

Amended

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**

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SOCOTEC UK LIMITED

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 resilient 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 resilience 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 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 subsidiaries 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 laboratory 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 emissions 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.
- **Environmental 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 knowledgeable 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 Data 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 laboratories, 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 quantified.

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 liquidity 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 (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:

Income Statement

For the year ended 31 December 2020

	Note	Year ended 31 December 2020 £'000	Year ended 31 December 2019 £'000
Continuing Activities			
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 £'000	Year ended 31 December 2019 £'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

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

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, Brebby 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, discounted 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 substantively 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	-	-	-	-	837	837
As 31 December 2020	25,834	301	5,408	3,181	6,072	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	14,067	156	16	825	1,797	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 £'000	Short leasehold improvements £'000	Vehicles, Plant and Equipment £'000	Total £'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 £'000	Property £'000	Copiers & Computers £'000	Total £'000
Cost				
At 1 January 2020	2,845	10,944	581	14,370
Additions	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	Carrewood, 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 Limited	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 £'000	2019 £'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)
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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	Railway Pension Scheme 2020	Defined contribution pension schemes 2020	Year ended 31 December 2020
	£'000	£'000	£'000	£'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	Railway Pension Scheme 2019	Defined contribution pension schemes 2019	Year ended 31 December 2019
	£'000	£'000	£'000	£'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	Railway Pension Scheme 2020	Industry Wide Coal Staff Superannuation Scheme 2019	Railway Pension Scheme 2019
	£'000	£'000	£'000	£'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 £'000	Railway Pension Scheme 2020 £'000	Industry Wide Coal Staff Superannuation Scheme 2019 £'000	Railway Pension Scheme 2019 £'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 £'000	Railway Pension Scheme £'000	Total £'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 £'000	Railway Pension Scheme £'000	Total £'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 2020	Railway Pension Scheme 2020	Industry Wide Coal Staff Superannuation Scheme 2019	Railway Pension Scheme 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 2020	Railway Pension Scheme 2020	Industry Wide Coal Staff Superannuation Scheme 2019	Railway Pension Scheme 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 £'000	Industry Wide Coal Staff Superannuation Scheme Fair value %	Railway Pension Scheme Fair value £'000	Railway Pension Scheme Fair value %
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 than 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	2019
	£'000	£'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	2019
	£'000	£'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	Sale of Services 2020	Leases 2020	Purchase of services 2019	Sale of Services 2019	Leases 2019
	£'000	£'000	£'000	£'000	£'000	£'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	Amounts owed to related parties 2020	Amounts owed from related parties 2019	Amounts owed to related parties 2019
	£'000	£'000	£'000	£'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.