

Registered number: 03467183

IKM TESTING UK LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020



IKM TESTING UK LIMITED

COMPANY INFORMATION

Directors	Stale Kyllingstad Anthony Stephen Perkin
Company secretary	Erling Meinich Bache
Registered number	03467183
Registered office	42 Colbourne Crescent Nelson Park Industrial Estate Cramlington Northumberland NE23 1WB
Independent auditors	Anderson Anderson and Brown Audit LLP Kingshill View Prime Four Business Park Kingswells Aberdeen AB15 8PU

IKM TESTING UK LIMITED

CONTENTS

	Page
Strategic report	1 - 2
Directors' report	3 - 5
Directors' responsibilities statement	6
Independent auditors' report	7 - 9
Statement of comprehensive income	10
Balance sheet	11 - 12
Statement of changes in equity	13
Notes to the financial statements	14 - 31

IKM TESTING UK LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2020

Principal activities

The principal activity of IKM Testing UK Limited (the Company) is to provide process; pipeline; well and valve services (covering both personnel and equipment rental) to the oil and gas industry including onshore and offshore pre-commissioning, commissioning, operational and decommissioning activities.

IKM operates from two sites in the UK, with its Cramlington office predominately servicing the offshore fabrication yards, industry and refineries and its Aberdeen office servicing the onshore and offshore industry in the North Sea whilst supporting global expansion for the International Division. The Company also provides personnel and equipment to other IKM companies within the IKM Group.

The Company has a number of Framework agreements in place with operators and large contractors within the oil and gas sector.

Key performance indicators

IKM uses a number of performance indicators to measure day-to-day operational and financial activity in the business. Most of these are studied on a daily, weekly or monthly basis. A well-developed management accounts pack, including profit and loss statements are prepared for each office on a monthly basis. Below are a number of key performance indicators used to measure the long-term health of the business and monitor progress in implementing the strategic objectives.

- Safety
- Days sales outstanding
- Net profit margin
- Customer loyalty
- Staff turnover

Business review and results

Revenue for the year ended 31 December 2020 decreased by 21% to £19,432,000 (2019: £24,467,053) with a profit before tax of £1,016,912 (2019: £1,418,572). The decline in revenue in the year reflects the challenging market conditions faced by the company as a result of the Covid-19 global pandemic and its impact on the oil price. The company has a strong balance sheet and is part of a larger group which provides a stable platform to trade through any downturn.

Future developments

The Company is looking to identify any new markets which current technology and equipment would allow easy transition to in order to expand the services provided to both existing and new customers. A focused strategy and differentiated offering has strengthened market position and the Company is well positioned to build on key strengths.

Going concern

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

The company's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the company should be able to operate within the level of its current borrowing facilities and the directors are not aware of any reason why the facilities might be withdrawn.

Further details regarding the adoption of the going concern basis can be found in Note 1.3 to the financial statements.

IKM TESTING UK LIMITED

STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

Principal risks and uncertainties

Below are the principal risks the Company work to mitigate and manage.

Economic conditions

There is a link between demand for the Company's services and levels of economic activity. Variations in demand can lead to larger variations in profitability. An economic factor to consider is the price of crude oil; a high price produces higher levels of wealth to oil producing countries which is recycled into infrastructure investment from which the company generates revenue.

Competition

IKM monitors competition activity carefully but the only protection from suffering material damage to the business by competitors is to work relentlessly to provide customers with a high quality service at a price they believe provides good value.

Tendering risk

The Company wins most of its work through a competitive tendering process. Failure to understand risks, costs and contractual terms could have a detrimental impact on the Company's financial performance and position. Formal tendering reviews are conducted by appropriate management and professional advice is sought for international contracts.

Credit risk

The Company's principal financial assets are bank balances and trade and other receivables. The Company's credit risk is primarily attributable to its trade receivables. The failure to collect a major debt could result in an unexpected and possibly significant reduction in profit.

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



.....
Anthony Stephen Perkin
Director

Date: 23/6/21

IKM TESTING UK LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2020

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

Results and dividends

The profit for the year, after taxation, amounted to £865,575 (2019 - £1,199,960).

The directors do not recommend the payment of a dividend in respect of the current financial year (2019 - NIL).

Directors

The directors who served during the year were:

Stale Kyllingstad
Anthony Stephen Perkin

Future developments and going concern

Details of future developments and going concern can be found in the Strategic Report on pages 1 and 2.

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2020**

Financial risk management objectives and policies

The Company's activities expose it to a number of financial risks including credit risk, cash flow risk and liquidity risk.

Cash flow risk

IKM's products and services are mainly priced in sterling, however, some contracts do require invoicing in US Dollars and Norwegian NOK, exposing the Company to some currency exchange risk. The Company utilises foreign currency bank accounts to mitigate these exposures.

Credit risk

The Company's principal financial assets are bank balances and trade and other receivables. The Company's credit risk is primarily attributable to its trade receivables. The failure to collect a major debt could result in an unexpected and possibly significant reduction in profit.

The vast majority of the contracts into which the Company enters into are small relative to the size of the business and if a customer fails to pay a debt, this is dealt with in the normal course. IKM constantly monitor the risk profile and debtor position on all contracts and deploy a variety of techniques to mitigate the risk of delayed or non-payment. The mitigation will vary from customer to customer but methods include advance payments and letters of credit. The Company has a good track record of cash generation and as part of the IKM Group has sufficient working capital for its business needs.

The amounts presented in the balance sheet are net of allowances for doubtful receivables.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit rating agencies. The company has no significant concentration of credit risk, with exposure spread over a significant number of customers.

Liquidity risk

In order to maintain liquidity to ensure sufficient funds are available for ongoing operations and future developments, the company uses a mixture of long and short-term debt finance. The Company is part of the Group banking facility, which seeks to meet the working capital requirements of all Group companies.

IKM TESTING UK LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

Research and development activities

The company is currently undertaking research and development activities.

Disclosure of information to auditors

Each of the persons who are directors at the time when this Directors' report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Post balance sheet events

There have been no significant events affecting the Company since the year end.

Auditors

The auditors, Anderson Anderson and Brown Audit LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

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



.....
Anthony Stephen Perkin
Director

Date: 20/6/21

**DIRECTORS' RESPONSIBILITIES STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2020**

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies for the Company's financial statements and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- 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 to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

IKM TESTING UK LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF IKM TESTING UK LIMITED

Opinion

We have audited the financial statements of IKM Testing UK Limited (the 'Company') for the year ended 31 December 2020, which comprise the Statement of comprehensive income, the Balance sheet, the Statement of changes in equity and the related notes, 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 Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (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 profit 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 Auditors' 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 United Kingdom, including the Financial Reporting Council'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.

IKM TESTING UK LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF IKM TESTING UK LIMITED (CONTINUED)

Other information

The directors are responsible for the other information. The other information comprises the information included in the Annual Report, other than the financial statements and our Auditors' report thereon. 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.

Opinion 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 the 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.

Responsibilities of directors

As explained more fully in the Directors' responsibilities statement set out on page 6, 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.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF IKM TESTING UK LIMITED (CONTINUED)

Auditors' 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 Auditors' 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. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

We considered the opportunities and incentives that may exist within the organisation for fraud and identified the greatest potential for fraud in the following areas: timing of recognition of commercial income, posting of unusual journals along with complex transactions and manipulating the Company's key performance indicators to meet targets. We discussed these risks with client management, designed audit procedures to test the timing of commercial revenue, tested a sample of journals to confirm they were appropriate and reviewed areas of judgement for indicators of management bias to address these risks.

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 Auditors' report.

Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an Auditors' 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.

Anderson Anderson & Brown Audit LLP

Christopher Masson (Senior statutory auditor)

for and on behalf of

Anderson Anderson and Brown Audit LLP

Kingshill View
Prime Four Business Park
Kingswells
Aberdeen
AB15 8PU
Date: 28 June 2021

IKM TESTING UK LIMITED

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2020

	Note	2020 £	2019 £
Turnover	3	19,432,000	24,467,053
Cost of sales		(13,757,147)	(17,791,258)
Gross profit		<u>5,674,853</u>	<u>6,675,795</u>
Administrative expenses		(5,036,472)	(5,186,547)
Other operating income	4	497,660	-
Operating profit	5	<u>1,136,041</u>	<u>1,489,248</u>
Interest receivable and similar income	8	7,921	16,636
Interest payable and expenses	9	(114,305)	(87,312)
Profit before tax		<u>1,029,657</u>	<u>1,418,572</u>
Tax on profit	10	(164,082)	(218,612)
Profit for the financial year		<u><u>865,575</u></u>	<u><u>1,199,960</u></u>

There was no other comprehensive income for 2020 (2019:£NIL).

The notes on pages 14 to 31 form part of these financial statements.

IKM TESTING UK LIMITED
REGISTERED NUMBER:03467183

BALANCE SHEET
AS AT 31 DECEMBER 2020

	Note	2020 £	2019 £
Fixed assets			
Intangible assets	11	12,176	7,997
Tangible assets	12	5,028,411	5,582,344
		<u>5,040,587</u>	<u>5,590,341</u>
Current assets			
Stocks	13	724,558	709,228
Debtors: amounts falling due within one year	14	6,803,640	6,117,540
Cash at bank and in hand	15	2,048,650	2,199,427
		<u>9,576,848</u>	<u>9,026,195</u>
Creditors: amounts falling due within one year	16	(3,217,595)	(3,814,149)
Net current assets		<u>6,359,253</u>	<u>5,212,046</u>
Total assets less current liabilities		<u>11,399,840</u>	<u>10,802,387</u>
Creditors: amounts falling due after more than one year	17	(1,447,713)	(1,682,317)
Provisions for liabilities			
Deferred tax	21	(81,910)	(115,428)
		<u>(81,910)</u>	<u>(115,428)</u>
Net assets		<u><u>9,870,217</u></u>	<u><u>9,004,642</u></u>
Capital and reserves			
Called up share capital	22	45,000	45,000
Profit and loss account		9,825,217	8,959,642
		<u><u>9,870,217</u></u>	<u><u>9,004,642</u></u>

IKM TESTING UK LIMITED
REGISTERED NUMBER:03467183

BALANCE SHEET (CONTINUED)
AS AT 31 DECEMBER 2020

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:



.....
Anthony Stephen Perkin
Director

Date: 23/6/21

The notes on pages 14 to 31 form part of these financial statements.

IKM TESTING UK LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2020**

	Called up share capital £	Profit and loss account £	Total equity £
At 1 January 2020	45,000	8,959,642	9,004,642
Comprehensive income for the year			
Profit for the year	-	865,575	865,575
At 31 December 2020	45,000	9,825,217	9,870,217

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2019**

	Called up share capital £	Profit and loss account £	Total equity £
At 1 January 2019	45,000	7,759,682	7,804,682
Comprehensive income for the year			
Profit for the year	-	1,199,960	1,199,960
At 31 December 2019	45,000	8,959,642	9,004,642

The notes on pages 14 to 31 form part of these financial statements.

IKM TESTING UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

1. Accounting policies

1.1 General information

IKM Testing UK Limited, is a private limited liability company incorporated in England. The registered office is 42 Colbourne Crescent, Nelson Park Industrial Estate, Cramlington, Northumberland, NE23 1WB.

1.2 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies (see note 2).

The functional and presentational currencies of the company are considered to be pounds sterling because that is the currency of primary economic environment in which the company operates.

The company meets the definition of a qualifying entity under FRS 102 and has therefore taken advantage of the disclosure exemptions available to it in respect of its separate financial statements. IKM Testing UK Limited is consolidated in the financial statements of the its ultimate parent, IKM Gruppen A/S, which may be obtained at the address in note 27. Exemptions have been taken in these separate company financial statements in relation to the presentation of a cash flow statement, remuneration of key management personnel and related party transactions with the companies controlled by the parent.

The following principal accounting policies have been applied:

1.3 Going concern

The directors, having made due and careful enquiry, are of the opinion that the Company has adequate working capital to execute its operations over the next 12 months. The directors, therefore, have made an informed judgement, at the time of approving the financial statements, that there is a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future.

In arriving at this conclusion, the directors have given due consideration to the impact of the worldwide Covid-19 pandemic on future operations. The Company experienced a drop in revenue during 2020 largely as a result of the impact of the pandemic on the operations of our customers and the travel restrictions. Given the actions taken by the directors to address the reduction in turnover, the company remained profitable and has had a positive start to 2021 given a number of projects planned in 2020 were delayed into 2021. Based on financial forecasts the directors are confident that future periods will be profitable and that there will be adequate working capital in order to meet its obligations as they fall due.

As a result, the directors have continued to adopt the going concern basis of accounting in preparing the annual financial statements.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

1. Accounting policies (continued)

1.4 Revenue

Turnover represents the amounts (excluding value added tax) derived from the provision of professional staff, equipment and testing services to customers.

Turnover represents the value of services provided under contracts to the extent that there is a right to consideration and is recorded at the fair value of the consideration received or receivable. Where a contract has only been partially completed at the balance sheet date turnover represents the fair value of the service provided to date based on the stage of completion of the contract activity at the balance sheet date.

Revenues received for the provision of services under day-rate contracts, reimbursable/cost-plus contracts and similar contracts are recognised on an accruals basis as services are provided.

1.5 Leased assets: the Company as lessee

Assets obtained under hire purchase contracts and finance leases are capitalised as tangible fixed assets. Assets acquired by finance lease are depreciated over the shorter of the lease term and their useful lives. Assets acquired by hire purchase are depreciated over their useful lives. Finance leases are those where substantially all of the benefits and risks of ownership are assumed by the company. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to profit or loss so as to produce a constant periodic rate of charge on the net obligation outstanding in each period.

1.6 Government grants

Grants are accounted under the accruals model as permitted by FRS 102. 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.

1.7 Finance costs

Finance costs are charged to profit or loss over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

1.8 Bank borrowings

All borrowing costs are recognised in profit or loss in the year in which they are incurred.

1.9 Pensions

Defined contribution pension plan

The Company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. Once the contributions have been paid the Company has no further payment obligations.

The contributions are recognised as an expense in profit or loss when they fall due. Amounts not paid are shown in accruals as a liability in the Balance sheet. The assets of the plan are held separately from the Company in independently administered funds.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

1. Accounting policies (continued)

1.10 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in profit or loss except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the Company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Balance sheet date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

1.11 Foreign currency translation

Functional and presentation currency

The Company's functional and presentational currency is GBP.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss except when deferred in other comprehensive income as qualifying cash flow hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the Statement of comprehensive income within 'administration costs'. All other foreign exchange gains and losses are presented in the Statement of comprehensive income within 'administration costs'.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

1. Accounting policies (continued)

1.12 Intangible assets

Patents

Patents represents the cost of registering new technology. Patents are recognised at cost and are amortised on a straight line basis to the Income statement over their estimated useful economic life of ten years.

1.13 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Tenants improvements	- 10 years
Plant and machinery	- 5-10 years
Motor vehicles	- 3 years
Fixtures, fittings, tools and equipment	- 10 years
Office equipment	- 3 years

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in profit or loss.

1.14 Stocks

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a weighted average basis. Work in progress and finished goods include labour and attributable overheads.

At each balance sheet date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in profit or loss.

1.15 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

1. Accounting policies (continued)

1.16 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

1.17 Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

1.18 Provisions for liabilities

Provisions are made where an event has taken place that gives the Company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to profit or loss in the year that the Company becomes aware of the obligation, and are measured at the best estimate at the Balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance sheet.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

1. Accounting policies (continued)

1.19 Financial instruments

The Company only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in ordinary shares.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade debtors and creditors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received. However, if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or in case of an out-right short-term loan that is not at market rate, the financial asset or liability is measured, initially at the present value of future cash flows discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost, unless it qualifies as a loan from a director in the case of a small company, or a public benefit entity concessionary loan.

Investments in non-derivative instruments that are equity to the issuer are measured:

- at fair value with changes recognised in the Statement of comprehensive income if the shares are publicly traded or their fair value can otherwise be measured reliably;
- at cost less impairment for all other investments.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Statement of comprehensive income.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate of the recoverable amount, which is an approximation of the amount that the Company would receive for the asset if it were to be sold at the balance sheet date.

Financial assets and liabilities are offset and the net amount reported in the Balance sheet when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or income as appropriate. The company does not currently apply hedge accounting for interest rate and foreign exchange derivatives.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

2. Judgments in applying accounting policies and key sources of estimation uncertainty

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision if the revision affects current and future periods.

Critical judgements in applying the company's accounting policies

The critical judgements made in the process of applying the company's accounting policies that has the most significant effect on the amounts recognised in the financial statements is considered below.

Key sources of estimation uncertainty

Recoverability of 3rd party debtors and related party balances

The company makes an estimate of the recoverable value of trade and other debtors. When assessing impairment of trade and other debtors with third parties, management consider factors including the current credit rating of the debtor, the aging profile of debtors and historical collection experience. An appropriate provision is incorporated within trade debtors at note 14.

Income and corporate taxes

The company is subject to income taxes in numerous jurisdictions. Judgement is required in assessing the tax consequences of transaction and estimating the provision for income and corporate taxes. Where the final outcome is different from the amounts initially recorded, such differences will impact the current and deferred taxes assets and liabilities in the year in which such determination is made.

Impairment of plant and machinery

Determining whether rental assets included into Plant and Machinery category are impaired requires estimation of their value in use, which in turn is based on the assessment of their future utilisation and revenue generation. The carrying amount of Plant and Machinery at the balance sheet date is included in note 12 with no impairment loss recognised during the year.

3. Turnover

The directors consider the company to have one class of business being the provision of personnel, equipment and testing services to customers.

Analysis of turnover by country of destination:

	2020 £	2019 £
United Kingdom	12,269,914	17,475,986
Rest of Europe	2,356,375	3,046,897
Rest of the world	4,805,711	3,944,170
	<u>19,432,000</u>	<u>24,467,053</u>

IKM TESTING UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

4. Other operating income

	2020 £	2019 £
Government grants receivable	497,660	-
	<u>497,660</u>	<u>-</u>

5. Operating profit

The operating profit is stated after charging:

	2020 £	2019 £
Depreciation of tangible fixed assets	1,093,920	871,948
Operating lease rentals	441,884	390,240
Fees payable to the Company's auditor	19,575	19,250
Net foreign exchange loss/(gain)	301,489	131,801
(Profit)/loss on sale of fixed assets	(79,565)	(106,794)
	<u>(79,565)</u>	<u>(106,794)</u>

6. Employees

Staff costs, including directors' remuneration, were as follows:

	2020 £	2019 £
Wages and salaries	6,470,599	7,624,321
Social security costs	656,221	812,271
Cost of defined contribution pension scheme	320,614	304,428
	<u>7,447,434</u>	<u>8,741,020</u>

The average monthly number of employees, including the directors, during the year was as follows:

	2020 No.	2019 No.
Administration and management	40	46
Engineering	95	107
	<u>135</u>	<u>153</u>

IKM TESTING UK LIMITED**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020****7. Directors' remuneration**

	2020 £	2019 £
Directors' emoluments	138,195	130,776
Company contributions to defined contribution pension schemes	18,802	34,770
	<u>156,997</u>	<u>165,546</u>

During the year retirement benefits were accruing to 1 director (2019 - 1) in respect of defined contribution pension schemes.

8. Interest receivable

	2020 £	2019 £
Interest receivable from group companies	-	2,832
Bank interest	7,921	13,804
	<u>7,921</u>	<u>16,636</u>

9. Interest payable and similar expenses

	2020 £	2019 £
Bank interest	30,375	23,442
Interest payable to group companies	5,930	-
Finance leases and hire purchase contracts	78,000	63,870
	<u>114,305</u>	<u>87,312</u>

IKM TESTING UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

10. Taxation

	2020 £	2019 £
Corporation tax		
Current tax on profits for the year	260,523	121,636
Adjustments in respect of previous periods	(62,923)	7,349
	<u>197,600</u>	<u>128,985</u>
Total current tax	<u>197,600</u>	<u>128,985</u>
Deferred tax		
Origination and reversal of timing differences	(47,098)	97,235
Adjustment in respect of prior periods	-	(7,608)
Effect of rate change	13,580	-
Total deferred tax	<u>(33,518)</u>	<u>89,627</u>
Taxation on profit on ordinary activities	<u>164,082</u>	<u>218,612</u>

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2019 - lower than) the standard rate of corporation tax in the UK of 19% (2019 - 19%). The differences are explained below:

	2020 £	2019 £
Profit on ordinary activities before tax	<u>1,029,657</u>	<u>1,418,572</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2019 - 19%)	195,635	269,529
Effects of:		
Expenses not deductible for tax purposes	9,059	21,277
Fixed assets differences	7,299	(60,494)
Adjustments to tax charge in respect of prior periods	(62,923)	(260)
Adjustment to closing deferred tax rate	13,580	(11,440)
R&D expenditure credits	1,432	-
Total tax charge for the year	<u>164,082</u>	<u>218,612</u>

Factors that may affect future tax charges

There were no factors that may affect future tax charges.

IKM TESTING UK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

10. Taxation (continued)

11. Intangible assets

	Patents £
Cost	
At 1 January 2020	7,997
Additions	5,344
At 31 December 2020	<u>13,341</u>
Amortisation	
Charge for the year on owned assets	1,165
At 31 December 2020	<u>1,165</u>
Net book value	
At 31 December 2020	<u>12,176</u>
At 31 December 2019	<u>7,997</u>

IKM TESTING UK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

12. Tangible fixed assets

	Plant and machinery £	Motor vehicles £	Fixtures and fittings £	Tenants improvements £	Total £
Cost or valuation					
At 1 January 2020	11,096,524	411,582	449,582	503,266	12,460,954
Additions	565,797	-	142,527	-	708,324
Disposals	(215,757)	-	-	-	(215,757)
At 31 December 2020	<u>11,446,564</u>	<u>411,582</u>	<u>592,109</u>	<u>503,266</u>	<u>12,953,521</u>
Depreciation					
At 1 January 2020	6,213,307	154,470	223,860	286,973	6,878,610
Charge for the year on owned assets	415,614	57,237	127,190	50,892	650,933
Charge for the year on financed assets	384,821	58,166	-	-	442,987
Disposals	(47,420)	-	-	-	(47,420)
At 31 December 2020	<u>6,966,322</u>	<u>269,873</u>	<u>351,050</u>	<u>337,865</u>	<u>7,925,110</u>
Net book value					
At 31 December 2020	<u>4,480,242</u>	<u>141,709</u>	<u>241,059</u>	<u>165,401</u>	<u>5,028,411</u>
At 31 December 2019	<u>4,883,217</u>	<u>257,112</u>	<u>225,722</u>	<u>216,293</u>	<u>5,582,344</u>

The net book value of assets held under finance leases or hire purchase contracts, included above, are as follows:

	2020 £	2019 £
Plant and machinery	2,179,760	3,252,395
Motor vehicles	96,961	155,126
	<u>2,276,721</u>	<u>3,407,521</u>

IKM TESTING UK LIMITED**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020****13. Stocks**

	2020 £	2019 £
Raw materials and consumables	652,525	280,167
Work in progress	72,033	429,061
	<u>724,558</u>	<u>709,228</u>

14. Debtors

	2020 £	2019 £
Trade debtors	3,065,487	2,879,476
Amounts owed by group undertakings	2,239,353	1,949,151
Other debtors	9,389	3,741
Prepayments and accrued income	1,489,411	1,285,172
	<u>6,803,640</u>	<u>6,117,540</u>

15. Cash and cash equivalents

	2020 £	2019 £
Cash at bank and in hand	2,048,650	2,199,427
	<u>2,048,650</u>	<u>2,199,427</u>

The company is party to a cross guarantee arrangement with certain other group companies in respect of bank borrowings. As part of this arrangement the bank have the right to offset the cash at bank held by the company against overdraft balances in other companies that form part of the group headed by IKM Gruppen AS. The group's bankers also hold a floating charge over the assets of the company.

IKM TESTING UK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

16. Creditors: Amounts falling due within one year

	2020 £	2019 £
Bank loans	125,000	250,000
Trade creditors	727,511	1,346,668
Amounts owed to group undertakings	400,129	11,697
Corporation tax	156,963	180,080
Other taxation and social security	401,475	335,489
Obligations under finance lease and hire purchase contracts	501,546	484,335
Other creditors	17,187	356,705
Accruals and deferred income	887,784	849,175
	<u>3,217,595</u>	<u>3,814,149</u>

17. Creditors: Amounts falling due after more than one year

	2020 £	2019 £
Bank loans	-	125,000
Obligations under finance lease and hire purchase contracts	1,447,713	1,557,317
	<u>1,447,713</u>	<u>1,682,317</u>

IKM TESTING UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

18. Loans

Analysis of the maturity of loans is given below:

	2020 £	2019 £
Amounts falling due within one year		
Bank loans	125,000	250,000
	<u>125,000</u>	<u>250,000</u>
Amounts falling due 1-2 years		
Bank loans	-	125,000
	<u>-</u>	<u>125,000</u>
	<u>125,000</u>	<u>375,000</u>

The bank loan is repayable in quarterly instalments of £62,500 which commenced in July 2017. The interest rate payable on the loan is 2.18%.

19. Hire purchase and finance leases

Minimum lease payments under hire purchase fall due as follows:

	2020 £	2019 £
Within one year	501,546	484,335
Between 1-5 years	1,447,713	1,557,317
	<u>1,949,259</u>	<u>2,041,652</u>

IKM TESTING UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

20. Financial instruments

	2020 £	2019 £
Financial assets		
Financial assets measured at fair value through profit or loss	2,048,650	2,199,427
Financial assets that are debt instruments measured at amortised cost	6,633,097	5,892,191
	<u>8,681,747</u>	<u>8,091,618</u>
Financial liabilities		
Financial liabilities measured at amortised cost	<u>(2,157,611)</u>	<u>(2,939,245)</u>

Financial assets measured at fair value through profit or loss comprise cash at hand in bank.

Financial assets that are debt instruments measured at amortised cost comprise trade debtors, amounts owed by group undertakings, other debtors and accrued income.

Financial liabilities measured at amortised cost comprise trade creditors, accruals, amounts owed to group undertakings and bank loans.

21. Deferred taxation

	2020 £
At beginning of year	115,428
Charged to profit or loss	(33,518)
At end of year	<u>81,910</u>

The provision for deferred taxation is made up as follows:

	2020 £	2019 £
Accelerated capital allowances	129,373	118,241
Short term timing differences	(47,463)	(2,813)
	<u>81,910</u>	<u>115,428</u>

IKM TESTING UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

22. Share capital

	2020 £	2019 £
Allotted, called up and fully paid		
45,000 (2019 - 45,000) Ordinary shares of £1.00 each	45,000	45,000
	<u>45,000</u>	<u>45,000</u>

23. Capital commitments

At 31 December 2020 the Company had capital commitments as follows:

	2020 £	2019 £
Contracted for but not provided in these financial statements	-	40,542
	<u>-</u>	<u>40,542</u>
	<u>-</u>	<u>40,542</u>

24. Pension commitments

The company operates a defined contribution pension scheme. The pension cost charge for the year represents contributions payable by the company to the scheme and amounted to £314,056 (2019: £304,428).

25. Commitments under operating leases

At 31 December 2020 the Company had future minimum lease payments due under non-cancellable operating leases for each of the following periods:

	2020 £	2019 £
Not later than 1 year	422,321	380,456
Later than 1 year and not later than 5 years	1,689,284	1,521,824
Later than 5 years	1,344,459	1,681,127
	<u>3,456,064</u>	<u>3,583,407</u>
	<u>3,456,064</u>	<u>3,583,407</u>
	2020 £	2019 £
Not later than 1 year	259	2,500
Later than 1 year and not later than 5 years	-	259
Later than 5 years	-	-
	<u>259</u>	<u>2,759</u>
	<u>259</u>	<u>2,759</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

26. Related party transactions

The company has taken advantage of FRS 102.33.1A 'Related Party Disclosures' and hence not disclosed details of transactions with other group companies in which IKM Gruppen A/S ultimately owns 100% of the share capital.

27. Controlling party

The company is a subsidiary undertaking of IKM Gruppen A/S, which is the ultimate parent company incorporated in Norway.

The only group in which the results of the company are consolidated is that headed by IKM Gruppen A/S. Copies of the financial statements of IKM Gruppen A/S may be requested from the company secretary at IKM Gruppen A/S, Ljosheimveien 3, N-4050 Sola, Norway.