

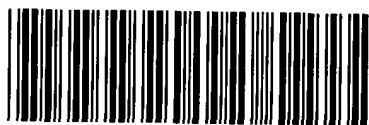
Registered number: 01193985

SGS United Kingdom Limited

Annual report and financial statements

for the year ended 31 December 2020

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SGS United Kingdom Limited

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SGS United Kingdom Limited

Officers and professional advisers

DIRECTORS

J McGurk

M Boyd

COMPANY SECRETARY

C Aldag

REGISTERED OFFICE

Rossmore Business Park

Ellesmere Port

South Wirral

Cheshire

CH65 3EN

BANKERS

National Westminster Bank plc

5 High Street

Bracknell

Berkshire

RG12 1DH

AUDITOR

Deloitte LLP

Statutory Auditor

The Hanover Building

Corporation Street

Manchester

M4 4 AH

SGS United Kingdom Limited

Strategic Report

The directors are pleased to present their Strategic Report for the year ended 31 December 2020.

PRINCIPAL ACTIVITY

The principal activity of the company and its subsidiaries during the year under review remained that of independent testing, inspection, verification, employment agency services, and certification services.

REVIEW OF BUSINESS AND KEY PERFORMANCE INDICATORS

The statement of comprehensive income is set out on page 12. Due to restructuring and pricing exercises taken in 2020, plus anticipating a lesser impact from COVID-19, the directors expect an improvement in 2021 from the 2020 level of business.

As shown in the statement of comprehensive income, turnover shows a substantial decrease to £94,787,000 (2019: £107,729,000). Impacts from COVID-19 in the year, in particular from social distancing, reductions in aviation and road fuel usage and overseas mobilisations did have an effect on revenue's however a greater proportion of this decrease came from the company's strategic decisions made in the latter part of 2019 and early 2020 in exiting low and loss making contracts and hence the increase in the entity's gross margin percentage up from 22.7% in 2019 to 23.2%. Included in revenues for the year is £6,941,000 de-revived from entities hived up in the year.

Average employee numbers have increased in the year to 987 heads (2019: 984 heads). The balance sheet shows an increase in net assets to £78,944,000 (2019: £58,789,000) due mainly from a net increase in the pension asset of £9,490,000 (2019: £10,483,000) and profit after tax transferred to reserves of £8,375,000 (2019: £10,808,000).

The company utilised various government assistance in 2020, included deferment of an element of the quarter one 2020 VAT Liability £1,765,000, payable in Q1 2021 and £1,510,000 in furlough assistance, shown as other income in the statement of comprehensive income, page 12. The company ceased further assistance as from Q4 2020 and do not anticipate any in 2021.

The directors and management team continue modelling of COVID-19 scenarios to identify and evaluate financial impacts with assessments of potential liquidity mitigation options. Risk assessments to identify potential strategic, operational, regulatory and colleague related exposures and review our COVID-19 responses for lessons learned and strengthen our crisis management capability.

PRINCIPAL RISKS AND UNCERTAINTIES

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

COVID-19 has the potential, to impact our colleagues, operations, customer and suppliers to the extent dependent on such factors as;

- Levels of employee absence, virus recurrence, UK and international lockdowns, unemployment levels, severity of economic effects, speed and nature of recovery, extent of government interventions and insolvency levels.
- Impacts may lead to adverse impacts on sales activity, disruption in our ability to deliver our services due to supply chain services or loss of key employee resource and material bad debts if a significant number of our large or SME clients experience financial distress.

To manage this risk;

- The management team meet regularly to identify emerging exposures, a review is made on our ability to manage them, defining and agreeing actions as required.
- Close dialogue with our critical suppliers and sufficient inventories held to deal with any anticipated scenarios.
- Various measures introduced to protect the health and safety of our colleagues and ensuring continuity of critical services and our customers. Measures being continually evaluated and adjusted to reflect Government and World Health Organisation guidelines.
- Resource planning to manage prolonged unavailability of key resources to maintain existing network levels.

SGS United Kingdom Limited

Strategic Report

PRINCIPAL RISKS AND UNCERTAINTIES (CONTINUED)

The Directors and the SGS Group have been closely monitoring development and underlying uncertainties surrounding the COVID-19 outbreak, proactive measures have been put in place to allow continuation as much of our business as normal. The company has not experienced any impacts due to Brexit, the company has utilised the last several years to identify any potential risk per the variable exit scenarios and mitigate these risks, such as extending the global accreditation and technical facilities in other EU countries and specialised in house expertise to manage imports and exports.

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

Company risks are discussed in the Annual Report of the ultimate parent, SGS Societe Generale de Surveillance SA, which does not form part of this report.

SECTION 172(1) STATEMENT

The section 172(1) statement is shown in the Directors' report on page 4.

STREAMLINED ENERGY AND CARBON REPORTING ('SECR')

Energy and carbon data is captured and reported to our ultimate parent company SGS Societe Generale de Surveillance SA by total UK SGS group which consists of: SGS United Kingdom Limited, SGS Baseefa Limited, SGS MIS Environmental Limited, SGS MIS Testing Limited, SGS M-Scan Limited, SGS DMW Environmental Safety Limited, SGS I2I Infinity Limited, SGS Vitrology Limited, SGS Holding UK Limited, and SGS Ashby Limited. It is not practicable to allocate the data between the various separate entities and therefore values reported below represent the total UK group.

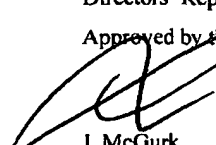
	2020	2019
Vehicle Emissions (tCO ₂ e)	1,162	1,965
Non-Transport Emissions (tCO ₂ e)	737	562
Air & Train Emissions (tCO ₂ e)	154	707
Total GHG Emissions (tCO ₂ e)	2,053	3,234
GHG Intensity by Employee (tCO ₂ e/FTE)	1.5	2.3

All data provided by our energy and travel suppliers, and or provided from company records. GHG Emissions will be calculated based on the emission factors published by the International Energy Agency (IEA) for the United Kingdom. Government lockdowns and travel bans issued due the Covid-19 pandemic have been the main reason for such a material reduction in 2020 vs 2019.

SGS are an environmentally conscious company whom are constantly driving for improved energy efficiency year on year. In 2020 seen all employees undertake the SGS Sustainability training, a reduced cap on new vehicle emissions and reduced average fleet cap and investments in energy savings opportunities.

The company has prepared the financial statements on a going concern basis, further details of which are given in the Directors' Report and at note 1 to the financial statements.

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



J. McGurk
Director

31 March 2021

SGS United Kingdom Limited

DIRECTORS REPORT

The directors present their annual report on the affairs of the company, together with the financial statements and auditor's report, for the year ended 31 December 2020.

Section 172(1) statement

The Directors are well aware of their duty under s.172 of the Companies Act 2006 to act in the way which they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole and, in doing so, to have regard (amongst other matters) to:

- *the likely consequences of any decision in the long term*
- *the interests of the company's employees:*
- *the need to foster the company's business relationships with suppliers, customers and others:*
- *the impact of the company's operations on the community and the environment:*
- *the desirability of the company maintaining a reputation for high standards of business conduct:*
- *the need to act fairly as between members of the company:*

The board believe all the factors above to be relevant and of importance, and to cement the SGS groups position as world leaders in the Testing, Inspection and Certification industry they will be vital to allow SGS to continue to sustainably create long-term value for our customers, shareholders and society.

Induction materials are provided on appointment, which include a briefing of Directors' duties. The Board is also regularly reminded of the s.172(1) matters.

The following paragraphs summarise our underlying Business Principles and how the Directors fulfil their duties.

Business Principles:

Integrity – Making sure we build trust. We act with integrity and behave responsibly. We abide by the rules, laws and regulations of the countries we operate in. We speak up: we are confident enough to raise concerns and smart enough to consider any that are brought to us.

Health and Safety – Making sure we establish safe and healthy workplaces. We fully protect all SGS employees, contractors, visitors, stakeholders, physical assets and the environment from any work-related incident, exposure and any kind of damage, ensure all sites made compliant with COVID restrictions.

Leadership – Making sure we work together and think ahead. We are passionate entrepreneurial people with a relentless desire to learn and innovate. We work in an open culture where smart work is recognized and rewarded. We foster teamwork and commitment.

Respect – Making sure we treat all people fairly. We respect human rights. We all take responsibility for creating a working environment that is grounded in dignity, equal opportunities and mutual respect. We actively engage with, listen and react with our employees. We promote diversity in our workforce and do not tolerate discrimination of any kind.

Sustainability – Making sure we add long-term value to society. We use our scale and expertise to enable a more sustainable future. We ensure that we minimize our impact on the environment throughout the value chain. We are reputable professionals and invest in the communities in which we operate.

Quality and Professionalism – Making sure we act and communicate responsibly. We embody the SGS brand and its independence in our everyday behaviour and attitude. We are customer-focused and committed to excellence. We strive to continually improve quality and promote transparency. We respect customer confidentiality and individual privacy.

During 2020 the Directors have fulfilled their duties in:

Employee Interests: Throughout the Covid-19 pandemic our employee health matters and wellbeing were a number one priority. We responded rapidly in ensuring all non-field employees had the capability for home working, we ensured our working environments had more than adequate social distancing signage, requirements and rules in place. Adequate PPE, back to work safety kits were provided at the appropriate time. Regular health and safety news

SGS United Kingdom Limited

DIRECTORS REPORT (CONTINUED)

Section 172(1) statement (continued)

bulletins and updates around COVID -19 were issued, including a reminder to implement stop work notices for field employees

on client or SGS sites where safety could be an issue. Weekly HR wellbeing bulletins were also issued to all employees, providing advice, ideas to assist wellbeing and support if needed.

Community and Environment: We allow all employees to a full day's paid leave annually to contribute to a local community help program. We continue our focus to further reduce the size of the average car fleet, targeting and achieving below an average 95 Co2 emissions per vehicle, with a cap of 105 Co2 on all new vehicles and where feasible offering of plug in hybrid and electric vehicles.

Customers and Suppliers: Throughout COVID-19 we strived to be available for our clients' requirements and execute the work in a safe environment and introduced remote audits to comply with social distancing requirements. We continue to offer our suppliers financial strength by adding stability to their businesses and bringing indirect benefits to society. We also place a strong focus on working with these suppliers to ensure high standards of quality, integrity and sustainability. We invest in building partnerships to drive innovation. We continue to provide our customers with leading services, which helps in making their businesses more efficient, profitable and sustainable. This value is passed onto society in the form of job security for employees, higher quality products and better environmental management.

Future developments

On the 1 January 2021, the management took the decision to hive up trade, assets and liabilities of a subsidiary company, SGS DMW Environmental Safety Limited into SGS United Kingdom Limited. There are no other future developments and events that have occurred after the balance sheet date.

The Directors and the SGS Group have been closely monitoring development and underlying uncertainties surrounding the Covid-19 outbreak and the subsequent impact of government measures, vaccination availability and restrictions that have been put in place. Proactive measures have been taken by the directors to allow continuation as much of our business as normal. The directors and business are prepared for a decrease in performance over the first quarter of 2021 but anticipate the level of performance to be ahead of 2020 by the close of 2021.

Going concern

The directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis in preparing the annual financial statements.

The directors have also considered any impacts on the UK's exit from the EU and concluded due to the large client mix and the varying service portfolio, the directors have no concerns of any significant impact on the future of the business. To date, there has been no material impact of Brexit on the results of the business.

The Company is currently impacted by the economic uncertainties arising from the coronavirus outbreak COVID-19. We have considered the Company's current financial position and have reassessed the reasonableness of the trading and cash flow forecasts for the 12 months following the date of approval of these financial statements. Having considered the circumstances we are satisfied that the Company has sufficient liquidity and options within its control to mitigate any reduction or delay in revenues. Accordingly the financial statements continue to be prepared on a going concern basis.

Post balance sheet events

On 1 January 2021, the company hived up the trade, assets and liabilities of its subsidiary company SGS DMW Environmental Safety Limited.

SGS United Kingdom Limited

DIRECTORS REPORT (CONTINUED)

Financial risk management objectives and policies

The company's activities expose it to a number of financial risks, including credit risk, cash flow risk and liquidity risk. The use of financial derivatives is governed by the company's policies approved by the board of directors, which provide written principles on the use of financial derivatives to manage these risks. The company does not use derivative financial instruments for speculative purposes.

Cash flow risk

The company's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates. The company uses foreign exchange forward contracts and interest rate swap contracts to hedge these exposures.

Interest bearing assets and liabilities are held at fixed rate to ensure certainty of cash flows.

Credit risk

The company's principal financial assets are bank balances and cash, trade and other receivables, and investments.

The company's credit risk is primarily attributable to its trade receivables. The amounts presented in the balance sheet are net of allowances for doubtful receivables. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

The company has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

Liquidity risk

The company have sufficient cash reserves.

Further details regarding liquidity risk can be found in the accounting policies in the financial statements.

Dividends

The directors do not recommend the payment of a dividend (2019: not recommended).

Directors

The directors, who served throughout the year and thereafter, unless otherwise stated were as follows:

J McGurk
M Boyd

Disabled employees

Applications for employment by disabled persons are always fully considered, bearing in mind the abilities of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the company continues and that appropriate training is arranged. It is the policy of the company that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

Directors' indemnities

The Company has made qualifying third party indemnity provisions for the benefit of its directors which were made during the year and remain in force at the date of this report.

SGS United Kingdom Limited

DIRECTORS REPORT (CONTINUED)

Employee consultation

The company places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on the various factors affecting the performance of the company. This is achieved through formal and informal meetings and the company web portal. Employee representatives are consulted regularly on a wide range of matters affecting their current and future interests.

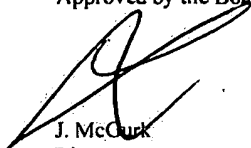
Auditor

Each of the persons who is a director at the date of approval of this report confirms that:

- so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware; and
- the director has taken all the steps that 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 auditor is aware of that information.

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

Approved by the Board and signed on its behalf by:



J. McCurk
Director

31 March 2021

Rossmore Business Park
Ellesmere Port
South Wirral
Cheshire
CH65 3EN

SGS United Kingdom Limited

Directors' responsibilities statement

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

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; 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.

SGS United Kingdom Limited

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

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of SGS United Kingdom Limited (the 'company'):

- give a true and fair view of the state of the company's affairs as at 31 December 2020 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 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the statement of comprehensive income;
- the balance sheet;
- the statement of changes in equity; and
- the related notes 1 to 25.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

SGS United Kingdom Limited

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

We considered the nature of the company's industry and its control environment, and reviewed the company's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management and internal audit about their own identification and assessment of the risks of irregularities.

We obtained an understanding of the legal and regulatory framework that the company operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included Companies Act and tax legislation; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the company's ability to operate or to avoid a material penalty. These include employee and health and safety legislation.

We discussed among the audit engagement team regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

As a result of performing the above, we identified the greatest potential for fraud in the following areas, and our specific procedures performed to address it are described below;

- Revenue recognition; specifically the significant risk is pinpointed around cut off and the potential manipulation of accrued income.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;

SGS United Kingdom Limited

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

- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management, internal audit and in-house legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance and reviewing internal audit reports.

Report on other legal and regulatory requirements

Opinions on other matters 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 the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or directors' report.

Matters on which we are required to report by exception

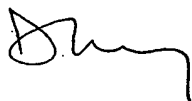
Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- 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.

We have nothing to report in respect of these matters.

Use of our report

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.



Douglas King (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Statutory Auditor
Manchester, United Kingdom
31 March 2021

SGS United Kingdom Limited

Statement of comprehensive income
For the year ended 31 December 2020

	Note	2020 £000	2019 £000
Turnover	3	94,787	107,729
Cost of sales		(72,789)	(83,225)
Gross profit		21,998	24,504
Administrative expenses		(17,201)	(13,408)
Other Income		1,510	-
Operating profit		6,307	11,096
Exceptional income	4	4,710	-
Profit before interest and taxation		11,017	11,096
Interest receivable and similar income	5	653	727
Profit before taxation	6	11,670	11,823
Tax on profit	9	(3,295)	(1,015)
Profit for the financial year		8,375	10,808
Re-measurement of net defined benefit asset	22	11,724	10,010
Tax relating to components of other comprehensive income	17	(2,228)	(1,702)
Dividends received from subsidiary companies		9,284	10,000
Other comprehensive income		18,780	18,308
Total comprehensive income		27,155	29,116

All of the activities relate to continuing activities.

SGS United Kingdom Limited

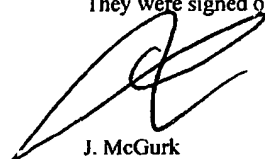
Balance sheet

As at 31 December 2020

	Note	2020 £000	2019 £000
Fixed assets			
Intangible assets	11	14,034	5,171
Tangible assets	12	13,444	13,079
Investments	13	27,516	40,348
		<u>54,994</u>	<u>58,598</u>
Current assets			
Stocks	14	544	517
Debtors	15	37,798	67,216
Cash at bank and in hand		4,415	7,504
Pension asset	22	43,824	27,004
		<u>86,581</u>	<u>102,241</u>
Creditors: amounts falling due within one year	16	<u>(53,804)</u>	<u>(96,459)</u>
Net current assets		<u>32,777</u>	<u>5,782</u>
Total assets less current liabilities		<u>87,771</u>	<u>64,380</u>
Provisions for liabilities	17	<u>(8,827)</u>	<u>(5,591)</u>
Net assets		<u>78,944</u>	<u>58,789</u>
Capital and reserves			
Called-up share capital	20	8,000	8,000
Capital contribution reserve	20	13,809	13,809
Profit and loss account	20	57,135	36,980
Shareholders' funds		<u>78,944</u>	<u>58,789</u>

The financial statements of SGS United Kingdom Limited registered number 01193985 were approved by the board of directors and authorised for issue on 31 March 2021.

They were signed on its behalf by:



J. McGurk
Director

SGS United Kingdom Limited

Statement of changes in equity
For the year ended 31 December 2020

	Called-up share capital £000	Capital contribution reserve £000	Profit and loss account £000	Total £000
At 1 January 2019	8,000	13,809	7,864	29,673
Profit for the financial year	-	-	10,808	10,808
Re-measurement of net defined benefit asset	-	-	10,010	10,010
Tax relating to items of other comprehensive income	-	-	(1,702)	(1,702)
Dividends received from subsidiary companies (note 20)	-	-	10,000	10,000
Total comprehensive loss	-	-	29,116	29,116
At 31 December 2019	8,000	13,809	36,980	58,789
Profit for the financial year	-	-	8,375	8,375
Re-measurement of net defined benefit asset (note 22)	-	-	11,724	11,724
Tax relating to items of other comprehensive income	-	-	(2,228)	(2,228)
Dividends received from subsidiary companies (note 20)	-	-	9,284	9,284
Dividends paid to SGS Holdings UK Limited (note 20)	-	-	(7,000)	(7,000)
Total comprehensive income	-	-	20,155	20,155
At 31 December 2020	8,000	13,809	57,135	78,944

SGS United Kingdom Limited

Notes to the financial statements

For the year ended 31 December 2019

1. Accounting policies

The principal accounting policies are summarised below. They have all been applied consistently throughout the year and the preceding year.

a. General information and basis of accounting

SGS United Kingdom Limited is a private company limited by shares incorporated in the United Kingdom under the Companies Act 2006 and is domiciled and registered in England and Wales, registration number 01193985. The registered office and principal place of business is Rossmore Business Park, Ellesmere Port, Cheshire, CH65 3EN.

SGS United Kingdom Limited meets the definition of a qualifying entity under FRS 102 and has therefore taken advantage of the disclosure exemptions available to it in respect of its separate financial statements. The company has taken advantage of the exemption provided by Section 401 of the Companies Act 2006 not to prepare group accounts on the grounds that SGS United Kingdom Limited is consolidated in the financial statements of its ultimate parent company, SGS SA, a company incorporated in Switzerland. Copies of the financial statements of SGS SA are available from 1 Place des Alpes, B.P. 2152, CH-1211 Geneve 1, Switzerland. Exemptions have been taken in these separate company financial statements in relation to share-based payments, financial instruments, the presentation of a cash flow statement and remuneration of key management personnel.

The financial statements have been prepared in accordance with Financial Reporting Standard 102 and in accordance with the Companies' Act 2006. The principal accounting policies are summarised below.

The financial statements have been prepared in accordance with the historical cost convention, modified to include certain items at fair value, and are presented in sterling (£).

b. Going concern

The company's business activities, together with the factors likely to affect its future development, performance and position are set out in the strategic report. The directors' report further describes the financial position of the company; its cash flows, liquidity position and borrowing facilities; the company's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposure to credit risk and liquidity risk.

The company's forecasts and projections, taking account of reasonably possible changes in trading performance, provide the directors with a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Management have considered the Company's current financial position and any post year end uncertainties arising from the COVID-19 pandemic, have reassessed the reasonableness of their trading and cash flow forecasts for the 12 months following the date of approval of these financial statements. Having considered the circumstances we are satisfied that the Company has sufficient liquidity and options within its control to mitigate any reduction or delay in revenues.

c. Intangible assets –goodwill

Separately acquired intangible assets are included at cost and amortised in equal annual instalments over a period of 10 years which is their estimated useful economic life. Provision is made for any impairment.

Intangible assets acquired as part of a business combination are measured at fair value at the acquisition date.

d. Tangible fixed assets

Tangible fixed assets are stated at cost or valuation, net of depreciation and any provision for impairment. Depreciation is provided on all tangible fixed assets, other than freehold land, at rates calculated to write off the cost or valuation, less estimated residual value, of each asset on a straight-line basis over its expected useful life, as follows:

SGS United Kingdom Limited

Notes to the financial statements (continued)

For the year ended 31 December 2020

1. Accounting policies (continued)

d. Tangible fixed assets (continued)

Freehold buildings	3%
Short term leasehold buildings	Over the lease term
Plant and machinery	10-25%
Motor vehicles	20-33%
Furniture and equipment	10-33%

Residual value represents the estimated amount which would currently be obtained from disposal of an asset, after deducting estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life.

e. Financial instruments

Financial assets and financial liabilities are recognised when the company becomes a party to the contractual provisions of the instrument.

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

(i) Financial assets and liabilities

All financial assets and liabilities are initially measured at transaction price (including transaction costs), except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value (which is normally the transaction price excluding transaction costs), unless the arrangement constitutes a financing transaction. If an arrangement constitutes a financing transaction, the financial asset or financial liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Financial assets and liabilities are only offset in the balance sheet when, and only when there exists a legally enforceable right to set off the recognised amounts and the company intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Debt instruments that comply with all of the condition of paragraph 11.9 of FRS 102 are classified as 'basic'. For debt instruments that do not meet the conditions of FRS 102.11.9, the Group considers whether the debt instrument is consistent with the principle in paragraph 11.9A of FRS 102 in order to determine whether it can be classified as basic. Instruments classified as 'basic' financial instruments are measured subsequently at amortised cost using the effective interest method. Debt instruments that have no stated interest rate (and do not constitute financing transaction) and are classified as payable or receivable within one year are initially measured at an undiscounted amount of the cash or other consideration expected to be paid or received, net of impairment.

With the exception of some hedging instruments, other debt instruments not meeting conditions of being 'basic' financial instruments are measured at fair value through profit or loss.

Commitments to make and receive loans which meet the conditions mentioned above are measured at cost (which may be nil) less impairment.

Financial assets are derecognised when and only when a) the contractual rights to the cash flows from the financial asset expire or are settled, b) the company transfers to another party substantially all of the risks and rewards of ownership of the financial asset, or c) the company, despite having retained some, but not all, significant risks and rewards of ownership, has transferred control of the asset to another party.

Financial liabilities are derecognised only when the obligation specified in the contract is discharged, cancelled or expires.

SGS United Kingdom Limited

Notes to the financial statements (continued)

For the year ended 31 December 2020

1. Accounting policies (continued)

e. Financial instruments (continued)

(ii) Investments

Investments in non-convertible preference shares and non-puttable ordinary or preference shares (where shares are publicly traded or their fair value is reliably measurable) are measured at fair value through profit or loss. Where fair value cannot be measured reliably, investments are measured at cost less impairment.

Investments in subsidiaries and associates are measured at cost less impairment. For investments in subsidiaries acquired for consideration, including the issue of shares qualifying for merger relief, cost is measured by reference to the nominal value of the shares issued plus fair value of other consideration. Any premium is ignored.

(iii) Equity instruments

Equity instruments issued by the company are recorded at the fair value of cash or other resources received or receivable, net of direct issue costs.

(iv) Derivative financial instruments

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

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently re-measured to their fair value at each reporting date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

f. Impairment of assets

(i) Fair value measurement

The best evidence of fair value is a quoted price for an identical asset in an active market. When quoted prices are unavailable, the price of a recent transaction for an identical asset provides evidence of fair value as long as there has not been a significant change in economic circumstances or a significant lapse of time since the transaction took place. If the market is not active and recent transactions of an identical asset on their own are not a good estimate of fair value, the fair value is estimated by using a valuation technique.

Assets, other than those measured at fair value, are assessed for indicators of impairment at each balance sheet date. If there is objective evidence of impairment, an impairment loss is recognised in profit or loss as described below.

Non-financial assets

An asset is impaired where there is objective evidence that, as a result of one or more events that occurred after initial recognition, the estimated recoverable value of the asset has been reduced. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use.

Where indicators exist for a decrease in impairment loss, the prior impairment loss is tested to determine reversal. An impairment loss is reversed on an individual impaired asset to the extent that the revised recoverable value does not lead to a revised carrying amount higher than the carrying value had no impairment been recognised.

Financial assets

For financial assets carried at amortised cost, the amount of impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets carried at cost less impairment, the impairment loss is the difference between the asset's carrying amount and the best estimate of the amount that would be received for the asset if it were to be sold at the reporting date.

Where indicators exist for a decrease in impairment loss, and the decrease can be related objectively to an event occurring after the impairment was recognised, the prior impairment loss is tested to determine reversal. An impairment

SGS United Kingdom Limited

Notes to the financial statements (continued)

For the year ended 31 December 2020

1. Accounting policies (continued)

f. Impairment of assets (continued)

loss is reversed on an individual impaired financial asset to the extent that the revised recoverable value does not lead to a revised carrying amount higher than the carrying value had no impairment been recognised.

g. Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to sell, which is equivalent to the net realisable value. Cost includes materials, direct labour and an attributable proportion of manufacturing overheads based on normal levels of activity. Cost is calculated using the FIFO (first-in, first-out) method. Provision is made for obsolete, slow-moving or defective items where appropriate.

h. Taxation

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

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

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

When the amount that can be deducted for tax for an asset that is recognised in a business combination is less (more) than the value at which it is recognised, a deferred tax liability (asset) is recognised for the additional tax that will be paid (avoided) in respect of that difference. Similarly, a deferred tax asset (liability) is recognised for the additional tax that will be avoided (paid) because of a difference between the value at which a liability is recognised and the amount that will be assessed for tax.

Deferred tax liabilities are recognised for timing differences arising from investments in subsidiaries and associates, except where the company is able to control the reversal of the timing difference and it is probable that it will not reverse in the foreseeable future.

Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date that are expected to apply to the reversal of the timing difference. Deferred tax relating to property, plant and equipment measured using the revaluation model and investment property is measured using the tax rates and allowances that apply to sale of the asset.

Where items recognised in other comprehensive income or equity are chargeable to or deductible for tax purposes, the resulting current or deferred tax expense or income is presented in the same component of comprehensive income or equity as the transaction or other event that resulted in the tax expense or income.

Current tax assets and liabilities are offset only when there is a legally enforceable right to set off the amounts and the company intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Deferred tax assets and liabilities are offset only if: a) the company has a legally enforceable right to set off current tax assets against current tax liabilities; and b) the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

SGS United Kingdom Limited

Notes to the financial statements (continued)

For the year ended 31 December 2020

1. Accounting policies (continued)

l. Turnover

Turnover is stated net of VAT and trade discounts and is recognised when the significant risks and rewards are considered to have been transferred to the buyer. Turnover from the sale of goods is recognised when the goods are physically delivered to the customer. Turnover from the supply of services represents the value of services provided under contracts to the extent that there is a right to consideration and is recorded at the fair value of the consideration received or receivable. Where a contract has only been partially completed at the balance sheet date turnover represents the fair value of the service provided to date based on the stage of completion of the contract activity at the balance sheet date. Where payments are received from customers in advance of services provided, the amounts are recorded as deferred income and included as part of creditor amounts falling due within one year.

j. Employee benefits

For defined benefit schemes the amounts charged to operating profit are the costs arising from employee services rendered during the period and the cost of plan introductions, benefit changes, settlements and curtailments. They are included as part of staff costs. The net interest cost on the net defined benefit liability is charged to profit or loss and included within finance costs. Re-measurement comprising actuarial gains and losses and the return on scheme assets (excluding amounts included in net interest on the net defined benefit liability) are recognised immediately in other comprehensive income.

Defined benefit schemes are funded, with the assets of the scheme held separately from those of the company, in separate trustee administered funds. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit credit method. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date.

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

Other long-term employee benefits are measured at the present value of the benefit obligation at the reporting date.

k. Foreign currency

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date.

Exchange differences are recognised in profit or loss in the period in which they arise except for:

- exchange differences on transactions entered into to hedge certain foreign currency risks;
- exchange differences arising on gains or losses on non-monetary items which are recognised in other comprehensive income; and
- in the case of the financial statements, exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised in other comprehensive income and reported under equity.

SGS United Kingdom Limited

Notes to the financial statements (continued)

For the year ended 31 December 2020

1. Accounting policies (continued)

l. Leases

The company as lessee

Assets held under finance leases, hire purchase contracts and other similar arrangements, which confer rights and obligations similar to those attached to owned assets, are capitalised as tangible fixed assets at the fair value of the leased asset (or, if lower, the present value of the minimum lease payments as determined at the inception of the lease) and are depreciated over the shorter of the lease terms and their useful lives. The capital elements of future lease obligations are recorded as liabilities, while the interest elements are charged to the statement of comprehensive income over the period of the leases to produce a constant periodic rate of interest on the remaining balance of the liability.

Rentals under operating leases are charged on a straight-line basis over the lease term, even if the payments are not made on such a basis. Benefits received and receivable as an incentive to sign an operating lease are similarly spread on a straight-line basis over the lease term.

m. Share-based payments

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

n. Dividend and interest income

Dividend income from investments is recognised when the shareholders' right to receive payment have been established, (provided that it is probable that the economic benefits will flow to the company and the amount of revenue can be measured reliably).

Interest income is recognised when it is probable that the economic benefits will flow to the company and the amount of revenue can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

o. Government grants

Government grants are recognised based on the accrual model and are measured at the fair value of the asset received or receivable. Grants are classified as relating either to revenue or to assets. Grants relating to revenue are recognised in income over the period in which the related costs are recognised. Grants received for furloughed employees are recognised in the same month as the expenditure. Grants relating to assets are recognised over the expected useful life of the asset. Where part of a grant relating to an asset is deferred, it is recognised as deferred income.

p. Exceptional items

Items that are material in nature which derive from events or transactions that fall within the ordinary activities of the reporting entity and which individually, or, if of a similar type, in aggregate, and would lead to the financial statements not to give a true and fair view by virtue of their size or incidence will be treated as an exceptional item in the financial statements.

2. Critical accounting judgements and key sources of estimation uncertainty

In the application of the company's accounting policies, which are described in note 1, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. The directors have considered this and do not deem there are any critical judgements in applying the company's accounting policies.

SGS United Kingdom Limited

Notes to the financial statements (continued)

For the year ended 31 December 2020

2. Critical accounting judgements and key sources of estimation uncertainty (continued)

Key source of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Estimations of employee retirement benefit obligations

The company maintains two defined benefit pension plans. The current value of the pension asset is £43,824,000 (2019: £27,004,000). The related asset recognised in the balance sheet represents the excess of the fair value of the plans' assets over the present value of the defined benefit obligations calculated annually by an independent actuary. The actuarial valuation includes assumptions such as discount rates, salary progression rates and mortality rates. Whilst a range of outcomes is reasonably possible these actuarial assumptions vary according to the prevailing economic and social conditions. Details of the assumptions are provided in note 22.

Critical accounting judgements in applying the Company's accounting policies

Impairment of intangible assets

Intangible assets are held at a net book value of £14,034,000 (2019: £5,171,000). There were no indicators of impairment in the year.

3. Turnover

An analysis of the company's turnover by class of business is set out below:

	2020 £000	2019 £000
Turnover:	94,787	107,729

An analysis of the company's turnover by geographical market is set out below:

	2020 £000	2019 £000
Turnover:		
United Kingdom	67,536	79,897
Rest of the world	27,251	27,832
	94,787	107,729

4. Exceptional income

	2020 £000	2019 £000
Curtailment gain made on closure or defined benefit pension scheme to future accrual	4,710	-
	4,710	-

SGS United Kingdom Limited

Notes to the financial statements (continued) For the year ended 31 December 2020

5. Interest receivable and similar income

	2020 £000	2019 £000
Interest receivable on group loans	113	228
Net interest on defined benefit liability (see note 22)	540	499
	<u>653</u>	<u>727</u>

6. Profit before taxation

Profit on ordinary activities before taxation is stated after charging/(crediting):

	2020 £000	2019 £000
Depreciation of tangible fixed assets	1,976	1,924
Amortisation of intangible assets	1,934	865
Operating lease rentals	2,754	2,514
Cost of stock recognised as an expense	699	747
(Gain)/loss on disposal of fixed assets	(100)	71
Gains on foreign currency transactions	(10)	(24)
Auditor's remuneration:		
- for the audit of the company's financial statements	90	74
Non-audit services:		
- taxation compliance services	35	30
	<u>35</u>	<u>30</u>

Amortisation of intangible assets and impairment of tangible assets are included in administrative expenses.

7. Staff numbers and costs

The average monthly number of employees (including executive directors) was:

	2020 Number	2019 Number
Production/inspection	687	684
Administration	240	240
Overhead	60	60
	<u>987</u>	<u>984</u>

SGS United Kingdom Limited

Notes to the financial statements (continued)

For the year ended 31 December 2020

7. Staff numbers and costs (continued)

Their aggregate remuneration comprised:

	2020 £000	2019 £000
Wages and salaries	36,791	42,141
Social security costs	4,657	4,814
Other pension costs (see note 22)	2,768	2,708
	<u>44,216</u>	<u>49,663</u>

Other pension costs include only those items included within operating costs. Items reported elsewhere have been excluded.

8. Directors' remuneration and transactions

	2020 £000	2019 £000
<i>Directors' remuneration</i>		
Emoluments	223	187
Company contributions to money purchase pension schemes	26	23
	<u>249</u>	<u>210</u>

	2020 Number	2019 Number
The number of directors who:		
Are members of a defined benefit pension scheme	-	1
Are members of a money purchase pension scheme	2	1

	2020 £000	2019 £000
Remuneration of the highest paid director:		
Emoluments	133	134
Pension	23	23

SGS United Kingdom Limited

Notes to the financial statements (continued)

For the year ended 31 December 2020

9. Tax on profits

The tax charge comprises:

	2020 £000	2019 £000
Current tax on profit		
UK corporation tax:		
- Current year charge	1,776	2,382
- Adjustment in respect of prior years	344	(1,837)
- Foreign tax relief	(661)	(1,202)
Total UK tax	1,459	(657)
Overseas corporation tax:		
- Current year charge	662	1,206
Total current tax	2,121	549
Deferred tax		
- Origination and reversal of timing differences	224	73
- Effect of change in tax rate on opening liability	215	(8)
- Adjustment in respect of prior years	735	401
Total deferred tax	1,174	466
Total tax on profit	3,295	1,015

The standard rate of tax applied to reported profit on ordinary activities is 19% (2019: 19%).

The difference between the total tax charge shown above and the amount calculated by applying the standard rate of UK corporation tax to the profit before tax is as follows:

	2020 £000	2019 £000
Profit before tax	11,670	11,823
Tax on profit at standard UK corporation tax rate of 19% (2018: 19%)	2,217	2,246
Effects of:		
- Expenses not deductible for tax purposes	(10)	243
- Effects of overseas tax rates	1	3
- Effects of group relief	(80)	(34)
- Income not taxable	(127)	-
- Prior year adjustment	559	(1,436)
- Tax rate change	735	(7)
Total current tax	3,295	1,015

SGS United Kingdom Limited

Notes to the financial statements (continued)

For the year ended 31 December 2020

10. Tax on profits (continued)

The UK Government announced on 12 March 2020 that the corporation tax rate would be maintained at 19% from 1 April 2020 and this was substantively enacted on 17 March 2020. As the CT rate of 19% is substantively enacted as at the date of the FY20 balance sheet, deferred tax has been recognised at 19%. In March 2021, the UK Government announced as part of the Budget, an increase in the CT rate to 25% as from 1 April 2023. The impact of this increase in CT to 25% could be material however the entity has not yet been able to undertake a full analysis of the changes.

11. Share-based payments

Equity-settled share option schemes

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

Details of the performance share unit (PSU) and restricted share unit (RSU) plans outstanding during the year are as follows:

Description	Exercise period from	Shares Outstanding at 31 December 2019 Number	Granted during the year Number	Forfeited during the year Number	Exercised during the year Number	Cancelled during the year Number	Shares Outstanding at 31 December 2020 Number
SGS-PSU-18	Jan-21	485	-	-	-	-	485
SGS-RSU-17	Apr-20	52	-	(8)	(44)	-	-
SGS-RSU-18	Apr-21	75	-	(13)	-	-	62
SGS-RSU-19	Apr-22	70	-	(12)	-	-	58
SGS-RSU-20	Apr-23	-	117	(7)	-	-	110
		<u>682</u>	<u>117</u>	<u>(40)</u>	<u>(44)</u>	<u>-</u>	<u>715</u>

In 2020, a total of 117 Restricted Share Units of the 2020 Long-Term incentive Plan were granted to selected employees. The value at grant date of the RSU's granted, being defined as the averaging closing price of the share during a twenty day period preceding the grant date, was CHF 3,379.248 per share. The company recognised during the year a total expense of £104,000 (2019: £104,000) in relation to equity compensation plans.

SGS United Kingdom Limited

Notes to the financial statements (continued)
For the year ended 31 December 2020

11. Intangible fixed assets

	Goodwill £000
Cost	
At 1 January 2020	19,242
Goodwill transferred from investments of subsidiaries hived up in the year (see note 13)*	10,797
	<hr/>
At 31 December 2020	30,039
	<hr/>
Amortisation	
At 1 January 2020	14,071
Charge for the year	1,934
	<hr/>
At 31 December 2020	16,005
	<hr/>
Net book value	
At 31 December 2020	14,034
	<hr/>
At 31 December 2019	5,171
	<hr/>

*On hive-up of the subsidiary entities, the excess of the Investment values held and the net assets of the subsidiary entities has been transferred to goodwill which is then amortised over 10 years.

SGS United Kingdom Limited

Notes to the financial statements (continued)

For the year ended 31 December 2020

12. Tangible fixed assets

	Freehold land and buildings £000	Short term leasehold land and buildings £000	Plant and machinery £000	Motor vehicles £000	Furniture and equipment £000	Total £000
Cost						
At 1 January 2020	17,466	1,202	24,777	133	2,840	46,418
Additions	402	130	760	55	13	1,360
Transfer from hived up subsidiaries	-	505	2,539	51	192	3,287
Disposals	(97)	(33)	(293)	-	-	(423)
At 31 December 2020	<u>17,771</u>	<u>1,804</u>	<u>27,783</u>	<u>239</u>	<u>3,045</u>	<u>50,642</u>
Depreciation						
At 1 January 2020	8,234	655	21,477	133	2,840	33,339
Charge for the year	501	14	1,317	1	11	1,976
Transfer from hived up subsidiaries	-	289	1,630	51	194	2,164
Eliminated on disposal	(85)	(10)	(186)	-	-	(281)
At 31 December 2020	<u>8,650</u>	<u>1,080</u>	<u>24,238</u>	<u>185</u>	<u>3,046</u>	<u>37,198</u>
Net book value						
At 31 December 2020	<u>9,121</u>	<u>724</u>	<u>3,547</u>	<u>54</u>	<u>-</u>	<u>13,444</u>
At 31 December 2019	<u>9,232</u>	<u>547</u>	<u>3,300</u>	<u>-</u>	<u>-</u>	<u>13,079</u>

The value of land not depreciated for the company is £1,044,000 (2019: £1,044,000).

Included within tangible fixed assets are £202,000, (2019: £418,000) relating to assets which are not yet being depreciated due to being construction in progress.

13. Fixed asset investments

	2020 £000	2019 £000
Subsidiary undertakings	<u>27,516</u>	<u>40,348</u>

SGS United Kingdom Limited

Notes to the financial statements (continued)

For the year ended 31 December 2020

13. Fixed asset investments (continued)

Subsidiary undertakings

	£000
Cost and net book value	
At 1 January 2020	40,348
Transfer of Investment to goodwill on hive up of	
- SGS I2I Infinity Limited	(2,019)
- SGS MIS Testing Limited	(4,967)
- SGS MIS Environmental Limited	(3,811)
Impairments made to SGS Correl Rail limited and SGS Roplex Limited.	(2,035)

As at 31 December 2020

27,516

Principal company investments

The company has investments in the following subsidiary undertakings, associates and other significant investments.

Subsidiary undertakings	Country of incorporation	Registration number	Principal activity	Number of shares held	Type of share capital	Holding %
SGS MIS Testing Limited +*	England & Wales	8382100	Dormant	200	Ordinary	100
SGS MIS Environmental Limited +*	England & Wales	4183187	Dormant	7,100	Ordinary	100
SGS Bascofa Limited +*	England & Wales	4305578	Testing and inspection services	1,352	Ordinary	100
SGS Vitrology Limited +.	Scotland	SC306871	Life Sciences	3,901,377	Ordinary	100
SGS I2I Infinity Limited +*	England & Wales	06545924	Dormant	1000	Ordinary	100
SGS DMW Environmental Safety Limited +*	England & Wales	03576012	Testing & Inspection Services	100	Ordinary	100
SGS Leicester Limited+ * /	England & Wales	01962425	Dormant	100	Ordinary	100
SGS M-Scan Limited +*	England & Wales	1414639	Dormant	139	Ordinary	100
SGS Correl Rail Limited +*/	England & Wales	4148618	Dormant	33	Ordinary	100
SGS Mineral Services UK Limited +*/	England & Wales	4356791	Dormant	100	Ordinary	100
SGS Emrys Limited +*/	England & Wales	2999227	Dormant	92,825	Ordinary	100
SGS Roplex Limited +*/	England & Wales	2583238	Dormant	165	Ordinary	100

+ Held directly by SGS United Kingdom Limited.

* The registered office is Rossmore Business Park, Ellesmere Port, South Wirral, Cheshire, CH65 3EN.

/ For the year ending 31 December 2018 subsidiaries of the company were entitled to exemption from audit under s480 of the Companies Act 2006 relating to dormant companies.

- The registered office is SGS House, Wellheads Drive, Dyce, Aberdeen, AB21 7GQ.

SGS United Kingdom Limited

Notes to the financial statements (continued)

For the year ended 31 December 2020

14. Stocks

	2020	2019
	£000	£000
Raw materials and consumables	340	281
Work in progress	204	236
	<u>544</u>	<u>517</u>

There is no material difference between the balance sheet value of stocks and their replacement cost.

15. Debtors

	2020	2019
	£000	£000
Amounts falling due within one year:		
Trade debtors	13,409	16,086
Gross amount due from customers for contract work	2,364	2,051
Amounts due from group undertakings	18,653	44,904
Other debtors and prepayments	1,397	1,270
Corporation tax	567	2,503
Deferred tax asset	1,408	402
	<u>37,798</u>	<u>67,216</u>

Amounts owed by company undertakings are repayable on demand. No interest is charged on these balances.

16. Creditors: amounts falling due within one year

	2020	2019
	£000	£000
Trade creditors	4,164	2,984
Amounts owed to group undertakings	30,071	76,808
Corporation tax	-	-
Other taxation and social security	5,062	3,314
Accruals and deferred income	14,483	13,335
Derivative financial liabilities (note 19)	24	18
	<u>53,804</u>	<u>96,459</u>

Amounts owed by company undertakings are repayable on demand. No interest is charged on these balances.

SGS United Kingdom Limited

Notes to the financial statements (continued)

For the year ended 31 December 2020

17. Provisions for liabilities

	Deferred taxation £000	Deferred investment £000	Total £000
At 1 January 2020	4,591	1,000	5,591
Increase in the year	3,736	-	3,736
Transfer to current liabilities	-	(500)	(500)
At 31 December 2020	<u>8,327</u>	<u>500</u>	<u>8,827</u>

The £500,000 (2019: £1,000,000) deferred investment being the consideration payable to the owners, falls due after more than twelve months for the Investment in SGS DMW Environmental Safety Limited.

Deferred tax is provided as follows:

	2020 £000	2019 £000
Defined benefit pension	<u>(8,327)</u>	<u>(4,591)</u>
Deferred tax liability	<u>(8,327)</u>	<u>(4,591)</u>

Deferred taxation

Deferred tax assets and liabilities are offset only where the company has a legally enforceable right to do so and where the assets and liabilities relate to income taxes levied by the same taxation authority on the same taxable entity or another entity within the company.

As part of the Budget, the UK Government announced on 12 March 2020 that the corporation tax rate would be maintained at 19% from 1 April 2020 and this was substantively enacted on 17 March 2020. As the CT rate of 19% is substantively enacted as at the date of the FY20 balance sheet, deferred tax has been recognised at 19%. In March 2021, the UK Government announced as part of the Budget, an increase in the CT rate to 25% as from 1 April 2023. The impact of this increase in CT to 25% could be material however the entity has not yet been able to undertake a full analysis of the changes.

SGS United Kingdom Limited

Notes to the financial statements (continued)

For the year ended 31 December 2020

18. Financial instruments

The carrying values of the company's financial assets and liabilities are summarised by category below:

	2020 £000	2019 £000
Financial assets		
Debt instruments measured at amortised cost		
• Trade and other debtors (see note 15)	13,409	16,086
• Amounts due from company undertakings (see note 15)	18,653	44,904
	<u>32,062</u>	<u>60,990</u>
Financial liabilities		
Measured at fair value		
• Derivative financial liabilities (see note 19)	24	18
Measured at amortised cost		
• Trade creditors (see note 16)	4,164	2,984
• Amounts owed to company undertakings (see note 16)	30,071	76,808
	<u>34,259</u>	<u>79,810</u>

The company's income, expense, gains and losses in respect of financial instruments are summarised below:

	2020 £000	2019 £000
Fair value gains/(losses)		
On derivative financial liabilities (see note 19)	<u>24</u>	<u>24</u>

19. Derivative financial instruments

	2020 £000	2019 £000
Liabilities		
Forward foreign currency contracts	<u>24</u>	<u>18</u>

Forward foreign currency contracts

Forward foreign currency contracts are valued using quoted forward exchange rates and yield curves derived from quoted interest rates matching maturities of the contracts.

The following table details the forward foreign currency contracts outstanding as at the year-end:

Outstanding contracts	Average contractual exchange rate		Notional value		Fair value	
	2020 rate	2019 rate	2020 £000	2019 £000	2020 £000	2019 £000
Less than 3 months						
Sell EUR	0.913	0.846	(2)	(15)	(2)	(14)
Sell EUR	0.913	0.846	(2)	(4)	(2)	(4)
Buy USD	1.328	1.315	30	-	28	-
					<u>24</u>	<u>(18)</u>

SGS United Kingdom Limited

Notes to the financial statements (continued)

For the year ended 31 December 2020

Forward foreign currency contracts (continued)

Gains of £10,000 (2019: £24,000 gain) were recognised in the statement of comprehensive income.

The company has entered into forward foreign currency contracts with the parent company, these contracts are designed to hedge the exchange rate risk arising from these anticipated future transactions, which are designated as cash flow hedges. The hedged cash flows are expected to occur and to affect profit or loss within the next 1 month.

20. Called-up share capital and reserves

	2020 £000	2019 £000
Allotted, called-up and fully-paid		
8,000,000 ordinary shares of £1 each	8,000	8,000

The company's other reserves are as follows:

Called-up share capital – represents the nominal value of shares that have been issued.

Capital reserve account – historic capital reserve.

Capital contribution – represents a transfer made by the parent of pension assets from a company scheme into the UK pension fund.

Profit and loss account – includes all current and prior period retained profits and losses net of dividends paid and other adjustments.

21. Financial commitments

Total future minimum lease payments under non-cancellable operating leases are as follows:

	2020		2019	
	Land and buildings £000	Other £000	Land and buildings £000	Other £000
- within one year	361	1,341	398	1,509
- between one and five years	739	1,025	379	1,028
- after five years	37	-	149	-
	<u>1,137</u>	<u>2,366</u>	<u>926</u>	<u>2,537</u>

SGS United Kingdom Limited

Notes to the financial statements (continued)

For the year ended 31 December 2020

22. Retirement benefit schemes

Defined contribution schemes

The company operates defined contribution retirement benefit schemes for all qualifying employees. The total expense charged to the statement of comprehensive income in the year ended 31 December 2020 was £2,092,000 (2019: £1,392,000). The amount of contributions outstanding at the year-end was £442,000 (2019: £377,000).

Defined benefit schemes

The company operates defined benefit schemes for qualifying employees. Under the schemes, the employees are entitled to retirement benefits of up to two thirds of final salary on attainment of a retirement age of 65. No other post-retirement benefits are provided. The schemes are funded schemes.

The most recent actuarial valuations of scheme assets and the present value of the defined benefit obligation, for FRS 102 purposes, were carried out at 31 December 2020 by Ms Michelle Doman, Fellow of the Institute of Actuaries. The present value of the defined benefit obligation, the related current service cost and the past service cost were measured using the projected unit credit method.

	Valuation at	
	2020	2019
	%	%
Key assumptions used:		
Discount rate	1.40	2.10
Future pension increases	2.70	2.60
Rate of increase in salaries	-	3.60
Inflation	2.70	2.60

Mortality assumptions:

The mortality assumptions used at 31 December 2020 are based on the S2PA tables, with the CMI_2018 projections and a 1-year age rating for male members of the SGS Pension Scheme.

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

	Valuation at	
	2020	2019
	years	years
Retiring today:	22.12	21.63
Retiring in 25 years:	23.49	23.13

Amounts recognised in the statement comprehensive income in respect of these defined benefit schemes are as follows:

	2020	2019
	£000	£000
Current service cost	(911)	(1,010)
Net finance income	522	487
Gain on curtailments	4,710	-
	<u>4,321</u>	<u>(523)</u>
Recognised as other comprehensive income	11,724	10,010
Total comprehensive income relating to defined benefit scheme	<u>16,045</u>	<u>9,487</u>

SGS United Kingdom Limited

Notes to the financial statements (continued)

For the year ended 31 December 2020

22. Retirement benefit schemes (continued)

The amount included in the balance sheet arising from the company's obligations in respect of its defined benefit retirement benefit schemes is as follows:

	2020 £000	2019 £000
Present value of defined benefit obligations	(171,463)	(166,148)
Fair value of scheme assets	215,287	193,152
Net asset recognised in the balance sheet	<u>43,824</u>	<u>27,004</u>

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

	2020 £000	2019 £000
At 1 January	166,148	149,537
Service cost	911	1,010
Interest cost	3,146	4,267
Actuarial gains/ (losses)	13,748	17,999
Contributions from scheme participants	204	263
Benefits paid	(8,773)	(6,782)
Experience adjustments	789	(146)
Curtailment gains	(4,710)	-
At 31 December	<u>171,463</u>	<u>166,148</u>

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

	2020 £000	2019 £000
At 1 January	193,152	165,529
Interest income	3,668	4,754
Expected return on plan assets	26,626	27,623
Contributions from the employer	1,015	1,224
Contributions from scheme participants	204	263
Administration expenses paid from plan	(605)	(329)
Benefits paid	(8,773)	(6,782)
At 31 December	<u>215,287</u>	<u>193,152</u>

SGS United Kingdom Limited

Notes to the financial statements (continued)

For the year ended 31 December 2020

The analysis of the scheme assets at the balance sheet date was as follows:

	Fair value of assets	
	2020	2019
	£000	£000
Cash and cash equivalents	2,680	5,755
Equity instruments	50,754	54,328
Debt instruments	143,164	116,169
Other	18,689	16,900
	215,287	193,152

23. Contingent liabilities

The company has given a joint guarantee in respect of the bank borrowings of its ultimate UK parent company, SGS Holding UK Limited, SGS United Kingdom Limited, SGS M-Scan Limited, SGS Baseefa Limited, SGS MIS Environmental Limited, SGS MIS Testing Limited, SGS Vitrology Limited and the ultimate parent company SGS Societe Generale de Surveillance SA in respect of overdraft facilities provided by the principal bankers. At 31 December 2020, the company's joint and several contingent liability was £1,000,000 (2019: £1,000,000). The directors do not consider that any liability will arise under the guarantee.

24. Related party transactions

The company has taken advantage of the exemptions provided by FRS 102 section 33 'Related Party Disclosures' and has not disclosed details of transactions with members of the SGS SA group of companies, as all transactions are with members of the company who are 100% owned subsidiaries of SGS Societe Generale de Surveillance SA.

25. Controlling party

The immediate parent undertaking of SGS United Kingdom Limited is SGS Holding UK Limited, the registered office of which is the same as SGS United Kingdom Limited and is given on page 1. The ultimate parent company and controlling party of SGS United Kingdom Limited is SGS Societe Generale de Surveillance SA, a company incorporated in Switzerland. The parent undertaking of the smallest and largest company which includes the company for which group accounts are prepared is SGS Societe Generale de Surveillance SA. Copies of the financial statements of SGS Societe Generale de Surveillance SA are available from 1 Place des Alpes, B.P.2152, CH-1211 Genève 1, Switzerland, which is the registered office of SGS SA.