

Company Registration No. 06751823

SGS Ashby Limited

**Annual Report and Financial Statements
For the year ended 31 December 2020**

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ANNUAL REPORT AND FINANCIAL STATEMENTS 2020

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SGS ASHBY LIMITED

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

J McGurk
M Boyd

COMPANY SECRETARY

C Aldag

REGISTERED OFFICE

Rossmore Business Park
Ellesmere Port
Cheshire
CH65 3EN

BANKERS

National Westminster Bank Plc
5 High Street
Bracknell
Berkshire
RG12 1DH

AUDITOR

Deloitte LLP
Statutory Auditor
The Hanover Building
Corporation Street
Manchester
M4 4AH
United Kingdom

STRATEGIC REPORT

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

PRINCIPAL ACTIVITY

The principal activity of the company in the year under review remained that of the provision of food and consumer goods testing and advisory services.

REVIEW OF BUSINESS AND KEY PERFORMANCE INDICATORS

The statement of comprehensive income is set out on page 10. The directors expect performance to improve significantly over the year ahead.

As shown in the statement of comprehensive income, turnover has decreased by 8.6% largely due to a full year from reduced volumes and contract price decreases incurred in 2019, and the exit of a further low margin contract in 2020. Savings incurred from a restructuring program undertaken in 2019, has led to an increase in gross margin to 23.3% (2019: 18.4%), and a small profit before tax of £37,000 (2019: £1,194,000 loss). Negative impacts from COVID-19 to revenues and operating costs were incurred in the early months of the pandemic and in the financial year were and the company received £23,110 in government assistance in the form of furlough grants in the year. Normal operating levels resumed in the latter half of the year. SGS Ashby Limited is part of the SGS UK VAT group, the head member SGS United Kingdom Limited made a VAT deferral of payment for £1,700,000 in March 2020 to be paid in March 2021.

Due to the restructure made in 2019 and a further contract exit, average employee numbers have reduced in the year to 158 heads (2019: 181 heads).

The balance sheet shows a small decrease in net assets to £10,495,000 (2019: £10,488,000) due mainly to the net loss reported for the year. Due to the minimal impact of COVID-19 to the operations of SGS Ashby Limited, there has been no recognition of additional provisions or impairments made to any balance sheet items.

PRINCIPAL RISKS AND UNCERTAINTIES

The company operates in a competitive trading environment. There is continued focus on the company's product offering and its relationship with its customers and staff to manage its industry risk and the company continues to maintain an ongoing programme of investment in new equipment and technology.

The directors have not seen any impacts since Brexit and concluded due to the large client mix and the varying service portfolio, the directors have no concerns of any significant impact on the future of the business.

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

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

To manage this risk;

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

The directors and management team continue modelling of COVID-19 scenarios to identify and evaluate financial impacts with assessments of potential liquidity mitigation options. Risk assessments to identify potential strategic, operational, regulatory and colleague related exposures and review our COVID-19 responses for lessons learned and strengthen our crisis management capability. It is anticipated no further government assistance in the form of furlough grants or any other support will be needed.

STRATEGIC REPORT (CONTINUED)

Group risks are discussed in the Annual Report of the ultimate parent, SGS SA, which does not form part of this report.

STREAMLINED ENERGY AND CARBON REPORTING ('SECR')

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

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

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

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

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

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


J. McGurk
Director
31 March 2021

DIRECTORS REPORT

The directors present their report and the audited financial statements for the year ended 31 December 2020. As permitted by s414c(11) of the Companies Act 2006, there were no post balance sheet events.

FUTURE DEVELOPMENTS

The directors expect the present level of activity be stable in the foreseeable future.

The company has prepared the financial statements on a going concern basis. Further details are given in Note 1 to the financial statements.

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The group's activities expose it to a number of financial risks including credit risk and liquidity risk.

Credit risk

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

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

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

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

Liquidity risk

The group and company have sufficient cash reserves.

DIVIDENDS

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

GOING CONCERN

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

The directors have considered any impacts on the UK's exit from the EU and concluded due to the large client mix and the varying service portfolio, the directors have no concerns of any significant impact on the future of the business.

The COVID-19 pandemic has developed rapidly in 2020, however the resulting impact of the virus on the operations and measures taken by various governments have had an insignificant impact on the company's results for the period. We therefore consider COVID-19 is not expected to have a significant impact on the entity going forward. Management has determined that there is no material uncertainty that casts doubt on the entity's ability to continue as a going concern. We have considered the Company's current financial position and have reassessed the reasonableness of their trading and cash flow forecasts for the 12 months following the date of approval of these financial statements. Management are working with SGS group management in conducting regular global assessments and regularly updating the assumptions for the financial year 2021 forecasts and determining the appropriate measures and actions to be implemented in each affiliate including the Company.

Following an analysis of different possible scenarios, SGS group management and Board of Directors concluded that sufficient reserves are available in respect of the liquidity and also the equity base of the SGS group.

DIRECTORS' REPORT (CONTINUED)

DIRECTORS

The directors who served throughout the year and thereafter, unless otherwise stated, are shown below:

J McGurk

M Boyd

AUDITOR

In the case of the persons who are directors of the company at the date when the report is approved:

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

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

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



J. McGurk

Director

31 March 2021

DIRECTORS' RESPONSIBILITIES STATEMENT

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

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

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

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SGS ASHBY LIMITED

Report on the audit of the financial statements

Opinion

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

- give a true and fair view of the state of the company's affairs as at 31 December 2020 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the statement of comprehensive income;
- the balance sheet;
- the statement of changes in equity; and
- the related notes 1 to 17.

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

Basis for opinion

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

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

Conclusions relating to going concern

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

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

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

Other information

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

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

We have nothing to report in this regard.

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

Responsibilities of directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

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

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

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

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

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

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

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management, internal audit and in-house legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance and reviewing internal audit reports.

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

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

Matters on which we are required to report by exception

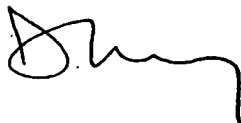
Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

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

We have nothing to report in respect of these matters.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.



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

SGS ASHBY LIMITED

STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2020

	Note	2020 £000	2019 £000
TURNOVER	3	10,389	11,370
Cost of sales		(7,969)	(9,278)
GROSS PROFIT		2,420	2,092
Administrative expenses		(2,406)	(3,286)
Other operating income	6	23	-
OPERATING PROFIT/(LOSS)	6	37	(1,194)
PROFIT/(LOSS) BEFORE TAXATION		37	(1,194)
Tax on (profit)/loss	7	(30)	31
PROFIT/(LOSS) FOR THE FINANCIAL YEAR AND TOTAL COMPREHENSIVE INCOME		7	(1,163)

All of the activities relate to continuing activities. There were no items of other comprehensive income in the year and therefore no separate statement of comprehensive income is required.

SGS ASHBY LIMITED

BALANCE SHEET
As at 31 December 2020

	Note	2020 £000	2019 £000
FIXED ASSETS			
Tangible assets	8	175	243
CURRENT ASSETS			
Stocks	9	37	47
Debtors	10	12,438	8,187
Cash at bank and in hand		2,755	3,638
		<u>15,230</u>	<u>11,872</u>
CREDITORS: amounts falling due within one year	11	<u>(4,910)</u>	<u>(1,627)</u>
NET CURRENT ASSETS		<u>10,320</u>	<u>10,245</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>10,495</u>	<u>10,488</u>
NET ASSETS		<u>10,495</u>	<u>10,488</u>
CAPITAL AND RESERVES			
Called-up share capital	14	612	612
Share premium account	14	160	160
Profit and loss account	14	9,723	9,716
SHAREHOLDER'S FUNDS		<u>10,495</u>	<u>10,488</u>

The financial statements of SGS Ashby Limited, registered number 06751823, were approved by the Board of Directors on 31 March 2021.

Signed on behalf of the Board of Directors


J. McCurk
Director

SGS ASHBY LIMITED

STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2020

	Called up share capital £000	Share premium account £000	Profit and loss account £000	Total £000
At 1 January 2019	612	160	10,879	11,651
Loss and total comprehensive expense for the period	-	-	(1,163)	(1,163)
At 31 December 2019	612	160	9,716	10,488
Loss and total comprehensive expense for the year	-	-	7	7
At 31 December 2020	612	160	9,723	10,495

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2020

1. ACCOUNTING POLICIES

Company information

SGS Ashby Limited is a private company limited by shares incorporated in the United Kingdom under the Companies Act 2006 and is domiciled and registered in England and Wales, registration number 06751823. The registered office and principal place of business is Rossmore Business Park, Ellesmere Port, Cheshire, CH65 3EN.

Basis of preparation

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. SGS Ashby Limited is consolidated in the financial statements of its ultimate parent company, SGS SA. Copies of the financial statements of SGS SA are available from 1 Place des Alpes, B.P.2152, CH-1211 Genève 1, Switzerland, this is the registered office of SGS SA. Exemptions have been taken in these separate company financial statements in relation to financial instruments, the presentation of a cash flow statement and remuneration of key management personnel.

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

The financial statements have been prepared in accordance with the historical cost convention and are presented in pounds sterling (£).

Going concern

The company's business activities, together with its performance are set out in the strategic report.

Based on internal forecasts and projections that take into account a reasonable range of possible trading performance, the directors believe that the company is well placed to manage its business risks successfully despite the current uncertain economic outlook, especially with reference to the net asset and net current asset position of the company.

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

The directors have considered any impacts on the UK's exit from the EU and concluded due to the large client mix and the varying service portfolio, the directors have no concerns of any significant impact on the future of the business.

The COVID-19 pandemic had developed rapidly in 2020, however the resulting impact of the virus on the operations and measures taken by various governments have had an insignificant impact on the company's results for the period. We therefore consider COVID-19 is not expected to have a significant impact on the entity. Management has determined that there is no material uncertainty that casts doubt on the entity's ability to continue as a going concern. It expects there may be some future impact from COVID-19, though not significant. We have considered the Company's current financial position and have reassessed the reasonableness of their trading and cash flow forecasts for the 12 months following the date of approval of these financial statements. Having considered the circumstances, we are satisfied that the Company has sufficient liquidity and options within its control to mitigate any reduction or delay in revenues.

Turnover

Turnover is stated net of VAT and trade discounts. Turnover from the supply of services represents the value of services provided under contracts to the extent that there is a right to consideration and is recorded at the value of the consideration due. Where a contract has only been partially completed at the balance sheet date Turnover represents the value of the service provided to date based on a proportion of the total contract value. Where payments are received from customers in advance of services provided, the amounts are recorded as deferred income and included as part of creditor amounts falling due within one year. Amounts recoverable on contracts, which are included in debtors, are stated at the net sales value of the work done less amounts received as progress payments on account. Excess progress payments are included in creditors as payments on account.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2020

1. ACCOUNTING POLICIES (CONTINUED)

Property, plant and equipment

The cost of fixed assets is their purchase cost, together with any incidental costs of acquisition. Provision for depreciation is made so as to write off the cost of tangible fixed assets except freehold land on a straight line basis, over the expected useful economic life of the assets concerned. The principal annual rates used for this purpose are:

	%
Leasehold improvements	Over the term of the lease
Plant and machinery	15-25
Fixtures and fittings	15-25
Office equipment	15-25

Financial instruments

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

Financial liabilities are classified according to the substance of the contractual arrangements entered.

Financial assets and liabilities

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

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

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

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

Financial assets are derecognised when and only when (a) the contractual rights to the cash flows from the financial asset expire or are settled, (b) the company transfers to another party substantially all of the risks and rewards of ownership of the financial asset, or (c) the company, despite having retained some significant risks and rewards of ownership, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer.

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**For the year ended 31 December 2020****1. ACCOUNTING POLICIES (CONTINUED)****Impairment of assets**

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

Non-financial assets

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

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

Financial assets

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

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

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

Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to sell, which is equivalent to the net realisable value. Cost is calculated using the FIFO (first-in first-out) method. Provision is made for obsolete, slow moving or defective items where appropriate.

Taxation

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

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

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

Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date that are expected to apply to the reversal of the timing difference.

The tax expense or income is presented in the same component of comprehensive income or equity as the transaction or other event that resulted in the tax expense or income.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2020

1. ACCOUNTING POLICIES (CONTINUED)

Foreign currencies

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rate of exchange prevailing at that date. Exchange gains or losses are included in the profit on ordinary activities.

Retirement benefits

The company operates a defined contribution pension scheme for the benefit of employees. The amount charged to the Statement of comprehensive income in respect of pension costs and other post retirement benefits is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

Leasing and hire purchase commitments

Assets are held under finance leases and other similar contracts, which confer rights and obligations similar to those attached to owned assets, are capitalised as tangible fixed assets and are depreciated over shorter of the lease terms and their useful lives. The capital elements of the future lease obligations are recorded as liabilities, while the interest elements are charged to the statement of comprehensive income over the period of the leases to produce a periodic rate of interest on the remaining balance of the liability.

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

Government grants

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

2. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

The directors do not consider that there are any key sources of estimation uncertainty.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2020

3. TURNOVER

Turnover and loss before tax are derived from the principal activity of the provision of food and consumer goods testing and advisory services.

The analysis by geographical destination of the company's turnover is set out below:

	2020	2019
	£000	£000
United Kingdom	10,389	11,370

The analysis by service activity of the company's turnover is set out below:

	2020	2019
	£000	£000
Testing services	4,189	5,258
Advisory services	6,200	6,112
	10,389	11,370

4. STAFF COSTS

	2020	2019
	£000	£000
Staff costs for the year (including directors)		
Wages and salaries	5,153	6,201
Social security costs	516	603
Other pension costs	227	265
	5,896	7,069

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

	2020	2019
	No.	No.
Testing & advisory	109	130
Office and management	49	51
	158	181

5. DIRECTORS' EMOLUMENTS

The directors are executives of the main trading entity in the UK group SGS United Kingdom Limited. They are also directors of its subsidiaries SGS Baseefa Limited, SGS MIS Environmental Limited, SGS MIS Testing Limited, SGS M-Scan Limited, SGS DMW Environmental Safety Limited, SGS I2I Infinity Limited and SGS Vitrology Limited. In addition, they are directors of the holding company SGS Holding UK Limited, and SGS United Kingdom's, sister company SGS Ashby Limited. The directors received total remuneration of £249,000 (2019: £210,000) from SGS United Kingdom Limited during the year, however it is not practicable to allocate this between their services as executives of all of the group companies. No director is accruing benefits under the SGS United Kingdom Limited group pension scheme, which is a defined benefit scheme in respect of their services to all of the group companies. (2019: One director) The emoluments paid to the highest paid director in the year was £133,000 (2019: £134,000).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2020

6. OPERATING LOSS

	2020	2019
	£000	£000
The operating loss is stated after charging:		
Depreciation	85	154
Operating lease rentals	346	320
Auditor's remuneration - audit of financial statements	8	8
Other operating income-amounts received from Government furlough scheme	(23)	-

There were no non-audit fees payable to the auditor in the current year (2019: £nil).

7. TAX ON PROFIT/(LOSS)

	2020	2019
	£000	£000
Current tax		
UK corporation tax on profit/(losses) for the year	10	-
Adjustment in respect of prior periods	-	(3)
Total current tax	10	(3)
Deferred tax		
Origination and reversal of timing differences	30	(31)
Effect of changes in tax rates	(6)	3
Adjustment in respect of prior periods	(4)	-
Total deferred tax	20	(28)
Total tax per statement of comprehensive income	30	(33)
 Profit/(loss) for the year	 37	 (1,194)
Tax on profit/(loss) at standard UK tax rate of 19.00% (2019: 19.00%)	7	(227)
Effects of:		
Expenses not deductible	-	-
Effects of group relief	33	195
Tax rate difference	6	3
Adjustment from prior periods	(4)	(2)
Tax charge/(credit) for the year	30	(31)

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

SGS ASHBY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) For the year ended 31 December 2020

8. TANGIBLE ASSETS

	Leasehold improve- ments £000	Plant & machinery £000	Fixtures and fittings £000	Office equipment £000	Total £000
Cost					
At 1 January 2020	306	1,156	88	162	1,712
Additions	-	17	-	-	17
At 31 December 2020	306	1,173	88	162	1,729
Depreciation					
At 1 January 2020	261	994	82	132	1,469
Charge for year	11	60	2	12	85
At 31 December 2020	272	1,054	84	144	1,554
Net book value					
At 31 December 2020	34	119	4	18	175
At 31 December 2019	45	162	6	30	243

9. STOCKS

	2020 £000	2019 £000
Raw materials and consumables	37	47

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

10. DEBTORS

	2020 £000	2019 £000
Trade debtors	1,536	2,059
Other debtors	209	217
Deferred tax (note 13)	32	51
Gross amount due from customers for contract work	628	823
Amounts owed by group undertakings	10,033	5,037
	12,438	8,187

All amounts are due within one year. Amounts due from group undertakings are repayable on demand. No interest is charged on these balances.

SGS ASHBY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) For the year ended 31 December 2020

11. CREDITORS: amounts falling due within one year

	2020 £000	2019 £000
Trade creditors	332	440
Corporation tax	10	8
Other taxes and social security	305	355
Accruals and deferred income	327	237
Amounts owed to group undertakings	3,936	587
	<u>4,910</u>	<u>1,627</u>

Amounts due to group undertakings are repayable on demand. No interest is charged on these balances.

Leased assets are the subject of a fixed charge in favour of the lease provider.

12. FINANCIAL COMMITMENTS

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

	2020 £000	2019 £000
Land and buildings		
Within one year	278	265
Between one and five years	463	708
	<u>741</u>	<u>973</u>

13. DEFERRED TAX

The movement in deferred tax in the year is as follows:

	2020 £000	2019 £000
Asset at start of year	50	23
(Charge)/credit for the year	(18)	27
Asset at end of year	<u>32</u>	<u>50</u>

As SGS Ashby limited is part of the wider SGS United Kingdom tax group, which is anticipated to make future profits subject to tax, the full deferred tax asset is considered to be recovered in full within the next 12 months.

The provision at the end of the year comprises:

	2020 £000	2019 £000
Accelerated depreciation/(capital allowances)	20	11
Other short-term timing differences	12	39
	<u>32</u>	<u>50</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2020

14. CAPITAL AND RESERVES

	2020	2019
	£000	£000
Authorised, allotted, called-up and fully paid		
611,600 ordinary shares of £1 each	612	612

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

Share premium account – represents the payments for shares in excess of the nominal issue value.

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

15. RELATED PARTY TRANSACTIONS

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

16. DEFINED CONTRIBUTION RETIREMENT BENEFIT SCHEME

The company operates a defined contribution pension scheme for its employees. The assets of the scheme are held separately from those of the company in an independently administered fund. The total expense charged to profit or loss in the year ended 31 December 2020 was £227,000 (2019: £265,000). Amounts outstanding at current year end was £nil, (2019: £nil).

17. ULTIMATE AND IMMEDIATE PARENT COMPANY

The immediate parent undertaking of SGS Ashby Limited is SGS Holding UK Limited a company incorporated in England, copies of the financial statements are available at SGS United Kingdom Limited, Rossmore Business Park, Ellesmere Port, Cheshire, CH65 6EN. This is the registered office of SGS United Kingdom Limited. The ultimate parent company and controlling party of SGS Ashby Limited is SGS Societe Generale de Surveillance SA, a company incorporated in Switzerland.

The parent undertaking of the smallest and largest group which includes the company for which group financial statements are prepared is SGS Societe Generale de Surveillance SA. Copies of the financial statements of SGS Societe Generale de Surveillance SA are available from 1 Place des Alpes, B.P.2152, CH-1211 Genève 1, Switzerland, this is the registered office of SGS Societe Generale de Surveillance SA.