SOCOTEC UK LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

Registered Company Number 02880501

Annual report and financial statements for the year ended 31 December 2020

DIRECTORS AND ADVISERS

Directors	N L Detchepare J R Goodwin D J Coen C Wallis J MacFarlane P J H Ball
Registered Office	SOCOTEC House Bretby Business Park Ashby Road Bretby Burton Upon Trent DE15 0YZ
Independent Auditor	Mazars LLP Tower Bridge House St Katharine's Way London E1W 1DD
Principal Bankers	Barclays Bank plc 1 Churchill Place Canary Wharf London E14 5HP
Solicitors to the Company	Mcdermott Will & Emery UK LLP 110 Bishopsgate London
Website	www.socotec.co.uk

Strategic Report for the year ended 31 December 2020

The directors present their strategic report of the Company for the year ended 31 December 2020.

Strategy and business model

SOCOTEC UK Limited's (SOCOTEC) mission is to be its customers' 'Leading partner for technical expertise and service'. SOCOTEC is the UK's leading provider of testing, inspection and compliance services, providing comprehensive solutions to a broad range of clients operating in the Infrastructure, Environment & Safety, Environmental Science, Building Control and Fire Safety sectors.

SOCOTEC offers an unrivalled range of services in the market to more than 5,000 customers in the UK. We pride ourselves on our client-focussed approach and continual drive to exceed expectations through our technical expertise, service operational excellence, and technological innovation.

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

i) Infrastructure

SOCOTEC offers the widest range of testing, inspection and compliance services in the UK to every stage in the infrastructure project lifecycle. From preliminary geotechnical investigations and soil investigations to foundation and materials testing, our services play a vital role in delivering projects safely, on time and to specification and budget.

ii) Environment & Safety

SOCOTEC delivers peace of mind by helping clients conform to health and safety obligations and manage environmental risks. The Company works with a range of clients including facilities managers, property owners and property managers to maintain and optimise their compliance. Services include: emissions monitoring, environmental monitoring, occupational hygiene, health & safety, asbestos management & consulting, water consultancy and water equipment.

iii) Environmental Science

A bespoke suite of testing, inspection and compliance tests, to support energy and waste projects and businesses nationwide: including solid fuel, power generation & transmission testing, environmental and specialist chemistry analysis, nuclear chemistry and lubricant testing.

iv) Building Control & Fire Safety

A registered provider of certified building regulations approval (via Socotec Building Control Limited, which is a subsidiary of SOCOTEC UK Limited), to clients ranging from individuals to global multinationals. Also a provider of Fire Engineering, Fire Risk Assessment, Fire Safety and Built Environment consultancy services.

Review of the business

Clearly, like most businesses, 2020 was significantly affected by Covid-19. A detailed commentary of the impact of the pandemic on the Company and its response to it is provided in the Directors Report. While SOCOTEC's business model is very resliant and its services are underpinned by regulation and legislation, which continues, in the early part of the pandemic, mainly quarter 2 of 2020, many client sites were temporarily closed and some of SOCOTEC's services could not be carried out until the sites re-opened and our services could continue in a safe manner. Clearly this had an adverse impact on turnover and profitability, mainly in quarter 2, although the impact did continue for longer in a number of businesses. However, the resiliance of the SOCOTEC business model and breadth and range of its services were evident as the business was broadly in line with its trading budget for the the other three quarters of the 2020 financial year including the positive impact of some large infrastructure projects and the need for clients to continue to comply with regulations and legislation. The Company's balance sheet and liquidity remained very strong throughout the pandemic through strong management of working capital and careful timing of capital investment. The Company generated £97.9m of revenue in 2020, representing 2.6% of revenue growth, in spite of Covid-19, Brexit and related uncertainty. Underlying EBITDA, before management charges from the Company's parent company and exceptional items, decreased by 2.8% to £10.5m, reflecting the mix of work, with a strong pipeline of government sponsored Infrastructure projects, offsetting the impact from reduced commercial construction, delayed project starts in other areas and delays to regular work due to Covid-19.

The Company continued to invest in its client service, technical and operational solutions, further developing its technical staff training and development with a new location in the Midlands with the opening of Socotec Central. The location is ideally situated to train our Infrastructure technical staff and also to service many large infrastructure opportunities in the Midlands and surrounding regions. SOCOTEC is also investing heavily in upgrading its Environmental Science facilities near Burton-on-Trent including new state of the art equipment for our growing business and improved working environment for our valued staff. This project continues into 2021. In total SOCOTEC invested £4.0m in capital projects in the year to support its sustainable growth objectives.

On 1 April 2021, the Fire Engineering, Fire Risk Assessment and Consultancy businesses were transferred from the subsidiaries of Trenton Fire Limited and Butler & Young Consultants Limited to SOCOTEC UK Limited as part of the rebranding of these business to SOCOTEC. While the Butler & Young Building control business will remain in its own subsidiary the name was changed to Socotec Building Control Limited (from Butler & Young Approved Inspectors Limited) on 1 April 2021. The rebranding has allowed these businesses to maximise the opportunities available from being part of the wider SOCOTEC Group.

The Company's results for the year and financial position at the balance sheet date are shown in the attached financial statements and have been prepared in accordance with United Kingdom Generally Accepted Accounting Practice (UK GAAP), including Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101).

The key financial measurements that are used and reported against within the businesses are amongst others, revenue, gross profit margins, earnings before interest, tax, depreciation, amortisation, management charges and exceptional or non-recurring items (adjusted EBITDA), Capital Expenditure, Days Sales Outstanding (DSO) and cash generation.

The operating loss for 2020 after depreciation, non-recurring items, and group management charges totalled £0.2 million (2019: profit £0.8 million), which is in line with management's expectations. Net assets at the year end were £33.9m (2019: £37.7m).

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

Exceptional costs of £1.1m were incurred during the year (2019: £1.1m) of which £nil (2019: £0.7m), related to the asset impairment relating to companies liquidated as part of the Group's rationalisation of non-trading entities. £1.1m related to the restructuring of the Company's operations (2019: £0.4m).

Strategic Report for the year ended 31 December 2020 (continued)

Outlook
The Company and its subdidiaries provide an industry leading range of Inspection, Testing and Compliance services to a broad range of end markets and customers. It plans to deliver future growth in the United Kingdom, through a combination of organic market share gain in its key sectors, adding breadth and strength to its proposition and through complementary bolt on acquisitions, which add to the breadth and scale of SOCOTEC's client proposition. It will support this by investment in its people, equipment and technology providing best in class customer service to the high quality organisations it works with and by building scale and technically innovative solutions to increasingly complex and changing requirements, to increase its business with existing customers and attract new customers. So far in 2021 the Company has made or committed to significant further investment in its technology, its IT infrastructure, the development of its people, its labaratory environments, and its property portfolio to continue its growth plan and enhancements to client service. The impact to the business of the Covid-19 pandemic is explained above and on page 7.

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

- Infrastructure. infrastructure materials testing; ground investigation and other geotechnical services; foundation and asset monitoring to customers in the utilities, road, rail and general infrastructure, refurbishment and maintenance sectors, including main contractors, local authorities and leading consultant engineers.
- Environment & Safety. compliance related services, mainly in the built environment, including legionella monitoring, water safety treatments and advice, health & safety advice, air and emmissions monitoring, asbestos surveys and monitoring, and occupational hygiene assessment to a broad range of clients in the private, public and local authority sectors, including industrial and commercial property owners, property managers and facilities managers.
- Environemntal Science testing, inspection and compliance services, to support laboratory analysis for waste companies and energy suppliers, power generators and transmission and distribution networks, as well as marine, water and soil testing, energy regulation compliance and risk management
- Building Control & Fire Safety: certified building regulations approval (Approved Inspectors), fire safety, risk assessment and safety consultancy services, to clients ranging from individuals to large multinational businesses. During the year these services were provided through 100% owned subsidiaries as opposed to directly in Socotec UK Limited.

The majority of the Company's sales are made in the UK. The outlook for the UK economy remains relatively positive despite the significant impact of Covid-19 and Brexit with large scale infrastructure investment continuing with the country showing signs of benefiting from reduced political uncertainty now that Brexit has been delivered. The government remains committed to modernising UK Infrastructure and reducing regional inequalities through projects like 'High Speed 2', helping to sustain this.

The broad portfolio of customers, services and markets served, reduces the company's exposure to risk associated with individual customers or markets.

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

Investment review
In 2020, the Company has invested significantly in the new Socotec Central site near Coventry developing new high specification facilities to service our growing Infrastructure division particularly for the Materials Testing and Ground Investigation and Geotechnical businesses. The investment includes new state-of-the-art laboratories and related equipment, new offices and, critically, a new training and development operation, all of which is designed to continue to improve our client service. Also, during the year, there was further investment in and development of the LIMS (Laboratory Information Management Systems) infrastructure in its Environmental Science businesses, additional deployment of Mobile Date Capture devices and development of new Mobile applications to improve operational efficiency. There has been further investment in IT systems focussed on enhancing customer service levels, providing more of the client base with online and real time access to their projects and data.

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

The primary operational resources utilised by the business are its skilled and valued workforce, its technical equipment, both mobile and in labaratories, its portfolio of leasehold properties and its fleet of vehicles. The largest and most significant property is the site of the Company's laboratory facilities and head office at Bretby, near Burton Upon Trent which is on a long-term lease with more than 5 years remaining.

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

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

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

- managing and working with the impact of the COVID-19 pandemic;
- damage to the Company's reputation as a leader in testing and inspection services or loss of accreditations;
- exposure to uninsured environmental or commercial claims and liabilities;
- damage to the environment or to the health and safety of employees, customers or the public resulting from the company's activities;
- compliance with relevant laws and regulations;
- not maintaining technical knowledge and skills;
- data breaches or cyber attacks;
- loss of use of intellectual property;
- loss of use or breakdown of key physical assets, including plant, property or equipment;

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

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

Where the larger wider Group is exposed to financial risks due to movements in exchange and interest rates, these are mitigated at the ultimate parent company level as appropriate.

Strategic Report for the year ended 31 December 2020 (continued)

Section 172 (1) Statement

The Board of SOCOTEC UK Limited ("the Company") consider that it has adhered to the requirements of Section 172 of the Companies Act 2006 (the "Act") and has, in good faith, acted in a way that it considers would be most likely to promote the success of the Company for the benefit of its shareholders as a whole and, in doing so, it has had regard to and recognised the importance of considering all stakeholders and other matters (as set out in s.172(1)(a-f) of the Act) in its decision-making.

This statement provides details of Section 172 compliance and how the Board considers the potential impacts on stakeholders in its decision making processes.

SOCOTEC UK is a long-term business with long-term relationships with its shareholders, employees, clients, suppliers, regulators and other stakeholders and consequently it takes a long-term view in its decision making process. The Board's business plan is designed to have a long-term beneficial impact on the Company and its stakeholders and to contribute to its long term success by continuing to deliver high quality services. The plan includes:

- Strategic investment in staff training and development, equipment and IT capabilities to complement and improve our service offering to our customers;
- Strategic acquisitions that will help the wider SOCOTEC UK Group provide to our customers a broader range of high quality services and further help them comply with relevant standards, legislation and regulation,
- Retaining, and where relevant, attaining relevant accreditations to enable us to continue to service current customer needs and also increase our service portfolio;
- Continuing to operate with tight budgetary controls and to high technical standards to ensure we continue to provide our customers with high quality testing, inspection and compliance services at competitive and efficient prices.

Our employees are fundamental to the delivery of our plan. We aim to be a responsible, flexible and good employer in our approach to the pay and benefits our employees receive and their working environment and practices. The health, safety and well-being of our employees and our customer's staff is our highest priority in the way we do business. We also plan to ensure that our staff are continually trained to enable them to continue to fulfil their responsibilities and develop their careers, and provide the services expected and required by our clients.

Our plan prioritises organic growth of existing services and businesses together with key strategic acquisitions which compliment and add to our current businesses, service offerings and client base. This is driven by cross-selling and up-selling services to existing clients and bringing new clients into the group. To do this we will continue to develop and maintain strong client relations by maintaining and improving our high level of service, communication and engagement.

We also act ethically, responsibly and fairly in how we engage with our customers, suppliers and other stakeholders, including the wider communities that we work in across the UK and co-operate and comply fully with our regulators; all of whom are integral to the successful delivery of our plan. The business respects and contributes to the many communities it works in. Employees actively participate in charity events both locally and nationally, with a company chosen charity nominated by employees each year. In addition, the company and its employees are actively involved in local community initiatives, including the provision of free of charge services to support them.

We fully recognise that our day-to-day operations can impact on the environment and we are committed to managing, monitoring and, where appropriate, reducing our impact through assessing and improving our long term environmental performance using an Environmental Management System. Through ISO 14001 we employ systems and procedures that ensure the Company's compliance with all relevant laws, regulations and other requirements relating to the environment. Sustainability considerations are fully integrated in our plan and business decision making processes and we carry out environmental supply chain management to encourage suppliers to also adopt environmentally sound practices.

The Board of Directors' intention is to always behave responsibly and to ensure that management operate the business in a responsible and ethical manner, operating within the high standards of business conduct within our areas of expertise. In doing so, this will contribute to the delivery of our plan and the long-term success of the business and its stakeholders.

Strategic Report for the year ended 31 December 2020 (continued)

Streamlined Energy & Carbon Reporting (SECR)

Overall emissions have fallen for the reporting period due to a shift towards home working and reduction in travel. We have continued to invest in technologies to measure our environmental performance including energy monitoring equipment, vehicle telematics and installation of half hourly metering systems.

Organisational Boundary

A financial control approach has been taken.

Operational Scopes

We have measured our scope 1, 2 and certain scope 3 emissions. We have not yet estimated our percentage exclusions. For the categories reported, exclusions made in respect of the accounting process have been accounted for in our methodology.

Figures are as follows for the calendar year:

	2020
Energy consumption used to calculate emissions (kWh)	**21,875,828**
Energy consumption breakdown (kWh)	
Gas	2,290,798
Electricity	5,287,213
Transport fuel+	14,297,817
Scope 1 - Direct emissions - emissions in metric tonnes CO2e	
Gas consumption	421
Transport (Fleet)+	3,484
Total Scope 1	3,905
Scope 2 - Indirect emissions from purchased energy - emissions in metric tonnes CO2e	
Purchased electricity	1,233
Scope 3 - Indirect emissions from use of third party transport - emissions in metric tonnes CO2e	
Business travel in employee owned vehicles	141
Transmission & Distribution Losses	106
Total gross emissions in metric tonnes CO2e	**5,385**
Intensity ratio Tonnes CO2e per £m revenue	**55.0**

Intensity measurement
Our chosen intensity measurement ratio is total emissions in metric tonnes CO2e per £m revenue.

Quantification and reporting methodology

We have followed the 2019 HM Government Environmental Reporting Guidelines. We have also used the GHG Reporting Protocol – Corporate Standard and the 2020 UK Government's Conversion Factors for Company Reporting.

+ Figures include an undetermined amount of energy/carbon attributed to personal mileage from purchased fuel which remain to be quanitified.

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

J R Goodwin
Director
06 August 2021

Directors' Report for the year ended 31 December 2020

The directors present their report and the audited financial statements of the Company for the year ended 31 December 2020.

Results and dividends

The results before taxation, amounted to a loss of £1.07m (2019: profit of £1.97m).

There has been no payment or declaration of a dividend for the year or the previous year.

Insurance of directors and Indemnity

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

Directors

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

N L Detchepare (appointed 29 March 2021)
N Sleeth (resigned 30 June 2021)
P J H Ball
I Sparks (resigned 31 March 2021)
A C Bolter (resigned 17 April 2020)
D J Coen (appointed 16 January 2020)
J MacFarlane (appointed 16 January 2020)
J R Goodwin (appointed 24 March 2020)
J Murphy (resigned 16 January 2020)
C Wallis (appointed 12 March 2021)

Employees and social responsibilities

The Company is committed to conducting its business in an ethical and socially responsible and sustainable manner. We commit to acting in an environmentally responsible manner in regard to our operations, products and services and we expect all our suppliers, employees and partners to act in the same manner. The Company's Section 172(1) statement is provided in the strategic report.

The Company seeks to involve its employees in its corporate objectives, plans and performance and in other relevant matters of interest to employees through various communication methods, including regular employee meetings and an employee newsletter. The directors consider there to be a good relationship between employees and management. The Company is an equal opportunities employer and does not discriminate in the recruitment and promotion of staff, including applicants who are disabled. If an employee becomes disabled it is the policy, wherever practicable, to provide continued employment.

The Company systematically provides employees with information on matters of concern to them, consulting them or their representatives regularly, so that their views can be taken into account when making decisions that are likely to affect their interests. Employee involvement in the Company is encouraged, as achieving a common awareness on the part of all employees of the financial and other economic factors affecting the Company plays a major role in maintaining its performance. The Company encourages the involvement of employees by means of strategy meeting sessions, announcements via the intranet and e-mails as appropriate.

Disabled / Equality policy

The Company is committed to employment policies, which follow best practice, based on equal opportunities for all employees, irrespective of sex, race, colour, disability or marital status. The Company gives full and fair consideration to applications for employment for disabled persons, having regard to their particular aptitudes and abilities. Appropriate arrangements are made for the continued employment and training, career development and promotion of disabled persons employed by the Company. If members of staff become disabled, the Company continues employment where practical, either in the same or an alternative position, with appropriate retraining being given if necessary.

Financial risk management

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

Future Developments

The Company continues to work closely with its shareholder, Holding Socotec SAS, a Company incorporated in France, to strategically develop its position as a leading provider of technical, testing, inspection and compliance services, offering a broad and increasing range of services to its customers. This will continue to be led through both organic growth and by strategic acquisitions which fit closely with its strategy and that of the wider Socotec global Group. Future developments are discussed further in the strategic report.

Streamlined Energy & Carbon Reporting (SECR)

Streamlined Energy & Carbon Reporting is included in the Strategic report.

Directors' Report for the year ended 31 December 2020 (continued)

The COVID-19 Coronavirus pandemic

Like most businesses world-wide, SOCOTEC UK was impacted by the global Covid-19 pandemic in the year to December 2020. Our immediate priority was maintaining a safe working environment for our clients and our dedicated workforce, many of whom provide critical services and who were required to continue to work, whether at client sites, at our own locations or at home. There were some early disruptions to our operations in order to make sure we had appropriate procedures put in place to provide Covid secure working environments. While many of our critical services continued throughout the majority of the year, during the pandemic, others were either delayed or cancelled due to the necessary restrictions and some of our clients' sites not being open for our work to be carried out. This varied across our many businesses and services. The months of April, May and June were the most significantly affected during the first "lockdown" period in the UK. After these months, more client sites opened and our operational activity increased as our critical testing, inspection and certification-based services were required on these sites. By the final quarter of the year, activity levels were broadly in line with the budget we set at the start of the year in most of our businesses. So far in 2021, and during the third Covid "lockdown" in January to March 2021, operational activity levels continued largely as normal, with some exceptions, mainly in the construction sector, where activity has marginally dropped. During the period, we accelerated our investment in digital technologies to maintain continuity of services to our clients and also to provide flexible working arrangements for our valued staff. Our ability to successfully deliver critical services to our clients during the pandemic in 2020 and now in 2021 has been due to the hard work, support and flexibility of our dedicated work force, their families, our clients and supply chain and we thank everyone for their support. While the restrictions had an impact on turnover and profitability in 2020 (most notably in April, May and June) due to work being delayed or cancelled, through strong working capital and capital expenditure management, the Company's liquidity, cash flow performance and balance sheet remained very strong throughout the 2020 year as is the case now in 2021. The Company is confident that it can continue to operate largely as normal during 2021. During the year and into 2021, the Company has continued to meet its financial, contractual and regulatory obligations, again, a reflection of the financial and operational resilience of the business model. The Directors are, however, aware that the pandemic has caused economic challenges, and uncertainty, and that living and operating with the pandemic and managing its risks will be a long-term requirement. The Directors continue to actively analyse the consequences whilst directing the Company's response to mitigate these ongoing risks.

Statement of directors' responsibilities in respect of the financial statements

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law).

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently,
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; 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.

The directors 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.

In the case of each director in office at the date the Directors' Report is approved.

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

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

J R Goodwin
Director
06 August 2021

Independent auditor's report to the members of SOCOTEC UK Limited

Opinion

We have audited the financial statements of Socotec UK Limited (the 'company') for the year ended 31 December 2020 which comprise the Income Statement, Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice)

In our opinion, the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2020 and of its result for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

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 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

In connection with our audit of the financial statements, 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 audit or otherwise appears to be materially misstated If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information 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

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

Matters on which we are required to report by exception

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report

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

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

Independent auditor's report to the members of SOCOTEC UK Limited (Continued)

Responsibilities of Directors

As explained more fully in the directors responsibilities statement set out on page 7, 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

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. Based on our understanding of the Company and its industry, we identified that the principal risks of non-compliance with laws and regulations related to UK tax legislation, anti-bribery, corruption and fraud, money laundering and we considered the extent to which non-compliance might have a material effect on the financial statements We also considered those laws and regulations that have a direct impact on the preparation of the financial statements, such as the Companies Act 2006

We evaluated the directors' and management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls) and determined that the principal risks were related to posting manual journal entries to manipulate financial performance, management bias through judgements and assumptions in significant accounting estimates, in particular in relation to valuation of the investment in subsidiaries.

Our audit procedures were designed to respond to those identified risks, including non-compliance with laws and regulations (irregularities) and fraud that are material to the financial statements Our audit procedures included but were not limited to

- Discussing with the directors and management their policies and procedures regarding compliance with laws and regulations;
- Communicating identified laws and regulations throughout our engagement team and remaining alert to any indications of non-compliance throughout our audit;
- Considering the risk of acts by the company which were contrary to applicable laws and regulations, including fraud

Our audit procedures in relation to fraud included but were not limited to.

- Making enquiries of the directors and management on whether they had knowledge of any actual, suspected or alleged fraud,
- Gaining an understanding of the internal controls established to mitigate risks related to fraud.
- Discussing amongst the engagement team the risks of fraud, and
- Addressing the risks of fraud through management override of controls by performing journal entry testing

There are inherent limitations in the audit procedures described above and the primary responsibility for the prevention and detection of irregularities including fraud rests with management As with any audit, there remained a risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal controls.

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

Use of the audit 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

Richard Karmel (Aug 6, 2021 16:51 GMT+1)

Richard Karmel (Senior Statutory Auditor) for and on behalf of Mazars LLP
Chartered Accountants and Statutory Auditor

Tower Bridge House
St Katharine's Way
London
E1W 1DD

Date Aug 6, 2021

Income Statement
For the year ended 31 December 2020

	Note	Year ended 31 December 2020	Year ended 31 December 2019
Continuing Activities		**£'000**	£'000
Revenue	4	**97,861**	95,426
Cost of sales		**(63,753)**	(60,863)
Gross profit		**34,108**	34,563
Other operating income		**2,010**	-
Administrative expenses (including exceptional costs of £1,083k (2019: £1,126k))		**(36,341)**	(33,810)
Operating (loss) / profit	5	**(223)**	753
EBITDA before exceptional items and management charges		**10,511**	10,813
Dividend received from related parties		**-**	1,950
(Loss) / Profit before interest and taxation		**(223)**	2,703
Finance costs	8	**(843)**	(732)
Net finance costs		**(843)**	(732)
(Loss) / Profit before income tax		**(1,066)**	1,971
Income tax credit / (expense)	9	**292**	(320)
(Loss) / Profit for the financial year		**(774)**	1,651

Statement of Comprehensive Income
For the year ended 31 December 2020

	Note	Year ended 31 December 2020	Year ended 31 December 2019
		£'000	£'000
(Loss) / Profit for the financial year		**(774)**	**1,651**
Other comprehensive (expense) / income:			
Items that will not be reclassified to profit or loss			
Actuarial (losses) / gains on retirement benefit obligations	9, 19	**(3,832)**	(1,036)
Movement on deferred tax relating to pension deficit	9	**732**	197
Other comprehensive (expense) / income for the year, net of tax		**(3,100)**	(839)
Total comprehensive (expense) / income for the year		**(3,874)**	812

The notes on pages 13 to 28 form an integral part of these financial statements.

All amounts relate to continuing operations.

Statement of financial position

As at 31 December 2020

	Note	As at 31 December 2020 £'000	As at 31 December 2019 £'000
Fixed assets			
Intangible assets	10	**16,861**	17,216
Property, plant and equipment	11	**10,670**	9,700
Investments	13	**14,802**	15,617
Right of use assets	12	**14,757**	11,282
		57,090	53,815
Current assets			
Inventories	14	**481**	562
Trade and other receivables	15	**55,014**	63,239
Cash and cash equivalents		**9,449**	2,992
		64,944	66,793
Creditors: amounts falling due within one year	16	**(68,800)**	(71,280)
Net current (liabilties) / assets		**(3,856)**	(4,487)
Total assets less current liabilities		**53,234**	49,328
Creditors: amounts falling due after more than one year	17	**(12,427)**	(8,588)
Provisions for liabilities	18	**(838)**	(648)
Retirement benefit obligations	19	**(6,118)**	(2,367)
Net assets		**33,851**	37,725
Equity			
Called up share capital	20	**-**	-
Revaluation reserve		**262**	262
Capital redemption reserve		**28,981**	28,981
Retained earnings		**4,608**	8,482
Total shareholders' funds		**33,851**	37,725

The notes on pages 13 to 28 are an integral part of these financial statements.

The financial statements on pages 10 to 28 were approved and authorised for issue by the board on 6 August 2021 and signed on its behalf by:

J R Goodwin
Director
06 August 2021

Registered number: 02880501

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

	Called up share capital £'000	Revaluation reserve [1] £'000	Capital redemption reserve [2] £'000	Retained earnings [3] £'000	Total Shareholders funds £'000
Balance at 1 January 2019	-	262	28,981	7,670	36,913
Profit for the financial year	-	-	-	1,651	1,651
Other comprehensive income for the year:					
Actuarial loss on retirement benefit obligations, net of deferred tax	-	-	-	(839)	(839)
Total comprehensive income	-	-	-	812	812
Balance as at 31 December 2019	-	262	28,981	8,482	37,725

	Called up share capital £'000	Revaluation reserve [1] £'000	Capital redemption reserve [2] £'000	Retained earnings [3] £'000	Total Shareholders funds £'000
Balance at 1 January 2020	-	262	28,981	8,482	37,725
Loss for the financial year	-	-	-	(774)	(774)
Other comprehensive income for the year:					
Actuarial loss on retirement benefit obligations, net of deferred tax	-	-	-	(3,100)	(3,100)
Total comprehensive income	-	-	-	(3,874)	(3,874)
Balance as at 31 December 2020	-	**262**	**28,981**	**4,608**	**33,851**

The notes on pages 13 to 28 are an integral part of these financial statements.

[1] The revaluation reserve arose as part of a number of property revaluations during 1998 by the previous owners.

[2] The capital redemption reserve arose as part of a restructuring by a Company's related company ESG Investments Limited.

[3] Retained earnings represents accumulated comprehensive income / (expense) for the year and prior periods plus transfers from the revaluation reserve relating to depreciation realised on revaluations less dividends paid.

Notes to the financial statements for the year ended 31 December 2020

1 General Information

SOCOTEC UK Limited ("the Company") provides inspection, testing and compliance services to customers operating in the Infrastructure, Environment & Safety, Environmental Science and Building Control and Fire Safety sectors in particular.

The Company is a private limited Company, incorporated and domiciled in the United Kingdom (Registration number 02880501). The address of the registered office is SOCOTEC House, Bretby Business Park, Ashby Road, Burton Upon Trent, DE15 0YZ.

2 Principal accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

The Company's financial statements are presented in sterling, which is also the Company's functional currency.

Basis of preparation

The financial statements of SOCOTEC UK Limited have been prepared in accordance with Financial Reporting Standard 101, 'Reduced Disclosure Framework' (FRS 101). The financial statements have been prepared on a going concern basis, under the historical cost convention, as modified by the revaluation of land and buildings and in accordance with the Companies Act 2006.

The directors have assessed the impact of global business uncertainty arising from the Covid-19 virus. The directors have reviewed the financial circumstances of the Company and are satisfied that the Company will be able to satisfy its financial obligations for at least 12 months from the date of signature of the financial statements, which have been prepared on the going concern basis.

The preparation of financial statements in conformity with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. Although these estimates are based on management's best knowledge of the amount, event or action, actual results may ultimately differ from those estimates. The areas involving a higher degree of judgement or complexity or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3.

The following exemptions from the requirements of IFRS have been applied in the preparation of these financial statements, in accordance with FRS 101.
- IFRS 7, 'Financial Instruments: Disclosures'
- Paragraphs 91 to 99 of IFRS 13, 'Fair value measurement' (disclosure of valuation techniques and inputs used for fair value measurement of assets and liabilities)
- The following paragraphs of IAS 1, 'Presentation of financial statements':
  - paragraph 10 (d), (statement of cash flows)
  - paragraph 16 (statement of compliance with all IFRS)
  - paragraphs 38A–38B – Detail in respect of minimum comparative information
  - paragraphs 38C–38D – Additional comparative information
  - paragraphs 40A–40D – Detail in respect of a third balance sheet presented on a change in accounting policy, retrospective restatement or reclassification
  - paragraph 111 (cash flow statement information)
  - paragraph 79(a)(iv) – A reconciliation of the number of shares outstanding at the beginning and end of the period for each class of shares need not be presented for prior periods, and
  - paragraphs 134–136– Information on an entity's objectives, policies and processes for managing capital (qualitative and quantitative).
- IAS 7, 'Statement of cash flows'
- IAS 8 'Accounting policies, changes in accounting estimates and errors', paragraphs 30–31 – Disclosure in respect of new standards and interpretations that have been issued but which are not yet effective.

Consolidation exemption

The Company is a wholly owned subsidiary of Inspicio Environmental Services Group Limited and of its ultimate parent company Soco 1 SAS. It is included in the consolidated financial statements of Soco 1 SAS which are available as discussed in note 24. Therefore the Company is exempt by virtue of section 400 of the Companies Act 2006 from the requirement to prepare consolidated financial statements. The address of the ultimate parent's registered office is 5 Place des Freres Montgolfier, 78182 Guyancourt, France. These financial statements are the Company's separate financial statements.

Revenue recognition

Revenue, which is stated net of value added tax, represents net amounts receivable from customers for the value of the services supplied in the ordinary course of the Company's activities.

Revenue from inspections and tests is recognised when the service is either complete, or is at a stage of completion where it can be measured reliably.

Revenue arising from long term contracts represents the proportion of the contract value applicable to the activity in the period ascertained by reference to the application for payments on each contract. Estimates of total contract costs and revenues are reviewed periodically and the cumulative effects of changes are recognised in the period in which they are identified. All known or anticipated losses are provided in full as soon as they are foreseen. Revenues recognised in excess of amounts billed, less applicable payments on account, are classified as accrued income/contract asset.

Cost of sales

Cost of sales represents amount paid for direct costs of running the laboratories, appropriate salaries, together with amounts due to external third parties for inspection services and other costs directly related to revenue.

EBITDA

EBITDA is revenue and earnings before interest, tax, depreciation, amortisation, management charges and exceptionals.

Property, plant and equipment

Property, plant and equipment is stated at historical cost less depreciation.

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 tangible fixed assets less their estimated residual values, over the expected useful economic lives of the assets concerned. The principal annual rates used for this purpose are:

Vehicles, plant and equipment	- 3 to 10 years
Short leasehold improvements	- Shorter of lease term or useful life
Freehold and long leasehold buildings	- 30 years

Freehold and long leasehold land is not depreciated. Short leasehold assets are depreciated over the period of the lease.

Property, plant & equipment are tested for impairment when a triggering event occurs by comparing the carrying value of the asset being tested with its recoverable amount. The recoverable amount is the higher of the net selling price and value in use. Value in use is calculated on the basis of estimated future cash flows, using a discount rate appropriate to the Company.

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

2 Principal accounting policies (continued)

Investment in subsidiaries

Investments in subsidiaries are held at cost less accumulated impairment losses.

Finance leases

Leasing agreements that transfer to the Company substantially all the benefits and risks of ownership of an asset ("finance leases") are treated as if the asset has been purchased outright. The assets are included in the balance sheet as non-current assets on the lease commencement date at the lower of fair value and present value of minimum lease payments. 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 obligation 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.

Operating leases

The Company assesses whether a contract is or contains a lease, at inception of the contract. The Company recognises a right-of-use asset and a corresponding liability with respect to all lease agreements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Company recognises the lease payments as an operating expense on a straight-line basis over the term of the lease.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discontinued by using the rate implicit in the lease. If this rate cannot be readily determined, the Company uses its incremental borrowing rate. When the incremental borrowing rate is used it is the rate of interest that the lessee would have to pay to borrow over a similar item and with a similar security the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment.

Goodwill

Goodwill arising represents the excess of the cost of acquisition over the Company'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 by assessing the recoverable amount of each operating segment to which the goodwill relates. The recoverable amount is higher of fair value less costs to sell, and value in use. When the recoverable amount of the operating segment is less than the carrying amount, an impairment is recognised. Any impairment is recognised immediately in the income statement 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 or loss on disposal.

Other intangible assets

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

Brands	25 years
Customer relationships	10 years
Knowhow & technology	15 years
Software	3 years

Software costs consist primarily of externally incurred development costs, rights to use purchased software and separately identifiable staff costs.

Intangibles are tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on intangibles are not reversed.

Taxation

The tax expenses for the period comprises current and deferred tax.

Current tax is the expected tax payable on the taxable income for the year, and any adjustment in respect of the prior year. The charge is calculated on the basis of the tax laws enacted or substantially enacted at 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.

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

Deferred tax is measured at the tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on an undiscounted basis.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first in first out method. Net realisable value is the estimated selling price, less applicable selling expenses. Inventories represent goods held for resale, and certain consumables used by the Company. In general consumables are written off to cost of sales in the period in which they are purchased unless there is a clear one to one relationship between the use of the consumable and the revenue generated from the service.

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

2 Principal accounting policies (continued)

Trade and other receivables

Trade and other receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer) they are classified as current assets. If not, they are presented as non-current assets.

Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less.

Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Creditors

Creditors are obligations to pay for goods and services that have been acquired in the ordinary course of business from suppliers.

Creditors are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Employee benefits

a) Defined contribution scheme

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

b) Defined benefit scheme

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

The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of the plan asset. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms of maturity approximating to the terms of the related pension obligation. In countries where there is no deep market in such bonds, the market rates on governments bonds are used.

The amount charged or credited to finance costs is a net interest amount calculated by applying the liability discount rate to the net defined benefit liability or asset. Actuarial gains and losses net of deferred tax are recognised immediately in the statement of comprehensive income.

Provisions

Provisions for environmental restoration, restructuring costs and legal claims are recognised when: the Company has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated. Reorganisation provisions comprise lease term penalties and employee termination payments. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. Provision is recognised even if the outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects the current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised as interest expense.

Foreign currencies

Items included in the financial statements are measured using the currency of the primary economic environment in which the relevant part of the entity operates (the "functional currency"). The financial statements are presented in 'pounds Sterling' (£) which is also the Company's functional currency. Transactions denominated in currencies other than the functional currency are translated into the functional currency at spot rates prevailing at the date of the transaction or valuation where items are re-measured. 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 within administrative expenses.

Exceptional items

Exceptional items are not explicitly addressed under FRS101. Accordingly, the Company has defined exceptional items as those items of sufficient financial significance to be disclosed separately in order to assist in understanding the underlying financial performance achieved.

Exceptional items are those which, in the judgement of the directors, need to be disclosed separately by virtue of their size or incidence in order to obtain a proper understanding of the financial information, such as but not limited to, the impairment of goodwill, impairment of assets, restructuring costs and acquisition activities.

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

2 Principal accounting policies (continued)

Future pronouncements and changes adopted in the year

The application of the other revised Interpretations, Amendments and Annual Improvements has not had any material impact on the amounts reported for the current and prior years but may affect the accounting for future transactions or arrangements.

Government grants

Grants are accounted under the accruals model as permitted by FRS 101. Grants relating to expenditure on tangible fixed assets are credited to profit or loss at the same rate as the depreciation on the assets to which the grant relates. The deferred element of grants is included in creditors as deferred income.

Grants of a revenue nature are recognised in the Statement of Comprehensive Income in the same period as the related expenditure.

3 Critical estimates and judgements in applying the entity's accounting policies

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

Pension benefits

The present value of the pension obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions about the future i.e. life expectancy, salary increases, asset valuations and discount rates. These assumptions reflect historical experience and current trends. Any changes in these assumptions will impact the carrying amount of pension obligations and assets.

The Company determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the Company considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Other key assumptions for pension obligations and assets are based in part on current market conditions. Additional information is disclosed in note 19.

The following are the critical judgements, apart from those involving estimations (which are dealt with separately above), that the directors have made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognised in financial statements.

Estimated impairment of goodwill

The Company tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated above. The recoverable amounts of cash generating units have been determined based on value-in-use calculations and fair value less costs to sell. These calculations require the use of estimates. See note 10 for the carrying amount of goodwill.

Useful economic lives of property, plant and equipment

The annual depreciation charge for property, plant and equipment is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are re-assessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and the physical condition of the assets. See note 11 for the carrying amount of the property, plant and equipment, and note 2 for the useful economic lives of each class of assets.

Impairment of trade receivables

The Company makes an estimate of the recoverable value of trade and other debtors. When assessing impairment of trade and other receivables, management considers factors including the credit rating of the receivable, the ageing profile of receivables and historical experience. See note 15 for the net carrying amount of receivables and associated impairment provision.

Provisions against accrued income and retentions

The Company makes an estimate of the recoverable value of accrued income and retentions. When assessing accrued income and retentions management considers factors including operational management expertise together with historical experiences. See note 15 for the net carrying amount of accrued income and retentions.

Recoverability of amounts owed by group undertakings

The recoverability of amounts owed by group undertakings has been assessed by the Company. The balances are all considered to be recoverable when considering the group as a whole. See note 15 for the carrying amount owed by group undertakings.

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

4 Revenue

Revenue arises from the Company's activities as outlined in the Strategic report. There is one category of revenue being to provide testing, inspection and compliance services. The analysis of revenue by geographical area of destination is shown below:

	2020	2019
	£'000	£'000
United Kingdom	**97,123**	93,925
Europe	**698**	1,289
Rest of the World	**40**	212
	97,861	95,426

5 Operating (loss) / profit

	2020	2019
	£'000	£'000
Operating (loss) / profit is stated after charging / (crediting):		
Wages and salaries	**36,602**	36,906
Social security costs	**3,530**	3,571
Pension costs - defined contribution plans (note 19)	**1,063**	1,022
Pension costs - defined benefit plans (note 19)	**381**	321
Staff costs	**41,576**	41,820
(Profit) on disposal of fixed assets	**(222)**	(6)
Amortisation of intangible assets (note 10)	**1,192**	1,190
Depreciation of tangible assets (note 11)	**2,581**	2,577
Depreciation of right of use assets (note 12)	**3,977**	3,491
Operating lease charges (note 12)	**54**	57
Foreign exchange loss / (gain) on trade receivables	**5**	(87)
Audit fees payable to the company's auditors	**82**	70
Non audit fees incurred	**83**	57
Management charges paid to parent company	**1,900**	1,676
Amount of inventories recognised as an expense	**997**	1,448

6 Exceptional items

Exceptional items consist of the following items:

	2020	2019
	£'000	£'000
Impairment of Goodwill on liquidated companies	**-**	670
Refinancing costs and sale costs	**-**	69
Restructuring activities	**1,083**	387
	1,083	1,126

During the year exceptional cash costs relating to property leases totalling £285,000 have been accounted for under IFRS 16 and therefore within interest and depreciation for the year the following amounts relate to empty properties, £53,000 of interest and £247,000 of depreciation.

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

7 Directors and employees

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

	2020 Number	2019 Number
By activity		
Inspection & testing	**928**	989
Marketing and distribution	**42**	45
Management and administration	**312**	317
	1,282	1,351

Total emoluments paid to key management personnel (statutory and other directors) was £1,498,000 (2019: £1,358,000) with £50,000 (2019: £54,000) contributions into defined contribution pension schemes.

Total emoluments paid to directors were £1,253,000 (2019: £949,000) with £43,000 (2019: £40,000) contributions into defined contribution pension schemes. The emoluments of the highest paid director was £302,000 (2019: £275,000) with £nil (2019: £nil) being paid to defined contribution pension schemes. Pension contributions into personal pension schemes were payable in respect of two (2019: two) executive directors.

Key management personnel are those persons having authority for planning, directing and controlling the activities of the company, including all directors of SOCOTEC UK Limited.

8 Net finance costs

Finance expense	2020 £'000	2019 £'000
Other interest	**(52)**	-
Interest payable on loans from group companies	**(5)**	(18)
Net cost of post-employment benefits (note 19)	**(46)**	(40)
Interest expense on Lease liabilities (note 12)	**(740)**	(674)
Total finance expense	**(843)**	(732)

Net finance cost	2020 £'000	2019 £'000
Interest expense	**(843)**	(732)
Net finance expense	**(843)**	(732)

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

9 Income tax expense

	2020 £'000	2019 £'000
Current income tax:		
UK corporation current tax on (loss) / profit for the year	**(66)**	115
Total current tax (credit) / charge	**(66)**	115
Deferred tax:		
Transfer of 4SEE Ltd	**-**	14
Origination and reversal of timing differences	**(87)**	185
Adjustments in respect of prior year	**9**	25
Impact of changes in tax rate	**(148)**	(19)
Total deferred tax	**(226)**	205
Tax on (loss) / profit	**(292)**	320
Other comprehensive income items:		
Origination and reversal of timing differences	**(753)**	(197)
Deferred tax - prior year	**21**	-
	(732)	(197)

A reconciliation of the income tax charge applicable to the accounting (loss) / profit before tax at the statutory income tax rate to total taxation for the Company is as follows:

	2020 £'000	2019 £'000
(Loss) / Profit before taxation	**(1,066)**	1,971
(Loss) / Profit before taxation multiplied by the standard UK corporation tax rate of 19% (2019: 19%)	**(203)**	375
Effects of:		
Adjustments in respect of prior year	**(57)**	74
Expenses not deductible for tax purposes	**85**	182
IFRS 16 adjustment	**65**	80
Tax rate changes	**(148)**	(19)
Other	**10**	-
Dividend received not taxable	**-**	(371)
Effects of group relief/ other reliefs	**(44)**	-
Total Tax (credit) / expense	**(292)**	320

Factors affecting current and future tax charges

The UK Government announced in the 2021 budget that from 1 April 2023, the rate of corporation tax in the United Kingdom will increase from 19% to 25%. Companies with profit of £50,000 or less will continue to be taxed at 19%, which is a new small profits rate. Where taxable profits are between £50,000 and £250,000, the higher 25% rate will apply but with a marginal relief applying as profits increase.

Deferred taxation

At 31 December 2020, the company had deferred tax assets as follows:

Deferred tax assets

	2020 £'000	2019 £'000
At 1 January	**1,521**	1,515
Charge to the income statement	**236**	(166)
Adjustment in respect of prior years	**(9)**	(25)
Deferred tax charge in Other Comprehensive Income	**732**	197
Total deferred tax asset recognised (note 15)	**2,480**	1,521

	Amount recognised 2020 £'000	Amount recognised 2019 £'000
Tax effect of timing differences because of		
Fixed Assets	**779**	825
Temporary differences trading	**1,701**	696
Total deferred tax asset	**2,480**	1,521

The Directors consider it is more likely than not that there will be sufficient taxable profits in the future sufficient to realise the deferred tax assets, and therefore the asset has been recognised in the financial statements.

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

10 Intangible assets

	Goodwill	Brands	Customer Relationships	Knowhow and technology	Software	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Cost						
At 1 January 2019	22,711	301	5,408	3,181	4,465	36 066
Additions	-	-	-	-	770	770
Transfer from investments on hive up of business	3,123	-	-	-	-	3,123
At 31 December 2019	25,834	301	5,408	3,181	5,235	39,959
Additions	-	-	-	-	192	192
As 31 December 2020	**26,479**	**301**	**5,408**	**3,181**	**5,427**	**40,796**
Accumulated amortisation						
At 1 January 2019	11,767	121	4,772	1,973	2,920	21,553
Amortisation for the year (note 5)	-	12	420	174	584	1,190
At 31 December 2019	11,767	133	5 192	2,147	3,504	22,743
Amortisation for the year (note 5)	-	12	200	209	771	1,192
At 31 December 2020	**11,767**	**145**	**5,392**	**2,356**	**4,275**	**23,935**
Net book value						
As at 31 December 2019	14,067	168	216	1 034	1,731	17,216
As at 31 December 2020	**14,712**	**156**	**16**	**825**	**1,152**	**16,861**

The total goodwill and other intangibles of £16.9m (2019: £17.2m) is allocated to the Company's single cash generating unit (CGU) this being for environmental services.

Intangible assets amortisation is recorded in administrative expenses in the income statement

At the year end an impairment test on goodwill was carried out in accordance with FRS101. The impairment analysis is based on future projected after tax cash flows to 2025, followed by a terminal earnings estimate amount, based on a growth rate to perpetuity of 2 0% per annum These forecasts reflect management's prudent consideration of future performance in terms of sales margins and market conditions against historic trading experience and the recoverable amounts of the assets are supported by value in use based on a discount rate of 6.14%, the discount rate applied to future post tax cash flows. Sensitivity analysis has been performed as part of the impairment test by reducing the growth rate to 0.5%, at this lower level of growth the carrying value of intangibles is still supportable. The Directors believe the carrying value of intangibles is supportable

11 Property, plant and equipment

	Freehold and long leasehold land and buildings	Short leasehold Improvements	Vehicles, Plant and Equipment	Total
	£'000	£'000	£'000	£'000
Cost				
At 1 January 2019	3,002	956	27,866	31,824
Additions	-	-	2,195	2,195
Disposals	-	-	(99)	(99)
At 31 December 2019	3,002	956	29,963	33,921
Additions	-	-	3,973	3,973
Disposals	-	-	(1,227)	(1,227)
At 31 December 2020	**3,002**	**956**	**32,709**	**36,667**
Accumulated depreciation				
At 1 January 2019	981	755	19,994	21,730
Charge for the year	52	34	2,492	2,577
Disposals	-	-	(87)	(87)
At 31 December 2019	1,033	789	22,398	24,220
Charge for the year	52	34	2,495	2,581
Disposals	-	-	(804)	(804)
At 31 December 2020	**1,085**	**823**	**24,089**	**25,997**
Net book value at 31 December 2020	**1,917**	**133**	**8,620**	**10,670**
Net book value at 31 December 2019	1,969	167	7,564	9,700

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

12 Leases

Right-of-use assets	Vehicles	Property	Copiers & Computers	Total
	£'000	£'000	£'000	£'000
Cost				
At 1 January 2020	2,845	10,944	581	14,370
Addtions	3,701	3,876	-	7,577
Lease modification	-	(125)	-	(125)
Disposals	(619)	(91)	-	(710)
At 31 December 2020	5,927	14,604	581	21,112
Accumulated Depreciation				
At 1 January 2020	1,091	1,892	105	3,088
Charge for year (note 5)	1,622	2,213	142	3,977
Disposals	(619)	(91)	-	(710)
At 31 December 2019	2,094	4,014	247	6,355
Net book value at 31 December 2020	**3,833**	**10,590**	**334**	**14,757**
Net book value at 31 December 2019	1,754	9,052	476	11,282

Amounts recognised in profit or loss	2020
	£'000
Interest expense on lease liabilities (note 8)	740
Expenses relating to short-term leases (note 5)	54

13 Investments

	Subsidiary undertakings
	£'000
Cost and net book value	
At 1 January 2019	**15,617**
Additions in the year	5
Deferred consideration adjustment	(645)
Impairment in the year	(175)
At 31 December 2020	**14,802**

*The Company indirectly holds 100% of the share capital of SOCOTEC Asbestos Limited, SOCOTEC Monitoring UK Limited, Constructionfit Monitoring Ltd, Butler & Young Group Limited SOCOTEC Building Control Limited (formerly Butler & Young Approved Inspectors Limited, Butler & Young Consultants Limited, Trenton Fire Limited, Butler & Young Residential Limited and Butler & Young Ireland Limited.

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

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

The following is a list of subsidiaries at 31 December 2020

	Registered Office	Class of shares	% interest	Country of incorporation or registration	Type of business
Geotech Specialists Limited	Carrewswood, Castlemartyr Co Cork, Ireland	Ordinary	100	Ireland	Property holding company
Henley Water Limited	SOCOTEC House Bretby Business Park, Ashby Road, Burton Upon Trent, DE15 0YZ	Ordinary	100	England & Wales	Dormant company
Waterwise Technology Limited	SOCOTEC House Bretby Business Park, Ashby Road, Burton Upon Trent, DE15 0YZ	Ordinary	100	England & Wales	Dormant company
Scientifics Limited	SOCOTEC House Bretby Business Park, Ashby Road, Burton Upon Trent, DE15 0YZ	Ordinary	100	England & Wales	Holding company
SOCOTEC Asbestos Limited*	SOCOTEC House, Bretby Business Park, Ashby Road, Burton Upon Trent, DE15 0YZ	Ordinary	100	England & Wales	Asbestos testing and consultancy
4see Ltd	SOCOTEC House, Bretby Business Park, Ashby Road, Burton Upon Trent, DE15 0YZ	Ordinary	100	England & Wales	Dormant company
Calyx Investments Limited	SOCOTEC House, Bretby Business Park, Ashby Road, Burton Upon Trent, DE15 0YZ	Ordinary	100	England & Wales	Holding company
SOCOTEC Monitoring UK Limited*	SOCOTEC House, Bretby Business Park, Ashby Road, Burton Upon Trent, DE15 0YZ	Ordinary	100	England & Wales	Environmental testing
Constructionfit Monitoring Ltd*	SOCOTEC House, Bretby Business Park, Ashby Road, Burton Upon Trent, DE15 0YZ	Ordinary	100	England & Wales	Dormant company
Butler & Young Holdings Limted	SOCOTEC House, Bretby Business Park, Ashby Road, Burton Upon Trent, DE15 0YZ	Ordinary	100	England & Wales	Holding company
Butler & Young Group Limited*	SOCOTEC House, Bretby Business Park, Ashby Road, Burton Upon Trent, DE15 0YZ	Ordinary	100	England & Wales	Holding company
SOCOTEC Building Control Limited (formerly Butler & Young Approved Inspectors Limited)*	SOCOTEC House, Bretby Business Park, Ashby Road, Burton Upon Trent, DE15 0YZ	Ordinary	100	England & Wales	Building control
Butler & Young Consultants Limited*	SOCOTEC House, Bretby Business Park, Ashby Road, Burton Upon Trent, DE15 0YZ	Ordinary	100	England & Wales	Consultancy
Trenton Fire Limited*	SOCOTEC House, Bretby Business Park, Ashby Road, Burton Upon Trent, DE15 0YZ	Ordinary	100	England & Wales	Fire safety engineering
Butler & Young Residential Limited*	SOCOTEC House, Bretby Business Park, Ashby Road, Burton Upon Trent, DE15 0YZ	Ordinary	100	England & Wales	Dormant company
Butler & Young Ireland Limited*	38 Main Street, Swords, Co Dublin, Ireland	Ordinary	100	Ireland	Dormant company

14 Inventories

	2020	2019
	£'000	£'000
Goods held for resale and certain consumables	**481**	562

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

Inventories are stated after provisions of £nil (2019 £nil).

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

15 Trade and other receivables

	2020	2019
	£'000	£'000
Contract assets	1,946	3,800
Trade receivables	16,078	23,590
Amounts owed by group undertakings	32,360	31,598
Other receivables	85	636
Prepayments	1,791	1,961
Corporation tax	274	133
Deferred tax asset (note 9)	2,480	1,521
	55,014	63,239

The fair value of the Company's trade and other receivables is not materially different to the amounts stated above due to their short term duration.

Amounts due from group undertakings are unsecured, interest free, have no fixed repayment date and are repayable on demand.

As at 31 December 2020, provisions of £769,000 (2019: £530,000) were made against certain trade receivables totalling £16,847,000 (2019: £24,120,000). The accounting policies include further detail on the Company's provisioning methods.

A contract asset arises on contracts where work has been completed but is yet to be billed. The Company makes an estimate of the recoverable value of accrued income and retentions £35,387 (2019: £586,609). When assessing accrued income and retentions management considers factors including operational management expertise together with historical experiences. No impairment has been recognised in relation to these contract assets for the year ended 31 December 2020 (2019: £nil).

16 Creditors: amounts falling due within one year

	2020	2019
	£'000	£'000
Trade creditors	5,073	9,335
Amounts owed to group undertakings	41,775	44,648
Lease liability	3,035	3,037
Other taxation and social security	8,426	5,103
Accruals and deferred income	10,491	9,157
	68,800	71,280

Amounts owed to group undertakings at the year end are unsecured and interest free. All amounts are repayable on demand.

17 Creditors: amounts falling due after more than one year

	2020	2019
	£'000	£'000
Lease liability	12,427	8,588

18 Provisions for liabilities

	£'000
At 1 January 2020	648
Additions during the year	328
Released during the year	(139)
At 31 December 2020	838

Provisions principally relate to dilapidations in respect of leasehold properties. The movement in the year relates to the unwinding of the onerous lease provision.

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

19 Post-employment benefits

	2020 £'000	2019 £'000
Non-current liabilities		
Defined benefit pension schemes net liabilities	**(6,118)**	(2,367)
Reflected in statement of financial position as follows:		
Retirement benefit obligations: non current liabilities	**(6,118)**	(2,367)

Expenses of £399,000 (2019: £335,000) and £397,000 (2019: £386,000) have been included in cost of sales and administrative expenses respectively in respect of employee benefits excluding pensions.

Pensions

The Company participates in two industry defined benefit pension schemes and several defined contribution pension schemes. The assets of the defined benefit schemes are managed on behalf of the trustees by independent fund managers.

Expenses recognised in the income statement for the year ended 31 December 2020:

	Industry Wide Coal Staff Superannuation Scheme 2020 £'000	**Railway Pension Scheme 2020 £'000**	**Defined contribution pension schemes 2020 £'000**	**Year ended 31 December 2020 £'000**
Cost of sales	**35**	**163**	**629**	**827**
Administrative costs	**52**	**131**	**434**	**617**
Employer's current service cost	**87**	**294**	**1,063**	**1,444**
Net interest on the defined benefit obligation	**14**	**32**	**-**	**46**
Total pension expenses	**101**	**326**	**1,063**	**1,490**

Expenses recognised in the income statement for the year ended 31 December 2019.

	Industry Wide Coal Staff *Superannuation* Scheme 2019 £'000	*Railway Pension* Scheme 2019 £'000	Defined *contribution* pension schemes 2019 £'000	*Year ended* 31 December 2019 £'000
Cost of sales	37	145	623	804
Administrative costs	74	65	399	538
Employer's current service cost	111	210	1,022	1,343
Net interest on the defined benefit obligation	27	13	-	40
Total pension expenses	138	223	1,022	1,383

Movements in the defined benefit obligation during the year are as follows:

	Industry Wide Coal Staff Superannuation Scheme 2020 £'000	**Railway Pension Scheme 2020 £'000**	Industry Wide Coal Staff Superannuation Scheme 2019 £'000	Railway Pension Scheme 2019 £'000
At 1 January	**10,450**	**33,409**	9,920	29,755
Employer's interest cost	**216**	**689**	283	847
Employer's current service cost	**35**	**163**	37	145
Employer's past service cost	**-**	**-**	-	-
Employee's current contributions cost	**5**	**108**	6	104
Employee's past service cost	**-**	**-**	-	-
Benefits paid	**(337)**	**(1,219)**	(304)	(1,134)
Amounts recognised in the statement of comprehensive income				
- Actuarial (gain) / loss on experience items	**(42)**	**(1,082)**	(458)	-
- Actuarial (gain) / loss on financial assumptions	**1,413**	**6,117**	1,173	4,438
- Actuarial (gain) / loss on demographic assumptions	**596**	**413**	(207)	(746)
Present value of obligation at 31 December	**12,336**	**38,598**	10,450	33,409

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

19 Post-employment benefits (continued)

Movements in the fair value of plan assets during the year are as follows.

	Industry Wide Coal Staff Superannuation Scheme 2020	**Railway Pension Scheme 2020**	Industry Wide Coal Staff Superannuation Scheme 2019	Railway Pension Scheme 2019
	£'000	**£'000**	£'000	£'000
At 1 January	**9,585**	**30,906**	8,831	29,237
Interest income on scheme assets	**202**	**635**	256	825
Contributions by employer	**455**	**74**	350	80
Contributions by scheme participants	**5**	**49**	6	54
Benefits paid	**(337)**	**(1,219)**	(304)	(1,134)
Administration expenses	**(52)**	**(218)**	(74)	(108)
Amounts recognised in other comprehensive income				
- Actuarial gain / (loss) on plan assets	**481**	**1,503**	520	1,952
Fair value of scheme assets at 31 December	**10,339**	**31,730**	9,585	30,906

It is anticipated that the Company will make the following contributions to the pension schemes in 2021:

	£'000
Pension scheme contributions	**529**

The 31 December 2018 valuation of the Industry Wide Coal Staff Superannuation Scheme revealed a deficit. It has been agreed with the Trustees that the Company will pay £413,196 each year until 31 December 2023 to make good this deficit. This amount includes the allowance for current contributions with the remainder being allocated towards the shortfall in funding.

The amounts recognised in the statement of financial position at 31 December 2020 are determined as follows:

	Industry Wide Coal Staff Superannuation Scheme	**Railway Pension Scheme**	**Total**
	£'000	**£'000**	**£'000**
At 31 December 2020			
Present value of funded obligations	**(12,336)**	**(38,598)**	**(50,934)**
Fair value of plan assets	**10,339**	**31,730**	**42,069**
Deficit in scheme	**(1,997)**	**(6,868)**	**(8,865)**
Adjustment for members share of deficit	**-**	**2,747**	**2,747**
Net pension liability	**(1,997)**	**(4,121)**	**(6,118)**
Actuarial gain on experience items	**42**	**1,082**	**1,124**
Actuarial loss on financial assumptions	**(1,413)**	**(6,117)**	**(7,530)**
Actuarial gain on demographic assumptions	**(596)**	**(413)**	**(1,009)**
Actuarial gain on plan assets	**481**	**1,503**	**1,984**
Net actuarial gain / (loss)	**(1,486)**	**(3,945)**	**(5,431)**
Company's share of net actuarial gains / (losses) on scheme assets	**(1,486)**	**(2,367)**	**(3,853)**
Actuarial gains / (losses) on scheme liabilities	**(1,486)**	**(2,367)**	**(3,853)**
Deferred tax on pension scheme	**282**	**450**	**732**
Net actuarial gains / (losses) on scheme liabilities	**(1,204)**	**(1,917)**	**(3,121)**

The amounts recognised in the statement of financial position at 31 December 2019 are determined as follows:

	Industry Wide Coal Staff Superannuation Scheme	**Railway Pension Scheme**	**Total**
	£'000	**£'000**	**£'000**
At 31 December 2019			
Present value of funded obligations	(10,450)	(33,409)	(43,859)
Fair value of plan assets	9,585	30,906	40,491
Deficit in scheme	(865)	(2,503)	(3,368)
Adjustment for members share of deficit	-	1,001	1,001
Net pension liability	(865)	(1,502)	(2,367)
Actuarial gain on experience items	458	-	458
Actuarial loss on financial assumptions	(1,173)	(4,438)	(5,611)
Actuarial gain on demographic assumptions	207	747	954
Actuarial gain on plan assets	520	1,952	2,472
Net actuarial gain / (loss)	12	(1,739)	(1,727)
Change in asset ceiling and effect of members' share of deficit	-	(5)	(5)
Company's share of net actuarial gains / (losses) on scheme assets	12	(1,043)	(1,031)
Actuarial gains / (losses) on scheme liabilities	12	(1,048)	(1,036)
Deferred tax on pension scheme	(2)	199	197
Net actuarial gains / (losses) on scheme liabilities	10	(849)	(839)

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

19 Post-employment benefits (continued)

Actuarial valuations and assumptions

Industry Wide Coal Staff Superannuation Scheme (Scheme 1)

The last full actuarial valuation finalised prior to the 31 December 2020 year end was at 31 December 2018. The results of this valuation were used and rolled forward to the accounting date. The service cost has been calculated by using the Projected Unit method.

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

The last full actuarial valuation finalised prior to the 31 December 2020 year end was at 31 December 2019. The results of this valuation were used and rolled forward to the accounting date.

The assumptions used by the actuaries for both schemes 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. The principal assumptions are included in the table below:

	Industry Wide Coal Staff Superannuation Scheme	**Railway Pension Scheme**	Industry Wide Coal Staff Superannuation Scheme	Railway Pension Scheme
	2020	**2020**	2019	2019
Discount rates	**1.40%**	**1.40%**	2.10%	2.10%
Expected rates of salary increases	**1.75%**	**1.75%**	1.55%	1.55%
Pension increases	**2.85%**	**2.25%**	2.85%	2.05%
Inflation (RPI)	**2.90%**	**2.90%**	2.95%	2.95%
Inflation (CPI)	**2.25%**	**2.25%**	2.05%	2.05%

An assumption has also been made for members of the Railway Pension Scheme to commute on average 2.5% of their pension for cash on retirement, in line with the 2019 actuarial valuation results. An allowance has been made for members of the Industry Wide Coal Staff Superannuation Scheme to commute 15% of their pension for cash at retirement, in line with the 2018 actuarial valuation.

The starting point for the mortality assumptions for both schemes are the "SAPS" standard mortality tables, adjusted to reflect the actual membership experience of each scheme. The Railway Pension Scheme uses the SAPS S3N tables and the Industry Wide Coal Staff Superannuation Scheme uses the SAPS S3P tables, both with adjustments made to the table weightings to reflect the respective populations of each Scheme.

Future improvements are assumed to be in line with the CMI_2019 model, allowing for a long-term future trend of 1.25% per annum and a smoothing factor of 7.0.

The average life expectancy in years of a pensioner retiring at age 65 on the balance sheet date is as follows:

	Industry Wide Coal Staff Superannuation Scheme	**Railway Pension Scheme**	Industry Wide Coal Staff Superannuation Scheme	Railway Pension Scheme
	2020	**2020**	2019	2019
Life expectancy at 60 for a current male pensioner (years)	**26.3**	**26.7**	25.0	26.3
Life expectancy at 60 for a male non-pensioner aged 40 (years)	**27.8**	**28.1**	26.5	27.8

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

	Industry Wide Coal Staff Superannuation Scheme Fair value	**Industry Wide Coal Staff Superannuation Scheme Fair value**	**Railway Pension Scheme Fair value**	**Railway Pension Scheme Fair value**
	£'000	**%**	**£'000**	**%**
2020				
Equities	**1,598**	**15%**	**17,725**	**55%**
Bonds	**5,026**	**49%**	**13,517**	**43%**
Property	**525**	**5%**	**-**	**0%**
Cash	**189**	**2%**	**161**	**1%**
Other	**3,001**	**29%**	**327**	**1%**
	10,339	**100%**	**31,730**	**99%**
2019				
Equities	1,522	16%	17,800	57%
Bonds	4,605	48%	12,383	40%
Property	528	6%	-	0%
Cash	53	1%	9	0%
Other	2,877	30%	714	3%
	9,585	100%	30,906	100%

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

19 Post-employment benefits (continued)

Industry Wide Coal Staff Superannuation Scheme

The Industry Wide Coal Staff Superannuation Scheme (IWCSSS) is a funded defined benefit arrangement and is an industry-wide scheme for eligible employees. There are different sub-funds within the scheme for different employers. The assets and liabilities of each sub-fund are identified separately from those of the other sub-funds and the Company has its own sub-fund. The assets of the scheme are held separately from the Company. The Company's sub-fund of the scheme has been closed to new members since 1994.

Formal actuarial valuations of the IWCSSS are normally carried out triennially by qualified independent actuaries, and the last full actuarial valuation of the Company's section of the IWCSSS was carried out by the scheme actuary at 31 December 2018.

The sensitivity of the defined benefit obligation to changes in the actuarial assumptions is:

	Change in assumption	Change in defined benefit obligation £'000
Discount rate	0.1%	(215)
Inflation	0.1%	213
Expected rates of salary increase	0.1%	4
Mortality	+ 1 year age rating applied to mortality	515

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. The method of calculating these sensitivities is consistent with prior year.

Railways Pension Scheme

The Railway Pension Scheme (RPS) was established by statutory instrument, commenced on 1 October 1994 and is a funded defined benefit arrangement. The RPS is an industry-wide scheme for all eligible employees within the railway industry. There are different sections within it for different employers. The assets and liabilities of each section are identified separately from those of the other sections and the Company has its own section. This scheme, the assets of which are held separately from the Company, is contributory and provides pensions related to pay at retirement. The Company's section of the scheme has been closed to new members since 2003.

Formal actuarial valuations of the RPS are normally carried out triennially by qualified independent actuaries, and the last full actuarial valuation of the Company's section of the RPS was carried out by the scheme actuary at 31 December 2016. A full actuarial valuation is currently ongoing but not yet finalised for 31 December 2020.

The total contribution rate payable under the RPS is normally split in the proportion 60:40 between the Company and the members. The Company reflects its share of the contribution in the financial statements. If a surplus or deficit arises, the provisions in the RPS rules stipulate that the Company and members benefit from or pay for this respectively in the proportion 60:40.

The sensitivity of the defined benefit obligation to changes in the actuarial assumptions is:

	Change in assumption	Change in defined benefit obligation £'000
Discount rate	0.1%	(702)
Inflation	0.1%	665
Expected rates of salary increase	0.1%	49
Mortality	+ 1 year age rating applied to mortality	1,543

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. The method of calculating these sensitivities is consistent with prior year.

Through its defined benefit pension plans the company is exposed to a number of risks that are inherent in such plans and arrangements. There are, however, no unusual, company specific risks, and no significant concentrations of risk. The risks can be summarised as follows:

Asset value volatility, with the associated impact on the assets held in connection with the funding of pension obligations and the related cash flows; changes in bond yields, with any reduction resulting in an increase in present value of pension obligations, mitigated by an increase in the value of plan assets; inflation risk - the risk that inflation is higher that assumed. with subsequent increases to pensions that need to be paid; and life expectancy. as pensions are provided for the life of the beneficiaries and their dependants.

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

20 Called up Share capital

	2020 £'000	2019 £'000
Allotted and fully paid		
323 (2019: 323) Ordinary Shares of £1	-	-

21 Capital and other commitments

At 31 December, the company had the following capital commitments

	2020 £'000	2019 £'000
Contracts for future capital expenditure not provided in the financial statements	915	101

22 Related party transactions

During the year, the Company entered into the following transactions with related parties:

	Purchase of services 2020 £'000	Sale of Services 2020 £'000	Leases 2020 £'000	Purchase of services 2019 £'000	Sale of Services 2019 £'000	Leases 2019 £'000
SOCOTEC Asbestos Limited	(219)	198	838	(303)	316	700
SOCOTEC Monitoring UK Limited (formerly ITM Monitoring Limited)	(99)	192	-	(200)	125	-
4see Ltd	-	-	-	(49)	4	-
Other related companies	(2)	40	-	-	45	-
	(320)	430	838	(552)	490	700

Sales of services were negotiated with related parties on a cost-plus basis, allowing a gross profit margin ranging from 15% to 30%. Purchases of services were on normal commercial terms.

During the year, Holding Socotec SAS a related party, charged the company management charges of £1,042,000 (2019: £939,000). During the year, Socotec Gestion SAS a related party, charged the company management charges of £858,000 (2019: £737,000).

Balances outstanding with related parties at 31 December were as follows:

	Amounts owed from related parties 2020 £'000	Amounts owed to related parties 2020 £'000	Amounts owed from related parties 2019 £'000	Amounts owed to related parties 2019 £'000
Environmental Scientifics Group Holdings Limited	304	-	304	-
Buckingham Investigation Services Limited	2	-	27	-
Environmental Scientifics Holdings Limited	28,989	-	28,984	-
SOCOTEC UK Holding Limited	222	-	222	-
SOCOTEC Asbestos Limited	-	(7,829)	-	(6,935)
SOCOTEC Monitoring UK Limited	327	(344)	93	(351)
Calyx Investments Limited	1,070	-	1,070	-
4see Ltd	-	(772)	-	(772)
SOCOTEC Building Control Limited (formerly known as Butler & Young Approved Inspectors Limited)	150			
Butler & Young Group Limited	223			
Holding Socotec SAS	160	(115)	-	(150)
Socotec Gestion SAS	-	(55)	-	(184)
Inspicio Environmental Scientifics Group Limited	-	(12,442)	-	(14,385)
ESG Capital 2 Limited	-	(14,501)	-	(14,513)
Other Subsidiaries	913	(5,717)	898	(7,358)
	32,360	(41,775)	31,598	(44,648)

The amounts outstanding are unsecured, interest free, repayable on demand and will be settled in cash. No guarantees have been given or received.

See note 7 for disclosure of the directors remuneration.

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

23 Post balance sheet events

On 1 April 2021, the trade, assets and liabilities of its subsidiary undertakings, Butler & Young Consultants Limited and Trenton Fire Limited, were transferred to SOCOTEC UK Limited with the operations of these subsidiaries, from this date, now being operated within the Company. Also, on 20 July 2021, SOCOTEC UK Limited acquired 100% of the issued share capital of TOR Drilling Limited, a specialist rotary-drilling business, based in Glastonbury, Somerset.

24 Ultimate parent company and ultimate controlling party

The immediate parent undertaking is Inspicio Environmental Services Group Limited, a company registered in England and Wales.

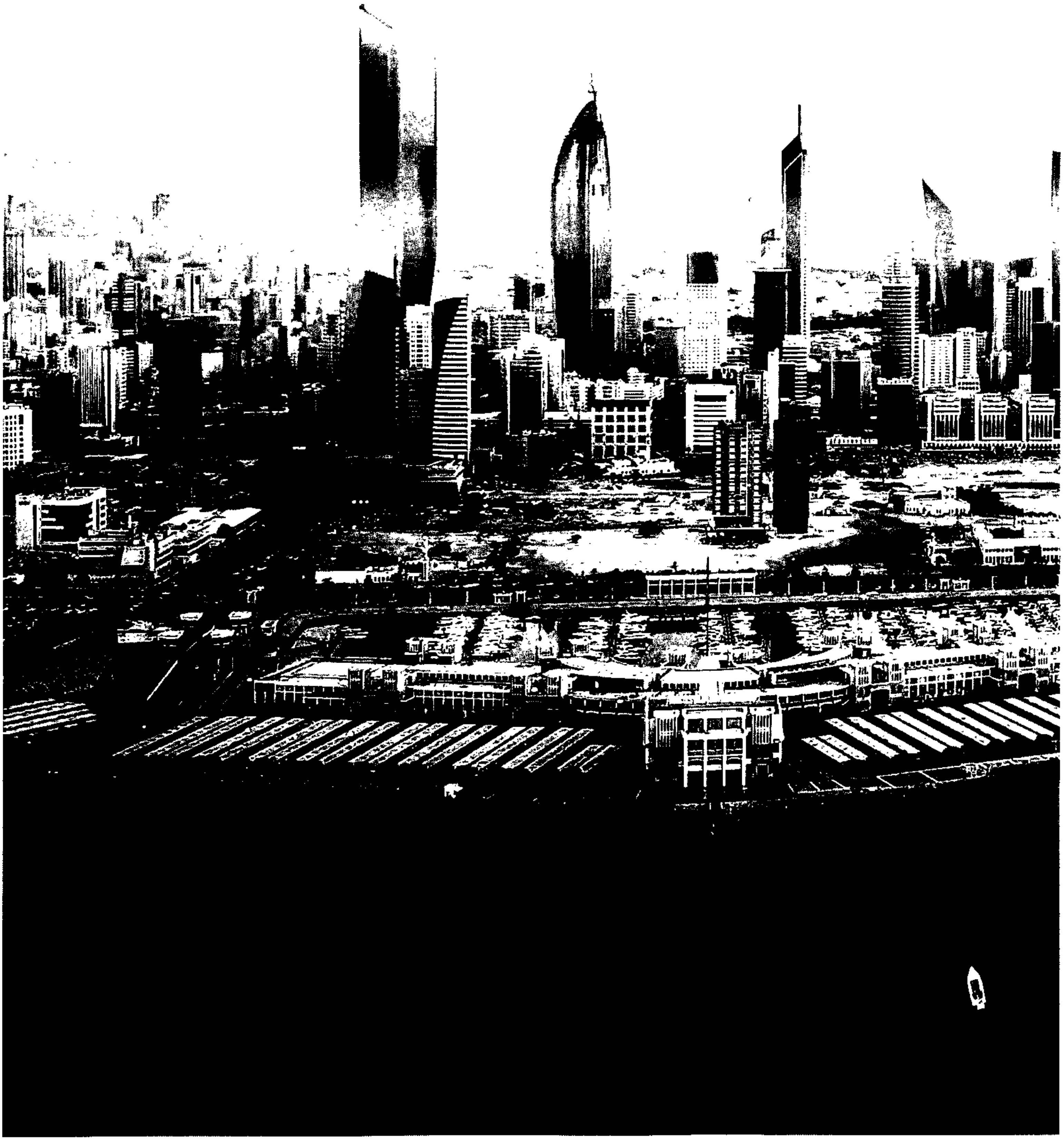
The ultimate parent undertaking is Soco 1 SAS, a Company incorporated in France, which owns 100% of Holding Socotec SAS, which as at 31 December 2020 held 98.2% of the issued share capital of Phoenix UK 2020 Limited, a company registered in England and Wales, which has been the ultimate domestic parent of this entity from 11 August 2020. Soco 1 SAS is the parent undertaking of the smallest and largest group to consolidate these financial statements and this company is included in the consolidated financial statements of Soco 1 SAS, a copy of which will be submitted alongside these financial statements and may be obtained from The Registrar of Companies, Companies Registration Office, Companies House, Crown Way, Maindy, Cardiff, CF14 3UZ.

In the opinion of the directors the ultimate controlling party is SophieLux 1 S.a.r.l, a company registered in Luxembourg. SophieLux 1 S.a.r.l, owns 65.65% of Soco 1 SAS the ultimate parent undertaking.

This a true and accurate translation of the original document

JFLANDRY
Group CFO

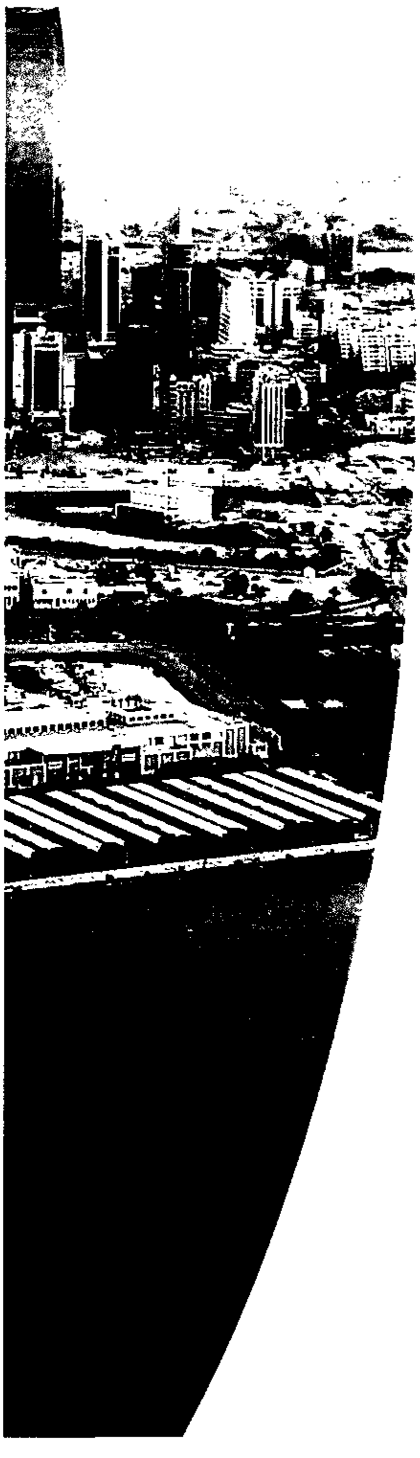
SOCOTEC



Message from the CEO

During 2020, when the economy was severely disrupted by an unprecedented public health crisis, SOCOTEC proved its resilience by achieving success on three levels:

- Financial results: we generated proforma revenue of €891.4 million and Ebitda of €132 million, which meant that we maintained our growth trajectory and remained on track with our 2024 strategic plan,
- Managerial performance: our teams were fully committed to steering our business through the pandemic, showing outstanding responsibility and determination in constantly seeking the right balance between protecting people's health and providing the services our clients need,
- Cash management: we kept a firm grip on costs and implemented cost-saving plans, and adopted more rigorous management of trade receivables in each of our business lines. Our hands-on approach enabled us to regain some operational room for manoeuvre by the end of the first half, and we were very quickly able to position our business for the post-crisis recovery. It also allowed us to develop our skills, extending them beyond our traditional area of building control. As a result, we developed risk management and technical consultancy services in all our businesses, opening the way to future developments between now and 2024.



In that sense, 2020 was a transitional year.

That transition was partly down to our CSR plan. We carried out our first materiality analysis and adopted a three-year roadmap, which is central to our operations as we seek to enhance our future performance, our reputation as a responsible company and our appeal in the eyes of our stakeholders, i.e. clients, candidates, technical partners and financial partners.

In the second half of 2020, we were also able to resume M&A activity, making five acquisitions in Germany, the USA and France. Cementys is an international company based in France, and has bolstered SOCOTEC's position in infrastructure monitoring, particularly via sensor solutions based on its proprietary technologies and R&D. Veritas Advisory Inc. is an American company that has strengthened Vidaris' position in the USA by making it a leading construction and real estate consultancy, particularly through its Dispute Resolution business.

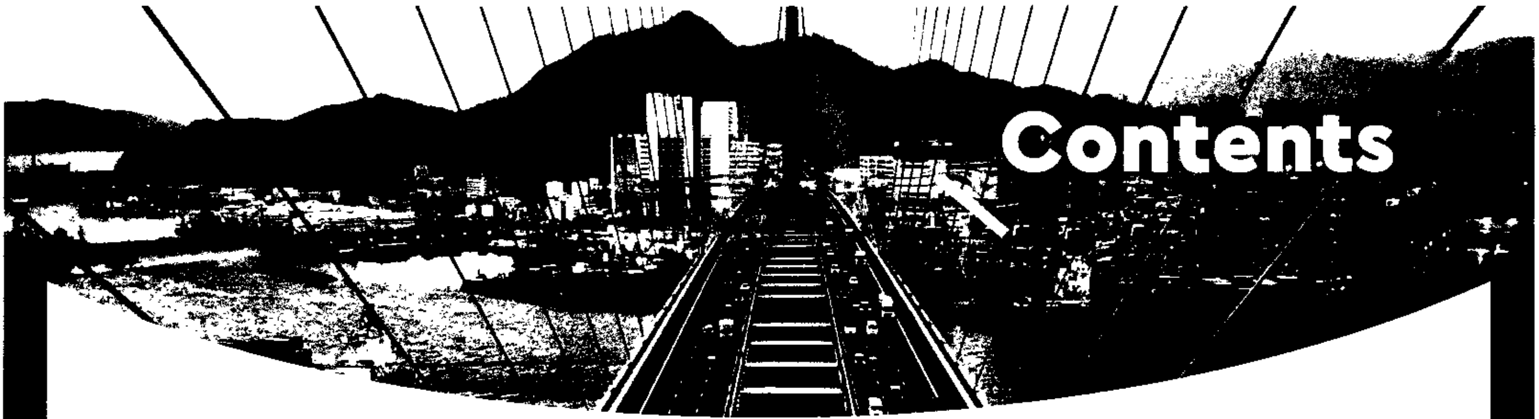
Those two acquisitions were SOCOTEC's largest in 2020. We intend to maintain our growth impetus in 2021 with the aim of further improving our margins, broadening our array of expertise by integrating the best experts who are leaders in their respective fields, and developing risk-management services. There is growing demand for risk-management services in view of the major transitions (climate, energy, digital, mobility) and regulatory changes that are underway. By developing these services, SOCOTEC is firmly positioning itself as a provider of solutions.

I would like to thank our teams in all our regions: they performed very well last year, and their agility and tenacity made all the difference.

I hope you enjoy reading our 2020 annual report.

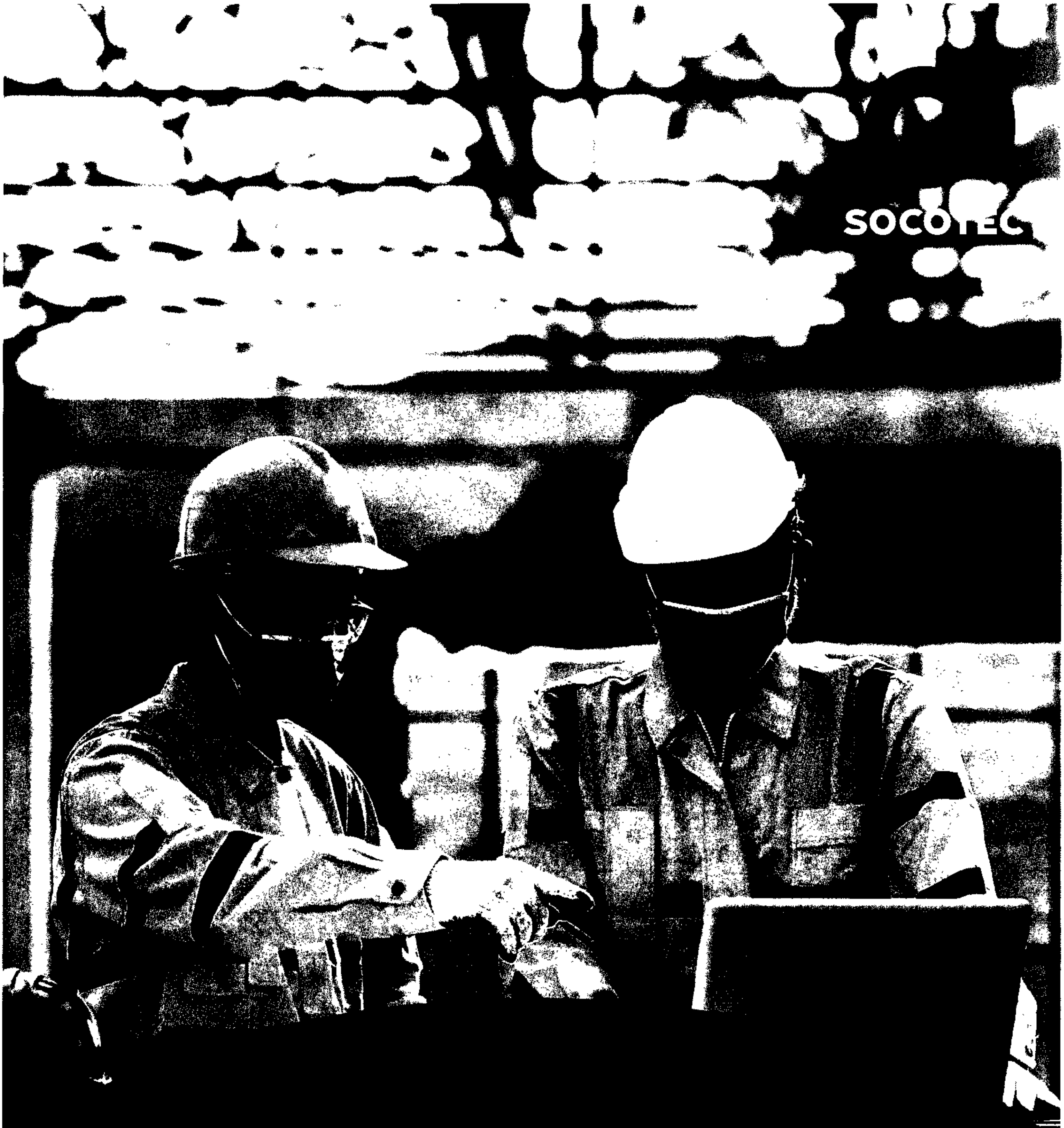
Hervé MONTJOTIN

CEO - SOCOTEC Group



Contents

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS................. 60



2020 HIGHLIGHTS

2020 Highlights

1. The SOCOTEC Group' nce to the pub health and economic cri

The pandemic was of course the main event in 2020. Although Covid-19 depressed economic activity in the Group's various countries at different points of the year and to varying extents, its impact was felt across the board and prompted the Group's management to take a fresh look at how the business is run. From March 2020, management implemented a crisis management plan that had several aspects:

- Safeguarding the health of employees (health protection plans at SOCOTEC and client sites, working from home) and of clients (solutions involving Covid officers, business-ready services etc.)
- Safeguarding operations, using furloughing arrangements in Europe and government business support grants in the USA and Asia
- Safeguarding jobs and adjusting working arrangements: stepping up continuing professional development and digital transition efforts during the first lockdown, managing staffing capacity from week to week and sometimes from day to day, adjusting outsourcing, and carrying out targeted recruitment in sectors that were resilient in Germany and Italy, or that saw a sharp rebound in activity after the first lockdown, i.e. Technical Inspection & Verification (TI&V) in France.
- Safeguarding the Group's finances: an increased focus on cash flow management at the overall and local levels, cash flow forecasts and debt recovery, efforts to accelerate and finalise the transformation of the Construction business unit in France with the deployment of the new Rapso V2 production system, related adjustments to the Group's organisational model, a 10% reduction in the workforce against the background of a changing and declining underlying construction market in France, negotiations and implementation of bilateral funding facilities and a Group-level, long-term non-recourse factoring programme.

For three months, from mid-March to the end of May 2020, the Group was hard-hit by Covid-19-related restrictions. During that period, proforma monthly revenue (based on the year-end 2020 business scope) fell by 14% in March, 31% in April and 18% in May.

Around 85% of the fall in business levels during that period took place in France and Overseas France. In France specifically, 90% of building sites were shut down for six weeks, while less severe shutdowns took place in the UK and USA. The rest of 2020 was stable overall in proforma terms as Covid-related restrictions eased. SOCOTEC was quickly able to adopt new ways of working (working from home, digital training, faster adoption of digital tools, reduced time-to-market for services including those related to new operational requirements during the Covid-19 crisis), thereby keeping business levels similar to 2019 and winning market share in the Construction, TI&V and Infrastructure sectors.

The Group also strengthened its positions in its main platforms by making niche acquisitions that bolstered its Infrastructure and Construction businesses in Germany (Pfülb and Tesch), and its Dispute Resolution business in the USA (CPAG and Veritas). SOCOTEC more than doubled its Infrastructure revenue in France with the acquisition of Cementys, which specialises in monitoring in the Infrastructure and Construction sectors. With its technology and international experience, Cementys bolsters the Group's similar services in Italy and the UK and supports its growth in its other countries.

In late 2020, the Group's shareholders and management took part in a €42 million capital increase to finance some of the cost of the year's acquisitions, while ensuring that the Group continues to comply with covenants on its long-term debt.

Despite the unusual circumstances, SOCOTEC generated consolidated revenue of €870 million in 2020, an increase of 3.9%, and its Ebitda rose 2.1% to €122.6 million, giving an Ebitda margin of 14.1%.
In proforma terms, i.e. taking into account 2019 and 2020 acquisitions on a full-year basis in both years and assuming constant exchange rates (i.e. using 2020 average exchange rates), revenue fell 4.5% to €891.4 million and Ebitda was down 14.3% to €131.8 million, giving an Ebitda margin of 14.8%.

Thanks to the efforts of all the Group's managerial teams in terms of collecting receivables and making ongoing improvements in billing and debt recovery, and as a result of its discipline in terms of controlling and reducing costs, the Group achieved its 2020 budget target regarding free cash flow before acquisitions (i.e. excluding 2020 acquisitions, earn-outs and puts and calls relating to previous acquisitions and the capital increase), generating €66.8 million, up 270% relative to the previous year. Net cash rose from €48.5 million at the end of 2019 to €78.3 million at the end of 2020, and from 2021 the Group has access to €93.9 million of short- and long-term bilateral funding facilities, of which €70 million were unused at December 31,2020, along with €90 million of revolving credit facilities (RCFs) and more than €120 million of non-recourse factoring.

The Group was able to make very significant progress in terms of digitalising processes and practices as well as managing cash during the unprecedented crisis that unfolded in 2020, as a result of the unstinting dedication shown by its management teams in every country, particularly France. SOCOTEC struck the right balance between keeping its employees safe and healthy and growing its business, and emerged stronger at the end of 2020, unlike many of its competitors.

2020 Highlig

2. Faster developm increased focu on CSR ambitions

a. Risk management services driving growth in all business areas

In 2020, the SOCOTEC Group continued its development strategy, which has four main aspects:

> **Developing and strengthening its geographical platforms in order to gain critical mass in each of them and create an international leader in Testing Inspection and Certification:** the only group fully focused on the construction, infrastructure and environment sectors, with 9,000 engineers and technicians working in these specialist areas.

> **Growing its risk-management and technical consulting activities in construction, infrastructure and manufacturing,** expanding beyond the long-standing building control activities on which the Group built its reputation.

> **Increasing its operational focus on CSR and standing out from its peers** by taking practical measures and embarking on unique projects instead of just making grand statements of intent.

> **Setting the standard in asset integrity throughout the project lifecycle, across the Group's six business lines:**

- Construction and Real Estate, including sustainable real estate and BIM
- Technical Inspection & Verification, including inspections of nuclear and renewable energy facilities
- Infrastructure & Energy
- Environment & Safety
- Training in all our sectors, including nuclear
- Certification

Each of these business lines applies distinct operating models but they all share a common thread: ensuring the safety of people and property in compliance with regulations and standards throughout the project life cycle, i.e. during construction, operation and decommissioning.

Through its business lines, the Group's strategic aim is to provide its clients with end-to-end solutions, from compliance with regulatory obligations to the forward-looking management of their assets and teams.

SOCOTEC defines its purpose with respect to its clients and employees as follows:

OUR PURPOSE

When it comes to meeting the challenges posed by the cities, infrastructure and industry of tomorrow, SOCOTEC provides risk management and technical consultancy services, supporting its clients in the construction, real estate, infrastructure and manufacturing sectors throughout the life cycle of assets to ensure their conformity with requirements, regulations and standards, extend their useful lives, improve their environmental performance and guarantee personal safety.

OUR MARKET POSITION

Our market position is based on the company we want to be and the way we want to be perceived by others, particularly our clients, our teams and our potential applicants: we want to promote a comprehensive approach to **risk management** by drawing on our key strengths:

- **Our expertise and ability to provide a comprehensive overview.**

Our expertise is our strength, and we are very proud of it. Our 9,000 engineers and technicians are among the most advanced in their field and in our specific sectors of construction, infrastructure, environment and real estate. We add real value for our clients, not just by offering them the expertise that prompted them to use our services, but also by taking a holistic view of the challenges they face and the regulations in force in each specific field, and by being able to assist them by making connections between issues and co-ordinating all aspects involved in construction, renovation and refurbishment projects.

- **Our willingness to listen to and form close ties with our clients.**

Listening to clients is one of SOCOTEC's hallmarks, and requires close ties with them, which we are able to form through our network of 150 branches in France and our knowledge of regions and local economies. Because we are specialists in our sectors, we have an intimate understanding of their needs and can provide the right solutions.

- **Our ability to offer the perspective of an independent third party.**

Our clients are looking for this independent third-party approach, which is another distinguishing feature of our business and mission. Our ethical standards, based on the independence of our inspections, diagnostic work, reports and analysis, are a real strength and lend credibility to our opinions, while allowing us to act as a trusted, first-choice partner.

- **Our role is to contribute to innovation and knowledge transfer in the risk management space.**

We aim to be a major, influential player in each of our business lines. We build and expand our sphere of influence by listening to our clients, who are active members of professional networks.

- **Our proven track record, spanning almost 70 years, in building life cycle management.**

For example, in France we play an active role on the technical committees of:

- Cofrac (an association that delivers accreditation to third-party organisations) and
- FILIANCE (federation of third-party organisations);
- internationally, we are active members of the technical committees of the TIC Council (international federation of third-party organisations),
- and of the Fondation Palladio, which is working to realise the city of tomorrow;
- we are a member of METI, an organisation that serves French medium-sized businesses;
- and we are a member of the Institut de l'Entreprise.

Construction remains our core sector, with expertise covering both newbuild and existing properties. As well as building control, we have also developed activities in technical consultancy and risk management, which are now key services demanded by our clients in their projects.

b. Responsible development: central to our operations

Our position regarding CSR is based on the operational and pragmatic approach that has made us a leading player in our business lines. Instead of making sweeping statements of intent, we have adopted a practical roadmap with regular milestones that show our progress in matters of sustainability, particularly those specific to our industry, and that strengthen our business lines and enable us to stand out through initiatives that make a real difference to society.

"BUILDING TRUST FOR A SAFER AND SUSTAINABLE WORLD" is our mission.

Our CSR strategy is central to our mission and our business lines: we help to make the world safer and more sustainable. As a trusted independent partner in the construction, infrastructure and environment industries, we are focused on finding solutions through our experts and their skills, our demanding professional approach and our ethical and responsible conduct.
Given the complexity of the changes that are affecting our societies – and particularly the faster pace of change in terms of the climate, urbanisation and environmental issues, demographics and requirements related to mobility and digitalisation – we decided to consult our stakeholders in order to adopt a collaborative and practical approach to CSR. More than 5,000 people received a questionnaire and more than 1,400 replied.
The results allowed us to carry out a formal materiality analysis.

LET'S SOCOTEC!

#wearecommitted #ESG #CSR #proovingit

SOCOTEC

OUR STAKEHOLDER EXPECTATIONS

SOCOTEC materiality analysis for France

© SOCOTEC 2021

Materiality means analyzing which issues are the most important of being addressed by businesses. After identifying potential sustainability issues thought to be directly relevant to an organization's value chain, these issues are analyzed using 2 different lenses. So for issues such as reducing plastic packaging, sharing wealth or working with sustainable suppliers, the organization needs to evaluate: 1) what's the potential of each issue to positively or negatively impact organizational growth, cost, or trust and 2) how important is each issue to stakeholders. The ultimate result is a visual representation of which issues should be prioritized according to their importance to the company's success and stakeholders' expectations (that can directly affect the first).

In other words, a materiality analysis is a methodology a company can use to identify and estimate possible Environmental, Social and Governance (ESG) which might impact the business and its stakeholders. As EY puts it, companies need to ask whether the issues to cover in the sustainability report and disclosures are important enough to influence a stakeholder's decisions in relation to the business. As a result of this analysis, companies can create their long-term ESG strategy, targets and find the best strategies to report the data found as a result of the process.

The Benefits Of Taking a Materiality Analysis.
- It's an opportunity to analyse business risks and opportunities, and to eventually readjust and improve thei business strategy;
- It's a chance to understand where organizations are creating or reducing value for society;
- It's a way of making a business case to senior executives about why and how to report ESG data;
- It provides the knowledge and means on how to measure different performances (financial, social and environmental);
- It inherently means spotting trends and, therefore, anticipating emerging issues;
- Assessing the opportunities ahead allows for the development of new products or services and, therefore, staying ahead of the competition;
- It allows organizations to focus their efforts on allocating resources better;
- The analysis will allow companies to meet the sustainability reporting expectations of stakeholders;
- It increases the chances of better satisfying stakeholders' demands;
- The results and data from the materiality assessment can be used to design content for CSR Reports or for communications with individual stakeholder groups like investors, partners, customers or employees.

▶ For further informations, discover our commitments !

Based on that analysis, we developed our roadmap, which has 10 points and covers three areas: talent development, environmental impact and social inclusion. The aim is to ensure that these areas are key focal points of SOCOTEC's strategy and to help strengthen the group in terms of its social and environmental impact and its ability to attract and retain talent.

Over and over, we are showing clear progress towards our key commitments, through initiatives involving our staff members, clients and partners. **A CSR committee** comprising representatives of each business line was set up in late 2020 to co-ordinate our 2021 action plans.

LET'S SOCOTEC!

#wearecommitted #ESG #CSR #provingit

Sustainability is at the heart of what we do* · our expert teams are committed to creating a safer, more sustainable world. As an independent trusted third party in the construction, infrastructure and environment sectors, our newly launched CSR strategy offers a collaborative, pragmatic solution. Find out more about our approach !

** Our purpose: Building trust for a safer and sustainable world*

SOCOTEC

3 BEING ACTIVE

Our CSR roadmap signed off by our Executive Committee and our CSR Committee is based on 3 commitments and 10 actions :

- Implement a key talent programme, with potential mentoring opportunities available
- Value, share and disseminate innovation
- Engagement with collaborators, measure our success with an annual survey and enhance company growth through incentivization schemes

PROMOTING SOCIAL INCLUSION

- Develop corporate philanthropy programmes linked with our expertise
- Help disadvantaged youth find a job
- Promote gender equality across all business lines

A MORE SUSTAINABLE WORLD

- Support our clients in measuring and reducing their environmental impact
- Develop a circular economy labelling service for the construction sector
- Optimise the energy performance of our offices
- Adopt environmentally responsible behaviours and reduce our carbon footprint

YOU GROW WE GROW

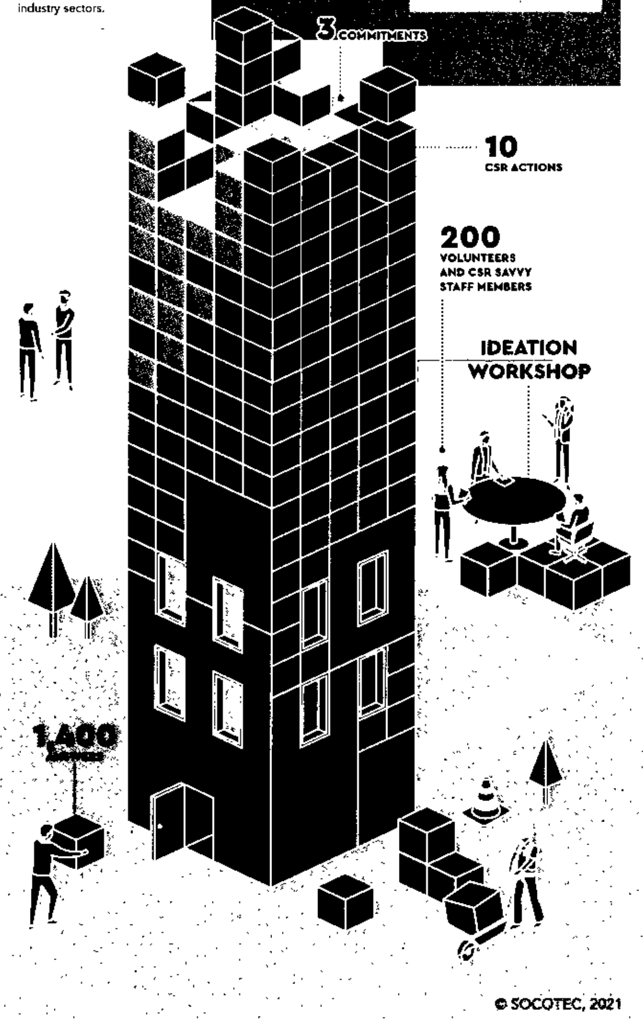
Our organisation is continually learning and is committed to developing the potential of our teams : we are able to cultivate our expertise in a unique way. Our mission is to continuously grow our expertise and transfer these skills to new generations joining the organisation. Innovation is key in our value proposition for our clients in the construction, real estate, infrastructure and industry sectors.

PROMOTING SOCIAL INCLUSION

We are an inclusive company: we develop innovative inclusion programme for disadvantaged youngsters, engaging all of our business lines. Our aim is to promote equal opportunity employment and act for a fairer society, particularly when it comes to the future of our workforce.

A MORE SUSTAINABLE WORLD

We are committed to providing solutions to tackle a number of environmental challenges: together with our clients, we contribute to reducing their environmental impact. As an independent trusted third party, our experts offer solutions by optimising the technical performance and energy usage of buildings, industry equipment and infrastructure.



2 COMMITTED

Given these priorities, our **CSR Committee** defined more than **100 actions** that required implementation. Following this, **200 CSR savvy staff members** voted for the most impactful actions and our Executive Committee prioritised the results.

1 LISTENING

As recommended by the Global Reporting Initiative, we place our stakeholder's expectations at the centre of our CSR approach. We sent a survey to 5,000 persons (our teams, clients, vendors, investors, accrediting bodies, professional associations...) and received 1,400 answers. The results revealed key expectations ranked into five categories: environment, people, social, ethics and governance.

a. You grow we grow

The SOCOTEC Group is always learning, committed to developing the potential of its people and to passing on skills and know-how within the Testing, Inspection and Certification (TIC) businesses.

Unique expertise
By making our expertise unique through the quality of the people we recruit and the service we deliver to our demanding clients, through knowledge transfer between teams and through the year-round technical training we offer to our staff members, we offer a distinctive package of solutions – addressing complex issues and including advanced technologies – in the TIC market, and more specifically in the construction, infrastructure and manufacturing sectors.

Preserving, growing and passing on that expertise is our purpose.

Being able to innovate is crucial in a sector where SOCOTEC is often a pioneer, as shown by its innovations in fibre-optic sensors, real-time sensors used for infrastructure monitoring, artificial intelligence and predictive analysis for structural maintenance, IoT for equipment inspection, wind farms and 3D, 4D and 5D BIM.

INVESTING IN PEOPLE

SOCOTEC's mission relies on the technical expertise of its staff. To achieve its 2024 strategic ambitions, SOCOTEC must therefore have the best talent available in the market: it must attract the best candidates to underpin its growth, retain key people by fostering their commitment through attractive career prospects, and develop their technical and managerial skills. These issues were addressed in 2020 via the following initiatives in particular:

- The Covid-19 crisis, by freeing up some available time, allowed us to invest heavily in the continuing professional development (CPD) of our staff members in France. SOCOTEC's training budget of €7 million amounted to almost 4% of its payroll in 2020, representing more than 20,000 days of training and 22,400 training sessions. Almost all of them involved employees of our Group. Widespread use of e-learning – through our Learning Management System (LMS) – allowed our staff to learn new tools and related technologies more quickly.
  To benefit from the CPD expertise developed by SOCOTEC Formation and to make use of its learning platforms, all of the Group's operational entities in France now entrust the organisation and execution of their training plans to SOCOTEC Formation;
- While most players in our industry chose to adopt a hiring freeze in 2020, SOCOTEC decided to pursue its recruitment plan last year. More than 1,700 new staff members joined the Group last year around the world, including more than 1,000 in France. To achieve that, SOCOTEC used one of the best applicant tracking systems (ATS) in the market, carried out a major overhaul of its employer brand visuals and adopted a new strapline: "Let's SOCOTEC!". A comparison of our "Employee Value Proposition" with those of our main competitors shows that SOCOTEC is now ideally placed to attract the best candidates in our industry.

- In 2020, to identify key staff members and ensure that solid plans have been adopted to help them develop, the SOCOTEC Group deployed a structured Talent Review process across its two main platforms, i.e. France and the UK. It will be extended to Germany and the USA from 2021. As well as identifying key people, the Talent Review allows the senior management team to carry out a joint assessment of those key people and to prepare succession plans. It has been in place since 2019 in France and has increased the number of internal promotions. Currently two out of three management roles are filled internally, creating genuine opportunities for all SOCOTEC staff members to advance their careers and increasing staff retention;

- Under the SOCOTEC Management Campus project, launched in late 2018, diplomas were awarded in January 2020 to almost 300 managers who completed this ambitious training programme. The SOCOTEC Management Campus was developed with EM Lyon Business School, Crossknowledge, Krauthammer, BL Consultants and Quaternaire, and provided training to 450 managers simultaneously over two years, through 24 classroom-based training days plus remote work and e-learning modules. It represented an investment of more than €10 million over two years. As well as considerably strengthening the Group's management, the project has bolstered SOCOTEC's manager community, creating connections between managers across business lines, geographies and business units and producing opportunities for synergies between our various businesses.
  Based on these excellent results, SOCOTEC has decided to maintain its efforts in this area by creating a new cohort of managers taking part in the SOCOTEC Management Campus every year. The 2021 cohort started the programme in February.

- SOCOTEC places particular importance on apprenticeships. By combining recruitment and training, apprenticeships address two of the Group's long-term aims. Historically, SOCOTEC has taken on a large number of apprentices, offering most of them jobs after they have completed their training courses. In 2020, it took those efforts to the next level by creating its own apprentice training centre (ATC). With an initial cohort of 15 young apprentices in 2020, the aim is to increase that figure to 100 in 2021. To meet its aim of giving young people rigorous training in its business lines, SOCOTEC has also requested accreditation from France Compétence for a custom SOCOTEC-specific professional qualification. SOCOTEC's ATC is the first of its kind in France's TIC sector.
  Guided by our belief that companies must actively help to address the social issues that surround them, we launched the Rebond Favorable project in 2020, which aims to integrate into the workplace young people from disadvantaged neighbourhoods and lacking qualifications. The project allows 60 young people to take part in nine-month work-study programmes, and at the end of their apprenticeships they are offered permanent jobs. This is another high-profile initiative that helps the SOCOTEC brand to stand out from its peers.
  Across these various initiatives, SOCOTEC welcomed almost 200 apprentices in 2020.

- The MAPS (Mentoring Advocacy and Professional Strategy) project was launched in the USA in 2020: it is a mentoring project through which our most senior people support new recruits over a three-year period. In France, the Group's Construction & Real Estate BU has adopted the Azur project, which aims to set up a task force of around 15 young graduates from the best French engineering schools (Mines, Ponts, Centrale, ESTP, INSA etc.), putting them on a 12-month fast-track training course involving close mentoring.

You grow we grow Our roadmap for the next three years
We are implementing a talent development programme, particularly through the following initiatives:

- increased use of mentoring, through which we harness the full benefit of, share and disseminate innovation;
- initiatives to increase employee engagement, which we measure using an annual barometer;
- an improved training programme. CPD increased considerably within SOCOTEC in 2020.

The number of staff members who received training doubled between 2019 and 2020 due to greater use of distance learning, partly because of Covid-19, but also because all departments made training a priority. The development of technical and regulatory content made available through the LMS is continuing at a rapid pace.

The new SOCOTEC Learning platform and its catalogue, to which modules are regularly added, allow staff members to develop soft and hard skills at their own pace. They can take modules in personal development, regulatory changes, industry practices and technical know-how in our Construction & Real Estate, Infrastructure & Energy, Environment & Safety, and Technical Inspection & Verification business lines.

Key figures:

22,000 interns received training in 2020
13,000 staff members took part in e-learning sessions
4,600 staff members took remote-learning courses

Our teams have some of the most advanced skills in the construction, infrastructure and environment fields. They help to produce content and pass on their technical knowledge.

b. Promoting social inclusion

SOCOTEC is an inclusive company. We firmly believe that we can promote employment among young people and people who are struggling to find employment by offering technical training that is accessible to all kinds of profiles.

Through our social programme, we are committed to a pioneering, innovative programme of inclusion that shows the strength of our commitment: Rebond Favorable. This programme covers all of our business lines, including construction risk management to TI&V and environmental services.

A committed company

We are committed to combating all forms of discrimination. From the recruitment stage, through onboarding and throughout our people's careers, we establish clear rules and protocols favouring the inclusion of women and people of all origins and educational backgrounds, regardless of where they live. Delivering equal opportunities is central to the way we operate and, through training, we ensure that every situation involving every profile is treated equally.

Our role is to champion fair access to employment and training, so that everyone can find their place, in order to create a fairer society.

Promoting social inclusion: our roadmap for the next three years

We want to take a proactive approach, stepping up our workforce-related and social efforts and particularly in the following three areas:

- Skills sponsorship;
- Employing young people through specific initiatives including the Rebond Favorable programme;
- Championing gender diversity in all our business lines.

Gender equality

As a responsible employer, one of SOCOTEC's priorities is to continue championing diversity, for both ethical and performance reasons.An agreement regarding gender equality and wellbeing at work was signed with three unions on 23 June 2020.

The targets set through this agreement, and the measures taken to achieve them, aim to ensure that men and women are treated equally and to promote equal opportunities in terms of career development within SOCOTEC, by combating all forms of discrimination.

As well as measures relating to equal pay, SOCOTEC also adopts training and awareness-raising initiatives aimed at changing mindsets and combating gender stereotypes and the glass ceiling, which hold back people's professional development, within all Group subsidiaries to which the agreement applies.

To raise awareness and change attitudes among all stakeholders, the Group has rolled out e-learning sessions. Avoiding discrimination in recruitment, increasing female representation in technical roles and helping women achieve managerial positions all help us to achieve progress and growth.

As regards prevention efforts, representatives have been appointed across all our companies and subsidiaries, regardless of how large their workforces are. Their role is to guide, inform and support employees regarding efforts to combat sexual harassment and sexist behaviour.

Our results in this area are measured and published via the gender equality index. This index, introduced by the Pénicaud decree of january 9, 2019 under France's "freedom to choose one's professional future" act, measures the pay gap between men and women, and all companies with between 250 and 1,000 employees are required to publish their results. The index gives companies an annual indicator regarding equality between men and women in the workplace

It is based on several criteria:

- The gender pay gap;
- The gap in the distribution of individual pay rises;
- The gap in the distribution of promotions;
- The percentage of female employees who received a pay rise on returning from maternity leave;
- The number of women among the top ten earners.

Figures improved substantially in 2020, encouraging us to increase our commitment and continue our action plans in this area. These results are increasing the appeal of SOCOTEC's employer brand in France.

GENDER EQUALITY INDEX

The 2020 results for our Group are as follows:

Companies with more than 250 staff members

- SOCOTEC Construction : **93**
- SOCOTEC Diagnostic : **75**
- SOCOTEC Equipements : **86**
- SOCOTEC Environnement : **79**
- SOCOTEC Power Services : **77**

Companies with 50-249 staff members

- CIS : **85**
- SOCOTEC Formation : **78**
- SOCOTEC Gestion : **58**
- SOCOTEC Infrastructure : **68**
- SOCOTEC Réunion : **61**

Rebond Favorable: our programme dedicated to training and employing young people who have dropped out of the education system

In June 2020, the SOCOTEC Group launched Rebond Favorable, the only programme of its kind in its industry, aimed at helping young people who have dropped out of education and who lack qualifications to learn a trade and get a job.

It was created with financial support from the Ile-de-France region and the Sport dans la Ville charity. It takes an innovative approach by creating a supportive, comprehensive learning environment for various roles, i.e. electrical verification officers, environmental measurement assistants and verification officers for building sustainability (energy, acoustic and thermal performance). The training provided is unique in terms of the intended occupations and the people they are aimed at, and include catch-up learning in core subjects (maths, physics etc.). Business etiquette also forms an integral part of the training provided, in order to foster confidence among the young people concerned, and they are provided with constant mentoring.

The approach also fits with the aims of the French government's France Relance economic recovery plan and the "1 jeune 1 solution" plan. It uses learning solutions developed in partnership with AFPA and Sport dans la Ville.

SPORT DANS LA VILLE Du Sport à l'Emploi

Région îledeFrance

SOCOTEC

This nine-month programme allows young people to get their first permanent job with SOCOTEC, and to become integrated into the world of work. SOCOTEC also covers the cost of obtaining their driving licence, since the roles concerned involve carrying out inspections and measurements at client sites.

Key figures related to this workforce integration programme:

- 23 branches are taking part in the programme, which represents a unique experiment in SOCOTEC's industry;
- 36 mentors have been appointed to support the apprentices;
- 56 young people have already joined the programme.

The Rebond Favorable training programme

Rebond Favorable comprises a nine-month training programme that is comprehensive, progressive and highly structured so as to foster confidence and personal development among participants as well as developing their skills:

- a work-study programme lasting six to nine months, including week-long blocks of working on the ground alongside SOCOTEC technicians and week-long blocks of learning with our partner AFPA;
- three months of full-time in-house training to acquire all qualifications and authorisations required to carry out assignments independently;
- innovative blended learning blocks complemented by classroom-based collective coaching sessions covering inter-personal skills: client relationships, business etiquette etc.
- driving lessons funded by SOCOTEC;
- support from a volunteer mentor for the full duration of the programme. Each mentor receives training in providing personalised support;
- a secure socio-professional environment, since participants are still young and unfamiliar with the world of work and with technical B2B services.

In terms of equal opportunities – a key value that is central to the way the SOCOTEC Group operates – participants are selected without reference to CVs and only on the basis of their motivation, their ability to adapt and integrate, and their stated desire to seize this opportunity and make a long-term commitment.

SOCOTEC is committed to offering apprenticeships and jobs to young people, and has launched the Testing and Inspection industry's first corporate apprentice training centre (ATC)

SOCOTEC took on more than 210 people on work-study contracts in 2020, backing young people by setting up its own ATC and also offering young adults the opportunity to retrain in order to address skills shortages.

SOCOTEC's ATC opened in September 2020 and offers:

- **work-study training programmes**
- **locations across France**
- one year of work-study training to gain the T3E (electrical technician) qualification, with training taking place at AFPA centres and the SOCOTEC Formation ATC's 32 locations in the Paris region and across France.
- **30% training and 70% work experience**

This training, **which is free of charge for participants and allows them to gain a qualification accredited by the French labour ministry**, gives them the skills they need to work at a host company, which may be a SOCOTEC branch or a partner company that takes people on work-study programmes.

- **APPRENTICESHIP-BASED TRAINING THAT IS FREE OF CHARGE FOR PARTICIPANTS**
- **NO NEED TO FIND A HOST COMPANY**
- **A MONTHLY SALARY THROUGHOUT THE TRAINING PROGRAMME**

- **A TECHNICAL AND VARIED SERVICE-BASED OCCUPATION**
- **AN OPPORTUNITY TO WORK INDEPENDENTLY, WITH A COMPANY CAR PROVIDED**
- **CAREER DEVELOPMENT POTENTIAL ACROSS FRANCE**

The four key aspects of SOCOTEC's commitment to integrating people with disabilities

Since SOCOTEC is committed to combating all forms of discrimination, we also strive to welcome people disabilities. We pay particular attention to making adjustments to workstations where necessary. In all cases, we build trust by listening carefully to any staff member concerned and provide appropriate support.

In France, 4% of SOCOTEC's workforce have disabilities.

DISABILITY INITIATIVE

The four key aspects of SOCOTEC's commitment to integrating people with disabilities

- **A discrimination-free recruitment guarantee**
- **A proactive policy to welcome and integrate them into the workforce**
- **Equal opportunities for professional development**
- **A commitment to ensuring wellbeing at work**

These four aspects also form part of the Group's **charter for integrating and keeping disabled people in the workforce**, and were formally recognised by the signature of an agreement with unions, approved by Direccte, i[illegible]n, SOCOTEC staff members with responsi[illegible]ty policy (managers, secretaries, [illegible]eived disability training, so t[illegible] to people who may en[illegible] health.

c. Helping to create a more sustainable world

SOCOTEC is aware of the issues involved in energy and environmental transition, and implements solutions that have a positive impact on the environment.

Across our various business lines, our experts are already providing services that enable SOCOTEC clients to reduce their environmental impact: qualification for the ECOCYCLE circular economy label, real-estate sustainability services for partners and companies that build homes, offices and eco-districts, environmental impact measurements (water, air and soil), decontamination of brownfield sites and regeneration projects, assessments of how resilient buildings are to wear and tear and climate change, biodiversity impact analyses, BREEAM and LEED certification, energy management certification, technical advice and inspections aimed at increasing energy performance through reduced consumption of resources, support for energy transition, and services relating to France's 2020 environmental regulation for newbuild properties and the "Décret Tertiaire" aimed at improving the energy performance of commercial buildings. Through all of these services, and more besides, we help our clients to assess their environmental impact and take their sustainability programmes to the next level.

SOCOTEC is aware of the issues involved in energy and environmental transition: we are adopting solutions to address the environmental issues of tomorrow, particularly those involving decarbonisation, which reduce greenhouse gas emissions and positively impact the environment and biodiversity.

We work with our clients to help reduce their environmental impact. As a trusted partner, our job is to find solutions. Our experts develop and implement solutions that improve the equipment and infrastructure that surrounds us in terms of technical performance, energy consumption, environmental impact, reuse and sustainability.

Implementing the environmental transition: our roadmap for the next three years

To contribute to environmental transition, we intend to step up our efforts by:

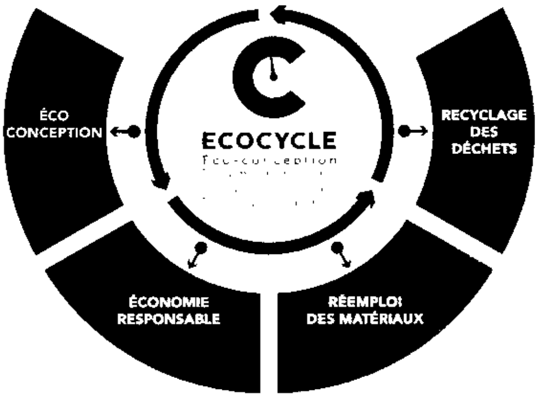
- Helping our clients to reduce their environmental impact and assess and measure their progress
- Actively contributing to the development of the circular economy in the construction and environmental sectors
- Optimising the energy performance of our own buildings
- Adopting responsible behaviours and reducing our own carbon footprint
- Integrating electric vehicles into our fleet
- Making increased use of sustainable procurement

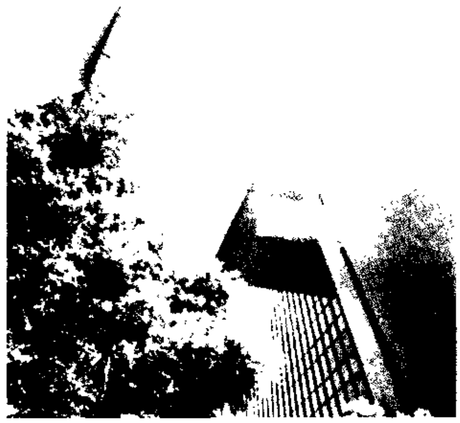
Helping clients become more sustainable

Our experts in real-estate sustainability, timber construction, low-carbon concrete, energy transition and efficiency, biodiversity and environmental certification, along with our environment and health teams, help clients reduce pollution and decontaminate sites, carry out site and soil pollution studies, reduce chemical risks, ensure industrial hygiene and address safety issues.

We contribute to eco-building and circular economy projects in the construction industry, and to building waste reuse and recycling projects.

We have also introduced the ECOCYCLE circular economy label for our clients, which reflects the performance of buildings over their whole life cycles.





We help our clients improve their energy, environmental and health performance at the time of construction, while buildings are in use and when they are decommissioned. We make a commitment to our clients and their stakeholders – all of which are concerned by the consequences of climate change and resource shortages – that we will help them reduce the impact of waste and pollution (water, air and soil), improve the predictive maintenance of their buildings and infrastructure, and optimise their environmental performance.

Reducing SOCOTEC's carbon footprint

At SOCOTEC, taking a responsible approach also means reducing our greenhouse gas emissions and carbon footprint.

As a result, we have started to add electric vehicles to our fleet. We have adopted three-year targets, and we are carefully monitoring our progress towards them.

Our fleet of vehicles accounts for almost 95% of our greenhouse gas emissions, so we intend to reduce our CO2 emissions by gradually adding electric vehicles so that they make up 15% of our fleet by 2023.

2020 Highlig

4. Ethics: crucial to e as a trusted p

As an independent trusted partner, robust ethics form the cornerstone of our business practices

SOCOTEC works to manage and mitigate construction, infrastructure and industrial risks for public- and private-sector entities that need accurate, independent and transparent assessments.

At SOCOTEC, taking an ethical approach means showing integrity, responsibility and transparency with respect to all our stakeholders: through continuing professional development and constant managerial attention, we apply high ethical standards in our commercial activities, our recruitment and in the way we work with internal and external partners.

All our staff members receive training with regard to France's Sapin 2 act, and best practice in terms of preventing corruption and fraud, in order to ensure healthy commercial relationships. We have strict, clear commercial rules and we foster a mindset of accountability and a rigorous approach to business among all our people.

All of our managers must sign our Manager Authorisation Guide, which sets out managerial best practice and is distributed to all of our countries every year. The guide sets out SOCOTEC's standard business protocols, decision-making rules and best practice to be adopted to safeguard high standards of probity, incorporating key aspects of our business culture, i.e. impartiality and fair and ethical conduct.

Finally, any kind of discrimination within the Group and in our recruitment practices is contrary to our principles, and we strive to achieve diversity among our new hires, ensuring respect for others and fairly assessing people's career journeys with respect to our business needs. We are seeking to achieve a more even gender balance in our recruitment, in a construction and public works market in which gender diversity at the educational stage is increasing substantially.

Not only is compliance with laws and regulations – both local and international – a core requirement, but our values help to prevent us from compromising our ethical standards as well.

SOCOTEC asserts its commitment to ethics and transparency through its Code of Ethics, which applies to all staff members in France and worldwide. Our whistleblowing system allows all Group employees and anyone else to report any crime, misdemeanour or threat to the public interest.

We have an Ethics Committee in charge of applying the Code of Ethics, receiving reports of unethical conduct and monitoring the application of anti-corruption laws.

2020 Highlig
5. Group key figure

The table below sets out details of the Group's revenue and Ebitda in 2020:

PRODUCTION			
	[redacted]	[redacted]	Change
GROUP TOTAL	[redacted]	[redacted]	**3.9%**
Disposals	[redacted]	[redacted]	**-0.4%**
GROUP TOTAL EXCL. CHANGES IN SCOPE	[redacted]	[redacted]	**4.3%**
Impact of acquisitions	[redacted]	[redacted]	
2019 vs. 2020	[redacted]	[redacted]	
2020	[redacted]	[redacted]	
ACQUISITIONS	[redacted]	[redacted]	**9.6%**
Organic growth excl. changes in scope	[redacted]	[redacted]	**-5.4%**
Exchange-rate effect	[redacted]	[redacted]	
Organic growth excl. changes in scope and at constant exchange rates	[redacted]	[redacted]	**-5.1%**

EBITDA			
	[redacted]	[redacted]	Change
GROUP TOTAL	[redacted]	[redacted]	**2.1%**
Disposals	[redacted]	[redacted]	**-0.5%**
GROUP TOTAL EXCL. CHANGES IN SCOPE	[redacted]	[redacted]	**2.7%**
Impact of acquisitions	[redacted]	[redacted]	
2019 sur 2020	[redacted]	[redacted]	
2020	[redacted]	[redacted]	
ACQUISITIONS	[redacted]	[redacted]	**21.5%**
Organic growth excl. changes in scope	[redacted]	[redacted]	**-18.9%**
Exchange-rate effect	[redacted]	[redacted]	
Organic growth excl. changes in scope and at constant exchange rates	[redacted]	[redacted]	**-18.6%**

N.B. Revenue figures do not include revenue from ancillary activities

On a proforma basis (factoring in the full-year revenue of acquired companies), the breakdown of the Group's revenue and Ebitda changed as follows between 2016 and 2020:
2020 acquisitions are listed in Section 6 of the Business Report and in Note 2 to the consolidated financial statements.

BREAKDOWN OF PROFORMA*** GROUP REVENUE AND EBITDA BY BUSINESS LINE:

	PRODUCTION					[redacted]	
€ million	**2016**	**2017**	**2018**	**2019**	**2020**	[redacted]	[redacted]
CONSTRUCTION & REAL ESTATE	328.6	347.3	362.4	380.4	350.3	[redacted]	[redacted]
INFRASTRUCTURE & ENERGY	202.6	229.7	237.5	261.5	274.6	[redacted]	[redacted]
ENVIRONMENT & SAFETY	85.0	85.2	88.5	94.6	83.2	[redacted]	[redacted]
TECHNICAL INSPECTION & VERIFICATION	161.2	161.1	158.0	156.6	152.2	[redacted]	[redacted]
CERTIFICATION	16.3	16.4	16.7	15.6	15.0	[redacted]	[redacted]
TRAINING	32.6	33.6	38.1	40.3	33.0	[redacted]	[redacted]
INTERCOMPANY AND OTHER	-21.5	-20.0	-17.9	-15.8	-16.9	[redacted]	[redacted]
TOTAL	**804.9**	**853.3**	**883.4**	**933.2**	**891.4**	**5.6%**	**-4.5%**

	EBITDA **					[redacted]	
€ million	**2016**	**2017**	**2018**	**2019**	**2020**	[redacted]	[redacted]
CONSTRUCTION & REAL ESTATE	63.3	70.4	73.1	76.3	61.5	[redacted]	[redacted]
INFRASTRUCTURE & ENERGY	27.5	36.4	43.0	51.3	52.5	[redacted]	[redacted]
ENVIRONMENT & SAFETY	7.1	8.0	9.1	9.5	5.5	[redacted]	[redacted]
TECHNICAL INSPECTION & VERIFICATION	8.5	11.9	15.9	17.8	16.0	[redacted]	[redacted]
CERTIFICATION	1.8	3.1	3.6	2.9	3.6	[redacted]	[redacted]
TRAINING	0.9	2.0	3.3	4.3	1.9	[redacted]	[redacted]
CORPORATE *	0.3	0.0	-3.8	-8.2	-9.3	[redacted]	[redacted]
TOTAL	**109.4**	**131.8**	**144.2**	**153.8**	**131.8**	**6.6%**	**-14.3%**

	MARGIN				
	2016	**2017**	**2018**	**2019**	**2020**
CONSTRUCTION & REAL ESTATE	19.3%	20.3%	20.2%	20.0%	17.6%
INFRASTRUCTURE & ENERGY	13.6%	15.9%	18.1%	19.6%	19.1%
ENVIRONMENT & SAFETY	8.4%	9.4%	10.3%	10.0%	6.6%
TECHNICAL INSPECTION & VERIFICATION	5.3%	7.4%	10.0%	11.4%	10.5%
CERTIFICATION	10.9%	18.7%	21.7%	18.3%	24.2%
TRAINING	2.8%	6.0%	8.8%	10.6%	5.8%
CORPORATE *					
TOTAL	**13.6%**	**15.4%**	**16.3%**	**16.5%**	**14.8%**

* Corporate margin based on total Group production
** Ebitda calculated using the definition in the SFA (Senior Facility Agreement) - see bridge in Section 6
*** Figures for 2016-2019 factoring in 2020 acquisitions.

BREAKDOWN OF PROFORMA*** GROUP REVENUE AND EBITDA BY GEOGRAPHICAL PLATFORM:

	PRODUCTION						
€ million	2016	2017	2018	2019	2020	[redacted]	
FRANCE	463.9	482.5	490.9	503.0	481.2	[redacted]	
UK	126.3	126.9	134.1	145.7	141.0		
US	94.6	102.3	108.8	118.0	112.2		
GERMANY	63.3	80.9	85.7	97.3	109.1		
ITALY	13.1	18.5	19.1	20.8	22.7		
OTHER	65.3	62.1	62.8	64.2	42.1		
CORPORATE *	-21.5	-20.0	-17.9	-15.8	-16.9		
TOTAL	804.9	853.2	883.4	933.2	891.4	5.6%	-4.5%

	EBITDA **						
€ million	2016	2017	2018	2019	2020	[redacted]	
FRANCE	46.7	55.8	61.2	65.9	49.1	[redacted]	
UK	12.9	13.3	13.9	13.9	11.4		
US	30.2	35.4	37.9	42.1	41.8		
GERMANY	8.5	15.0	20.0	25.7	26.3		
ITALY	3.2	4.0	5.5	5.0	6.1		
OTHER	7.7	8.2	9.5	9.3	6.4		
CORPORATE *	0.3	-0.0	-3.8	-8.2	-9.3		
TOTAL	109.4	131.7	144.2	153.8	131.8	6.6%	-14.3%

	MARGIN				
	2016	2017	2018	2019	2020
FRANCE	10.1%	11.6%	12.5%	13.1%	10.2%
UK	10.2%	10.5%	10.3%	9.5%	8.1%
US	31.9%	34.7%	34.9%	35.6%	37.2%
GERMANY	13.4%	18.5%	23.3%	26.4%	24.1%
ITALY	24.1%	21.5%	28.7%	23.9%	26.7%
OTHER	11.8%	13.2%	15.2%	14.5%	15.3%
CORPORATE *					
TOTAL	13.6%	15.4%	16.3%	16.5%	14.8%

* Corporate margin based on total Group production
** Ebitda calculated using the definition in the SFA (Senior Facility Agreement) - see bridge in Section 6
*** Figures for 2016-2019 factoring in 2020 acquisitions.

BREAKDOWN OF PROFORMA GROUP REVENUE AND EBITDA BY SERVICE TYPE

€ million	PRODUCTION 2019	PRODUCTION 2020	Change 19/20	% of total
TESTING	231.4	242.9	5.0%	27.2%
INSPECTION	679.8	628.2	-7.6%	70.5%
CERTIFICATION	22.2	20.3	-8.5%	2.3%
TOTAL	**933.3**	**891.4**	**-4.5%**	100.0%

€ million	EBITDA ** 2019	EBITDA ** 2020	CAGR 21/25	% total
TESTING	34.6	31.1	-10.4%	23.6%
INSPECTION	115.5	96.6	-16.3%	73.3%
CERTIFICATION	3.6	4.1	14.6%	3.1%
TOTAL	**153.7**	**131.8**	**-14.3%**	100.0%

	MARGIN 2019	MARGIN 2020
TESTING	15.0%	12.8%
INSPECTION	17.0%	15.4%
CERTIFICATION	16.0%	20.0%
TOTAL	**16.5%**	**14.8%**

** Ebitda calculated using the definition in the SFA (Senior Facility Agreement) - see bridge in Section 6

CHANGE IN WORKFORCE IN 2020

€ million	HEADCOUNT (END OF MONTH)			
	Dec 19	Acquisitions in 2020	Change in 2020	Dec 20
FRANCE	4,577		-56	4,521
UK	1,748		-40	1,708
US	325	37	-9	353
GERMANY	715	15	38	768
ITALY	296		58	354
OTHER	799	130	-43	886
CORPORATE	247		4	251
TOTAL	**8,707**	**182**	**-48**	**8,841**

2020 CASH FLOW

€ thousand	2020	2019	Change in €	Change in %
CONSOLIDATED EBITDA	**122,588**	**120,046**	**2,542**	**2.1%**
Operating cash flow	151,046	122,933	28,114	22.9%
Net capex	-20,629	-35,009	14,380	-41.1%
Non-recurring items	-16,430	-23,348	6,918	-29.6%
CONTRIBUTING CASH FLOW FROM OPERATIONS	**113,988**	64,577	49,411	76.5%
[redacted]	[redacted]	102%		
		54%		
NET CASH FLOW FROM OPERATING ACTIVITIES	**66,768**	18,005	48,763	270 8%
Purchases and disposals of financial assets	-76,909	-532,947		
Change in borrowings and debt	-173	318,702		
Capital increase	42,000	183,635		
Exchange-rate effects	-1,817	484		
NET CASH FLOW	**29,867**	-12,121	41,988	346.4%

DIFFÉRENCE AVEC LA TRADUCTION UK

2020 Highlig[redacted]

6. Business activitie[redacted]onsolidated op[redacted]

N.B.
The comments below relate to the "management view" adjusted income statement.

€ million	2020	2019	[redacted]	
Revenue	850,805	799,417		
Work in progress	19,153	38,048		
PRODUCTION	**869,958**	**837,465**	**32,493**	**3.9%**
Subcontracting	-78,074	-75,495		
PRODUCTION AFTER SUBCONTRACTING	**791,884**	**761,970**		
Staff costs	**-445,244**	**-428,229**		
Other operating expenses	**-200,513**	**-191,670**		
Performance costs	**-23,540**	**-22,026**		
SFA CONSOLIDATED EBITDA	**122,588**	**120,046**	**2,542**	**2.1%**
Transformation costs	-794	-206		
Acquisition integration costs	-1,019	-718		
Restructuring costs	-15,882	-19,240		
Gains on asset disposals	-424	6,124		
Other non-recurring income and expenses	-9,374	-7,211		
NON-RECURRING ITEMS	**-27,493**	**-21,251**		
Software/IT depreciation and amortisation	-5,624	-5,361		
Real estate depreciation	-3,106	-2,033		
Other depreciation and amortisation	-11,824	-11,051		
DEPRECIATION AND AMORTISATION	**-20,554**	**-18,446**		
Financial costs (excluding SHL)	-59,463	-31,033		
Tax (excluding deferred tax)	-8,232	-18,427		
NET OPERATING INCOME	**6,847**	**30,889**	**-24,042**	**-77.8%**
Financial costs (SHL)	-0	-7,745		
PPA depreciation and amortisation	-29,917	-8,606		
Goodwill amortisation	-69,738	-52,225		
Amortisation of borrowing costs	-1,042	-2,255		
Non-controlling interests and equity-accounted companies	67	-1,645		
Deferred tax	3,293	316		
NET INCOME	**-90,490**	**-41,271**	**-49,219**	**-119.3%**

a. Revenue

SOCOTEC's consolidated revenue totalled €870 million in 2020, up 3.9% compared with 2019.
That growth comprised:

> A negative scope effect of 0.4% following the disposal of CTE's non-destructive controls business in June 2020;
> A positive scope effect of 9.7% (equating to revenue of €80.3 million) resulting from acquisitions, of which around 87% represented the full-year effect of acquisitions made in 2019, with the remainder coming from acquisitions made in 2020;
> A negative currency effect of 0.3% (€2.6 million), relating in particular to movements in the dollar/euro exchange rate in the second half of 2020;
> Negative organic growth, at constant scope and exchange rates, of 5.0%.

b. Operating expense and Ebitda

Ebitda represents operating income before amortisation and depreciation in each of the Group's divisions. It excludes net non-recurring costs such as business restructuring and premises renovation costs, the cost of integrating acquisitions and additions to provisions relating to earn-out payments and share awards. The Group's Ebitda amounted to €122.6 million in 2020, equating to an Ebitda margin of 14.1%. That represents an increase of 2.1% relative to 2019 including:

> An 18.6% decrease at constant scope, i.e. €97.2 million of Ebitda on revenue of €788 million (margin of 11.7%);
> A 21.5% increase from acquired companies, which contributed €25.8 million to Ebitda in 2020 with an average margin of 32.1%;
> A 0.5% increase from divested companies.

As regards operating expenses:

> Subcontracting expenses rose by only 3.4%, mainly in the UK infrastructure business which uses geotechnical subcontractors, and also in Germany and Italy which together saw revenue grow by 15% and subcontracting expenses by 22%. Outside of those specific business areas, consolidated revenue rose by 2.1% and the Group reduced subcontracting expenses sharply, by 6%, due to lower business levels in some areas as well as its policy of favouring in-house resources as far as possible during the Covid-19 period.

> Staff costs are the main component of the Group's expenses, amounting to €445 million excluding bonuses, employee profit sharing and other incentive plans, equal to 51.1% of revenue. Compared with the previous year, staff costs include a full year of payroll expenses at Vidaris, consolidated since August 2019, and reductions in staff costs arising from government furloughing measures and equivalent arrangements, amounting to an estimated €17 million in 2020.

> Other operating expenses increased by 4.6%. Most of that increase related to higher provisions for technical disputes in France and impairment of trade receivables caused by more stringent prudential rules, which amounted to €9.3 million versus €3.6 million in 2019, even though 2020 did not give rise to any increase in bad debts. Other expenses rose by only 1% during the year.

Group Ebitda before variable remuneration expenses rose by 3% to €146.1 million.

> Variable remuneration expenses, in the form of annual performance bonuses, employee profit sharing and incentive plans, are key elements of the remuneration paid to managers and other employees as part of the Group's efforts to achieve continuous improvement in its performance. Variable remuneration is especially important in recently acquired businesses, where margins are above the Group average.

It increased by 6.9% in 2020, or by 6.2% at constant scope. Overall, it equalled 2.7% of revenue and 15.7% of operating income, similar to the ratios seen in 2019.

c. Non-recurring items

There was a net non-recurring expense of €27.5 million in 2020 as opposed to €21.2 million in 2019. Those figures break down as follows:

€ thousand	2020	2019	[redacted]	
NON-RECURRING COVID-RELATED EXPENSE	**-7,217**	**0**	[redacted]	
Of which workforce restructuring	-6,423	0	[redacted]	
Of which other	-794	0	[redacted]	
NON-RECURRING RESTRUCTURING EXPENSES*	**-6,662**	**-12,042**	[redacted]	
Of which Ariane project	0	-6,528	[redacted]	
Of which Penelope project	-4,759	0	[redacted]	
NON-RECURRING ACQUISITION-RELATED EXPENSES	**-6,769**	**-718**	[redacted]	
Of which integration costs	-1,019	-718	[redacted]	
Of which impairment of work in progress	-2,080	0	[redacted]	
Of which earn-out provisions	-3,372	0	[redacted]	
OTHER NON-RECURRING EXPENSES	**-6,204**	**-14,408**	[redacted]	
Of which rent on unoccupied premises	-2,003	-3,449	[redacted]	
Of which costs related to site relocations	-124	-574	[redacted]	
Of which provisions for the early termination of vehicle leases	0	-1,989	[redacted]	
Of which disposals of subsidiaries	217	-1,294	[redacted]	
Of which Phoenix project	-468	-3,242	[redacted]	
Of which discontinuation of an IT project	-771	0	[redacted]	
Of which change in method relating to work in progress in France	-1,362	0	[redacted]	
Other non-recurring income and expenses	-1,693	-3,860	[redacted]	
GAINS/LOSSES ON ASSET DISPOSALS	**-640**	**6,124**	[redacted]	
TRANSFORMATION COSTS	**0**	**-206**	[redacted]	
NET NON-RECURRING INCOME (EXPENSE)	**-27,492**	**-21,251**	**-6,241**	**-29.4%**

At the start of the second half of 2020, against the backdrop of Covid-19, the Group carried out a plan to adjust its resources based partly on the likely immediate and future impact of Covid-19 on underlying economic activity in each operating entity, and partly on government support measures.

Adjustments were made carefully on an entity-by-entity basis, and mainly concerned the Construction and Training BU in France, the UK and the USA. Some other businesses introduced a hiring freeze during lockdown periods. The total cost of adjusting resources and non-recurring public health expenses in connection with Covid-19 amounted to €7.2 million, with most of that expenditure disbursed in 2020. The TI&V business in France and the Infrastructure business in Germany and Italy increased their production resources to deal with a sharp increase in business levels during 2020 and particularly after the end of the first lockdown, driven by postponed projects and new contract wins.

After the reorganisation plan in the TI&V BU in 2019, resulting in a reduction in the number of segments and the consolidation of administrative back offices, the main reorganisation efforts in 2020 focused on the Construction business in France after the accelerated roll-out of a new, highly digitalised production system including BIM functions, along with a reduction in back-office staff numbers. The total cost provisioned in 2020, most of which will be disbursed in 2021, amounted to €4.8 million.

Finally, non-recurring workforce restructuring costs that related neither to the Covid-19 situation nor to the reorganisation of the Construction BU in France amounted to €1.9 million in France, mainly concerning SOCOTEC UK (€0.4 million) and Overseas France (€0.3 million).

The Group is also pursuing the premises consolidation plan that began in 2018, aiming to renovate older premises, reduce floorspace and, since 2020, take into account the organisational effects of working from home. It has initiated a similar plan in the UK, with the aim of reducing the number of sites and locating its laboratories closer to major infrastructure project hubs. Non-recurring costs related to vacant premises and relocations during the year totalled €2.1 million.

Other material non-recurring expenses consisted of the following:

• Adjustment of the Group's rules on impairing trade receivables at acquired entities	**€2.1 million**
• Impairment of work in progress in the French Construction business	**€1.4 million**
• Accounting provisions for earn-out payments on a prorata basis over their exercise periods**	**€3.4 million**
• Cost of integrating acquisitions	**€1 million**
• Cost of discontinuing IT projects	**€0.7 million**
• Residual costs related to the change of shareholder in 2019 and social security charges on the vesting of bonus shares in connection with new manager share ownership instruments	**€1 million**
• Other expenses and capital losses on asset disposals	**€1.9 million**

Of all the non-recurring expenses recognised in 2020, **€7.2 million** were non-cash expenses and **€5.8 million** will be disbursed in 2021.

* Workforce restructuring: this mainly relates to the Technical Inspection & Verification (TI&V) BU in 2019, with the Ariane job protection plan aimed at scaling down the administrative back office for €6.5 million, and to the Construction BU in 2020, with the job protection plan aimed at scaling down the administrative back office for €4.8 million.

** Earn-out: accounting value representing likely earn-out payments spread over the earn-out period and regarded as remuneration for accounting purposes and as non-recurring items for managerial purposes because they are valued only at the point that the liability becomes certain.

d. Operating depreciation expense

Depreciation expense related to operating activities amounted to €20.5 million in 2020 as opposed to €18.4 million in 2019.
As a proportion of revenue, it increased from 2.2% in 2019 to 2.4% in 2020 due to the gradual increase in depreciation of real-estate assets following the large-scale refurbishment programme that started in 2018. Depreciation of real-estate assets rose from €2 million in 2019 to €3.1 million in 2020, because of expenditure on fixtures and fittings as part of branch relocations. Depreciation of IT assets mainly related to the cost of developing new IT solutions. That item amounted to €5.6 million in 2020, equal to 30% of the year's IT expenditure.
Depreciation expense related to operating activities equalled around 60% of the total, and was mainly associated with maintenance expenditure in the infrastructure and testing businesses.

e. Financial income and expense

NET FINANCIAL INCOME (EXPENSE) EXCLUDING THE SHAREHOLDER LOAN (SHL)

Net financial income (expense) excluding the SHL mainly consists of interest on bank debt, the cost of financial instruments, gains or losses on available-for-sale securities and gains or losses on foreign exchange transactions. It also includes discounting costs relating to pension plans and long-term provisions for technical risks.

€ thousand	2020	2019		
FINANCIAL INCOME	701	5,724	-5,022	87.7%
Interest and other financial income	152	92		
Positive exchange differences	550	5,632		
FINANCIAL EXPENSE	-60,164	-36,756	-23,408	-63.7%
SFA borrowings				
Term B loan	-29,991	-21,680		
Revolving credit facility	-1,761	-698		
Other financial items				
Bonds	-204	-183		
Bank borrowings and other financing	-761	-954		
Other financial expense	-3,543	-3,531		
Negative exchange differences	-17,281	-4,476		
Financial cost of lump sums paid on retirement	-6,032	-3,733		
Additions to provisions net of reversals	-591	-1,502		
NET FINANCIAL INCOME (EXPENSE) EXCLUDING SHL	-59,463	-31,033	-28,430	-91.6%

€ thousand	2020	2019		
NET FINANCIAL INCOME (EXPENSE) RELATING TO THE SHL	-0	-7,745	7,745	

€ thousand	2020	2019		
Disbursed financial income and expense	-36,109	-26,954	-9,155	-34.0%
Non-disbursed financial income and expense	-0	-7,745	7,745	100.0%
Financial income and expense arising on consolidation	-23,354	-4,079	-19,275	-472.6%
NET FINANCIAL INCOME (EXPENSE)	-59,463	-38,778	-20,685	-53.3%

The average interest rate on net monthly bank debt was 4.1% in 2020 as opposed to 4% in 2019. That resulted in a net interest expense of €32.6 million in 2020 on average gross debt of €798 million.
In addition, there was a €2.8 million expense relating to the EUR/USD cross-currency swap covering a portion of the debt arranged as part of the Vidaris acquisition, which was settled in late 2020 with a negative impact of €1.3 million.
Exchange differences mainly relate to accounting transactions to convert foreign-currency liabilities into euros between the holding company, which bears the Group's senior debt, and the main foreign financial holding companies. Negative exchange differences amounted to €17.3 million in 2020, mainly relating to the long-term loan between Holding SOCOTEC and the USA holding company in a nominal amount of $193 million, and the long-term loan between Holding SOCOTEC and the UK holding company in a nominal amount of £73.3 million. As regards the Group's internal exchange differences, they have no impact on Group cash flow.
The discounting of lump sums paid on retirement generated an expense of €6 million in 2020. The change with respect to 2019 arose from the fall in the long-term rate of return on plan assets for both defined-benefit pension plans in the UK, although that had no impact on the annual contribution paid each year to each pension fund trust.
Additions to and reversals of financial provisions resulted in a net expense of €0.6 million in 2020, mainly relating to the discounting effect on long-term provisions for technical risks in France.

NET FINANCIAL EXPENSE RELATING TO THE SHL

The net financial expense relating to the SHL – i.e. the interest on the shareholder loan arranged in 2013 as part of the financing of the SOCOTEC acquisition – amounted to €7.7 million in 2019. All of the SHL and its accrued interest to date were converted into equity by SOCO 1 at the time of the 15 April 2019 capital increase, in an amount of €282 million.

€ thousand	2020	2019	
NET FINANCIAL INCOME (EXPENSE) RELATING TO THE SHL	**-0**	**-7,745**	**7,745**

f. Tax (excluding deferred tax)

Tax includes income tax and the CVAE (tax on business value added) in France. The latter amounted to €6.5 million in 2020 as opposed to €7.2 million in 2019.

As regards income tax, each main country has its own tax consolidation group. The tax consolidation group in France includes the holding company, which carries the Group's debt. Since 1 January 2019, tax rules in France have limited the amount of net financial expense deductible from taxable income to 30% of Ebitda (calculated for tax purposes) within the French tax consolidation group.

The French tax consolidation group did not generate any income tax in 2020.

Outside France, income tax amounted to €2 million, including €2.6 million in Germany, €1 million in Italy and €2.4 million in other countries apart from the USA. In 2020, the USA business benefited from a $5.8 million tax credit based on future deductible expenses as part of the Covid-19 Tax Refund support programme, generating a net tax credit of €4 million after taking other levies into account.

g. Deferred tax

Deferred tax mainly relates to the expected use of tax loss carryforwards and other long-term tax deductions in the next three years. It amounted to €3.3 million in 2020 as opposed to €0.3 million in 2019.

2020 Highli

7. Change in net d cash flow fro operating activ

The comments below relate to the "management view" cash flow presentation.

€ thousand	2020	2019	Change in €	Change in %
CONSOLIDATED EBITDA	**122,588**	**120,046**	**2,542**	**2.1%**
Change in provisions	1,285	-1,697	2,982	176%
Change in operating working capital	27,173	4,583	22,590	493%
OPERATING CASH FLOW	**151,046**	122,933	28,114	22.9%
[redacted]	[redacted]	102%		
Net capex	-20,629	-35,009	14,380	-41.1%
Non-recurring items	-16,430	-23,348	6,918	-29.6%
CONTRIBUTION CASH FLOW FROM OPERATING ACTIVITIES	**113,988**	64,577	49,411	76.5%
[redacted]	[redacted]	54%		
Income tax	-9,506	-19,132	9,626	-50.3%
Foreign exchange gains and losses	-259	1,156	-1,415	-122.4%
Dividends received and paid	-1,752	-1,264	-488	38.6%
Net financial expense	-35,702	-27,331	-8,371	30.6%
NET CASH FLOW FROM OPERATING ACTIVITIES	**66,768**	18,005	48,763	270.8%
Purchases and disposals of financial assets	-76,909	-532,947		
Change in borrowings and debt	-173	318,702		
Capital increase	42,000	183,635		
Exchange-rate effects	-1,817	484		
NET CASH FLOW	**29,867**	**-12,121**	**41,988**	**346.4%**

CASH FLOW

Operating cash flow represents the cash generated by each of the Group's business activities. It excludes expenditure on property, plant and equipment and financial investments, non-recurring items, income tax and the payment of financial expenses.

In 2020, the Group generated operating cash flow of €151 million, compared with €122.9 million in 2019, representing an increase of 22.9%. The cash conversion ratio (gross operating cash flow divided by Ebitda) was 123% in 2020 versus 102% in 2019. The improvement was due to managerial teams in the various countries continuing to focus strongly on reducing average client payment times and speeding up invoicing. The change in the working capital requirement therefore boosted cash flow by €27 million.

Whereas the Group's revenue in the last three months of 2020 was similar to that seen in 2019, the operational working capital requirement (work in progress and trade receivables minus trade payables) fell sharply from €215 million in December 2019 to €189 million in December 2020. The WCR improved steadily over 2020, and particularly sharply from the end of the first quarter.

Investments net of disposals amounted to €20.6 million in 2020 as opposed to €35 million in 2019. That represents a 40% decrease, and the amount was 25% lower than the pre-Covid budget for 2020. As soon as the Covid-19 situation arose, the SOCOTEC Group carried out a major review of its investments and decided either to stop projects that would not generate a rapid return on investment, or to postpone non-essential investments, and it rescheduled its building refurbishment programme in France.

IT expenditure totalled €8.1 million as opposed to €10.2 million in the previous year. In particular, the Group focused expenditure on overhauling the production software platform of the Construction BU in France, allowing it to reorganise its operations before the end of 2020, and continued to roll out its CRM solution and the Group internet platform across its local sites outside France. These investments were guided by criteria based on productivity, commercial development and supporting the SOCOTEC brand image.

Operational expenditure was stable around €9 million, a large proportion of which related to operational maintenance expenditure on production systems, particularly for the Infrastructure business, which saw growth in 2020.

Real estate-related expenditure fell from €13 million in 2019 to €3 million, which is a more normal level for the Group after major refurbishment works in France in 2018 and 2019 and following the disposal of real-estate assets.

Non-recurring expenditure amounted to €16.4 million, down 30% year-on-year, despite non-recurring expenditure incurred to adjust costs in 2020 as a result of the economic background.

Because of the Covid-19 situation, the Group quickly took the decision in the second quarter of 2020 to adjust capacity in businesses whose underlying markets were seeing a short- and medium-term impact, and particularly the Construction BU in France. As a result, non-recurring expenses in 2020 include €7.2 million in relation to Covid-19-related public health and restructuring measures.

Other non-recurring expenses disbursed in 2020 broke down as follows:

> €2.7 million in relation to the building refurbishment plan, mainly in France, including €2 million relating to vacant premises as a result of moves in previous years;

> €2.8 million in relation to the restructuring of the TI&V back office, which was carried out in 2019. The remaining €1 million cost of that restructuring will be disbursed in 2021 as negotiated support plans continue;

> €0.5 million in relation to the restructuring of the back office in the Construction BU in the second half of 2020, with the remaining €4.3 million to be disbursed in 2021;

> €1.2 million in relation to other workforce restructuring costs in other BUs, including €0.3 million in the UK and €0.2 million in other countries;

> €0.5 million of financial due diligence costs relating to the change of shareholder;

> €1 million of acquisition integration costs;

> €0.5 million of other non-recurring expenses.

As a result, cash flow before tax amounted to €114 million, up 75.6% compared with 2019. The cash conversion ratio (cash flow / Ebitda) was 93%, compared with 54% the previous year.

Tax expense fell sharply in 2020.

The CVAE expense amounted to €6.7 million, €1.3 million lower than in 2019 because of a fall in value added in France resulting from the sharp drop in business levels in the first lockdown, and the reduction in the rate applied from 2020 onwards.

Income tax fell from €11.1 million in 2019 to €2.8 million in 2020, taking into account the impact of the tax refund by the USA authorities in 2020 as part of their Covid-19 financial support measures, which had a $5.8 million positive impact for the Group's USA operations.

Interest expense amounted to €35.7 million, of which €30 million related to the Senior Facility Agreement, €1.8 million to the RCF drawn in March-July 2020 to protect the Group's cash position, €1.7 million to the USD/EUR cross-currency swap and €0.2 to bonds.

Net cash flow from operating activities therefore amounted to €66.8 million, which covered most of the Group's acquisitions during the year.

Expenditure on acquisitions amounted to €76.9 million, breaking down as follows:

> Earn-out payments: €2.5 million
> Acquisitions of majority stakes in 2020: €74.5 million

The cost of acquisitions as reported in the cash flow statement does not include earn-out payments and/or stock options held by minority shareholders at 31 December 2020, since they are contingent. Based on 2020 performance, future obligations are measured at €70 million in total, of which €17.3 million were certain at the end of 2020 and are included in the SFA debt presented below.
Changes in debts produced cash flow of €0.2 million, representing the balance of changes in bilateral facilities and finance leases, and there was no change in the Group's senior debt.
To support the Group's strategy, shareholders and managers took part in a €42 million capital increase in 2020, aimed at limiting the leverage on acquisitions made in 2020 to 3x.
At the end of 2020, the Group's available cash amounted to €78.3 million, up €29.9 million year-on-year and representing one month of average business activity.

€ thousand	2020	2019
Cash at beginning of year	48,477	60,598
Cash at end of year	78,344	48,477
NET CHANGE IN CASH POSITION	**29,867**	**-12,121**

NET DEBT AND BANKING COVENANTS

In July 2017, the Group refinanced its bank debt and arranged seven-year senior debt in a gross amount of €350 million, including one €300 million tranche and one £50 million tranche. A further €75 million of debt was arranged in November 2018 with the same maturity and two further tranches were added totalling €318 million in July 2019. All principal on the senior debt is repayable at maturity in July 2024.

€ thousand	Dec. 31,2020	
GROSS FINANCIAL DEBT	**(769,448)**	**(765,469)**
SFA		
Term B	(748,618)	
Revolving credit facility	-	
OTHER FINANCIAL DEBT		
Bonds	(948)	
Other financial debt	(19,882)	
CASH AND CASH EQUIVALENTS	**78,344**	**48,477**
Drawings on bank facilities	(3,179)	
Cash and cash equivalents	81,524	
NET FINANCIAL DEBT	**(691,103)**	**(716,992)**

Gross debt at December 31, 2020 totalled €748.6 million, breaking down as follows:

> SFA
- Euro tranche: €693.0 million
- Sterling tranche: €55.6 million

> Bond issue
- Principal amount: €0.7 million
- Accrued interest: €0.2 million

> Other debt and borrowings under bank facilities
- Finance leases: €2.9 million
- Other bank debt: €16.3 million including €2 million of with-recourse factoring and €12.4 million of medium-term borrowings, mainly arising from acquisitions. That amount includes only €4 million of state-guaranteed loans.

At December 31, 2020, the SOCOTEC Group had a €90 million revolving credit facility secured by the July 2017 Senior Facility Agreement, expiring in July 2023. The RCF was fully drawn between March and May 2020 to protect the Group's cash position as a result of Covid-19 lockdown measures in the first half of 2020. Because of the Group's strong cash flow during that period, the Group reimbursed all drawings on the facility in June 2020. It drew on the facility for a second time in October and November, in a smaller amount, to provide temporary support in relation to the acquisitions of Veritas and Cementys, before the €42 million capital increase took place on December 15, 2020.

The Group also has bilateral facilities with its main banks to cover its working capital requirement, finance investments and cover other requirements, in a total amount of €93.9 million from 2021.

Cash and marketable securities net of bank overdrafts totalled €78.4 million at December 31, 2020. Most of the cash is managed through a cash pooling arrangement (and is therefore available at the level of the holding company), gradually used across companies acquired during the year.

The Group's consolidated net debt was therefore €691 million at the end of 2020, down €26 million year-on-year. As regards the covenants on the SFA (Senior Facility Agreement), the leverage (net debt/Ebitda) ratio was 5.38 at December 31, 2020, compared with 5.03 at December 31, 2019. Despite the decrease in net debt, the leverage ratio increased slightly in 2020 because of lower adjusted proforma earnings in 2020 as a result of Covid-19.

Despite the weak economic situation in 2020, the Group did not breach its banking covenants at any point.

The leverage ratio is calculated as follows:

€ thousand	2020	[redacted]
1) BRIDGE FROM ACCOUNTING EBIT TO REPORTED MANAGEMENT EBITDA		
ACCOUNTING EBIT	**60,412**	[redacted]
Transformation costs	794	[redacted]
Integration costs	16	[redacted]
Operational impairment	20,554	[redacted]
Impairment of purchase price allocation	29,917	[redacted]
Amortisation of financing costs	1,042	[redacted]
Earn-out	3,373	[redacted]
Financing costs	0	[redacted]
CVAE (tax on business value added)	6,481	[redacted]
REPORTED MANAGEMENT EBITDA	**122,588**	[redacted]
2) BRIDGE FROM REPORTED MANAGEMENT EBITDA TO EBITDA FOR THE PURPOSES OF THE SFA		
REPORTED MANAGEMENT EBITDA	**122,588**	[redacted]
SAL		[redacted]
B&Y		[redacted]
Expert Habitat		[redacted]
SNER		[redacted]
Axe France		[redacted]
BIM in Motion		[redacted]
Vidaris		[redacted]
DPA		[redacted]
Pfülb		[redacted]
CPAG	0	[redacted]
Tesch	304	[redacted]
Cementys	4,090	[redacted]
Veritas	4,405	[redacted]
Full-year impact of acquisitions	**8,799**	**23,702**
CTE/CND	409	-227
Full-year impact of disposals	**409**	**-227**
SFA ADJUSTMENTS	**9,208**	**30,641**
Ebitda for the purposes of the SFA	**131,796**	**143,521**
3) BRIDGE FROM CONSOLIDATED NET DEBT TO NET DEBT FOR THE PURPOSES OF THE SFA		
CONSOLIDATED GROSS FINANCIAL DEBT	**-769,448**	**-765,468**
CASH AND CASH EQUIVALENTS	**78,344**	**48,477**
CONSOLIDATED NET FINANCIAL DEBT	**-691,103**	**-716,991**
ITM earn-out	-1,453	[redacted]
CBI earn-out	-897	[redacted]
C2G earn-out	-1,546	[redacted]
Synergen earn-out	-1,435	[redacted]
Tax credit (in connection with the C2G and Synergen earn-outs)	3,090	[redacted]
Tesch deferred consideration	-642	[redacted]
Veritas deferred consideration	-3,000	[redacted]
Veritas vendor loan	-8,917	[redacted]
Veritas retention bonus	-137	[redacted]
CPAG retention bonus	-90	[redacted]
Options relating to non-controlling interests in FSP	-100	[redacted]
Options relating to non-controlling interests in BIM	-2,191	[redacted]
TOTAL EARN-OUT ADJUSTMENTS	**-17,317**	**-5,323**
NET FINANCIAL DEBT FOR THE PURPOSES OF THE SFA	**-708,420**	**-722,314**
LEVERAGE RATIO		
NET FINANCIAL DEBT FOR THE PURPOSES OF THE SFA	**708,420**	[redacted]
Ebitda for the purposes of the SFA	**131,796**	[redacted]
LEVERAGE RATIO	**5.38**	**5.03**

2020 Highlig
8. Results by busine

€ thousand	2020	2019	[redacted]	[redacted]
FRANCE	441,377	480,210	[redacted]	[redacted]
INTERNATIONAL	71,063	79,933	[redacted]	[redacted]
UK	141,013	141,462	[redacted]	[redacted]
US	101,449	37,422	[redacted]	[redacted]
ITALY	22,696	20,845	[redacted]	[redacted]
GERMANY	107,978	92,557	[redacted]	[redacted]
INTERCOMPANY ITEMS / HOLDING SOCOTEC SOCOTEC GESTION	-15,618	-14,964	[redacted]	[redacted]
PRODUCTION	**869,958**	**837,465**	**32,493**	**3.9%**
FRANCE	38,950	61,198	[redacted]	[redacted]
INTERNATIONAL	12,042	10,984	[redacted]	[redacted]
UK	11,441	12,990	[redacted]	[redacted]
US	37,397	13,465	[redacted]	[redacted]
ITALY	6,070	4,980	[redacted]	[redacted]
GERMANY	25,989	24,607	[redacted]	[redacted]
HOLDING SOCOTEC – SOCOTEC GESTION	-9,301	-8,178	[redacted]	[redacted]
EBITDA	**122,588**	**120,046**	**2,542**	**2.1%**
FRANCE	*8.8%*	*12.7%*		
INTERNATIONAL	*16.9%*	*13.7%*		
UK	*8.1%*	*9.2%*		
US	*36.9%*	*36.0%*		
ITALY	*26.7%*	*23.9%*		
GERMANY	*24.1%*	*26.6%*		
HOLDING SOCOTEC – SOCOTEC GESTION (VS. TOTAL REVENUE)	*-1.1%*	*-1.0%*		
MARGIN	***14.1%***	***14.3%***		

a. Operations France

Following partial asset transfers and organisational changes in 2018, operations in France consist of the following business units:

> Construction & Real Estate, comprising SOCOTEC Construction, SOCOTEC Monaco, SOCOTEC Diagnostic (previously called Expert Habitat and acquired in May 2019), SOCOTEC Immobilier Durable (created in 2019) and BIM in Motion. Together, these entities form a division providing services to the construction and real estate sector, ranging from testing and diagnostics to consultancy services relating to building risk prevention, maintenance and sustainability.

> Technical Inspection & Verification (TI&V), comprising SOCOTEC Équipements along with the Power Services, CTE and CIS industrial inspection businesses acquired in 2017, and SNER, acquired in 2019. All of these entities provide inspection services relating to technical and industrial facilities in both the service sector and manufacturing, and therefore focus on operational issues.

> Environment & Safety, comprising SOCOTEC Environnement, PLC and AXE, with the latter acquired in 2019. These entities provide a comprehensive service relating to environmental and health risks, including regulatory intelligence, surveys, sampling and risk management plans.

> Training, comprising SOCOTEC Formation for industrial and service-sector clients and SOCOTEC Formation Nucléaire for the nuclear industry.

€ thousand	2020	2019		
CONSTRUCTION & REAL ESTATE	200,807	216,346		
TECHNICAL INSPECTION & VERIFICATION	169,614	181,125		
SAFETY & ENVIRONMENT	38,006	42,404		
TRAINING	32,950	40,336		
PRODUCTION	**441,377**	**480,210**	**-38,833**	**-8.1%**
CONSTRUCTION & REAL ESTATE	19,821	32,173		
TECHNICAL INSPECTION & VERIFICATION	15,518	20,588		
SAFETY & ENVIRONMENT	1,688	4,162		
TRAINING	1,923	4,275		
EBITDA	**38,950**	**61,198**	**-22,248**	**-36.4%**
CONSTRUCTION & REAL ESTATE	*9.9%*	*14.9%*		
TECHNICAL INSPECTION & VERIFICATION	*9.1%*	*11.4%*		
SAFETY & ENVIRONMENT	*4.4%*	*9.8%*		
TRAINING	*5.8%*	*10.6%*		
MARGIN	***8.8%***	***12.7%***		

The Operations France division generated revenue of €441.4 million in 2020, a decrease of 8.1%, following an increase of 7.8% in 2019. The division was particularly hard-hit in 2020 by restrictions imposed during the first Covid-19 lockdown. The French business, after seeing revenue growth of around 5% in the first two months of the year, saw revenue slump by 27% in March, 51% in April and 28% in May, mainly because all construction sites were closed for six weeks (unlike the situation in other developed countries). Revenue recovered close to 2019 levels from June 2020 onwards. In the period from June to December 2020, the France division limited the decline in revenue to 3% (monthly data calculated on the basis of the 2020 scope for both years).

Lower business levels had a major impact on operational profitability, with Ebitda falling 36.4% or €22.2 million, resulting in an Ebitda margin of 8.8%. Again, most of the decline happened in the period from March to May 2020, during which Ebitda fell by €17.7 million, accounting for 80% of the annual decline.

The **CONSTRUCTION & REAL ESTATE** business unit saw revenue fall by 7.2% to €201 million, compared with growth of 10.5% in 2019 including organic growth of 5.6%.

Despite the sharp deterioration in its underlying market, as shown by a 18% fall in grants of planning permission and a 14% drop in the number of construction projects starting in 2020, the Construction BU's order book remained stable at €266 million at the end of 2020. In the Building Control business, which is directly influenced by movements in underlying newbuild construction markets, the order book contracted by only 1%, reflecting the ongoing increase in its market share.

In 2020, the Construction BU carried out major organisational and development projects that will have significant impact going forward:

- In May 2020, it combined the asbestos surveying activities that previously took place within SOCOTEC Construction and SOCOTEC Environnement with those of Expert Habitat, which was acquired in 2019, within a single entity called SOCOTEC Diagnostic. This unit, which has annual revenue of around €40 million, now has critical mass in terms of both production capacity and geographical exposure, enabling it to address the whole of this growing market, which will in future be buoyed by new national and European energy-efficiency rules. In 2021, having reached critical mass, the unit will be able to deploy resources that are both consistent for technicians and effective for clients.

- It has completed development of its new production IT systems for building control, BIM and SPS activities, replacing older software. These digital tools offer native BIM and updated risk data management capabilities, and not only allow engineers to provide enhanced value-added services to clients, but also to increase productivity.

- In the second half of 2020, after deploying new business systems, SOCOTEC Construction implemented a plan to reduce its back office staff as part of a redundancy plan that will take effect from 2021.

- It made adjustments to its production resources in view of the predicted decline in business levels in underlying newbuild construction markets.

- It reorganised its development plan and its operational, marketing and tendering organisation in order to focus on new market requirements, which will be driven by public-sector encouragement and support for renovation and energy-efficiency projects, growth segments (logistics, telephony, public sector and infrastructure), and new services arising from new regulations (CEE, RE 2020, IPC, AMOSE, DPE etc.).

As a result, as well as its asbestos surveying activities, which are now housed within a separate entity, the Construction BU also has companies focusing on new market requirements, i.e. SOCOTEC Immobilier Durable specialising in consultancy, audit and qualification services relating to building energy consumption, BIM in Motion specialising in BIM technologies for real-estate clients, and the Worksites division specialising in construction, renewable energy and 5G telephony projects.

In 2020, SOCOTEC's Construction & Real Estate business generated Ebitda of €19.8 million, down 38.4% year-on-year. Half of the decline took place between March and May 2020 (€6.2 million out of an annual decline of €12.3 million); in the rest of the year it was mainly affected by delays to the granting of planning permission.

The **TECHNICAL INSPECTION & VERIFICATION** business unit saw revenue fall 6.4% to €169.6 million in 2020.

During the year, the BU sold part of CTE's unprofitable non-destructive controls business. At constant scope, TI&V revenue fell 5%. After the aforementioned disposal, it merged CTE with SOCOTEC Power Services and combined the resulting entity's operations with SNER, CIS and SOCOTEC Equipements' technical assistance activities to form a unit addressing the industrial inspection market with annual revenue of around €30 million.

During 2020, SOCOTEC Equipements started to reap the rewards of its efforts to streamline its back office, which were completed in late 2019. In response to the economic impact of Covid-19, SOCOTEC Equipements continued to improve oversight over planning and production and in June, given its order book, decided to continue hiring new staff members to take advantage of the upturn in business.

As a result, the full-year decline in revenue was less than the proforma decline in revenue between March and May 2020 caused by Covid-19 (€15.2 million). Between June and December 2020, revenue in the TI&V BU rose by 2%.

In March-May 2020, Ebitda fell €8.1 million. Profitability improved from June onwards, with Ebitda up 15% year-on-year between June and December 2020.

The **ENVIRONMENT & SAFETY** business unit saw revenue fall 10.4% in 2020, wiping out the 11.4% increase seen the previous year. That was the direct result of the Covid-19 situation, with revenue falling €2.6 million and Ebitda €1 million in the period from March to May 2020. Business levels recovered strongly from June 2020, driven both by work postponed during the first lockdown and the BU's commercial impetus, resulting in order intake similar to 2019 and an order book for the coming year that was larger at end-2020 than at end-2019.

After four consecutive years of growth, the **TRAINING** business unit was badly affected by Covid-19 restrictions, which forced it to close its own training centres and reduced access to nuclear training centres for a prolonged period lasting for five months from March 2020. During that period, revenue fell by €6.8 million, accounting for 92% of the full-year decline.

In response to that situation, the Training BU made some major adjustments:

- it focused on in-house training during the first lockdown by developing digital training and e-learning tools;
- it developed digital modules for client training (blended learning, e-learning);
- it continued to make its training capacity more flexible by increasing the outsourcing ratio;
- it developed new production tools suited to e-learning and its digitalised back office.

The Training BU also invested in setting up the first apprentice training centre in SOCOTEC's industry, which started operating in September 2020 and will provide training to new staff members for the Group's other BUs in France. It also continued to market its range of outsourced training services for external clients, and now has a strong position as a certified training provider on continuing professional development platforms following reforms in 2020.

In the nuclear training business, which was also affected by reduced access to training centres and nuclear plants during lockdown periods, the Group's subsidiary continued its efforts to set up site schools in order to comply with new regulatory requirements in the vast majority of its centres.

b. International Operations

The **INTERNATIONAL OPERATIONS** division generated revenue of €71 million and Ebitda of €12 million. Adjusted for the disposal of the Oil & Gas inspection business, completed in June 2019, and the acquisition of Cementys in November 2020, the division saw revenue fall by 7.7%, but its Ebitda grew by 3%.

€ thousand	2020	2019	[redacted]	[redacted]
OIL&GAS	0	5,511	[redacted]	[redacted]
BELUX	12,274	13,301	[redacted]	[redacted]
MEA & INFRASTRUCTURE	24,693	27,510	[redacted]	[redacted]
CERTIFICATION	15,017	15,550	[redacted]	[redacted]
OVERSEAS FRANCE	17,503	18,891	[redacted]	[redacted]
SOCOTEC INTERNATIONAL	0	0	[redacted]	[redacted]
SOCOTEC MONITORING FRANCE	2,400	0	[redacted]	[redacted]
OTHER AND INTERCOMPANY ITEMS	-824	-831	[redacted]	[redacted]
PRODUCTION	**71,063**	**79,933**	**-8,871**	**-11.1%**
OIL&GAS	0	227	[redacted]	[redacted]
BELUX	751	274	[redacted]	[redacted]
MEA & INFRASTRUCTURE	3,101	4,272	[redacted]	[redacted]
CERTIFICATION	3,632	2,849	[redacted]	[redacted]
OVERSEAS FRANCE	3,619	3,420	[redacted]	[redacted]
SOCOTEC MONITORING FRANCE	966	0	[redacted]	[redacted]
SOCOTEC INTERNATIONAL	-27	-59	[redacted]	[redacted]
EBITDA	**12,042**	**10,984**	**1,058**	**9.6%**
OIL&GAS	-	*4.1%*		
BELUX	*6.1%*	*2.1%*		
MEA & INFRASTRUCTURE	*12.6%*	*15.5%*		
CERTIFICATION	*24.2%*	*18.3%*		
OVERSEAS FRANCE	*20.7%*	*18.1%*		
SOCOTEC MONITORING FRANCE	*40.3%*			
SOCOTEC INTERNATIONAL				
MARGIN	***16.9%***	***13.7%***		

The Oil & Gas business was sold in June 2019, marking the SOCOTEC Group's withdrawal from a segment in which it lacked scale and which was defined as "non-core" in its 2020-2024 strategic plan.

Cementys, which specialises in infrastructure and construction monitoring, was acquired in late October 2020 and consolidated within the Group for the last two months of the year. In 2020 as a whole, Cementys generated revenue of €14 million and Ebitda of €5 million, representing an Ebitda margin of 35%. Cementys is both a technology company and a services company, with five areas of expertise in monitoring:

- Instrumentation such as fibre-optic and IoT sensors;
- Topography, including automated topographical and satellite measurements;
- Geophysical and hydro-geotechnical services including soundings in relation to soil and underground network surveys
- Civil engineering for diagnostics relating to building materials and structures
- Data and geomatics-based interpretation solutions and a geolocalised data visualisation platform

Cementys operates in various areas of infrastructure: bridges and tunnels, hydraulic, marine and river structures, nuclear and military infrastructure, and infrastructure in the energy sector. It works in synergy with many of the Group's other business units in France and abroad, and will generate some of its growth by deploying its services and solutions within the Group. It will help strengthen the Group's position in risk management, predictive maintenance and extending the lives of structures.

The Belux business provides services in Belgium and Luxembourg similar to those offered by the Construction & Real Estate and TI&V business units in France. It saw a change of management in 2019, resulting in a gradual recovery in its TI&V business and fresh momentum in its Construction business.

The Certification BU had an exceptional year in 2020 despite Covid-19 restrictions. Its revenue was almost unchanged and its Ebitda rose by 27%. The Certification BU's performance in 2020 was underpinned by the resilience of its management systems business in Asia, as well as growth in energy certifications in Japan and fluid certifications in France.

Business levels in Overseas France were affected to varying extents according to the severity and duration of Covid-19 lockdowns on each island in 2020. The decline in revenue was limited to 7.4% despite the highly unstable context, and Ebitda rose by almost 6% thanks to a very firm grip on expenses and localised workforce reductions. The upturn will be driven by government measures to support ecological transition, and will help the deployment of the construction tools developed by the Construction BU in France.

The MEAI business, comprising our activities in Africa, Morocco, Lebanon and the Middle East along with Infrastructure activities in France, was seriously affected by Covid-19, and revenue fell almost 10%. However, performance was firm in some countries (revenue stable in the United Arab Emirates, up 3% in Ivory Coast), while revenue collapsed by 43% in Lebanon, which was hit by both the Covid-19 crisis and a severe recession.

The order book remained stable and the main contracts relate to Tour F in Abidjan, Ivory Coast and the Rabat hospital in Morocco. The fall in revenue directly affected Ebitda (including a €0.6 million decline in Lebanon), since governments in emerging-market countries did not provide any support to companies in relation to the Covid-19 crisis.

c. Operations UK

€ thousand	2020	2019	[redacted]	[redacted]
INFRASTRUCTURE & ENERGY	60,858	58,634	[redacted]	[redacted]
LABS & ANALYTICALS	19,835	21,392	[redacted]	[redacted]
ENVIRONMENT & SAFETY	41,192	44,360	[redacted]	[redacted]
INTERCOMPANY ITEMS / CENTRAL COSTS	-4,443	-4,997	[redacted]	[redacted]
SOCOTEC UK (1)	117,442	119,389	[redacted]	[redacted]
ITM (2)	7,673	7,584	[redacted]	[redacted]
4SEE (3)	3,047	3,902	[redacted]	[redacted]
SAL (4)	1,555	1,061	[redacted]	[redacted]
B&Y (5)	11,296	9,525	[redacted]	[redacted]
PRODUCTION	**141,013**	**141,462**	**-449**	**-0.3%**
INFRASTRUCTURE & ENERGY	4,184	2,973	[redacted]	[redacted]
LABS & ANALYTICALS	1,865	3,047	[redacted]	[redacted]
ENVIRONMENT & SAFETY	2,502	4,250	[redacted]	[redacted]
SOCOTEC UK	8,551	10,270	[redacted]	[redacted]
ITM	1,264	1,154	[redacted]	[redacted]
4SEE	470	478	[redacted]	[redacted]
SAL	433	466	[redacted]	[redacted]
B&Y	723	623	[redacted]	[redacted]
EBITDA	**11,441**	**12,990**	**-1,549**	**-11.9%**
INFRASTRUCTURE & ENERGY	*6.9%*	*5.1%*		
LABS & ANALYTICALS	*9.4%*	*14.2%*		
ENVIRONMENT & SAFETY	*6.1%*	*9.6%*		
SOCOTEC UK	*7.3%*	*8.6%*		
ITM	*16.5%*	*15.2%*		
4SEE	*15.4%*	*12.3%*		
SAL	*27.8%*	*43.9%*		
B&Y	*6.4%*	*6.5%*		
MARGIN	***8.1%***	***9.2%***		

(1) : SOCOTEC UK March 2017
(2) : ITM March 2018
(3) : 4SEE June 2018
(4) : SAL March 2019
(5) : B&Y April 2019

In 2020, SOCOTEC UK showed great ability in responding to the Covid-19 situation, which was particularly difficult in the UK, and benefited from the resilience of a large proportion of its portfolio.

The infrastructure geotechnics business was supported by ongoing major projects such as HS2, Lower Thames Crossing and Head of the Valley, which drove 3.8% growth in the Infrastructure division and a 40% rise in Ebitda, partly as a result of renegotiated financial terms taking into account the operational impact of Covid-19.

The Labs & Analyticals business saw revenue fall 7.3%, although there was a contrast between Material Testing activities, which were affected by the economic conditions, and Forensics activities, which performed well.

As regards the Environment & Safety business, difficulties accessing client sites as a result of Covid-19 delayed the performance of regulatory services. Business levels recovered to near-normal levels in the fourth quarter of 2020.

As regards businesses acquired since 2017, which are now fully integrated within SOCOTEC UK, monitoring subsidiaries (SOCOTEC Monitoring - ITM and SAL) – which offer similar services to Cementys – saw growth in 2020, partly as a result of long-term HS2 contracts as an extension of SOCOTEC UK's long-standing geotechnical activities.
Butler & Young, which specialises in real-estate consultancy and building control services, continued its development.

In 2020 as a whole, SOCOTEC UK's revenue remained stable at €141 million.
Ebitda fell by 12%, with €4.2 million of the decline coming during the first lockdown between March and June 2020. There was a very strong recovery in the second half, when Ebitda was up more than 30% compared with 2019 due to major infrastructure contracts combined with cost controls.

d. Operations USA

The **OPERATIONS USA** division was formed following the acquisition of Vidaris on 1 August 2019. This was the first building block of the USA platform, which was strengthened by the acquisitions of DPA in November 2019, CPAG in January 2020 and Veritas in late September 2020, with those three entities now part of the Dispute Resolution (DR) business.

€ thousand	2020	2019	[redacted]
ATIC	35,006	14,971	[redacted]
ETIC	18,505	13,603	
DR	32,442	7,902	
VIDARIS (1)	**85,953**	**36,476**	
DPA (2)	9,681	946	
CPAG (3)	3,041		
VERITAS (4)	2,774		
PRODUCTION	**101,449**	**37,422**	**64,027**
ATIC	14,607	5,977	[redacted]
ETIC	4,866	4,752	
DR	12,224	2,446	
VIDARIS (1)	**31,697**	**13,175**	
DPA (2)	3,976	290	
CPAG (3)	750		
VERITAS (4)	974		
EBITDA	**37,397**	**13,465**	**23,932**
ATIC	***41.7%***	***39.9%***	
ETIC	***26.3%***	***34.9%***	
DR	***37.7%***	***31.0%***	
VIDARIS (1)	***36.9%***	***36.1%***	
DPA (2)	***41.1%***	***30.7%***	
CPAG (3)	***24.7%***		
VERITAS (4)	***35.1%***		
MARGIN	***36.9%***	***36.0%***	

(1) Vidaris August 2019
(2) DPA December 2019
(3) CPAG January 2020
(4) Veritas October 2020

Vidaris, which had already been the subject of an LBO many years previously, has both achieved organic growth in its original ATIC (architecture, testing, inspection and certification) business – offering consultancy and inspection services for real estate and construction clients, particularly relating to high-rise and complex buildings – and established a complementary DR business, set up in 2017 with two acquisitions and supplemented in 2019 and 2020 with the acquisitions of DPA, CPAG and Veritas. The DR business line specialises in early-stage and pre-litigation dispute resolution relating to real estate projects, as well as providing advice and assistance to owners and operators in relation to such projects. In the last few years, Vidaris has also diversified into technical assistance, along with checking and calculation services relating to industrial facilities following major incidents.

The ATIC business line is developing skills that complement those of SOCOTEC in France in the Construction & Real Estate business unit, in the UK with Butler & Young and in Germany with Canzler.
The ETIC (engineering, testing, inspection and certification) business line is developing skills that are similar to and round out those of the TI&V business unit in France, particularly in the nuclear sector, and with the Infrastructure & Energy business unit in the UK, Italy and Germany. In particular, it provides appraisal and engineering skills relating to real estate assets and infrastructure, expert witness services relating to incidents, materials testing, non-destructive testing, and the commissioning of industrial equipment.

In 2020, the USA platform's revenue amounted to €101 million, with an Ebitda margin of 36.9%.

Since Vidaris was consolidated for only five months in 2019 and given the 2020 acquisitions, operational performance is best reflected by proforma 12-month figures at constant exchange rates.

On that basis, the USA platform's revenue was €112.2 million, down 4.9%, and Ebitda was €41.8 million, giving an Ebitda margin of 37.2%.

In 2020, the ATIC division's proforma revenue fell by 6%, affected in particular by site closures in New York. Staff members were able to carry out a large amount of work from home, allowing business levels to remain firm. In 2020, the Ebitda margin of activities in Massachusetts rose significantly as a result of an acquisition made by Vidaris before it became part of the SOCOTEC Group, and by the recruitment of a manager dealing specifically with the ATIC business, allowing the USA management team to focus more on organic growth and acquisitions in line with the Group's strategy.

Revenue in the ETIC business fell 1% despite the postponement of inspection projects as a result of the Covid-19 situation.

As regards the Dispute Resolution business – which now includes activities that were originally part of Vidaris but also CPAG, DPA and Veritas, acquired in 2019 and 2020 – proforma revenue fell by only 1%, with staff able to do a large amount of advisory and dispute-related work from home. Acquisitions made in 2020 doubled the division's revenue and increased its geographical exposure. SOCOTEC expects to achieve synergies in terms of expertise and cross-selling in this new-look business.

Covid-19 had a significant impact in the USA between May and August, when proforma revenue fell by 9.9% and Ebitda by 8.3%, after growth of 3.8% in the first few months of the year.
The period from September to December also saw revenue contract by 9%, although profitability held up well with Ebitda up 3.7% due to cost-cutting efforts.

The backlog remained stable on average in 2020, except in the newbuild ATIC business. In February 2021, the backlog rose back to its pre-Covid level of February 2020.

Proforma Ebitda amounted to €41.8 million in 2020, down only 0.6% despite Covid-19. That strong performance was due to a tight grip on costs and a 3% reduction in productive headcount starting in July 2020.
The Ebitda margin was 37.2%, supported by the strongly earnings-enhancing impact of acquisitions.

e. Operations Italy

The **OPERATIONS ITALY** division generated revenue of €22.7 million 2020, representing organic growth of 8.9% compared with 2019. SOCOTEC Italia specialises in inspection and testing services for road, rail and maritime infrastructure, and benefited from two major factors in 2020. Firstly, management focused on geophysical (as opposed to geotechnical) activities, which were regarded as essential during Covid-19 lockdowns. Revenue from geophysical services rose 124%, with an average Ebitda margin higher than that of the geotechnical business. Secondly, SOCOTEC Italia increased its portfolio of large clients, particularly ASPI, from which it won some major multi-year structural inspection projects. Accordingly, its headcount rose by almost 20% during the year in order to cope with future growth. At the end of 2020, the order book was 50% higher than a year previously and now represents more than 80% of annual revenue.

Thanks to the contribution of geophysical activities, which generate wider margins than geotechnical activities, and management's firm grip on costs, Ebitda rose by 21.9% and the Ebitda margin was 26.7%, up 3 points year-on-year.

f. Operations Germany

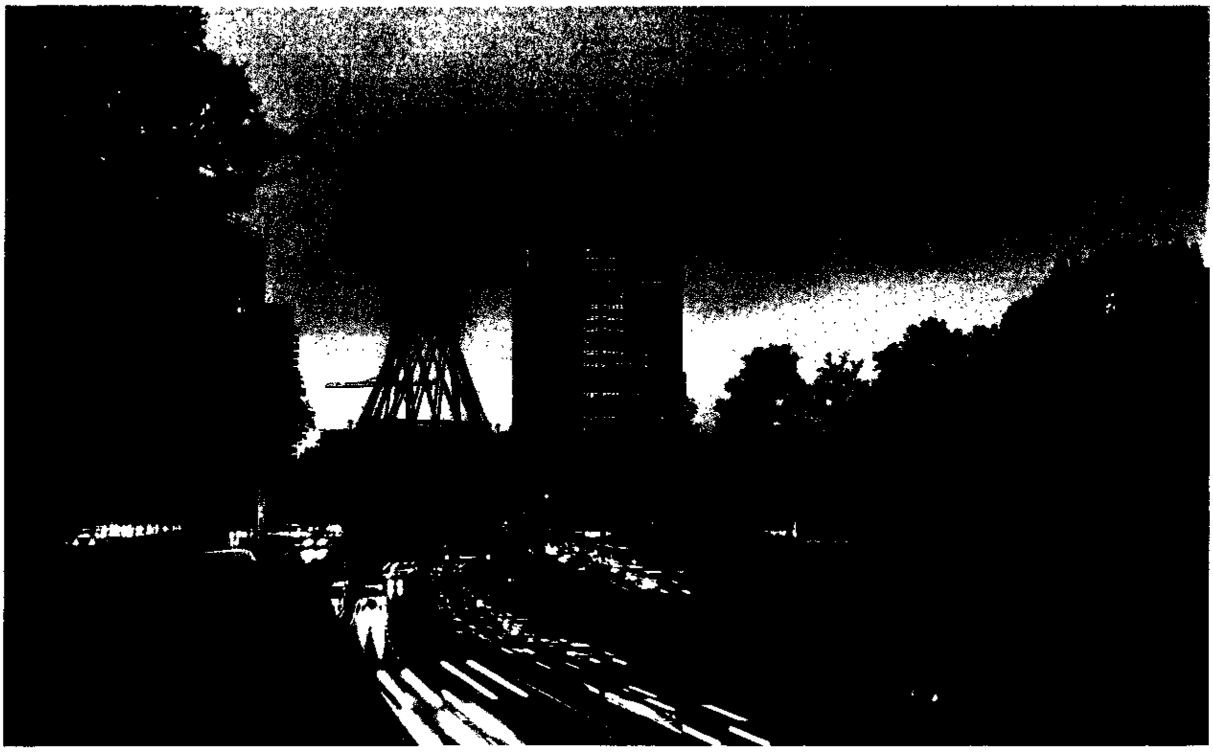
€ thousand	2020	2019		
ZPP	26,314	20,200		
SCHOLLENBERGER	56,034	48,398		
PSP	1,543	1,868		
CANZLER (INCL. P&M)	21,842	22,090		
PFÜLB	1,376	0		
TESCH	870	0		
PRODUCTION	**107,978**	**92,557**	**15,422**	**16.7%**
ZPP	4,145	2,637		
SCHOLLENBERGER	17,458	16,840		
PSP	231	224		
CANZLER (INCL. P&M)	4,351	4,905		
PFÜLB	233	0		
TESCH	200	0		
SOCOTEC DEUTCHLAND HOLDING	-628	0		
EBITDA	**25,989**	**24,607**	**1,382**	**5.6%**
ZPP	*15.8%*	*13.1%*		
SCHOLLENBERGER	*31.2%*	*34.8%*		
PSP	*14.9%*	*12.0%*		
CANZLER (INCL. P&M)	*19.9%*	*22.2%*		
PFÜLB	*16.9%*			
TESCH	*23.0%*			
MARGIN	***24.1%***	***26.6%***		

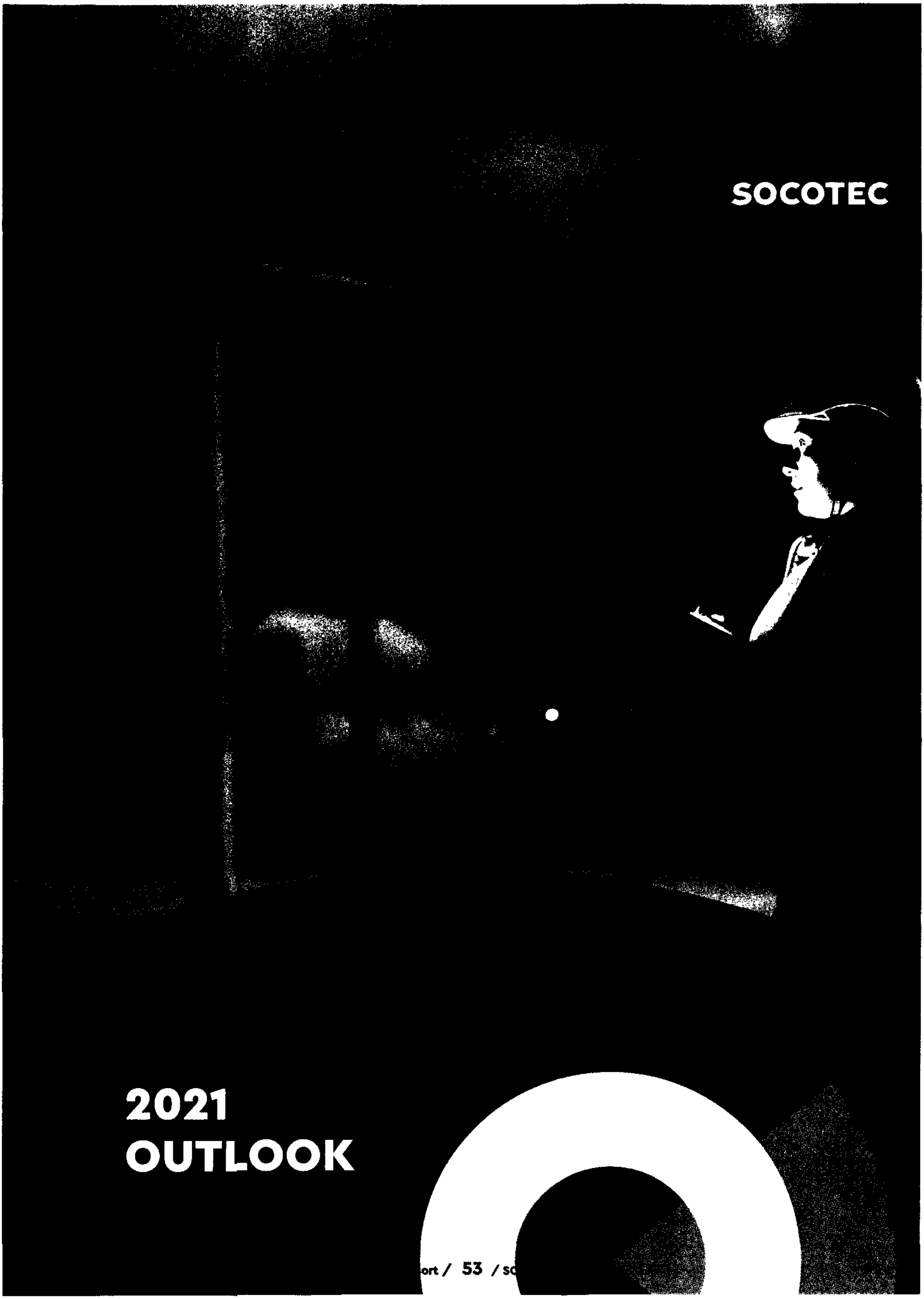
(1) ZPP October 2017
(2) Schollenberger November 2018
(3) PSP May 2018
(4) Pfülb January 2020
(5) Tesch July 2020

The **OPERATIONS GERMANY** division grew revenue by 16.2% to €108 million in 2020. Adjusted for the acquisitions of Pfülb and Tesch, carried out in January and July 2020 respectively, organic growth was 14.2%.
Performance was particularly strong at ZPP, which specialises in infrastructure engineering and achieved growth of 30%, and at Schollenberger, which specialises in infrastructure services related to bomb detection and generated organic growth of almost 16%.
Canzler, a specialist provider of engineering services in the construction industry, offset a decline in private tertiary-sector projects with new public sector and facilities management contracts.

Ebitda rose 5.6%, driven mainly by ZPP as a direct result of its revenue growth. Weaker Ebitda growth in the division's other entities was due to the end of some major high-margin projects at Schollenberger at the end of the first half of 2020 and Canzler's increased exposure to lower-margin public-sector projects, along with slower progress on major projects with Fraport as a result of Covid-19.

In 2020, the Group's German operations continued to set up a joint management body in charge of governance and business development, gradually preparing to adopt the SOCOTEC brand.





2021 OUTLOOK

2021 Outloo

In 2020, the SOCOTEC Group's teams were highly motivated and showed great agility in dealing with an unexpected and unprecedented situation. That situation prompted a determination to overcome difficulties, to show solidarity and to focus on the Group's main aims of organic growth, continuous improvement in operational processes, steady generation of cash flow and constant innovation. In some respects, the Group has been focused on the post-Covid recovery ever since early April 2020, and has been able to develop new strengths.

For 2021, with Covid-19 still creating uncertainties both globally and in each country, SOCOTEC is forecasting:

> consolidated revenue growth of 11%;
> consolidated Ebitda growth of over 32%;
> full-year proforma revenue and Ebitda, including acquisitions already completed, of around €970 million and €162 million respectively, representing growth of around 5% compared with pre-Covid proforma figures in 2019;
> net cash flow before acquisitions equal to 50% of forecast Ebitda. That target does not take into account the global non-recourse factoring agreement, negotiated in 2020 and effective in France from 31 March 2021, which will be deployed across the Group's main platforms during 2021.

Since the start of 2021, the Group has carried out a further four acquisitions: in France (S2M and Innov Formation), in Italy (Tecnolab) and in the USA (Helmes) in the infrastructure business. Those acquisitions represent additional proforma revenue of €13.5 million.

In the first quarter of 2021, the Group generated revenue of €231.7 million and Ebitda of €31.6 million, representing growth of 8% and 37% respectively compared with 2020 (6% and 26% on a proforma basis).

The Group will also focus on developing its CSR efforts in 2021 for the benefit of its staff members, clients, shareholders and lenders. A 2021-2024 strategic plan will be finalised in the first half of 2021 before being presented to the Group's external stakeholders and staff. It will be followed by a deployment plan that includes clear targets.

2021 will also be an important year in terms of developing our workforce, supporting the professional development of our staff members at a time when they need to show agility in adjusting to new business models and the greater integration of technology for the benefit of our clients.

CONSOLIDATED FINANCIAL STA

CONSOLIDATED INCOME STATEMENT

(€ thousands)	2020	2019
Income from operations		
Net revenue	868,784	835,177
Change in work in progress	1,107	2,515
Total Production	**869,891**	837,692
Capitalised production	68	410
Operating grants	473	170
Reversals of provisions net of additions	0	0
Other income	2,433	2,011
TOTAL INCOME FROM OPERATIONS	**872,864**	**840,283**
Operating expenses		
Other external purchases	276,584	275,394
Taxes and duties	15,219	13,744
Wages and salaries	347,190	325,172
Payroll taxes	105,984	105,899
Employee profit sharing	2,610	6,950
Depreciation and amortisation of non-current assets	50,471	27,057
Amortisation of deferred expenses	1,042	1,042
Additions to provisions net of reversals	3,605	275
Other expenses	9,747	3,910
TOTAL OPERATING EXPENSES	**812,452**	**759,444**
OPERATING INCOME	**60,412**	**80,840**
Financial income		
Interest and other financial income	152	92
Foreign exchange gains	550	5,632
Reversals of provisions net of additions	0	0
TOTAL FINANCIAL INCOME	**701**	**5,724**
Financial expense		
Interest and other financial expense	36,261	34,824
Foreign exchange losses	17,281	4,476
Additions to provisions net of reversals	6,622	5,235
TOTAL FINANCIAL EXPENSE	**60,164**	**44,535**
NET FINANCIAL INCOME (EXPENSE)	**-59,463**	**-38,811**
INCOME FROM ORDINARY ACTIVITIES	**949**	**42,028**
Non-recurring income		
Relating to operating and capital transactions	1,676	3,951
Reversals of provisions net of additions	0	0
TOTAL NON-RECURRING INCOME	**1,676**	**3,951**
Non-recurring expense		
Relating to operating and capital transactions	24,249	21,417
Additions to provisions net of reversals	736	1,019
TOTAL NON-RECURRING EXPENSE	**24,986**	**22,436**
NET NON-RECURRING INCOME (EXPENSE)	**-23,310**	**-18,485**
INCOME (LOSS) BEFORE TAX	**-22,361**	**23,544**
Income tax expense	1,751	11,261
Deferred tax expense (benefit)	-3,293	-316
CONSOLIDATED NET INCOME (LOSS) before goodwill amortisation	**-20,819**	**12,599**
Share of income of companies accounted for under the equity method	10	91
Additions net of reversals to goodwill amortisation	69,738	52,225
CONSOLIDATED NET INCOME (LOSS)	**-90,546**	**-39,535**
Attributable to non-controlling interests	-56	1,736
CONSOLIDATED NET INCOME (LOSS) ATTRIBUTABLE TO OWNERS OF THE PARENT	**-90,490**	**-41,271**
Earnings (loss) per share (€)	**-0.19**	**-0.09**

CONSOLIDATED BALANCE SHEET

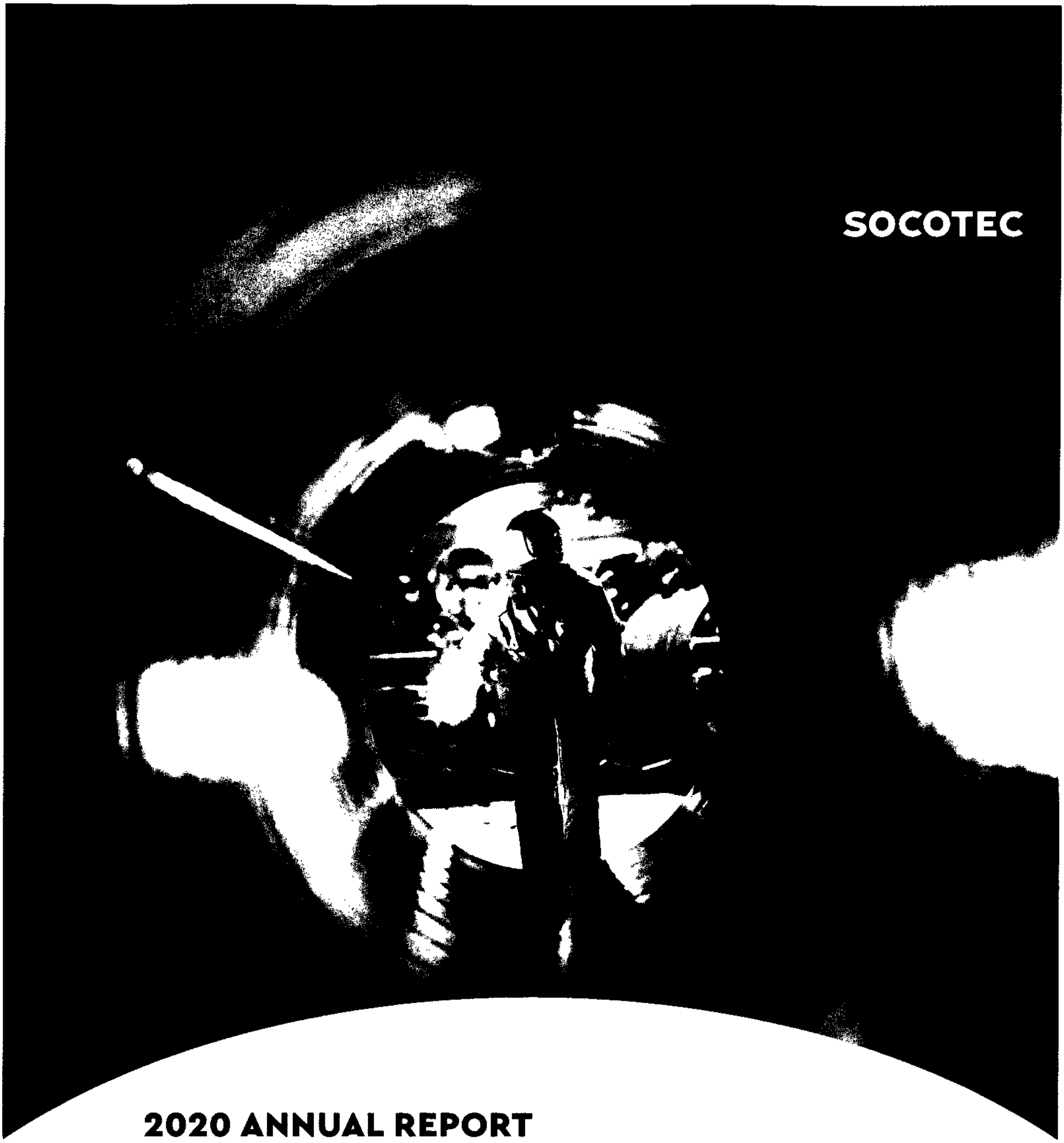
ASSETS (€ thousands)	2020 Brut	 Depr., amort. and impair	 Net	2019 Net
Intangible assets			[redacted]	[redacted]
Patents, licences and similar assets	73,455	-31,883	[redacted]	[redacted]
Other intangible assets	267,475	-77,383	[redacted]	[redacted]
Intangible assets in progress	4,361	-6	[redacted]	[redacted]
Goodwill	932,693	-221,668	[redacted]	[redacted]
Property, plant and equipment			[redacted]	[redacted]
Land	612		[redacted]	[redacted]
Buildings	14,988	-4,677	[redacted]	[redacted]
Plant and equipment	69,875	-45,517	[redacted]	[redacted]
Other property, plant and equipment	91,838	-56,021	[redacted]	[redacted]
Non-current financial assets			[redacted]	[redacted]
Investments in unconsolidated subsidiaries and affiliates	1,726	-1 541	[redacted]	[redacted]
Other non-current financial assets	7,219	-531	[redacted]	[redacted]
Equity-accounted investments	919		[redacted]	[redacted]
Total non-current assets	**1,465,161**	**-439,227**	**1,025,934**	**1,010,422**
Inventories			[redacted]	[redacted]
Inventories of raw materials and supplies	1,857		[redacted]	[redacted]
Receivables			[redacted]	[redacted]
Trade receivables and related accounts	417,171	-34,888	[redacted]	[redacted]
Other operating receivables	68,655	-806	[redacted]	[redacted]
Deferred tax assets	27,592		[redacted]	[redacted]
Cash and marketable securities			[redacted]	[redacted]
Other marketable securities	102		[redacted]	[redacted]
Cash	81,422		[redacted]	[redacted]
Total current assets	**596,798**	**-35,694**	**561,104**	**554,516**
Prepayments, accrued income and similar assets			[redacted]	[redacted]
Deferred expenses	3,732		[redacted]	[redacted]
Prepaid expenses	11,480		[redacted]	[redacted]
Clearing accounts	220		[redacted]	[redacted]
Total prepayments, accrued income and similar assets	**15,431**		**15,431**	**13,488**
TOTAL ASSETS	**2,077,391**	**-474,921**	**1,602,470**	**1 578,426**

CONSOLIDATED BALANCE SHEET

LIABILITIES AND EQUITY	2020	2019
Equity		[redacted]
Share capital	508,832	[redacted]
Share premiums	186,020	[redacted]
Other reserves	9,642	[redacted]
Consolidated reserves	-354,755	[redacted]
Exchange differences	-22,627	[redacted]
Net income (loss) attributable to owners of the parent	-90,490	[redacted]
Total equity attributable to owners of the parent	**236,622**	**307,176**
Reserves attributable to non-controlling interests	53,828	[redacted]
Net income (loss) attributable to non-controlling interests	-56	[redacted]
Non-controlling interests	**53,771**	**28,978**
Provisions for contingencies and losses		[redacted]
Provisions for contingencies	37,441	[redacted]
Provisions for losses	27,542	[redacted]
Total provisions for contingencies and losses	**64,983**	**56,324**
Financial debt		[redacted]
Other bonds	948	[redacted]
Bank borrowings	769,301	[redacted]
Other borrowings and financial debt	2,378	[redacted]
Deferred tax liabilities	33,841	[redacted]
Operating liabilities		[redacted]
Trade payables and related accounts	65,470	[redacted]
Other operating liabilities	333,210	[redacted]
Other financial liabilities	28,951	[redacted]
Total financial liabilities	**1,234,098**	**1,178,606**
Prepayments, accrued income and similar assets		[redacted]
Deferred income	12,996	[redacted]
Accruals, deferred income and similar liabilities	**12,996**	**7,342**
TOTAL EQUITY AND LIABILITIES	**1,602,470**	**1,578,426**
(*) of which Retained earnings	8,241	4,420

CONSOLIDATED CASH FLOW STATEMENT

(€ thousands)	2020	2019
Consolidated net income	-90,546	[redacted]
Less income (loss) of companies accounted for under the equity method	-10	[redacted]
Depreciation, amortisation and provisions, net	128,831	[redacted]
Change in deferred tax	-3,293	[redacted]
Unrealised foreign exchange gains (losses)	16,473	[redacted]
Other income and expense (gains or losses on asset disposals)	497	[redacted]
Capitalised accrued interest on the SOCO1 shareholder loan	0	[redacted]
Cash flow from operating activities	**51,951**	**37,839**
Decrease (increase) in the working capital requirement	**31,451**	**7,951**
Net cash (used in)/from operating activities	**83,403**	**45,790**
Investing activities		[redacted]
Purchases of property, plant and equipment and intangible assets	-20,940	[redacted]
Purchases of non-current financial assets	-2,043	[redacted]
Deferred expenses		[redacted]
Disposals of property, plant and equipment and intangible assets	1,421	[redacted]
Disposals of non-current financial assets	0	[redacted]
Impact of changes in scope	-72,361	[redacted]
Net cash (used in)/from investing activities	**-93,922**	**-559,280**
Financing activities		[redacted]
Increase in share capital	42,000	[redacted]
Dividends received from unconsolidated companies	77	[redacted]
Dividends paid to non-controlling interests	-1,773	[redacted]
Dividends paid to parent company shareholders	-0	[redacted]
Net change in financial receivables and liabilities	1,901	[redacted]
Net cash from financing activities	**42,204**	**500,897**
Total net cash (used in)/from operating, investing and financing activities	**31,684**	[redacted]
Other: impact of exchange differences	-1,817	[redacted]
Change in cash	**29,867**	[redacted]
Cash position at beginning of period	48,477	[redacted]
Cash position at end of period	78,344	[redacted]
Resulting change in cash	**29,867**	[redacted]



2020 ANNUAL REPORT

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Notes to the consolidated financial statements

Notes to the consolidated financial statements

Note 1. General information

Since it was founded in 1953, SOCOTEC has built up solid and recognised expertise, which it puts to work for its clients, helping them manage technical risks and to ensure compliance with the applicable quality, health, safety and environmental standards and regulations.
The SOCOTEC Group has developed its skills and its business activities specifically to serve the construction, real estate, manufacturing and energy, and infrastructure sectors.

THIS EXPERTISE IS FOCUSED IN FOUR MAIN SERVICE AREAS:

- Inspection and Measurement
- Assistance and Consultancy
- Training
- Certification

SOCO1 and its subsidiaries together form the SOCOTEC Group, hereinafter referred to as "SOCOTEC" or "the Group".

Notes to the consolidated financial statements
Note 2. Highlights

COVID

Like the entire world economy, the Group has been affected by the Covid-19 crisis since March 2020. The pandemic is therefore regarded as a material event in 2020, and the financial statements at December 31, 2020 were established on a going concern basis.

ACQUISITIONS/DISPOSALS DURING THE PERIOD:

Acquisitions in 2020 were as follows:

- **CPAG** (Construction Project Analytics Group) specialises in project management and dispute resolution in the construction and infrastructure sector, and is based in Maryland and California in the USA.

- **Tesch** specialises in electrical and mechanical engineering work as part of construction projects. Tesch's business is very similar to Canzler's main business, but with a greater focus on electrical work, and so it is an excellent fit with Canzler, which is more focused on mechanical engineering work. The acquisition strengthens SOCOTEC's business in Berlin, where Tesch has a strong presence.

- **Veritas Advisory Inc.**, based in Texas, is one of the largest consulting and dispute resolution firms in the state. With a staff of 45, it is a trusted partner to its clients and has nationally recognised experts in technical consultancy, dispute management and forensics, acting for clients located throughout the USA and beyond.

- **Cementys** specialises in infrastructure monitoring. Infrastructure monitoring is necessary during the construction and operation phases of a civil engineering structure (tunnels, dams, bridges, railways, ports, canals etc). Its services include installing instrumentation in areas regarded as most sensitive (either on the structure itself or on the buildings or networks around it) in order to collect and interpret data relating to movements in particular. Services rely increasingly on connected objects and state-of-the-art technologies, allowing users to measure construction quality and reduce risks. During the operational phase, they are used to monitor structural aging and influence maintenance strategies.

Disposals in 2020 were as follows:

- **CTE** : part of the company's unprofitable non-destructive controls business was sold to Teneo/ Endel Engie.

CAPITAL INCREASE

To help finance acquisitions made in 2020, SOCOTEC carried out a €42 million capital increase in December 2020.

Notes to the consolidated financial statements

Note 3. Accounting policies and methods

Unless otherwise indicated, the main accounting methods described below have been applied consistently for all of the financial years presented.

3.1 BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The SOCO1 Group's consolidated financial statements have been prepared in accordance with the accounting principles defined by Regulation 99-02 of the Comité de la Réglementation Comptable (CRC, the French accounting regulations committee), which was issued on 29 April 1999 and endorsed by the Ministerial Order of 22 June 1999.
All Group companies have been consolidated on the basis of their financial statements at 31 December 2020, the date corresponding to that of their year-end accounting close.
The balance sheets of foreign companies established outside the eurozone have been translated into euros at the official year-end exchange rates. Their income statements have been translated at the average exchange rates for the year.
Exchange differences arising on the translation of these financial statements are recognised in equity.

3.2 ADJUSTED OPERATING INCOME (CONSOLIDATED EBITDA)

"Operating income" as shown in the consolidated income statement represents all income and expenses that do not result from either financing activities, equity-accounted companies or income tax, and excludes any non-recurring income and expense.
Consolidated EBITDA, which is useful in evaluating the operating performance of each of the Group's business units as a measure also referenced by bank financing agreements, corresponds to consolidated operating income adjusted to exclude certain non-recurring items, depreciation and amortisation of assets used in operations, depreciation and amortisation of assets remeasured at fair value, and deferred expenses related to bank financing.

3.3 CONSOLIDATION METHODS

Companies over which the Group has exclusive control, whether directly or indirectly, are fully consolidated.
Exclusive control is the direct or indirect power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.
Investments in companies not controlled by the Group, but over which the Group has significant influence, are accounted for under the equity method.
The list of companies making up the scope of consolidation is presented in Note 9.

3.4 GOODWILL

Upon first-time consolidation of a company controlled exclusively, its identifiable assets and liabilities are measured at fair value as part of the initial purchase price allocation ("initial PPA") process. The difference between the initial measurement at fair value of identifiable assets and liabilities, as it appears on the consolidated balance sheet, and the carrying amount of these same items in the balance sheet of the controlled company is assigned to the relevant asset and liability item and amortised separately.

Goodwill corresponds to the difference between the purchase price of the investment and the fair value of the identifiable assets and liabilities at the acquisition date. Goodwill is presented as a separate line item on the balance sheet.

In the first year following the acquisition date, the purchase price allocation process applying the fair value of assets and liabilities may lead to adjustments in the value of residual goodwill not allocated to these items. The Group uses several criteria to determine and track changes in fair value of the property, plant and equipment and of intangible assets and liabilities to which the purchase price was allocated at the acquisition date. Among other considerations, the Group takes account of the specific characteristics of the assets concerned. Intangible assets are measured on the basis of criteria relating to business operations. Impairment losses are recognised whenever the recoverable amount is lower than the carrying amount in the consolidated balance sheet. It should be noted that the identifiable assets and liabilities are measured at their value in use or their market value depending on whether the items are required in operations.

At December 31, 2020, goodwill for SOCOTEC totalled €932.7 million and comprised mainly €264 million in goodwill recognised during the initial PPA process after SOCO1 acquired control of Holding SOCOTEC in 2013, and €277.1 million relating to the acquisition of SOCOTEC USA Holding. The remaining balance of €391.6 million corresponds to goodwill arising on several other acquisitions, including:

- €73 million in goodwill related to the acquisition of ESG, after allocating the purchase price to the identifiable assets and liabilities measured at fair value
- €59.5 million in goodwill related to the acquisition of the Schollenberger group, after allocating the purchase price to the identifiable assets and liabilities measured at fair value

Goodwill recognised upon obtaining control of Holding SOCOTEC is amortised over 20 years. Goodwill relating to the other acquisitions completed before 2017 is amortised over five years. Since 2017, goodwill recognised for all acquisitions has been amortised over 10 years.

3.5 INTANGIBLE ASSETS

Intangible assets include the following:

- Customer relationships and brands acquired in business combinations, and in particular the Group's acquisition of Holding SOCOTEC in February 2013, together with customer relationships deriving from the purchase price allocation for ESG in the United Kingdom and CIS in France.
- Purchased software and software developed in-house

Formation expenses and research costs are expensed as incurred.

In 2013, at the initial purchase price allocation for Holding SOCOTEC, the intangible assets recognised came to €172.2 million and consisted of the following items:

- The SOCOTEC brand, with a gross value of €26.4 million, not amortised because it has an indefinite useful life
- Customer relationships with a gross value of €132.5 million, amortised over 22 years
- Software with a gross value of €13.3 million, amortised over eight years
  Following the purchase price allocations for ESG and CIS, intangible assets recognised in 2018 broke down as follows:
- Customer relationships at ESG with a gross value of €14.1 million, amortised over eight years
- Customer relationships at CIS with a gross value of €4.0 million, amortised over seven years

The purchase price allocation for Schollenberger and Vidaris was completed in 2020, leading to recognition of the following intangible assets:

- Customer relationships at Schollenberger with a gross value of €8.7 million, amortised over 20 years
- Repeat business relationships at Schollenberger with a gross value of €2.0 million, amortised over 10 years,
- Schollenberger's brand with a gross value of €1.9 million, amortised over five years
- Customer relationships at Vidaris with a gross value of €93.3 million, amortised over 13 years
- Vidaris' backlog with a gross value of €11.9 million, amortised over three years
- Vidaris' brand with a gross value of €2.1 million, amortised over three years

Customer relationships and brands

Customer relationships and brands acquired in business combinations are recognised at fair value. The fair value and useful life of these assets are usually determined at the acquisition date.
The amortisation expense is calculated from the acquisition date.
These intangible assets are amortised on a straight-line basis over their estimated useful lives.

Software

Costs relating to the purchase or development of software are recorded under assets on the basis of the costs incurred to purchase, develop and put into service the software in question. These costs include those directly attributable to the purchase or production of software during the period preceding the entry into service of the software. They are amortised over the estimated useful life of the software, which cannot exceed five years.
Software maintenance costs are expensed as incurred.

3.6 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are measured at historical cost.
The depreciation schedules used in the individual financial statements of Group companies are applied in the consolidated financial statements, except for real estate complexes, land and buildings that were remeasured during the initial purchase price allocation.

The weighting of the components of fair value for buildings is as follows:

- Structure: 50%
- Façade: 15%
- Equipment: 20%
- Fixtures and fittings: 15%

A specific depreciation schedule has been established for buildings with a fair value different from the net carrying amount used by the company.

The depreciation of the structure component is determined on the basis of the residual period between the depreciation end date in the company's accounts and the date of acquisition of control, based on the assumption that the structure is depreciated over 50 years from the building's acquisition date.

The depreciation periods for the other components are calculated as follows:

- 25 years for façades
- 20 years for equipment
- 20 years for fixtures and fittings

For non-current assets other than buildings, the Group's main companies calculate depreciation using the straight-line or declining balance method, depending on their expected useful lives, determined in accordance with the rules laid down for assets by the CRC. These depreciation charges are considered as reflecting economic wear and tear.

The periods and methods used are as follows:

- Technical facilities, fixtures and fittings, furniture: Straight line, 10 years
- Vehicles: Straight line, 5 years
- Testing and office equipment: Declining balance or straight line, 4 or 5 years
- Computer equipment: Straight line, 3 years
- Software: 1 to 3 years

3.7 PROPERTY HELD UNDER FINANCE LEASES

Property held under finance leases is restated in the consolidated financial statements. Each transaction is recalculated by considering that the property was acquired by way of a standard repayable loan involving the payment of interest and that it is subject to depreciation under the same conditions as those applying to the other buildings reported under assets.
Since 31 December 2018, no property has been held under finance leases. All properties previously acquired under finance leases by SOCOTEC France and recorded at their residual value in the company's financial statements continue to be depreciated as before.

3.8 NON-CURRENT FINANCIAL ASSETS

Investments in unconsolidated companies are measured at historical cost, less any impairment allowances deemed necessary.

3.9 REVENUE RECOGNITION

For the Group's main companies, the method used to measure contracts in progress at the balance sheet date involves the recognition of revenue per contract in proportion to their stage of completion.

Given the very large number of contracts it has in place, SOCOTEC performs an automatic calculation of accrued income and prepayments. The stage of completion is determined on the basis of physical progress, measured using a set of criteria (reports issued, progress of work on sites, etc.).
The Group's other companies perform this calculation manually in accordance with the progress towards completion for each contract.

3.10 RECEIVABLES AND LIABILITIES

Receivables and liabilities are stated at nominal value. Provisions are set aside for receivables, if necessary, based on an assessment of the risk of non-recovery and depending on their age. Receivables and liabilities denominated in a foreign currency are translated at the closing rate.
Unrealised foreign exchange gains and losses are recognised in income.

3.11 TRADE RECEIVABLES

At the reporting date for the 2020 financial year, the impairment methods adopted for receivables were as follows:
Operations France and all operating entities other than MENA and Sub-Saharan Africa:

- Receivables more than 90 days past due: 25%
- Receivables more than 180 days past due: 50%
- Receivables more than 360 days past due: 100%

MENA and Sub-Saharan Africa:

- Receivables more than 12 months past due: 50%
- Receivables more than 24 months past due: 100%

3.12 DEFERRED TAX

Deferred tax assets or liabilities are recognised whenever the carrying amount of an asset or a liability in the consolidated balance sheet is different from its tax base.
Deferred tax assets are recognised in consideration of their expected recovery.
For conservatism's sake, no deferred tax has been recognised in respect of tax loss carryforwards, except at SOCO1, the lead company of the tax group, and at Vidaris, following its acquisition in 2019.
At SOCO1, tax losses have been capitalised for the next three years on the basis of the established budgets, in an amount not exceeding 80% of the estimated tax losses used in 2021, 2022 and 2023.
Deferred tax assets arising on tax loss carryforwards amounted to €11.8 million at December 31, 2020.
Vidaris' deferred tax assets amounted to €9.5 million at December 31, 2020.

3.13 TRADE PAYABLES

Trade payables are recognised at fair value. All trade payables are classified under "Trade payables and related accounts".

3.14 CASH AND MARKETABLE SECURITIES

The "Cash and marketable securities" item includes cash, money market SICAVs, bank demand deposits and other highly liquid investments with maturities not exceeding three months. Bank overdrafts are included in financial debt.

Changes in the fair value of cash and cash equivalents are recognised in income.

3.15 PROVISIONS

Provisions for contingencies and losses are recognised when, at the balance sheet date, the Group has a legal, contractual or constructive obligation to a third party arising from a past event where it is probable that an outflow of resources will be required to settle the obligation, with no consideration in an amount at least equivalent to this outflow expected to be received in return.

3.16 RETIREMENT BENEFIT OBLIGATIONS

Retirement benefit obligations mainly involve the statutory defined-benefit pension plans in each country and in particular the following:

- Lump sums paid on retirement
- Long-service bonuses

The present value of retirement benefit obligations to be paid is determined using an actuarial approach. The projected obligation for vested benefits at the expected retirement date is determined and a portion thereof, known as the service cost, is attributed to each year of work. Vested benefits are calculated on the basis of the estimated salary at retirement, pro-rated to reflect the length of service at the measurement date compared with the length of service at retirement. The positive or negative portion of the change in provisions caused by the vesting of benefits between the beginning and the end of the year is taken to operating income, with the portion reflecting the discounting of the provision to present value being recognised in financial income or expense.

Assumptions used for French companies at 31 December 2020:

- Discount rate: 0.34%
- Salary increase rate: 1.5%, inflation-adjusted
- Retirement age: 65 for managers, 62 for non-managers
- Staff turnover rate in line with the rules of the collective bargaining agreement applicable to each employee

3.17 BOND ISSUE EXPENSES

In accordance with accounting regulations, bond issue expenses are charged to deferred expenses and recognised over the life of the bonds.

3.18 CRITERIA APPLIED FOR THE RECOGNITION OF NON-RECURRING INCOME AND EXPENSE

Income and expenses that arise from events clearly distinct from the ordinary activities of the Group and its companies are recognised under non-recurring income and expense.

3.19 CALCULATION OF NET EARNINGS PER SHARE

Net earnings per share are calculated by dividing net income (loss) attributable to the owners of the parent by the appropriate number of shares.

Note 4. Financial indicators not defined by French GAAP

In its external communications and for the calculation of its bank covenants, the Group uses the following financial indicators not defined by French GAAP:

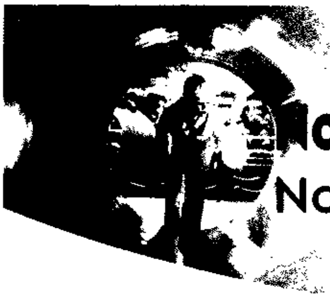
- Consolidated EBITDA corresponds to the Group's operating income before the effects of income and expenses relating to business combinations, non-recurring items adjusted for the impact of employee profit sharing, if necessary, as well as depreciation and amortisation.
- Net financial debt comprises bank and bond debt, and restatements of finance leases for items used in operations, less cash and marketable securities.
- The leverage ratio corresponds to net financial debt divided by pro forma consolidated EBITDA, including the full-year impact of the year's acquisitions.

Notes to the consolidated financial statements

Note 5. Segment information

Only the breakdowns of revenue and consolidated EBITDA are presented. The information provided the indicators monitored internally by the Group's management. Intercompany transactions within each segment are eliminated from the amounts shown.

Consolidated EBITDA components for the holding companies are shown on a separate line, with the exception of the expenses for shared service centres and division management, the costs of which are apportioned between the divisions.



Notes to the consolidated financial statements
Note 6. Financial income and expense

Net financial income (expense) was an expense of €59.5 million in 2020. It consists mainly of the "Interest and other financial expense" and "Foreign exchange losses" line items.

(€ thousands)	**2020**	[redacted]
Shareholder loan	0	[redacted]
Term Loan A	0	[redacted]
Term Loan B	0	[redacted]
Interest on Term Loan B	29,991	[redacted]
Revolving credit facility	1,761	[redacted]
Acquisition facility	0	[redacted]
Bond Fund C	204	[redacted]
Bank borrowings and other financing	761	[redacted]
Other financial expense	3,543	[redacted]
Interest and other financial expense	**36,261**	[redacted]
Foreign exchange losses	17,281	[redacted]
Additions to provisions for discounting of lump sums paid on retirement net of reversals	6,032	[redacted]
Additions to provisions net of reversals	591	[redacted]
TOTAL FINANCIAL EXPENSE	**60,164**	[redacted]
Interest and other financial income	152	[redacted]
Foreign exchange gains	550	[redacted]
Reversals of provisions for discounting of lump sums paid on retirement net of additions	0	[redacted]
Reversals of provisions net of additions	0	[redacted]
TOTAL FINANCIAL INCOME	**701**	**5,724**
NET FINANCIAL INCOME (EXPENSE)	**-59,463**	**-38,811**

The net balance of foreign exchange losses breaks down as follows:

- Foreign exchange losses realised: €701 thousand, of which €415 thousand arising from Holding SOCOTEC's financial transactions.
- Unrealised foreign exchange losses: €16.581 million, of which €16.167 million arising from financial transactions at Holding SOCOTEC, chiefly on USA dollar-denominated receivables.

The net balance of foreign exchange gains breaks down as follows:

- Foreign exchange gains realised: €442 thousand, of which €176 thousand arising from financial transactions at Holding SOCOTEC.
- Unrealised foreign exchange gains: €108 thousand

Note 7. Non-recurring items

Operations France account for the lion's share of net non-recurring items.

Net non-recurring expense totalled €23.3 million in 2020.€.

Non-recurring expense came to €25 million in 2020, mainly comprising:

- €13.1 million in workforce restructuring costs: primarily €6.4 million under a resourcing adjustment plan directly related to the pandemic, €4.8 million for the final phase of the SOCOTEC Construction reorganisation plan and €1.9 million in other non-recurring charges attributable to other HR restructuring expenses.
- €2.7 million in real estate restructuring
- €1.5 million in provisions for losses on doubtful receivables and €0.6 million in provisions for work in progress in the USA
- the change in the method used to measure France Construction's work in progress, leading to a negative impact of €1.4 million
- the discontinuation of IT projects, leading to an impact of €0.7 million
- the residual cost related to the change in shareholders during 2019 and €1 million in payroll charges on acquisitions of bonus shares in tandem with new share ownership instruments for managers and
- €4 million in other expenses

Non-recurring income totalled €1.7 million in 2020, including €0.8 million in reversals of provisions for the closure of subsidiaries and €0.4 million in gains on asset disposals in France and the United Kingdom.

Notes to the consolidated financial statements

Note 8. Income tax

In 2020, the Group recorded a tax benefit on consolidated income of €2.5 million, reflecting €1.8 million in income tax expense and €4.3 million in deferred tax benefits

RECONCILIATION BETWEEN THE STANDARD TAX RATE AND THE EFFECTIVE TAX RATE

	2020	
Income (loss) before tax	**(22,361)**	
Statutory income tax rate in France	32.02%	
Theoretical tax expense	**7,161**	
Reconciliation items		
Impact of liability method (recognition/non-recognition of deferred taxes)	3,981	
Consolidated tax regime	(5,681)	
Impact of tax exemptions	(1,011)	
Impact of non-deductible interest	(404)	
Impact of tax credits	533	(1)
Impact of differences in tax rates	(1,763)	(2)
Other reconciliation items	(1,274)	
Effective tax	**1,542**	
Effective tax rate	6.90%	
Current tax	*(1,751)*	
Deferred tax	*3,293*	

(1) Mainly French competitiveness and employment tax credit (CICE)
As of 1 January 2019, the French competitiveness and employment tax credit (CICE) has been replaced by a long-term reduction in employer social security contributions with immediate effect. Businesses that have not used their full CICE before this switchover retain the right to use it to pay income tax bill between 2019 and 2021

(2) The Group is present in jurisdictions, mainly the United Kingdom and the United States, where the tax rates are different from those applicable in France. This line item also reflects the differences in tax rates in France (rate of 32.02% applicable to the Group versus rate of 28% to subsidiaries)

Note 9. Scope of consolidation

The changes that occurred in the Group's organisation chart and scope of consolidation in 2020 are listed below:

NEWLY CONSOLIDATED COMPANIES:

Establishment of a new entity following the acquisition of CPAG assets by IBA Holding on 2 January 2020

Acquisition of Tesch shares by Canzler on 28 July 2020

Acquisition of Veritas Group Advisory shares by IBA Holding on 1 October 2020

Establishment of SOCOTEC Monitoring France on 13 October 2020

Acquisition of Cementys shares by SOCOTEC Monitoring France on 28 October 2020. This acquisition has brought in four consolidated companies.

COMPANIES NO LONGER CONSOLIDATED:

SOCOTEC Algérie was deconsolidated effective 1 January 2020 following the decision to liquidate the company

SHARE CONTRIBUTION:

SOCOTEC UK Holding's shares were contributed by Holding SOCOTEC to Phoenix UK 2020 in consideration for new Phoenix UK 2020 shares

Canzler shares were contributed by SOCOTEC International to SOCOTEC Deutschland Holding in consideration for new SOCOTEC Deutschland Holding shares

SMGS3 shares were contributed by Sophielux to SOCO1

MERGERS:

None.

UNIVERSAL TRANSFERS OF ASSETS AND LIABILITIES:

All CTE's assets and liabilities were transferred to SOCOTEC Power Services on 1 November 2020
All SMGS3's assets and liabilities were transferred to SOCO1 on 24 November 2020
All Sofortech's assets and liabilities were transferred to SOCOTEC Formation on 14 December 2020
All SOCO2's assets and liabilities were transferred to SOCO1 on 29 December 2020

CHANGE IN OWNERSHIP INTEREST:

Buyout by SOCOTEC Diagnostic Groupe of 25% in non-controlling interest on 9 March 2020

INTRA-GROUP TRANSFERS:

Transfer of CTE shares by Holding SOCOTEC to SOCOTEC Power Services on 30 September 2020
Transfer of Sofortech shares by SOCOTEC Diagnostic Groupe to SOCOTEC Formation on 12 November 2020

SALE TO A NON-GROUP BUYER:

Sale of a 1.6% interest in SOCOTEC Testing by SOCOTEC Deutschland Holding to the managers

SCOPE OF CONSOLIDATION OF THE SOCOTEC GROUP AT 31 DECEMBER 2020

(€ thousands)

	Company name	Method	% control	% ownership	Share capital	2020 net income
4SC	4see Consulting (UAE)	FC	49.00	49.00	0	87
4SE	4SEE	FC	100.00	97.91	1	0
ABU	SOCOTEC Inter Abu Dhabi Branch	FC	100.00	100 00	0	-35
AFR	SOCOTEC Africa	FC	100.00	100.00	30	102
AHI	SOCOTEC AirBTP (ex Air Habitat et Industrie)	FC	100.00	100.00	76	-69
AJE	AJA UK	FC	100.00	100.00	83	-0
AJH	SOCOTEC Certification Hong Kong	FC	100.00	100 00	1	13
AJP	SOCOTEC Certification Philippines	FC	40.00	40.00	31	-370
AJS	AJA Singapore	FC	100.00	100 00	0	0
AJT	SOCOTEC Certification Thailand	FC	100.00	74.38	100	202
AJU	SOCOTEC Certification USA	FC	100.00	100.00	0	0
AJX	SOCOTEC Certification Training	FC	49.00	49.00	3	11
ALD	ESG Asbestos Limited	FC	100.00	97 91	0	697
ALG	SOCOTEC Algérie SPA	EXIT	99.95	99.95	17	0
ANT	SOCOTEC Antilles-Guyane	FC	100.00	100.00	55	433
ARH	ArchEng Holding Company	FC	100.00	91.40	67,721	-0
ASB	SOCOTEC ASBL	FC	100 00	100.00	0	373
ASK	Schollenberger Kampfmittelbergung GmbH Austria	FC	100.00	78.40	35	843
AXE	AXE Maroc	FC	100 00	99.90	26	-6
AXF	AXE France	FC	100.00	100.00	132	586
BAR	SOCOTEC Gulf	FC	100.00	100.00	119	-30
BBA	SCI Bouloi Bas	FC	100.00	100.00	2	-0
BCI	Buckingham Investigation	FC	100 00	97.91	0	-13
BGQ	SOCOTEC Belgium SPRL	FC	100 00	100 00	132	78
BHA	SCI Bouloi Haut	FC	100 00	100 00	2	-1
BIM	BIM In Motion	FC	60.00	60.00	20	531
BYA	Butler & Young Approved Inspectors Limited	FC	100.00	97 91	116	272
BYC	Butler & Young Consultants Limited	FC	100.00	97 91	0	92
BYG	Butler & Young Group Limited	FC	100.00	97 91	106	88
BYH	Butler & Young Holdings Limited	FC	100.00	97 91	116	29
BYT	Trenton Fire Limited	FC	100.00	97 91	0	-7
C1L	ESG Capital 1 Limited	FC	100.00	97 91	115,300	-5
C2G	C2G International LLC	FC	100.00	91.40	0	5,772
C2L	ESG Capital 2 Limited	FC	100.00	97 91	90,372	-5
CAL	SOCOTEC Calédonie	FC	100.00	100.00	37	350
CAS	Société de Développement BTP Maroc	FC	100 00	100.00	87	-14
CBI	CBI Consulting LLC	FC	100.00	91.40	0	1,560
CCS	CIS Certification PTE	FC	100.00	95 00	6	112
CEN	SOCOTEC Civil Engineering	FC	100.00	100.00	100	407
CIA	Contrôle Industriel Belge SA	FC	100.00	100.00	62	16
CIB	SOCOTEC Belgium ASBL	FC	100.00	100.00	0	-754
CID	Canzler GmbH	FC	70 00	70 00	150	2,720
CIH_MEE	Certification International Holdings INC	EM	39 92	39.92	0	0
CIJ	SOCOTEC Certification Japan	FC	50.10	50.10	74	506
CIL	Certification International Limited	FC	100.00	100.00	275	1,188
CIP_MEE	Certification International Philippines INC	EM	99 80	63 82	0	0
CIS	SOCOTEC Certification Singapore	FC	95.00	95.00	7	2,118
CMF	Cementys France	FC	100 00	67.00	40	505
CMG	Geotys	FC	51.00	34.17	1	-24
CMS	SensOptix	FC	100.00	67.00	1	72
CMV	Cementys Vietnam	FC	100 00	67 00	77	4
CPA	CPAG	FC	100.00	91.40	0	381
CTE	CTE NORDTEST	FC	100 00	100 00	0	-1,541
CUK	SOCOTEC Certification UK	FC	100.00	100.00	372	-77
DEV	SOCOTEC DEVELOPPEMENT	FC	100 00	100 00	1,095	47
DGF	GeoFact GmbH	FC	100.00	78 40	25	345
DHS	SOCOTEC Deutschland Holding	FC	100.00	100.00	29	4,808
DPA	David Pattillo & Associates	FC	100.00	91.40	0	2,052
DSK	Schollenberger Kampfmittelbergung GmbH	FC	100.00	78.40	15,390	-0
DTS	SOCOTEC Testing GmbH	FC	78 40	78 40	31	10,456
DUB	SOCOTEC Inter Dubai Branch	FC	100.00	100.00	0	-353
E2C	EXPERTISE CONCEPTION CONTRÔLE	FC	100.00	100.00	1	73
EHG	Expert Habitat & Industrie Groupe	FC	100.00	100.00	1,000	19
EHI	Expert Habitat & Industrie Ingenierie	FC	100.00	100.00	313	-548
EIL	ESG Investments Limited	FC	100.00	97 91	98,341	-1,085

SCOPE OF CONSOLIDATION OF THE SOCOTEC GROUP AT 31 DECEMBER 2020

(€ thousands)

	Company name	Method	% control	% ownership	Share capital	2020 net income
GSL	Geotech Specialists Limited Ireland	FC	100.00	97.91	0	-22
HLD	Holding SOCOTEC	FC	100.00	100.00	114,800	54,359
HWL	Henley Water Limited	FC	100.00	97.91	7	0
IBA	IBA Holdings LLC	FC	100.00	91.40	1,305	-119
IEV	Inspicio Environmental	FC	100.00	97.91	0	0
IHL	Inspicio Holdings Ltd	FC	100.00	97.91	0	0
INF	SOCOTEC Infrastructure	FC	100.00	100.00	1,300	-554
INT	SOCOTEC International	FC	100.00	100.00	29,480	9,250
ITA	ITAL SOCOTEC	EM	40.00	40.00	500	0
ITB	SOCOTEC Italia SRL	FC	100.00	85.00	7,144	2,375
ITC	Constructionfit Monitoring Limited	FC	100.00	97.91	0	0
ITH	SOCOTEC Italia Holding	FC	85.00	85.00	6,543	639
ITI	Calyx Investments Limited	FC	100.00	97.91	0	0
ITM	ITM Monitoring Limited	FC	100.00	97.91	0	1,330
LAB	SOCOTEC Power Services	FC	100.00	100.00	40	-337
LIB	SOCOTEC Liban	FC	90.00	90.00	119	-80
LPE	LPI Engineering Inc	FC	100.00	91.40	0	-13
LPI	LPI Inc	FC	100.00	91.40	9,297	4,138
LUX	SOCOTEC Luxembourg SARL	FC	100.00	100.00	210	162
MA2	SOCOTEC Madagascar	FC	100.00	100.00	3	180
MAI	SOCOTEC Infrastructure Maroc	FC	100.00	100.00	46	44
MAR	SOCOTEC Maroc	FC	99.90	99.90	922	291
MON	SOCOTEC Monaco	FC	95.96	95.96	150	961
MTS	SOCOTEC MTS Ltd. (Mauritius)	FC	100.00	100.00	1	36
NDT	CIS Contrôle Supervision Inspection	FC	100.00	100.00	89	360
P20	Phoenix UK 2020	FC	97.91	97.91	12,076	-491
PLC	Patrick Levy Consulting	FC	100.00	100.00	1	75
POL	SOCOTEC Polynésie	FC	100.00	100.00	38	216
PSP	PSP Tunnelling Engineers	FC	80.00	72.00	0	144
RBS	RINCENT BTP SERVICE SAS	EM	40.00	40.00	803	0
REU	SOCOTEC Réunion	FC	100.00	100.00	50	631
SAS	SOCOTEC Smart Solutions	FC	100.00	100.00	30	9
SCC	SOCOTEC CONSULTING MEDITERRANEE (SOCOCONSULT)	FC	99.96	99.89	46	28
SCI	Synergen Consulting International LLC	FC	100.00	91.40	0	3,283
SCT	SOCOTEC Construction	FC	100.00	100.00	10,000	-7,775
SDI	SD Ingenieure	FC	70.00	63.00	25	-1
SEQ	SOCOTEC Equipements	FC	100.00	100.00	8,500	654
SES	SOCOTEC Environnement	FC	100.00	100.00	3,600	-2,995
SFO	SOCOTEC Formation	FC	100.00	100.00	2,000	-1,642
SFT	Sofortech	FC	100.00	100.00	0	-40
SGE	SOCOTEC Gestion	FC	100.00	100.00	1,000	-1,329
SGH	Environmental Scientifics Group Holdings Limited	FC	100.00	97.91	350	0
SGL	SOCOTEC UK Limited	FC	100.00	97.91	0	579
SHL	Environmental Scientifics Holdings Limited	FC	100.00	97.91	21,719	-5
SID	SOCOTEC Immobilier Durable	FC	100.00	100.00	1	-92
SLD	Scientifics Limited	FC	100.00	97.91	21	0
SM3	SMGS3	FC	100.00	100.00	0	-1
SMF	SOCOTEC Monitoring France	FC	67.00	67.00	45,453	-211
SNR	SNER Societé Novatrice d'Etudes et Réalisations	FC	100.00	100.00	150	721
SO1	SOCO1	Holding company	0.00	100.00	508,832	1,587
SO2	SOCO2	FC	100.00	100.00	0	-8
SOF	SOCOTEC Formation Nucléaire	FC	100.00	100.00	300	52
SQI	SOCOTEC Certification	FC	100.00	100.00	100	400
SUH	SOCOTEC UK Holding	FC	100.00	97.91	47,562	-1,808
TES	Ingenieurburo Tesch GmbH	FC	100.00	70.00	50	110
UIN	SOCOTEC USA Holding Inc	FC	100.00	91.40	270,356	-44,527
ULP	SOCOTEC USA Holding LP	FC	91.40	91.40	275,111	0
VAG	Veritas Advisory Group	FC	100.00	91.40	0	368
VHL	Vidaris Holdings LLC	FC	100.00	91.40	4,557	-2
VID	Vidaris Inc	FC	100.00	91.40	21,782	8,843
VIH	VIH Company	FC	100.00	91.40	113,614	-0
WTL	Waterwise Technoloy Limited	FC	100.00	97.91	2	0
ZPI	ZPP International GmbH	FC	100.00	90.00	25	0
ZPL	LauPlan GmbH	FC	100.00	90.00	25	160
ZPP	ZPP Ingenieure AG	FC	90.00	90.00	200	-0

FC Full consolidation - EM: Equity method

Notes to the consolidated financial statements

Note 10. Non-current assets

Gross values	Start of financial year 1 January 2020	Opening correction	Increases	Decreases	Change in scope	Exchange differences	Reclassifications	End of financial year December 31, 2020
Goodwill	948,341	0	0	0	19,886	-35,533	0	932,693
Other intangible assets	228,949	0	3,421	-13,970	128,812	-9,288	3,006	340,930
Intangible assets in progress	4,205	0	3,315	-150	0	0	-3,009	4,361
Total intangible assets	**1,181,495**	**0**	**6,736**	**-14,120**	**148,698**	**-44,821**	**-3**	**1,277,984**
Land	785	0	0	-192	20	-0	0	612
Buildings	14,124	187	410	0	116	-75	226	14,988
Plant and equipment	59,344	0	8,674	-2,941	5,926	-1,100	-29	69,875
Other property, plant and equipment	80,137	-57	3,579	-1,942	1,298	-459	5,754	88,310
Property, plant and equipment under construction	6,419	0	1,162	-5	0	0	-4,049	3,528
Total property, plant and equipment	**160,809**	**130**	**13,825**	**-5,080**	**7,359**	**-1,634**	**1,902**	**177,313**
Investments in unconsolidated subsidiaries and affiliates	3,131	0	-0	-0	-1,363	-41	-0	1,726
Investments in companies accounted for under the equity method	917	0	10	0	0	-8	0	919
Other non-current financial assets	5,172	0	2,303	-160	95	-191	0	7,219
Non-current financial assets	**9,220**	**0**	**2,314**	**-160**	**-1,268**	**-240**	**-0**	**9,864**

Depreciation, amortisation and impairment	Start of financial year 1 January 2020	Opening correction	Increases	Decreases	Change in scope	Exchange differences	Reclassifications	End of financial year December 31, 2020
Goodwill	156,830	0	69,738	0	0	-4,892	-7	221,668
Other intangible assets	89,886	-0	34,962	-13,765	26	-1,855	13	109,266
Intangible assets in progress	6	0	0	0	0	0	0	6
Total intangible assets	**246,721**	**-0**	**104,700**	**-13,765**	**26**	**-6,748**	**6**	**330,940**
Land	-0	0	0	0	0	0	0	0
Buildings	3,746	132	723	0	99	-23	0	4,677
Plant and equipment	39,695	0	6,917	-2,322	2,004	-466	-310	45,517
Other property, plant and equipment	49,046	-57	7,985	-1,783	83	-365	1,112	56,021
Property, plant and equipment under construction	0	0	0	0	0	0	0	0
Total property, plant and equipment	**92,486**	**75**	**15,624**	**-4,105**	**2,187**	**-854**	**802**	**106,215**
Investments in unconsolidated subsidiaries and affiliates	1,377	0	197	0	0	-33	0	1,541
Investments in companies accounted for under the equity method								
Other non-current financial assets	518	0	13	0	0	0	0	531
Non-current financial assets	**1,894**	**0**	**210**	**0**	**0**	**-33**	**0**	**2,072**

Net	Start of financial year 1 January 2020	Opening correction	Increases	Decreases	Change in scope	Exchange differences	Reclassifications	End of financial year December 31, 2020
Goodwill	791,511	0	-69,738	0	19,886	-30,641	7	711,025
Other intangible assets	139,063	0	-31,540	-205	128,786	-7,433	2,992	231,664
Intangible assets in progress	4,199	0	3,315	-150	0	0	-3,009	4,355
Total intangible assets	**934,774**	**0**	**-97,964**	**-355**	**148,672**	**-38,074**	**-9**	**947,044**
Land	785	0	-0	-192	20	-0	0	612
Buildings	10,379	55	-313	0	17	-52	226	10,311
Plant and equipment	19,649	0	1,758	-619	3,921	-633	281	24,358
Other property, plant and equipment	31,091	-0	-4,406	-159	1,215	-94	4,641	32,288
Property, plant and equipment under construction	6,419	0	1,162	-5	0	0	-4,049	3,528
Total property, plant and equipment	**68,323**	**55**	**-1,799**	**-974**	**5,173**	**-780**	**1,100**	**71,097**
Investments in unconsolidated subsidiaries and affiliates	1,754	0	-197	-0	-1,363	-9	-0	185
Investments in companies accounted for under the equity method	917	0	10	0	0	-8	0	919
Other non-current financial assets	4,654	0	2,290	-160	95	-191	0	6,688
Non-current financial assets	**7,325**	**0**	**2,104**	**-160**	**-1,268**	**-208**	**-0**	**7,793**
Total net	**1,010,422**	**55**	**-97,659**	**-1,489**	**152,576**	**-39,061**	**1,091**	**1,025,934**

€105.3 million in new goodwill was recognised in 2020, including:

- €4.1 million in respect of CPAG following its acquisition in January 2020
- €1.0 million in respect of Pfülb following its acquisition in January 2020
- €7.4 million in respect of SMGS3 following the buyout of minority interests in September 2020
- €1.1 million in respect of Ingenieurbüro Tesch following its acquisition in July 2020
- €36.6 million in respect of Veritas Group Advisory following its acquisition in October 2020
- €55.1 million in respect of Cementys following its acquisition in October 2020

€88.8 million in purchase price allocations were made in 2020, consisting of:

- €8.8 million for Schollenberger
- €80 million for Vidaris

For the business combinations that chiefly occurred in 2020, the cost of the entities acquired will potentially be allocated to the assets acquired and liabilities assumed at their fair value during the forthcoming financial year. During the allocation period, changes to the value of the identifiable assets acquired and liabilities assumed, including any contingent liabilities, arising from the acquisitions recognised are accounted for by means of a retrospective adjustment to goodwill. Once the allocation period has ended, any changes to the estimated values of identifiable assets acquired and liabilities assumed, including any contingent liabilities, are taken to income, without any adjustment to goodwill.

The increase in intangible assets reflects the acquisition of development of software, chiefly among which:

- €5.2 million in France, including €1.9 million in intangible assets in progress
- €0.9 million in the United Kingdom
- €0.3 million in the United States

The increase in property, plant and equipment chiefly reflects the acquisition of:

- €2.0 million in plant and equipment in France, €4.3 million in the United Kingdom and €1.5 million in Germany
- €1.5 million in computer equipment in France, including €1.1 million held under finance leases, €0.4 million in the United Kingdom and €0.3 million in Germany
- €1.6 million in fixtures and fittings, mainly in France

The decrease in property, plant and equipment chiefly reflects:

- The disposal of €0.8 million in plant and equipment by CTE
- The retirement of €1.4 million in plant and equipment in the United Kingdom

Depreciation and amortisation totalled €120.2 million during the year, breaking down as follows:

> €69.7 million in goodwill amortisation, breaking down as follows:

- 13,3 M€ afférents au goodwill calculé lors de la prise de contrôle de Holding SOCOTEC par SOCO1 en 2013,
- €26.4 million related to goodwill calculated when Vidaris was acquired in 2019
- €7.4 million arising from the acquisition of the ESG group
- The remaining goodwill amortisation relates to the other acquisitions, including €4.9 million for Schollenberger, €2.4 million for Dimms (SOCOTEC Italia), €0.7 million for AJA Registrars, €0.8 million for SNER, €0.6 million for ZPP, €2.3 million SOCOTEC Diagnostic and €0.9 million for AXE €0.4 million for 4SEE, €0.9 million for Butler & Young, €0.9 million for Cementys, €1 million for Veritas, €0.5 million for DPA, €0.4 million for CPAG and €5.9 million for other acquisitions.

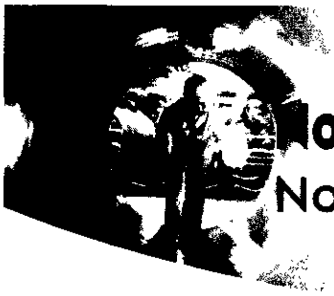
> €29.9 million in amortisation of fair value adjustments on assets occurring as a result of the PPA process chiefly related to customer relationships.

> Depreciation and amortisation of assets used in operations totalling €17.4 million, mainly consisting of €11.8 million in respect of plant and equipment and €5.6 million in respect of IT developments

> €3.2 million in depreciation of buildings

At December 31, 2020, the breakdown of non-current assets between historical cost and purchase price allocation was as follows:

At December 31, 2020 (€ thousands)	Gross values		Depreciation, amortisation and impairment		Net		
	[redacted]	PPA	[redacted]	PPA	[redacted]	PPA	[redacted]
Goodwill	932,693		221,668		711,025		711,025
Other intangible assets	43,490	297,441	32,293	76,974	11,197	220,467	231,664
Intangible assets in progress	4,361		6		4,355		4,355
Total intangible assets	**980,544**	**297,441**	**253,967**	**76,974**	**726,577**	**220,467**	**947,044**
Land	461	151	3	-3	458	154	612
Buildings	12,616	2,372	5,149	-472	7,468	2,844	10,311
Plant and industrial equipment	69,875		45,517		24,358		24,358
Other property, plant and equipment	88,310		56,021		32,288		32,288
Property, plant and equipment under construction	3,528		0		3,528		3,528
Total property, plant and equipment	**174,790**	**2,523**	**106,690**	**-475**	**68,099**	**2,998**	**71,097**



Note 11. Operating receivables and liabilities

ANALYSIS OF OPERATING RECEIVABLES BY MATURITY

The details provided below correspond to the following asset items on the balance sheet: "Trade receivables and related accounts", "Other operating receivables", "Prepaid expenses" and "Deferred expenses".

Description	Sub-total Over 5 years	Less than 1 year	1 to 5 years	> Over 5 years
Trade receivables and related accounts	**361,481**	340,292	19,946	1,244
Doubtful or disputed receivables	**11,658**	3,663	6,879	1,116
Debit balances and debit notes on trade accounts	**3,977**	3,966	3	8
Advances & payments on account to suppliers	**1,413**	1,151	263	0
Receivables on non-current assets and related accounts	**1,712**	1,707	5	1
Social security receivables	**2,414**	2,414	0	0
VAT receivables	**24,748**	24,594	154	0
CICE (competitiveness and employment tax credit)	**1,978**	1,978	0	0
Miscellaneous tax receivables	**2,299**	2,292	7	0
Corporate income tax receivables	**19,294**	7,227	12,067	0
Miscellaneous tax receivables	**727**	727	0	0
Current account debit balances	**1,323**	1,161	163	0
Other miscellaneous receivables	**8,326**	4,820	3,476	30
Miscellaneous accrued income	**443**	91	353	0
Deferred expenses	**3,732**	0	3,732	0
Prepaid expenses	**11,480**	10,617	832	31
Total receivables	**457,006**	**406,700**	**47,878**	**2,428**

Deferred expenses relate to issue expenses for long-term bank borrowings. These expenses are deferred over the term of the facilities.

ANALYSIS OF OPERATING LIABILITIES BY MATURITY

The details provided below correspond to the following liability items on the balance sheet: "Trade payables and related accounts", "Other operating liabilities", "Other financial liabilities" and "Deferred income".

Description	Sub-total Over 5 years	Less than 1 year	1 to 5 years	> Over 5 years
Employee profit sharing	**2,622**	2,622	0	0
Trade payables and related accounts	**63,692**	54,360	9,250	82
Liabilities on non-current assets and related accounts	**1,778**	1,467	310	0
Advances & payments on account received on orders	**110,285**	105,849	4,012	424
Credit balances and credit notes on trade accounts	**16,430**	15,447	874	110
Employment costs	**73,522**	67,897	5,626	0
Social security contributions	**37,327**	36,544	783	0
VAT liabilities	**66,406**	63,695	2,313	398
Miscellaneous tax liabilities	**10,099**	10,003	96	0
Corporate income tax liabilities	**16,017**	8,639	7,379	0
Miscellaneous tax receivables	**501**	499	2	0
Current account credit balances	**263**	262	2	-0
Other miscellaneous financial liabilities	**21,070**	9,744	10,519	808
Accrued expenses	**7,617**	6,875	548	194
Deferred income	**12,996**	9,649	3,346	0
Total liabilities	**440,626**	**393,550**	**45,060**	**2,016**

Note 12. Cash and marketable securities

€ millions	2020	2019
Cash and cash equivalents	**81.4**	**50.1**
Marketable securities	0.1	0.1
Total	**81.5**	**50.2**

The marketable securities referred to above are money market SICAVs.

Note 13. Equity

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(€ thousands)	Share capital	Share premiums	Reserves	Net income (loss)	Exchange differences	Total equity attributable to owners of the parent	Non-controlling interests
Equity at December 31, 2019 after appropriation of net income	**486,689**	**158,531**	**-297,932**	**-41,271**	**1,160**	**307,176**	**28,978**
Increase in share capital	**22,144**	**27,488**	-0	0	0	**49,633**	1,871
Appropriation of net income	0	0	-41,289	41,289	0	**-0**	-0
Dividend payments	0	0	-0	0	0	**-0**	-1,773
Changes in scope	0	0	-8,054	-18	96	**-7,976**	26,778
Other changes	0	0	14	0	0	**14**	-184
Corrections	0	0	2,146	0	-2,147	**-0**	-0
Changes in exchange differences	0	0	0	0	-21,735	**-21,735**	-1,843
Net income in the year ended 31 December 2020	0	0	0	-90,490	0	**-90,490**	-56
Equity at December 31, 2020 before appropriation of net income	**508,833**	**186,020**	**-345,115**	**-90,490**	**-22,626**	**236,622**	**53,771**

Notes to the consolidated financial statements

Note 14. Provisions

(€ thousands)	Start of financial year January 1, 2020	Increases	Decreases	Reclassifica-tions	Change in scope	Exchange differences	End of financial year December 31, 2020
Provisions for contingencies	34,525	6,313	-4,928	582	244	-62	36,674
Provisions for losses on completion	833	-45	0	0	0	-21	767
Provisions for retirement benefit obligations	19,561	11,397	-4,719	1,261	141	-235	27,406
Provisions for losses	1,405	51	-689	-578	0	-53	135
Total provisions for contingencies and losses	**56,324**	**17,716**	**-10,335**	**1,265**	**385**	**-371**	**64,983**

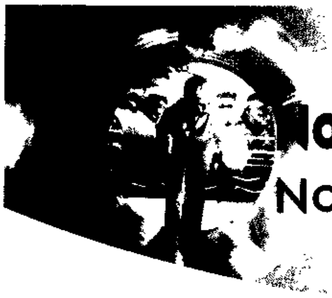
Provisions for contingencies amounted to €65.0 million and mainly consisted of the following:

- €26.4 million in provisions for technical disputes, of which €23.8 million at SOCOTEC Construction, €0.8 million in Germany and €1 million in Overseas France
- €3.4 million in provisions for employee disputes, of which €1 million at SOCOTEC Construction and €0.7 million at Holding SOCOTEC
- €0.4 million in provisions for tax disputes, chiefly at SOCOTEC Maroc
- €6.6 million in provisions for other contingencies, of which €2.5 million at SOCOTEC Gestion, €0.5 million at Holding SOCOTEC, €1.1 million at SOCOTEC International, €0.4 million at Schollenberger and €1.5 million at SOCOTEC UK Limited.

Provisions for losses on completion include €0.5 million for ZPP Ingenieure and €0.1 million for CBI Consulting LLC.

Obligations for lump sums paid on retirement:

Obligations for lump sums paid on retirement at French companies, including those in Overseas France, totalled €29.9 million. Of these, €11.5 million are covered by assets managed under a special external insurance policy and the remainder by €16.4 million in provisions.



Notes to the consolidated financial statements

Note 15. Financial debt

(€ thousands)	Balance at December 31, 2020	Less than 1 year	1 to 5 years	> Over 5 years
Shareholder loan	-		-	
Principal	-		-	
Accrued interest	-		-	
Bonds	**948**	**204**	-	**744**
Principal	744			744
Accrued interest	*204*	*204*		
Bank borrowings	**763,139**	**7,283**	**755,856**	-
Term Loan B - principal (1)	*748,618*		*748,618*	
Term Loan B- interest	-	-		
Acquisition Facility				
Other (2)	*14,521*	*7,283*	*7,238*	
Finance leases (3)	**2,895**	1,785	1,110	
Guarantees and deposits received	**87**		81	6
Miscellaneous borrowings and financial debt (4)	**2,379**	-	2,379	
Accrued interest on bank borrowings	**3,165**	3,165		
Accrued interest on bank facilities	**14**	14		
Total bank borrowings and facilities	**772,626**	**12,450**	**759,426**	**750**

(€ thousands) at	Balance at December 31, 2020	Fixed rate	Floating rate
Shareholder loan	-	-	
Bond Fund C	**948**	948	
Bank borrowings	**763,139**	**12,260**	**750,879**
Term Loan B - principal	*748,618*		748,618
Term Loan B- interest	-		-
Acquisition Facility	-		
Other	*14,521*	*12,260*	2,261
Finance leases	**2,895**	2,895	
Conditional advances	**87**	87	
Miscellaneous borrowings and financial debts	**2,379**	2,379	
Accrued interest on bank borrowings	**3,165**	3,165	
Accrued interest on bank facilities	**14**	14	
Total bank borrowings and facilities	**772,626**	**21,747**	**750,879**

Note

(1) The Term Loan B consists of a €693 million and a £50 million tranche.

(2) Of the other bank borrowings, €10,583 thousand are denominated in euros, €3,901 thousand in USA dollars and €37 thousand in Philippine peso.

(3) The finance lease liabilities include €2,842 thousand denominated in euros and €53 thousand in the Singapore dollar.

(4) Of the miscellaneous bank borrowings, €1,043 thousand are denominated in euros, €1,303 thousand in pound sterling and €32 thousand in Philippine peso. All the other borrowings and financial liabilities are denominated in euros.

All the Group's bond issues are housed by ZPP Ingenieure.

In July 2017, the Group refinanced its bank debt and arranged a seven-year senior debt facility in a gross amount of €350 million, including one €300 million tranche and one €50 million tranche. A further €75 million of debt was arranged in November 2018 with the same maturity and two further tranches amounting to €318 million were added in July 2019.

The Group's other borrowings from banks mainly comprise €4.4 million in factoring and loans at SOCOTEC Italia, €3.9 million at the USA subsidiaries, €2.8 million at SOCOTEC Diagnostic, and €2.6 million at Cementys.

Notes to the consolidated financial statements

Note 16. Changes in cash flows

The cash used in investing activities reflects:

> €20.9 million in purchases of property, plant and equipment and intangible assets relating to:

- €3.1 million for building works, fixtures and fittings
- €8.1 million in IT investments, new software solutions and tools to improve productivity and facilitate development
- €9.3 million in purchases of items used in operations
- €0.4 million in purchases of other property, plant and equipment and intangible assets

> €1.4 million in disposals of other property, plant and equipment and intangible assets

> €2.0 million in purchases of non-current financial assets, mainly linked to earn-out payments and additional amounts due in relation to CIS, SAL, Geofact and ITM.

> the €72.4 million impact of changes in scope, mainly reflecting the acquisitions of Pfülb, Tesch, CPAG, Veritas and Cementys

The €42.2 million in cash generated by financing activities reflects:

> a net increase of €1.9 million in financial receivables and liabilities

> the €1.8 million in dividend payments to non-controlling interests

> a €42 million capital increase

Notes to the consolidated financial statements

Note 17. Deferred tax

(€ thousands)

Components of deferred tax:	2020	2019
Employee profit sharing for the financial year	2,622	6,956
Lump sums paid on retirement	25,489	17,205
Provisions for doubtful receivables	24,696	7,227
Provisions for contingencies and lossess	-1,566	1,708
Temporary differences reversing at payment	-5,700	15,388
Tax losses recognised as assetss	45,491	53,744
Fair value adjustments to customer relationships, brands, orders, net	-110,971	-14,116
Fair value adjustments to land and buildings, net	-977	-401
Finance lease restatements	-1,342	-1,178
Regulated and other provisions	-3,968	-6,411
Revenue recognition under completed contract method vs. percentage of completion method	-21,336	-17,233
Temporary differences linked to depreciation and amortisation	22,831	29,845
Impact of non-deductible interest	4,427	4,385
Other	-8,754	-6,590
Total components of deferred tax	**-29,057**	**90,526**

Change in deferred tax:	Assets	Liabilities	Net
Balance at 1 January	**31,921**	**-5,700**	**26,221**
Change in income statement during the year	-3,989	7,282	3,293
Changes in scope	463	-36,831	-36,368
Reclassifications	0	-329	-329
Exchange differences	-803	1,737	934
Balance at December 31, 2020	**27,592**	**-33,841**	**-6,249**

Note 18. Off-balance sheet commitments

Commitments given:

> **Agreements:**
Through the arrangement of new borrowings in February 2013, SOCOTEC France also became a party to the Senior Facility Agreement and pledged to comply with its subsequent commitments.

> **Endorsements, sureties and guarantees given:**
Endorsements, sureties and guarantees given by the Group totalled €13 million in 2020, of which €6.8 million in France, €1.2 million in the United Kingdom, €1.2 million in Morocco, €0.1 million in Lebanon, €2.6 million in Germany, €0.4 million in Belgium and €0.7 million in Italy.

> **2013 refinancing and various acquisitions:**
The security package arranged as part of the LBO resulted in the pledge of collateral, notably in the form of bank accounts, securities and receivables, provided by various Group companies.

> **Agreement with CGI**
On September 30, 2016, SOCOTEC France signed a 10-year agreement with CGI to reorganise and modernise the Group's IT department as part of the 2018 SOCOTEC Plan. This agreement includes a volume commitment.

> Financial commitments relating to investments or earn-out payments:

Some of the acquisitions carried out by SOCOTEC involve either earn-out payments or put options granted to minority shareholders, generally senior managers of the acquired companies.

At December 31, 2020, these commitments concerned the following companies:

- ITM in the United Kingdom
- BIM in Motion and Cementys in France
- ZPP, PSP and Schollenberger in Germany
- Dimms in Italy
- CBI, C2G, Synergen, DPA, CPAG and Veritas in the United States
- SOCOTEC Certification in Singapore

Earn-out payments have been measured based on the probability of meeting the earnings target for the period covered by the financial agreement.

Put options granted to minority shareholders have been measured in accordance with the formulae for each option, based on earnings in 2020 rather than on forward-looking information relating to financial items at the possible exercise date of each put option.

At December 31, 2020, after applying these criteria for measurement, the amount recognised by the Group in respect of its financial commitments for equity investments and earn-out payments was €70.8 million.

> Lease commitments:

Off-balance sheet commitments relating to property leases within the Group came to a discounted amount of approximately €78.6 million over the 2021-2030 period and related to more than 300 sites, nearly two thirds of which are located in France. This commitment amount corresponds to an average lease term of 3.9 years, on the basis of lease payments in 2020.

This amount reflects the extension of the main leases that are due to expire over the relevant period.

In addition, a discount rate of 4% has been applied, reflecting the average cost of debt over the year.

Off-balance sheet commitments relating to long-term vehicle leases came to a discounted amount of approximately €6.3 million over the 2021-2030 period and related to more than 1,000 vehicles. A discount rate of 3% was adopted. This amount excludes the vehicle fleet in France, for which lease terms are shorter (less than 14 months).

Commitments received:

Guarantees received at December 31, 2020 amounted to €0.04 million (Germany).

> Other:

In accordance with the Comfort Letters signed on September 10th, 2020, German Law and especially Art 264 section 3 HGB and Art 264b HGB, SOCO1, as parent company of the Group, acknowledges that the following companies :

- ZPP Ingenieure AG,
- Schollenberger Kampfmittelbergung GmbH (Germany),
- Socotec Testing GmbH, and
- Socotec Deutschland Holding GmbH,

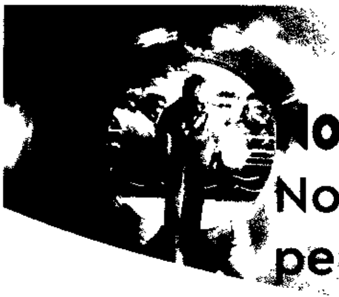
Are included into its consolidated financial statements, and therefore are exempted from the requirement to disclose their individual annual financial statements.

Notes to the consolidated financial statements

Note 19. Statutory Auditors' fees (Article R.233-14-17° of the French Commercial Code)

Fees relating to the statutory audit of the financial statements of consolidated entities for the year ended following page

Company	Statutory Auditors' fees shown in the 2020 income statement (statutory audit)	Currency	Euro-equivalent value
	LOCAL CURRENCY	**Currency code**	**EUROS**
SOCOTEC Africa	3,279,785	XOF	5,000
SOCOTEC ASBL	10,000	EUR	10,000
SOCOTEC Belgium SPRL	14,000	EUR	14,000
Contrôle Industriel Belge SA	10,500	EUR	10,500
SOCOTEC Belgium ASBL	17,620	EUR	17,620
AJA UK	4,725	GBP	5,314
SOCOTEC Certification Hong Kong	36,000	HKD	4,067
SOCOTEC Certification Philippines	378,000	PHP	6,680
SOCOTEC Certification Thailand	300,000	THB	8,405
SOCOTEC Certification Training	50,500	THB	1,415
Certification International Limited	7,875	GBP	8,856
SOCOTEC Certification UK	11,000	GBP	12,371
BIM In Motion	3,000	EUR	3,000
SOCOTEC Diagnostic (ex Expert Habitat & Industrie Ingenierie)	18,000	EUR	18,000
SOCOTEC Construction	87,000	EUR	87,000
SOCOTEC Immobilier Durable	2,500	EUR	2,500
SOCOTEC Antilles-Guyane	10,000	EUR	10,000
SOCOTEC Calédonie	947,000	XPF	7,936
SOCOTEC Madagascar	8,250,000	MGA	1,885
SOCOTEC Polynésie	901,000	XPF	7,550
SOCOTEC Réunion	8,950	EUR	8,950
SOCOTEC Environnement	22,800	EUR	22,800
Schollenberger Kampfmittelbergung GmbH Austria	14,000	EUR	14,000
Canzler GmbH	29,500	EUR	29,500
Schollenberger Kampfmittelbergung GmbH	41,000	EUR	41,000
ZPP Ingenieure AG	26,000	EUR	26,000
Holding SOCOTEC	20,000	EUR	20,000
SOCOTEC International	12,500	EUR	12,500
SOCOTEC Gestion	33,000	EUR	33,000
SOCO1	140,000	EUR	140,000
SOCOTEC Civil Engineering	2,500	EUR	2,500
SOCOTEC Infrastructure	9,000	EUR	9,000
SOCOTEC Italia SRL	24,000	EUR	24,000
SOCOTEC Italia Holding	6,440	EUR	6,440
SOCOTEC Liban	14,321,250	LBP	8,263
SOCOTEC Maroc	85,000	MAD	7,841
SOCOTEC Consulting Méditerranée (Sococonsult)	50,000	MAD	4,612
SOCOTEC Power Services	30,000	EUR	30,000
CIS Contrôle Supervision Inspection	5,000	EUR	5,000
SOCOTEC Equipements	70,500	EUR	70,500
SOCOTEC Formation	18,000	EUR	18,000
ESG Asbestos Limited	25,500	GBP	28,677
Buckingham Investigation	5,775	GBP	6,495
Butler & Young Approved Inspectors Limited	13,500	GBP	15,182
Butler & Young Consultants Limited	4,500	GBP	5,061
Butler & Young Group Limited	3,785	GBP	4,257
Butler & Young Holdings Limited	6,300	GBP	7,085
Trenton Fire Limited	8,000	GBP	8,997
Calyx Investments Limited	5,775	GBP	6,495
ITM Monitoring Limited	13,250	GBP	14,901
Environmental Scientifics Group Holdings Limited	3,465	GBP	3,897
SOCOTEC UK Limited	82,000	GBP	92,218
SOCOTEC UK Holding	11,550	GBP	12,989
Vidaris Inc	108,424	USD	95,000
		TOTAL EUR	**1,077,258**

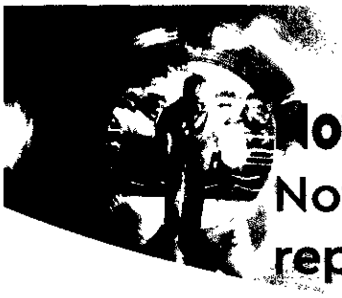


Notes to the consolidated financial statements

Note 20. Average headcount (employees on permanent and fixed-term contracts)

AVERAGE HEADCOUNT

	2020			2019			Variation		
	Managerial	Non-managerial	Total	Managerial	Non-managerial	Total	Managerial	Non-managerial	Total
Operations France	**1,835**	**2,614**	**4,449**	**1,756**	**2,596**	**4,351**	**79**	**18**	**98**
International Operations, Infrastructure	**167**	**1,646**	**1,812**	**211**	**1,526**	**1,737**	**-44**	**120**	**75**
BELUX	15	111	126	22	114	136	-7	-3	-10
Germany	16	750	766	17	688	705	-	62	61
Italy	4	345	349	4	318	322	-	27	27
MEA & Infrastructure	72	194	266	88	186	274	-16	8	-8
Certification	10	145	155	25	132	157	-15	13	-2
Overseas France	50	79	128	55	88	143	-5	-9	-15
Monitoring	-	22	22	-	-	-	-	22	22
Operations UK	**129**	**1,541**	**1,670**	**127**	**1,383**	**1,510**	**2**	**158**	**160**
Operations USA	**95**	**277**	**372**	**32**	**106**	**138**	**63**	**171**	**234**
Holding company	**151**	**86**	**237**	**138**	**85**	**222**	**13**	**1**	**15**
Total average headcount	**2,377**	**6,164**	**8,540**	**2,264**	**5,696**	**7,958**	**113**	**468**	**582**



Note 21. Events occurring after the reporting period

Since the start of 2021, the Group has carried out a further four acquisitions: in France (S2M and Innov Formation), in Italy (Tecnolab) and in the USA (Helmes) in the infrastructure business. Those acquisitions represent additional proforma revenue of €13.5 million.

In the first half of 2021, the Group began the process of refinancing its senior debt by arranging a Term Loan B in a total amount of €800 million (a EUR tranche of €550 million and a USD tranche of €250 million).

Note 22. Related party transactions

None.

Notes to the consolidated financial statements

Note 23. Executive pay

Information on the remuneration of corporate governance bodies has not been provided because this would indirectly result in the disclosure of individual remuneration packages.

SOCOTEC Group - 2021 report - 5 place des Frères Montgolfier - Guyancourt - CS 20732 - 78182 Saint-Quentin-en-Yvelines Cedex - France - Tel.: +33 (0)1 30 12 80 00 -
SOCOTEC Gestion – Société par Actions Simplifiée with share capital of €1,000,100 – registered on the Versailles Trade and Companies Register under no. 834 041 121