited and restated) £'000
Earnings attributable to equity holders	907	589	(782)
Weighted average number of shares (000's) – basic	88,487	56,222	69,021
Dilutive effect of share options	1,183	30	251
Diluted weighted average shares in issue	89,670	56,252	69,272
Basic earnings/(loss) per share (pence)	1.0p	1.0p	(1.1)p
Diluted earnings/(loss) per share (pence)	1.0p	1.0p	(1.1)p

### Adjusted earnings per share

	6 months ended 30 June 2007 (Unaudited) £'000	6 months ended 30 June 2006 (Unaudited and restated) £'000	Year ended 31 December 2006 (Unaudited and restated) £'000
Earnings attributable to equity holders	907	589	(782)
Amortisation of intangible assets (net of tax)	926	43	612
Cost of non-recurring items (net of tax)	359	170	1,445
<b>Adjusted profit on ordinary activities after taxation</b>	<b>2,192</b>	<b>802</b>	<b>1,275</b>
Weighted average number of shares – basic	88,487	56,222	69,021
<b>Basic earnings/(loss) per share (pence)</b>	<b>1.0p</b>	<b>1.0p</b>	<b>(1.1)p</b>
Amortisation of intangible assets (net of tax) (pence)	1.1p	0.1p	0.9p
Cost of non-recurring items (net of tax) (pence)	0.4p	0.3p	2.1p
<b>Adjusted earnings per share</b>	<b>2.5p</b>	<b>1.4p</b>	<b>1.9p</b>

## 7 Share capital

	30 June 2007 £'000	31 December 2006 £'000
<b>Authorised</b>		
200,500,000 ordinary shares of 10p each (2006: 100,500,000)	<b>20,050</b>	10,050
	<b>30 June 2007 £'000</b>	<b>31 December 2006 £'000</b>
<b>Allotted, called up and fully paid</b>		
101,599,193 ordinary shares of 10p each (2006: 58,750,000)	<b>10,160</b>	8,827
	<b>10,160</b>	8,827

On 27 June 2007, 13.3m ordinary shares were issued for a cash consideration of £24m.

The authorised share capital of the Company was increased from £10,050,000 to £20,050,000 on the 26 June 2007 by the authorisation of a further 100,000,000 ordinary shares of 10p each.

## 8 Consolidated statement of changes in equity

	Share capital £'000	Share premium £'000	Merger reserve £'000	Foreign exchange reserves £'000	Other reserves £'000	Retained earnings £'000	Total £'000	Minority interest £'000	Total equity £'000
Balance at 1 January 2007 under IFRS	8,827	75,856	2,571	(5,663)	333	(4,379)	77,545	1,845	79,390
Profit for the period	—	—	—	—	—	907	907	336	1,243
Change in fair value in the available for sale investment	—	—	—	—	307	—	307	—	307
Fair value gain realised on the sale of investment	—	—	—	—	(576)	—	(576)	—	(576)
Movements in retirement benefit obligations	—	—	—	—	264	—	264	—	264
Deferred tax upon income and expense recognised directly in equity	—	—	—	—	244	—	244	—	244
Foreign exchange gains/(losses)	—	—	—	(230)	—	—	(230)	—	(230)
Share premium account	—	(480)	—	—	—	—	(480)	—	(480)
Shares issued	1,333	22,667	—	—	—	—	24,000	—	24,000
Share option compensation charge	—	—	—	—	361	—	361	—	361
Movement in minority interests	—	—	—	—	—	—	—	255	255
<b>Balance at 30 June 2007 under IFRS</b>	<b>10,160</b>	<b>98,043</b>	<b>2,571</b>	<b>(5,893)</b>	<b>933</b>	<b>(3,472)</b>	<b>102,342</b>	<b>2,436</b>	<b>104,778</b>

## 9 Cash flow

	6 months ended 30 June 2007 (Unaudited) £'000	6 months ended 30 June 2006 (Unaudited and restated) £'000	Year ended 31 December 2006 (Unaudited and restated) £'000
<b>Cash flows from operating activities</b>			
Profit for the period before taxation	<b>3,118</b>	1,694	2,334
Adjustments for:			
Depreciation	<b>3,016</b>	2,291	5,439
Amortisation of intangible assets	<b>1,322</b>	104	1,106
Share-based charges	<b>362</b>	221	564
Fair value gains on derivatives	<b>(52)</b>	(163)	(89)
Foreign exchange movement on operating activities	<b>701</b>	761	155
Finance expense	<b>2,270</b>	455	2,695
Loss/(profit) on sale of fixed assets	<b>46</b>	(221)	19
Profit on sale of investments	<b>(823)</b>	—	—
Share of profit from associates	<b>(128)</b>	(31)	(189)
<b>Operating cash flow before changes in working capital</b>	<b>9,832</b>	5,111	12,034
Increase in inventories	<b>(135)</b>	—	(53)
Increase in receivables	<b>(5,709)</b>	(2,985)	(1,924)
(Decrease)/increase in payables	<b>(1,180)</b>	646	4,289
(Decrease)/increase in provisions	<b>(472)</b>	276	(1,113)
<b>Cash generated from operating activities before interest and tax</b>	<b>2,336</b>	3,048	13,233

# notes to the financial statements

## for the six months ended 30 June 2007 continued

### 10 Acquisitions

On 5 June 2007, the Group acquired 100% of the Scientifics Group, a UK based analytical testing and consultancy business, for consideration of £22m.

Provisional details of net assets acquired and fair value adjustments are set out below. The analysis is provisional due to the timing of the acquisition and amendments may be made to these figures in the 12 months following the acquisition, with a corresponding adjustment to goodwill.

	Book value prior to acquisition £'000	Accounting policy alignment £'000	Fair value adjustment £'000	Provisional fair value to Group on acquisition £'000
Property, plant and equipment	2,006	83	—	2,089
Other intangible assets	—	—	7,324	7,324
Cash	1,219	—	—	1,219
Inventories	625	(625)	—	—
Trade and other receivables	5,665	—	746	6,411
Trade and other payables	(3,635)	(126)	(32)	(3,793)
Current and deferred taxation	25	—	(2,464)	(2,439)
Net assets acquired	5,905	(668)	5,574	10,811
Cash				18,691
Loan notes				3,309
Acquisition costs and deferred consideration				2,446
Costs of acquisition				24,446
Net assets acquired above				10,811
Provisional goodwill				13,635

The accounting policy alignments related to bringing the stock of consumables, work in progress and holiday pay accruals into line with Group policies.

The operating profit for the period 1 January 2007 to 5 June 2007 was £1.2m. The operating profit attributable to the Group from the date of acquisition to 30 June 2007 was £0.3m.

On 15 May 2007, the Group acquired majority stakes in both of its South African agents, Chemtaur Technologies (Pty) Ltd and Gazelle Testing Services (Pty) Ltd for a cash consideration of approximately £1.3m.

	Book value prior to acquisition £'000	Fair value adjustment £'000	Provisional fair value to Group on acquisition £'000
Property, plant and equipment	474	129	603
Cash	180	—	180
Trade and other receivables	702	18	720
Trade and other payables	(448)	(152)	(600)
Current and deferred taxation	(73)	(30)	(103)
Less: Minority interests	(222)	—	(222)
Net assets acquired	613	(35)	578
Cash			1,338
Acquisition costs			37
Costs of acquisition			1,375
Net assets acquired above			578
Provisional goodwill			797

## 11 Reconciliation of income statement and balance sheet from UK GAAP to IFRS

### (a) Consolidated income statement for the year ended 31 December 2006

	As reported under UK GAAP	UK GAAP adjustments [a]	IAS 1 Reclassification adjustment	IFRS 3 Business combinations [b]	IAS 12 Deferred tax [c]	IFRS
	£'000	£'000	£'000	£'000	£'000	£'000
Revenue	161,851	—	—	—	—	161,851
Cost of sales	(112,370)	9,286	—	—	—	(103,084)
<b>Gross profit</b>	49,481	9,286	—	—	—	58,767
Administrative expense	(46,427)	(9,286)	—	1,786	—	(53,927)
Share of operating profit of joint venture	189	—	—	—	—	189
<b>Operating profit (including share of joint venture)</b>	3,243	—	—	1,786	—	5,029
Financial income	227	—	—	—	—	227
Financial expense	(2,922)	—	—	—	—	(2,922)
<b>Net financing costs</b>	(2,695)	—	—	—	—	(2,695)
<b>Profit on ordinary activities before taxation</b>	548	—	—	1,786	—	2,334
Tax on profit on ordinary activities	(3,172)	—	—	—	518	(2,654)
<b>Loss on ordinary activities after taxation</b>	(2,624)	—	—	1,786	518	(320)

[a] UK GAAP adjustments relate to the reclassification of costs between administration and cost of sales

[b] UK IFRS 3 adjustments represent the difference between amortisation of goodwill under UK GAAP and the amortisation of intangible assets under IFRS

[c] IAS 12 adjustments relate primarily to deferred tax on intangibles and share options

# notes to the financial statements

## for the six months ended 30 June 2007 continued

### 11 Reconciliation of income statement and balance sheet from UK GAAP to IFRS continued

#### (b) Consolidated balance sheet as at 31 December 2006

	As reported under UK GAAP	UK GAAP adjustments [a]	IAS 1 Reclassification adjustment [b]	IFRS 3 Business combinations [c]	IAS 12 Deferred tax [d]	IFRS
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Assets</b>						
<b>Non-current assets</b>						
Intangible	88,176	(1,983)	—	1,786	6,318	94,297
Property, plant and equipment	27,029	—	—	—	—	27,029
Other investments	2,052	—	—	—	—	2,052
Deferred tax assets	—	2,269	1,468	—	353	4,090
	117,257	286	1,468	1,786	6,671	127,468
<b>Current assets</b>						
Inventories	98	—	—	—	—	98
Derivative financial instruments	84	—	—	—	—	84
Trade and other receivables	44,976	—	(1,468)	—	—	43,508
Restricted cash	9,724	—	—	—	—	9,724
Cash and cash equivalents	10,698	—	2,557	—	—	13,255
	65,580	—	1,089	—	—	66,669
<b>Total assets</b>	182,837	286	2,557	1,786	6,671	194,137
<b>Liabilities</b>						
<b>Current liabilities</b>						
Interest bearing loans and borrowings	10,614	—	2,557	—	—	13,171
Derivative financial instruments	19	—	—	—	—	19
Trade and other payables	50,817	(350)	—	—	—	50,467
Provisions	—	—	3,141	—	—	3,141
	61,450	(350)	5,698	—	—	66,798
<b>Net current assets/(liabilities)</b>	4,130	350	(4,609)	—	—	(129)
<b>Non-current liabilities</b>						
Interest bearing loans and borrowings	37,515	—	—	—	—	37,515
Trade and other payables	2,581	—	—	—	—	2,581
Retirement benefit obligations	—	824	—	—	—	824
Provisions	4,010	37	(3,141)	—	—	906
Deferred tax liabilities	140	(131)	—	—	6,114	6,123
	44,246	730	(3,141)	—	6,114	47,949
<b>Total liabilities</b>	105,696	380	2,557	—	6,114	114,747
<b>Net assets</b>	77,141	(94)	—	1,786	557	79,390
<b>Equity</b>						
Issued capital	8,827	—	—	—	—	8,827
Share premium	75,856	—	—	—	—	75,856
Merger reserve	2,571	—	—	—	—	2,571
Foreign exchange reserves	—	—	(5,661)	—	(2)	(5,663)
Other reserves	(5,277)	(94)	5,661	—	43	333
Retained earnings	(6,681)	—	—	1,786	516	(4,379)
<b>Total equity attributable to equity holders of the parent</b>	75,296	(94)	—	1,786	557	77,545
<b>Minority interest in equity</b>	1,845	—	—	—	—	1,845
<b>Total equity</b>	77,141	(94)	—	1,786	557	79,390

[a] UK GAAP adjustments primarily relate to fair value adjustments relating to deferred tax. In addition, the Group adjusted the provisional value of ESG's pension scheme liability and aligned the accounting treatment with IAS 19 "Employee Benefits"

[b] IAS 1 adjustments relate to the reclassification of UK GAAP balances into IFRS format

[c] IFRS 3 adjustments relate to the difference between intangible assets under IFRS and goodwill under UK GAAP

[d] Deferred tax movements primarily relate to the booking of separable intangible assets and liabilities and the impact of those adjustments on goodwill

**11 Reconciliation of income statement and balance sheet from UK GAAP to IFRS continued**  
**(c) Consolidated income statement for the six months ended 30 June 2006**

	As reported under UK GAAP	UK GAAP adjustments [a]	IAS 1 Reclassification adjustment	IFRS 3 Business combinations [b]	IAS 12 Deferred tax [c]	IFRS
	£'000	£'000	£'000	£'000	£'000	£'000
Revenue	67,777	—	—	—	—	67,777
Cost of sales	(46,821)	4,197	—	—	—	(42,624)
<b>Gross profit</b>	<b>20,956</b>	<b>4,197</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>25,153</b>
Administrative expense	(19,613)	(4,197)	—	775	—	(23,035)
Share of operating profit of joint venture	31	—	—	—	—	31
<b>Operating profit (including share of joint venture)</b>	<b>1,374</b>	<b>—</b>	<b>—</b>	<b>775</b>	<b>—</b>	<b>2,149</b>
Financial income	76	—	—	—	—	76
Financial expense	(531)	—	—	—	—	(531)
<b>Net financing costs</b>	<b>(455)</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>(455)</b>
<b>Profit on ordinary activities before taxation</b>	<b>919</b>	<b>—</b>	<b>—</b>	<b>775</b>	<b>—</b>	<b>1,694</b>
Tax on profit on ordinary activities	(909)	—	—	—	20	(889)
<b>Profit on ordinary activities after taxation</b>	<b>10</b>	<b>—</b>	<b>—</b>	<b>775</b>	<b>20</b>	<b>805</b>

[a] UK GAAP adjustments relate to the reclassification of costs between administration and cost of sales

[b] UK IFRS 3 adjustments represent the difference between amortisation of goodwill under UK GAAP and the amortisation of intangible assets under IFRS

[c] IAS 12 adjustments relate primarily to deferred tax on intangible assets and share options

# notes to the financial statements

## for the six months ended 30 June 2007 continued

### 11 Reconciliation of income statement and balance sheet from UK GAAP to IFRS continued

#### (d) Consolidated balance sheet as at 30 June 2006

	As reported under UK GAAP	UK GAAP adjustments [a]	IAS 1 Reclassification adjustment [b]	IFRS 3 Business combinations [c]	IAS 12 Deferred tax [d]	IFRS
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Assets</b>						
<b>Non-current assets</b>						
Intangible	39,992	(576)	—	775	1,994	42,185
Property, plant and equipment	21,874	—	—	—	—	21,874
Other investments	294	—	—	—	—	294
Deferred tax assets	—	2,809	—	—	61	2,870
	62,160	2,233	—	775	2,055	67,223
<b>Current assets</b>						
Derivative financial instrument	224	—	—	—	—	224
Trade and other receivables	41,127	(345)	—	—	—	40,782
Cash and cash equivalents	8,045	—	5,338	—	—	13,383
	49,396	(345)	5,338	—	—	54,389
<b>Total assets</b>	111,556	1,888	5,338	775	2,055	121,612
<b>Liabilities</b>						
<b>Current liabilities</b>						
Interest bearing loans and borrowings	—	—	5,338	—	—	5,338
Trade and other payables	29,413	698	—	—	—	30,111
Provisions	—	—	5,252	—	—	5,252
	29,413	698	10,590	—	—	40,701
<b>Net current assets</b>	19,983	(1,043)	(5,252)	—	—	13,688
<b>Non-current liabilities</b>						
Interest bearing loans and borrowings	25,198	—	—	—	—	25,198
Retirement benefit obligations	—	712	—	—	—	712
Provisions	5,903	37	(5,745)	—	—	195
Deferred tax liabilities	—	459	493	—	2,029	2,981
	31,101	1,208	(5,252)	—	2,029	29,086
<b>Total liabilities</b>	60,514	1,906	5,338	—	2,029	69,787
<b>Net assets</b>	51,042	(18)	—	775	26	51,825
<b>Equity</b>						
Issued capital	5,875	—	—	—	—	5,875
Share premium	50,293	—	—	—	—	50,293
Foreign exchange reserves	—	(5)	(2,926)	—	—	(2,931)
Other reserves	(2,926)	(13)	2,926	—	2	(11)
Retained earnings	(4,144)	—	—	775	24	(3,345)
<b>Total equity attributable to equity holders of the parent</b>	49,098	(18)	—	775	26	49,881
<b>Minority interest in equity</b>	1,944	—	—	—	—	1,944
<b>Total equity</b>	51,042	(18)	—	775	26	51,825

[a] UK GAAP adjustments primarily relate to fair value adjustments relating to deferred tax. In addition, the Group adjusted the provisional value of ESG's pension scheme liability and aligned the accounting treatment with IAS 19 "Employee Benefits"

[b] IAS 1 adjustments relate to the reclassification of UK GAAP balances into IFRS format

[c] IFRS 3 adjustments relate to the difference between intangible assets under IFRS and goodwill under UK GAAP

[d] Deferred tax movements primarily relate to the booking of separable intangible assets and liabilities and the impact of those adjustments on goodwill

**11 Reconciliation of income statement and balance sheet from UK GAAP to IFRS continued**  
**(e) Consolidated balance sheet as at 31 December 2005**

	As reported under UK GAAP	UK GAAP adjustments [a]	IAS 1 Reclassification adjustment [b]	IAS 12 Deferred tax [c]	IFRS
	£'000	£'000	£'000	£'000	£'000
<b>Assets</b>					
<b>Non-current assets</b>					
Intangible assets	35,023	(351)	—	—	34,672
Property, plant and equipment	21,000	—	—	—	21,000
Deferred tax assets	—	172	116	36	324
	56,023	(179)	116	36	55,996
<b>Current assets</b>					
Derivative financial instrument	108	—	—	—	108
Trade and other receivables	25,535	220	—	—	25,755
Cash and cash equivalents	4,140	—	64	—	4,204
	29,783	220	64	—	30,067
<b>Total assets</b>	<b>85,806</b>	<b>41</b>	<b>180</b>	<b>36</b>	<b>86,063</b>
<b>Liabilities</b>					
<b>Current liabilities</b>					
Interest bearing loans and borrowings	311	—	64	—	375
Derivative financial instrument	110	—	—	—	110
Trade and other payables	22,362	41	—	—	22,403
Provisions for liabilities and charges	—	—	4,360	—	4,360
	22,783	41	4,424	—	27,248
<b>Net current assets</b>	<b>7,000</b>	<b>179</b>	<b>(4,360)</b>	<b>—</b>	<b>2,819</b>
<b>Non-current liabilities</b>					
Interest bearing loans and borrowings	7,164	—	—	—	7,164
Provisions for liabilities and charges	5,346	—	(4,894)	—	452
Deferred tax liabilities	—	—	650	32	682
	12,510	—	(4,244)	32	8,298
<b>Total liabilities</b>	<b>35,293</b>	<b>41</b>	<b>180</b>	<b>32</b>	<b>35,546</b>
<b>Net assets</b>	<b>50,513</b>	<b>—</b>	<b>—</b>	<b>4</b>	<b>50,517</b>
<b>Equity</b>					
Issued capital	5,500	—	—	—	5,500
Share premium	46,321	—	—	—	46,321
Foreign exchange reserves	—	—	781	—	781
Other reserves	781	—	(781)	—	—
Retained earnings	(4,159)	—	—	4	(4,155)
<b>Total equity attributable to equity holders of the parent</b>	<b>48,443</b>	<b>—</b>	<b>—</b>	<b>4</b>	<b>48,447</b>
<b>Minority interest in equity</b>	<b>2,070</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>2,070</b>
<b>Total equity</b>	<b>50,513</b>	<b>—</b>	<b>—</b>	<b>4</b>	<b>50,517</b>

[a] UK GAAP adjustments primarily relate to fair value adjustments relating to deferred tax

[b] IAS 1 adjustments relate to the reclassification of UK GAAP balances into IFRS format

[c] Deferred tax movements relate to the booking of deferred tax on derivative financial instruments

# notes to the financial statements

## for the six months ended 30 June 2007 continued

### 12 Non-statutory information

The following information shows how the EBITDA and EBITA measures used in this Interim Report were derived.

	6 months ended 30 June 2007 £m	6 months ended 30 June 2006 £m	Year ended 31 December 2006 £m
Operating profit before non-recurring items and amortisation	6.2	2.4	7.4
Adjusted for:			
Share option related charges	0.4	0.2	0.7
Share of operating profit of joint venture	0.1	—	0.2
EBITA	6.7	2.6	8.3
Adjusted for:			
Depreciation	3.0	2.3	5.4
Share option related charges	(0.4)	(0.2)	(0.7)
EBITDA	9.3	4.7	13.0

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