



TRUST THE CERTAINTY OF ELEMENT

Annual Report 2019 and
Consolidated Financial Statements

www.element.com

Element Materials Technology Group Limited Companies House Registration Number: 09915743

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COMPANIES HOUSE

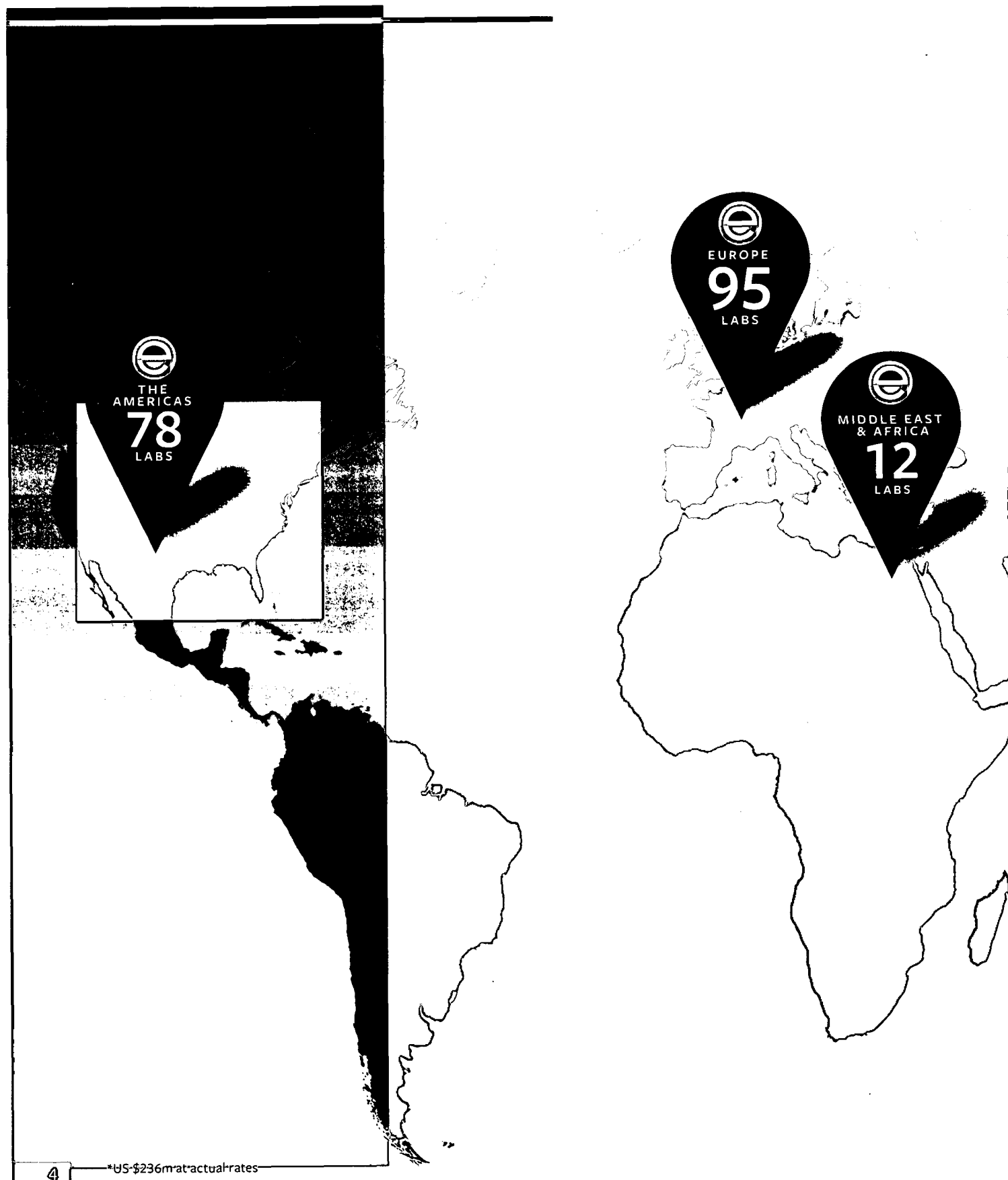
“IT HAS BEEN A PRIVILEGE TO WORK ALONGSIDE CHARLES AND THE REST OF THE ELEMENT MANAGEMENT TEAM OVER THE LAST EIGHT YEARS AS WE HAVE TRANSFORMED ELEMENT INTO A GLOBAL LEADER, RECOGNIZED FOR SUPPORTING CUSTOMERS OPERATING IN SOME OF THE MOST COMPLEX AND ADVANCED INDUSTRIAL SUPPLY CHAINS. I AM HUGEYLY EXCITED ABOUT LEADING ELEMENT AND ITS TALENTED MANAGEMENT TEAM ON THE NEXT STAGE OF OUR EXCITING GROWTH JOURNEY.”

Jo Wetz
CEO

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GLOBAL REACH, LOCAL DELIVERY





2019 HIGHLIGHTS



26%

GROUP REVENUE CAGR
(2010 - 2019)

US \$241M*

ADJUSTED EBITDA
(AT CONSTANT CURRENCY)



4

STRATEGIC
ACQUISITIONS



US \$821M

REVENUE
(US \$847M AT CONSTANT CURRENCY)

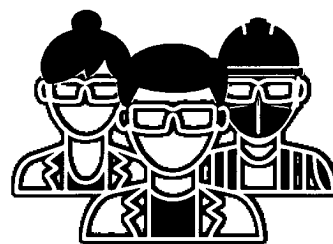
ELEMENT IN NUMBERS

LABORATORIES & PEOPLE



199

LABORATORIES WORLDWIDE



OVER

6,600

TESTING EXPERTS



28

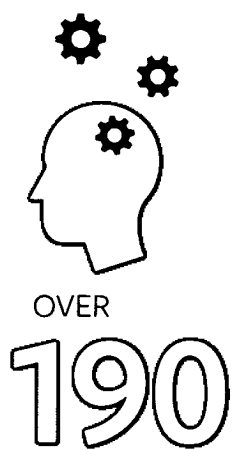
ACQUISITIONS SINCE 2010



OVER

800

ACCREDITATIONS
AND APPROVALS

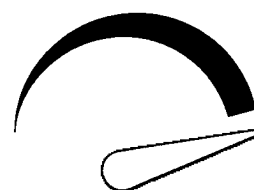


YEARS OF EXPERIENCE



CUSTOMERS WORLDWIDE

RECOGNITION



NPS SCORE



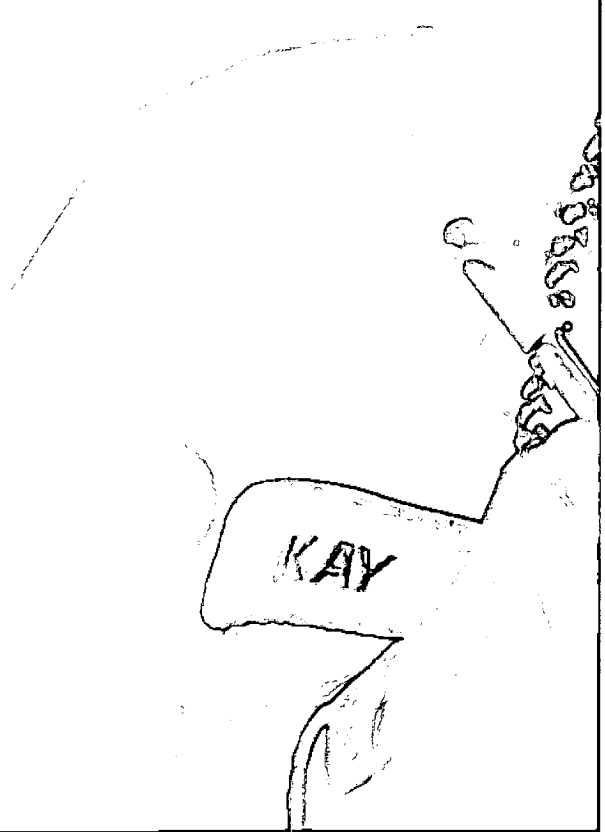
SUNDAY TIMES
INTERNATIONAL
TRACK 200



LOCATIONS
INJURY FREE

WORLD CLASS TESTING PROVIDER

We help to make certain that the products we test, inspect and certify for our customers are safe, quality, compliant and fit for purpose.





ABOUT ELEMENT

WORLD CLASS
WORLDWIDE



199

LABORATORIES

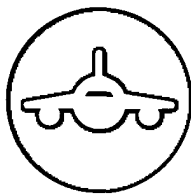
GLOBALLY

Health Sciences, Food Contamination, Calgary

5 SECTORS



CONNECTED
TECHNOLOGIES



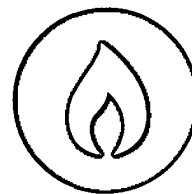
AEROSPACE



TRANSPORTATION
& INDUSTRIALS



ENERGY



FIRE &
BUILDING
PRODUCTS

5 CONTINENTS



THE
AMERICAS



EUROPE



MIDDLE EAST
& AFRICA



ASIA



AUSTRALASIA

5 SERVICES



MATERIALS
TESTING



PRODUCT
QUALIFICATION
TESTING




CALIBRATION



CERTIFICATION



ADVISORY



OUR MISSION:

THE BEST TESTING
PARTNER IN THE
WORLD

OUR VISION:

THE WORLD'S
MOST TRUSTED
TESTING PARTNER



OUR PURPOSE:

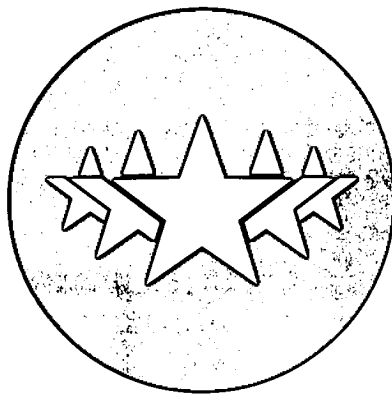
WE MAKE CERTAIN

WE HELP TO MAKE CERTAIN THAT
THE MATERIALS AND PRODUCTS
WE TEST, INSPECT AND CERTIFY
FOR OUR CUSTOMERS ARE SAFE,
QUALITY, COMPLIANT AND FIT
FOR PURPOSE.



SAFETY

We keep our colleagues
and visitors safe.



EXCELLENCE

We set new standards of
excellence in everything we do.





INTEGRITY

We act honestly and fairly
to do the right thing.

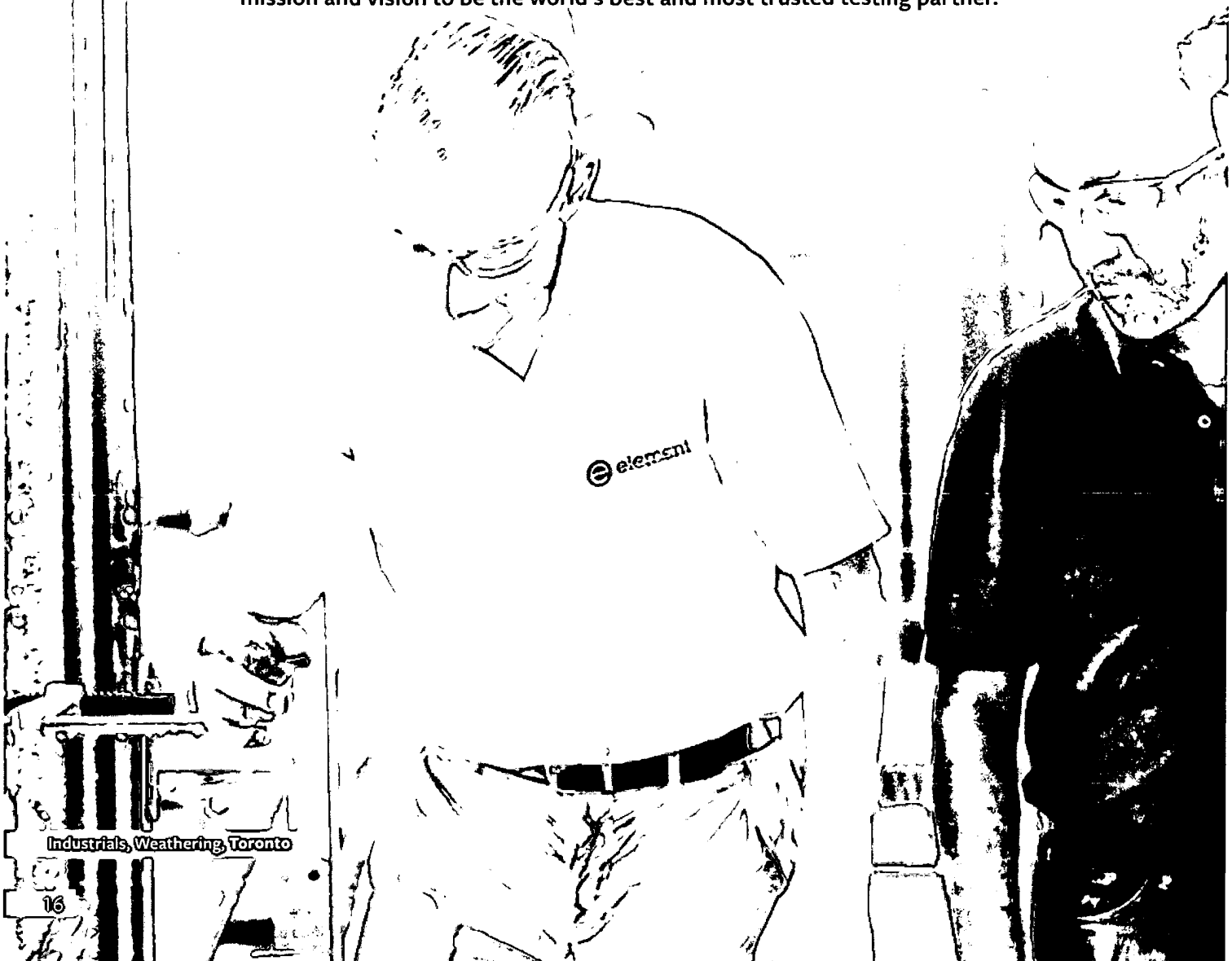


PARTNERSHIP

We work together for the
benefit of our customers.

CHAIRMAN'S REPORT

By maintaining focus on our priorities, we remain on course to achieve our mission and vision to be the world's best and most trusted testing partner.



Industrials, Weathering, Toronto



CHAIRMAN'S REPORT

Allan Leighton
Non-Executive Chairman

2019 has been a year of great progress for Element with the formal completion of the Exova integration and continued focus on expanding the Group's strategy with further investment made in our priority areas of people and operational excellence. Element's core values of safety, integrity, excellence and partnership have underpinned our successes in 2019 and I am pleased to report that we have seen many examples of the values demonstrated across the business over the past year.

GROWTH

Group revenue grew at 2% on a reported basis using constant currency rates (0.6% reduction using actual rates), but continued to grow in line with historic levels when acquisitions completed in 2019 were included on a pro-forma basis. Strong performance in Fire & Building Products, an excellent second half of the year for Aerospace and some encouraging signs of recovery in our core energy testing operations, were offset by isolated market headwinds in US transportation and the downturn in Middle East construction-related testing demand. We have continued to make significant investments to ensure Element remains ideally placed for organic growth in 2020.

In July, we announced the formal completion of the Exova integration, an ambitious program that saw 135 locations successfully rebranded and integrated into Element in less than 24 months.

This has been a truly transformational transaction, the second largest in the history of the testing, inspection and certification (TIC) market, creating the Element of today which is a world class, customer-first testing organization with greater capabilities, capacity, global reach and superior technical strength.

Also in July, global investment company Temasek acquired a significant minority stake in the Group, with Bridgepoint remaining as majority shareholder. This investment will help accelerate the further growth and development of the Group, particularly in Asia.

We have also seen growth through our M&A activities, including bolt-on acquisitions in Aerospace and Transportation & Industrials that have continued to strengthen Element's capabilities and market positioning within these sectors. At the end of 2019, we completed a major transaction to acquire PCTEST, a leading provider of connected devices testing services. This marked a significant strategic development for the Group, expanding into two new countries, as well as the opportunity to expand this expertise to our existing markets.



SUNDAY TIMES
INTERNATIONAL
TRACK 200

PEOPLE

Our people are at the heart of our business and we have continued to focus on the development of technical skills and capabilities across our global operations, engaging our colleagues through effective communications and ensuring the highest standards of ethical conduct are met. The expertise of our people continues to be in high demand, clearly demonstrated by Element's presence on a number of national and international standards committees.

Safety remains our number one value and over the year the rolling 12-month recordable injury rate fell from 1.35 to 0.95. The SHE activities continue to mature, achieving ISO 45001 at various locations globally as a benchmark of success, and we remain committed to creating an injury free workplace. We once again ran a range of programs throughout the year to drive safety awareness and engagement including our annual Safety Improvement Week.

Delivering an excellent customer experience is crucial and I am pleased to report that our NPS score improved to +50 compared with +41 at the end of 2018. NPS is a key measure of our customer's satisfaction and willingness to recommend us as a partner. This reflects an underlying improvement in performance across each of our sectors and is based on richer data and deeper insight.

We have also built significantly on work done in 2018 to implement a wide range of policies and procedures that underpin how we operate, covering everything from safety and quality, to anti-bribery and corruption. These were brought together in one overarching Code of Conduct to provide a clear and straightforward framework for every Element colleague, which helps build trust between us and our customers, suppliers and other stakeholders.

OPERATIONAL EXCELLENCE

At the start of the year, we set a goal to have an active Sort, Set in order, Shine, Standardize and Sustain (5S) and Safety, Quality, Delivery & Cost (SQDC) program in all locations, and I am delighted to report that many of our global sites have embraced this way of working. We are starting to see the impact and results of having a globally consistent

structured, clean and well-organized workplace and we are receiving positive feedback from our customers and our employees, which is a great step forward in our operational excellence journey.

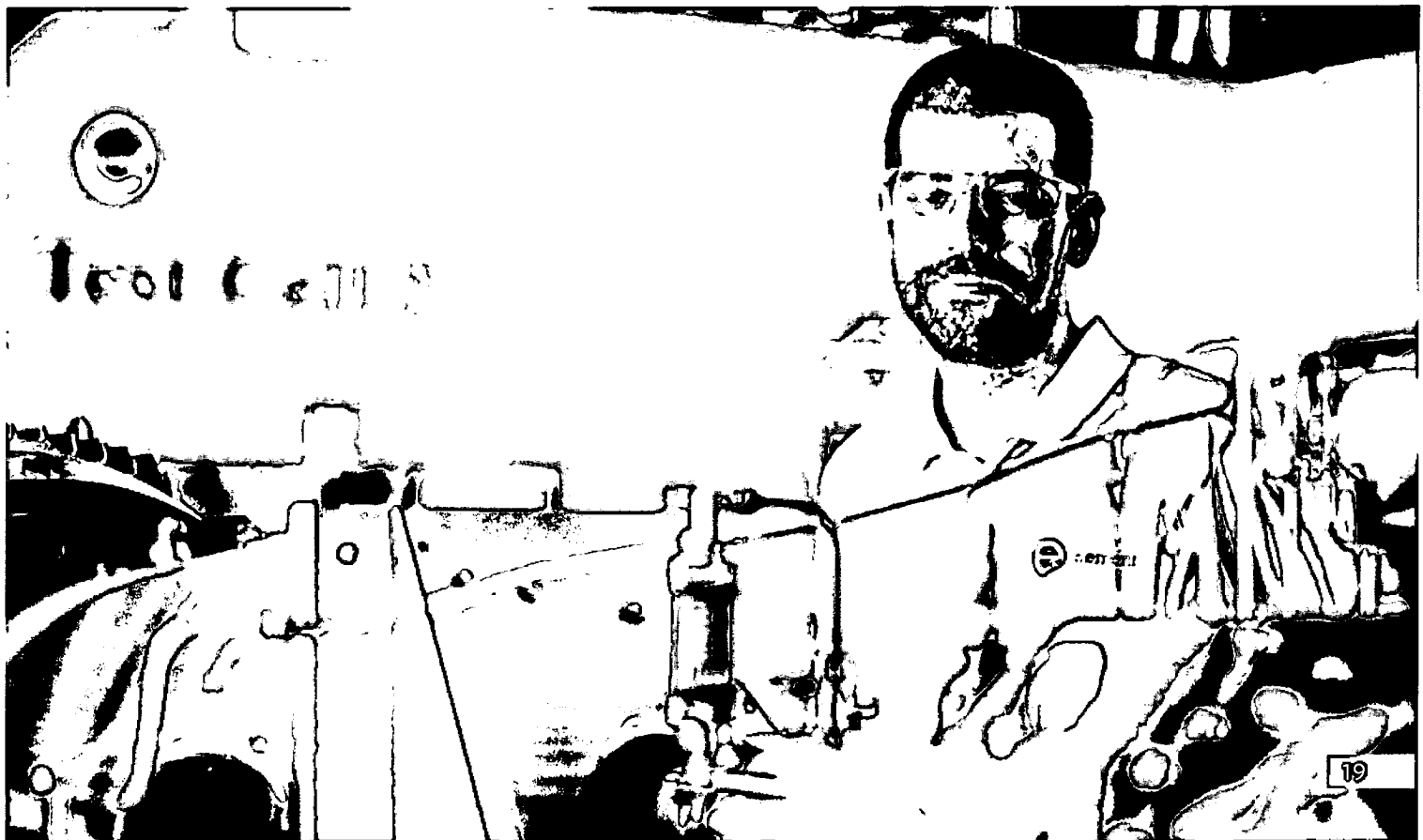
Increasingly, our laboratories are adopting a continuous improvement mindset and this process continues to identify ever-increasing examples of marginal gains as well as some substantial improvements such as a positive impact on key customer metrics including first-time right and turnaround times.

2020

As we develop the business, we evolve our core priorities. Our view is that greater customer-centricity and application of operational excellence tools will deliver strong organic growth performance. With Operational Excellence becoming part of our everyday DNA, innovation and a focus on the customer will join people as our core objectives for 2020. By maintaining our focus on these priorities, we will remain on course to achieve our mission and vision to be the world's best and most trusted testing partner.

I would like to pay tribute to Charles Noall who, after 17 years leading the Group (and its predecessor Stork Materials Technology), announced his retirement in December 2019. He has made an immense contribution to the development of Element since its inception in 2010 and his leadership focus and clarity of purpose have helped to build a powerful brand with a great reputation. I would also like to wish Jo Wetz, who in his eight years at Element has been instrumental in growing the Group, every success in his role as CEO.

Finally, the worldwide COVID-19 pandemic is forcing governments to implement restrictive measures in an attempt to curb the spread of the virus. Our priorities are to safeguard the health and safety of our employees and ensure continuity of our operations. While the duration and impact of the COVID-19 virus remains uncertain, the Board continues to look to the future with confidence as we move into the next decade.



TRANSITION STATEMENT



TRUSTED SUCCESSION – CONTINUITY, CONSISTENCY, CLARITY.

After 17 years leading the Element Group and its predecessor, Stork Materials Technology, Charles Noall stepped down from the role of President and Chief Executive Officer (CEO) and retired on 31 December 2019. Charles remains on the Board of the Group as a non-executive director, ensuring that we retain the benefits of his significant experience. Jo Wetz, who had been serving as Element's Chief Financial Officer (CFO) since 2012, succeeded Charles and was appointed to the position of CEO on 31 December 2019.

Charles was appointed as Element's CEO in July 2009 and made an outstanding contribution during his tenure: transforming the Group's businesses to deliver excellent service to our customers; developing our people; and generating great returns for our shareholders. We wish him well in his retirement and thank him for his distinguished service and leadership.

Jo joined Element in 2012 as CFO and has an impressive track record both during his time at Element and in his previous executive career. His broad international experience and strong leadership capabilities will ensure that Element continues to drive improved operational performance and capitalize on the significant opportunities to generate continued sustainable profitable growth.

“ It has been a privilege to work alongside Charles and the rest of the Element management team over the last eight years as we have transformed the company into a global leader, recognized for supporting customers operating in some of the most complex and advanced industrial supply chains.



I am hugely excited about leading Element's talented management team on the next stage of our exciting growth journey. I am also delighted that Charles will remain on the Board, as a non-executive director, where his knowledge of the TIC sector and Element will continue to be a major asset.”

Jo Wetz, CEO

In Jo's previous role as an investor at 3i, he led, alongside Charles, the original buyout of Element in 2010 before joining as CFO. In 2016, Charles and Jo led the sale of Element to Bridgepoint and the subsequent take-private of the Exova Group in 2017, a US \$1bn transaction that doubled the size of the Group and, at the end of 2018, concluded the transaction that welcomed Temasek as a significant minority shareholder.

Jo has been instrumental in growing the Group from 23 locations across five geographies with 600 employees to Element's position today as one of the fastest growing privately-held testing businesses, with almost 200 locations operating in over 30 countries and over 6,600 employees.

In December 2019 we announced that Niall McCallum was appointed as Interim CFO, effective 31st December 2019. Niall has been with Element for almost three years as Group Finance Director responsible for the financial operations and performance of sectors, together with finance transformation. Niall will return to the Group Finance Director role when Ruth Prior joins as CFO later in 2020. Ruth joins Element having previously been CFO of a number of FTSE 100 companies and large private equity backed groups, reflecting the scale of Element's ambitions.

This leadership transition is a great example of succession planning and will provide strong continuity as Element pursues its vision of becoming the world's most trusted testing partner.

YEAR IN REVIEW

We start Element's 10th year confident in our market position; our ability to serve our 50,000 customers; and the strength of our operational delivery, all underpinned by strong financial resources.



ement

YEAR IN REVIEW

Jo Wetz
CEO

I am delighted to report that 2019 has seen Element take significant strides forward in its growth journey as a world leading provider of testing, inspection and certification services to many of the world's leading organizations. We have seen continued progress in our operational, strategic and financial development, adding new customers, establishing four new laboratories, investing in organic growth, completing four acquisitions, completing the ambitious integration program of Exova and maximizing the Group's return on assets. As a result, our operating profit margins have remained strong despite headwinds in the US transportation sector and Middle East civil construction market. Despite these challenges, we start Element's 10th year confident in our market position; our ability to serve our 50,000 customers; and the strength of our operational delivery with over 6,600 experts, all underpinned by strong financial resources.

Element has seen another strong year of development through a number of key achievements; the number of safety incidents has dropped to a record low, and we have attracted great talent and implemented new training programs for existing employees. The majority of the Group has performed in line with expectations; we have acquired four businesses, opened four new laboratories and successfully completed the integration of co-located facilities in Houston and Los Angeles. We also rebranded our Oil & Gas and Infrastructure sector to Energy in recognition of global changes in energy production and shift in key customer focus, reflecting the evolution of the energy landscape.

Our financial performance in 2019 was stable delivering US \$236m adjusted EBITDA with good growth in our Aerospace and Fire & Building Products sectors, offset by market related headwinds in the global automotive and Middle East infrastructure sectors. Strategic goals remain unchanged in that we continued to improve customer service and invest in our people and facilities to enhance our position in the market. By targeting both organic growth and strategic acquisitions, we have maintained a clear focus on maximizing opportunities that have resulted in Element's market leading positions.

SAFETY

Safety is Element's number one value and at the forefront of everything that we do. In 2019, the number of recordable injuries decreased by 30% year-on-year (2018: 25%), with our recordable injury rate falling below 1.0 for the first time, a notable achievement. As a group, we continuously invest in our facilities and colleagues to demonstrate the importance of safety, and our annual Safety Improvement Week is a real driver of continual improvement in our safety record. This year, an impressive 5,204 colleagues across our 199 locations worldwide took part in the annual Safety Climate Survey, which is a clear demonstration of the strength of the safety culture across the Group and is an indication of a trend that is set to continue well into the future.



+50

NPS SCORE

GROWTH

Overall, we made good progress with the execution of our M&A strategy, with the PCTEST acquisition resulting in the creation of a new Connected Technologies sector. In total, we acquired four businesses that add to our existing capabilities and bring new testing services to the Group, significantly enhancing our customer offering.

We have seen good progress across the majority of the Group this year. Aerospace increased its revenue and adjusted EBITDA by 3% and 6%, respectively, while we continued to make strategic investments in services and capabilities in key areas. The Fire & Building Products sector has seen strong growth as a result of enhancing its scope, services and the technical depth of the team. The approval of significant capital investments for further capacity in the UK and Australia will also mean that we are well positioned to take advantage of the expected continued growth in the relevant end markets and be operationally well placed to further enhance our service and market leadership position.

We continued to build our sales capabilities, with new talent joining the organization and we are making improvements to our reporting and insight, sharpening the way we review commercial performance. We also expanded the Corporate Development team to enable us to pursue a strong pipeline of acquisition targets, with several internal promotions bringing operational, sales and business improvement experience into the team.

In 2019, we opened two new laboratories within the Aerospace sector. In China, Element Shanghai became fully operational in September. In the US, we established Element Greenville, a brand new 30,000 square foot laboratory in Piedmont, South Carolina which opened its doors in May 2019. Additionally, in Florida we re-opened Element Melbourne, now a much larger facility, which specializes in environmental, dynamics and electromagnetic interference (EMI) testing.

In terms of integrations, we completed the final consolidation of key facilities in Houston, Los Angeles and Huntington Beach following the acquisition of Exova. These integration projects brought together existing laboratories into three new state-of-the-art centers of excellence: Element Houston, which predominantly services the Energy sector, with Element Los Angeles and Huntington Beach providing testing services to mainly Aerospace clients, as well as performing tests on advanced materials for the automotive, electronics and medical device sectors.

OPERATIONAL EXCELLENCE

Servicing our customers in the best possible way is what drives Element as a business and our employees routinely go above and beyond to ensure customers' needs are consistently met. As an organization, we continuously look for new strategies and ways of working with our customers to improve our offering.

We continued with the implementation and development of 5S and SQDC to enhance ways of working throughout the Group. We made significant progress with the adoption of 5S by all employees across our 199 locations. This has had a hugely positive impact on the business, creating a lean working environment and helping to solve

complex operational challenges. By focusing on the key drivers of daily performance – Safety, Quality, Delivery, Cost – in a structured way, operational teams have been better able to ensure they deliver consistently, that good practice is repeated and that operational delivery is enhanced. We are now introducing total predictive maintenance (TPM) which supports increased efficiency and minimizes downtime.

This year we extended the scope of our Strategic Account Program, already implemented across our Aerospace sector, to strengthen relationships with our existing largest Transportation & Industrials and Energy accounts – strategic, key or local – and strategically plan for bringing in new ones.

PEOPLE

The recruitment, development and retention of our people continued to be a focus. We attracted excellent people across all levels of the Group, provided our existing colleagues with new career development opportunities both through training and promotions and recognized their invaluable input through our revitalized recognition program and evolving benefit schemes.

Our recruitment team continued to build on the investment in the recruitment system, implementing standard policies, procedures and KPIs in all teams across the Group. The next phase of our training platform was rolled out to all countries outside the US in nine languages. By the end of the year, over 3,500 colleagues were registered on the system, which was able to offer over 1,200 courses on leadership and management, an excellent achievement and in time, we will harmonize platforms across the Group to give us a single, Group-wide tool to manage and deliver training.

We continued to recognize the work of our people through the Excellence Awards, which we presented to colleagues across local, functional and sector levels, and employee engagement was also enhanced through the implementation and adoption of a variety of benefit schemes.

At an Executive level, we significantly strengthened our leadership team with the appointments of Matt Hopkinson, EVP Energy, Nancy Groesch, EVP Human Resources and Jane Scadding, Group Procurement Director. As part of the succession planning in place, we appointed Niall McCallum as interim CFO, previously our Group Finance Director. Recognizing our ambitions for growth, we are delighted that Ruth Prior will join Element as CFO during 2020.

As we move into 2020, we have three distinct areas of leadership focus – our customers, our people and innovation. Our people need to remain agile enough to take advantage of opportunities that arise, ensuring that we continue to best serve our customers. Element will work with customers to ensure that they benefit from our innovative solutions and services that they need to achieve marginal gains and continual improvements that will give them the edge in what is an ever changing and highly competitive marketplace.

I am delighted to say that we start the new year in excellent health, with committed teams focused on serving our customers and the financial resources to continue to grow and improve our market positions long into the future.

FINANCIAL REVIEW

The year ended 31 December 2019 ("FY2019") has seen continued progress in our operational, strategic and financial development. We have completed the integration of the Exova acquisition delivering ahead of the initially targeted synergies and earlier than planned, added new customers, completed four acquisitions, developed Integrated Testing Solutions as a further growth driver, invested in four new facilities which will become fully operational during 2020, together with continuing to implement operational excellence across the Group.

FINANCIAL HIGHLIGHTS 2019

After two consecutive years of organic growth, we continued to see strong growth in the majority of locations but this was offset by two divisions with isolated market headwinds. We continued to drive revenue across the Group and made continued progress in delivering high-quality service for our customers. In 2019 the Group delivered revenue US \$820.6 million, a reduction of 0.6% compared to 2018, driven mainly by foreign exchange movements. At constant currency rates, revenue for the year was US \$846.7 million, up 2.0%, driven by strong performances in the Aerospace and Fire & Building Products sectors which achieved 5.5% and 5.0% year-on-year revenue growth at constant rates, respectively. The strong organic growth achieved in these sectors was offset by headwinds experienced in the US Transportation and Middle East construction markets. Overall, 2019 saw a reduction in revenue of 1% and 5% in the Transportation & Industrials and Energy sectors, respectively, presented in constant currency.

The Aerospace sector continued to grow in 2019 and saw a strong performance in comparison to 2018. Sector revenue increased US \$12.8 million year on year at actual rates, mainly due to expansion of customer base and market demand. We continued to deliver operationally for our customers, with a number of locations delivering high growth. We expanded the physical footprint of our laboratories, including expanding two of our centers of excellence, bringing together state of the art facilities in California, US, which is driving continued operational efficiency, capabilities and expertise for the benefit of the customer base. We also continued to invest in new locations with the expansion of new facilities in South Carolina, US and Shanghai, China, together with increased capacity in an enlarged laboratory in Florida, US.

Overall, the Transportation & Industrials sector had a challenging year realizing a reduction to revenue of US \$8.2 million year on year at actual rates due to the market headwinds in US Transportation.



After two consecutive years of growth, 2019 was a year of significant restructuring and refocus of activities as the automotive end markets transition to new platforms. In each of the transportation, pharmaceutical and environmental end market activities, we have continued to invest organically in new technologies and form strategic partnerships with end market customers enabling them to meet new standards and regulations.

Our Energy sector reported US \$9.6 million less revenue in 2019 compared to 2018 at actual rates due to the market headwinds in Middle East construction activity. In the core energy activity, the sector is benefiting from capacity expansion in our centers of excellence, particularly in Houston and capability investments made in the year to support customer requirements. In particular, investments have been made in a range of new testing activities including in-situ fracture testing and resonance fatigue testing in our laboratories in Aberdeen and Milan, new coatings laboratories in Edinburgh and Amsterdam, corrosion inhibitor testing in Amsterdam, corrosion autoclave expansion in Dudley and further capacity expansion to support non-metallic market growth.

The Fire & Building Products sector delivered a US \$0.2 million revenue improvement year on year at actual rates. In the UK, which is one of our largest contributing geographies, the Building Regulations were updated and released mid-year which increased demand. Europe continues to harmonize product performance standards, removing national standards and creating further demand as customers were required to test and certify their products to meet the new standards. Further investments at the Warrington laboratory have enhanced the scope, services and capacity of the facility, and we have continued to invest in the technical depth of our people.

Group adjusted EBITDA remained strong at US \$236.0 million, up 0.1% from US \$235.9 million achieved in 2018. At constant currency rates, EBITDA for the year was US \$241.0 million, up 1.9% on prior year.

At actual rates the Adjusted EBITDA margin increased to 28.8% for the year from 28.6% in prior year. This reflects organic growth in the majority of the locations across all sectors offset by market headwinds in two isolated divisions, US Transportation and Middle East Construction, together with strong control of costs in all activities and continued efficiency benefits from recent investments.

We have made continued progress on operating profit margin and free cash flows. Operating profit increased by US \$10.4 million to US \$65.6 million (FY2018: US \$55.2 million) driven by a reduction of US \$18.4 million in the costs associated with separately disclosed items (see note 12 for additional detail). The Group made a loss in the year after tax of US \$58.3 million (2018: US \$23.6 million) representing an increase in the net loss in the year of US \$34.7 million. This increase in net loss is driven by an increase in finance costs of US \$17.3 million and an increase in the tax charge of US \$10.8 million.

At 31 December 2019, overall net debt US \$2,134.3 million was US \$266.9 million higher than FY2018 due to net acquisition spending of US \$190.9 million (note 24) and cash outflow on separately disclosed items.

The Group incurred a tax charge of US \$11.3 million (FY2018: US \$0.5 million) representing an effective tax rate ("ETR") of 24% (2018: 2.1%).

ACQUISITIONS

The Group completed four (2018: four) acquisitions in the year with 2019 cash consideration paid of US \$190.9 million (2018: US \$74.4 million), net of cash acquired of US \$4.9 million (2018: US \$4.3 million).

In December 2019, the Group acquired PCTEST Engineering Laboratory, Inc. ("PCTEST"), which significantly strengthens our position in testing and certification services within the high growth connected technologies market. With the addition of PCTEST, we created the Connected Technologies sector, a fifth sector in addition to our existing four sectors. The Connected Technologies sector will harness the commercial and technical synergies of our existing strength in wireless, safety and electromagnetic compatibility (EMC) testing with PCTEST's full suite of connected devices testing and certification services. These comprehensive services include radio frequency (RF) exposure and specific absorption rate testing, battery performance and safety, RF and protocol testing, carrier conformance assessments and over-the-air radiated antenna performance testing.

The Group also acquired EMV Testhaus GmbH and Aerotech Inspection & NDT Limited in November 2019. EMV Testhaus expands our EMC capability into Germany, bringing additional capacity to this growing area. Aerotech consolidates our leading position in NDT testing for Aerospace and is based in the UK.

In addition, the Group also completed the acquisition of Northwest Testing Laboratories which provides footprint consolidation in the US Transportation locations.

All new acquisitions present opportunities to drive scale and efficiencies in respect of revenue generation and procurement so that Element continues to achieve benefits. The four acquisitions have strengthened capabilities with existing customers and expanded relationships with new ones. This has made a significant contribution to the Group's strategy of diversifying the customer base and investing in new territories. The acquisitions deliver strong margins in line with Management's expectations.

OPERATING CASH FLOW ("OCF")

The Group relies on a combination of debt and internal cash resources to fund its investment plans. One of the key metrics for measuring the ability of the business to generate cash is cash flow from operations. The Group operating cash flow was US \$12.4 million lower than 2018 due to an increase in deficit funding payments to the defined benefit pension scheme and higher cash tax payments primarily in the US and Canada.



There was also an increase in net interest cost reflecting higher average debt levels year on year primarily arising from the acquisitions.

NET FINANCE EXPENSE

Net finance expense was US \$229.6 million (2018: US \$212.3 million). The underlying increase in net finance costs is due to the higher average net debt level throughout FY2019 in comparison to the prior year. In the year, the Group drew on existing facilities it had in place in order to fund the acquisitions. At 31 December 2019, total undrawn committed borrowing facilities were US \$118.8 million (2018: US \$287.0 million). The Group has a supportive lender and shareholder base to enable the funding of future growth opportunities with a loan maturity profile as shown in note 23. In January 2020, the Group renewed its existing revolving credit facility and acquisition facility.

FINANCIAL POSITION AND GOING CONCERN BASIS

The Directors acknowledge guidance issued by the Financial Reporting Council relating to going concern. The Directors have, at the time of approving the financial statements, a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for at least 12 months from the date of these accounts and consider it appropriate to prepare the consolidated financial statements on a going concern basis, as set out in note 2.3 to the consolidated financial statements.

The Directors have considered the impact of Coronavirus (COVID-19). The COVID-19 pandemic has forced governments to implement extreme, restrictive measures to curb the spread of the virus. Management's priorities are first and foremost: to safeguard the health and safety of the Group's employees; and to ensure appropriate measures and actions are taken to ensure business continuity. Management's assessment of the impact of COVID-19 on going concern status of the Group is provided in note 2.3 of the consolidated financial statements.

MEASURING GROUP PERFORMANCE

The Group continues to use adjusted EBITDA to assess its performance and this is referred to throughout this Annual Report in the discussion of the performance of the business. Adjusted EBITDA is not defined in IFRS but is used by the Board to assess the underlying operational performance of the Group and as such, the Board believes this is an important performance measure and should be considered alongside the IFRS measures. Adjusted EBITDA represents operating profit before, transaction, acquisition and other income and expense items that are material by virtue of their size and nature, depreciation, amortization, gains/losses on sale of assets and share based payments.

PRINCIPAL RISKS AND UNCERTAINTIES

Element is exposed to a variety of risks and actively manages them through its risk management procedures. During 2019 the Executive Team strengthened its regular review of its risk maps, clarified ownership and actions as necessary. The risk assessments are overseen by the Audit Committee and the Board.

While risk cannot be eliminated altogether, actions are taken to mitigate risk wherever possible. As a matter of policy, the Group does not enter into speculative activities. The material business and operational risks that the Directors consider the Group to be exposed to include, but are not limited to, the following:

- The Group's reputation risk as a leader in testing services: The Group has quality control procedures and operational KPIs in place to mitigate this risk which are under constant review and subject to regular external audit by accreditation bodies and customers.
- Consolidation of customer base, competition and pricing pressure: The Group is improving customer service, creating and expanding focused Strategic Accounts Management and Key Accounts Management programs and improving operational delivery and regularly monitoring performance against expectations.
- Dependence on key personnel: The Group intends to continue investing in recruiting and retaining the best technical experts and ensuring that the management team and other highly skilled personnel are invested in the business alongside the Group's shareholders.
- Global economic and market conditions: The strength of our market is an important driver for our growth. Our business is well diversified both geographically and by end user. Our business activities expose us to a wide range of business practices. We have a strong Group culture of integrity and ethical behavior to ensure a consistent approach regardless of local custom.
- Cyber Security (New): The Group's IT teams continually monitor cyber security developments as a business as usual activity. Working with a number of specialist and industry leading technical partners, multiple layers of business protection have been created through the use of advanced intrusion detection and protection systems, web access firewalls and advanced content filtering to combat denial of service attacks. Business processes are also kept under review and user education regularly carried out to minimize the possibility of ransomware incidents. Regular third-party penetration testing is performed on the Group's core IT systems. New IT system developments are subject to rigorous penetration testing prior to release. Disaster recovery plans are in place across the network which are tested and improved regularly.
- Liquidity risks: In order to ensure that sufficient funds are available to fund ongoing operations and future developments, Management regularly reviews cash flow forecasts and financing arrangements of the business to ensure that there is sufficient funding in place.
- Exchange and interest rate risks: The Group continues to monitor the exchange rate risks associated with both servicing its debt and the revaluation of income statement and balance sheet. The Group uses interest rate caps and maintains a balanced currency mix at profit generation and financial instruments to mitigate these risks.
- COVID-19 (New): The nature and scale of any potential impact is dependent on the course of the disease, which cannot be predicted accurately at this time. The significant loss of life and impact on people's health is unprecedented. The general economic situation throughout the world is increasingly very challenging and many of our customers are reducing production and other activities. As we provide essential testing services to a large number of customers across a range of diverse end markets, most of which have been deemed to be essential industries by the respective government bodies, we remain confident that the Group will continue to operate and be successful in the new environment. We are actively managing our operations, the cost base and our cashflow on a daily basis and following guidance from the public health bodies and governments in the territories where we operate.
- Technological disruption/innovation risks (New): The risk that new entrants or new ways of working could seriously disrupt the TIC sector, also presents an opportunity. Digitization and novel ways of delivery to customers could in the longer term provide growth and position the company well against its competitors. The business has established a new leadership role, EVP Digital Transformation, to develop digital transformation strategies both externally and internally to Element.

In accordance with its risk management guidelines, the Group raises awareness of business risks at all operational management levels and encourages all management teams to assess and minimize risk. The Group ensures the appropriate cover of all essential liability and claims risks.

Further details can be found in our significant accounting policies on pages 71 to 85.

In preparing the Strategic Report, the Directors have complied with section 414c of the Companies Act 2006.

By order of the Board



Jo Wetz

CEO

24 June 2020



CORPORATE RESPONSIBILITY

We are continuously developing our approach to corporate responsibility to ensure that we support the business strategy and continue to build trust with all our stakeholders.



CORPORATE RESPONSIBILITY

Element's values of Safety, Integrity, Excellence and Partnership underpin the way we do business, evolve our strategy and continue to pursue our vision to become the world's best and most trusted testing partner.

Element is committed to continuously developing our approach to corporate responsibility (CR) and ensuring that it is incorporated into the decisions we make as a responsible business. We have continued to base our approach to doing business on identifying and addressing relevant Environmental, Social and Governance (ESG) matters, and by following this framework we can ensure that we support the business strategy and maintain trust with our stakeholders.

ENVIRONMENT

Element is committed to delivering for our customers while protecting the environment and maintaining regulatory compliance. We take part in a number of activities that ensure we effectively engage with our employees to embed our commitment to conducting our business practices in a responsible manner.

As part of our regulatory compliance, Element participated in ESOS, a UK government regulatory scheme to submit a report every four years on utility consumption and define activities to help reduce energy use. This saw us carrying out five energy audits with suggested improvement actions across five sites at Sheffield, Warwick, Warrington, Lancaster and Hitchin. This activity resulted in the creation of a regulatory compliance report and identified specific energy reduction actions to be rolled out across those facilities and across other Element locations.

We made progress with collating utility (gas, electricity and water) data across the Group to provide energy consumption information by site, division, sector and group. We also reviewed energy bills to help identify saving opportunities and engaged an energy procurement provider. These activities have allowed us to monitor and identify sites with high consumption, greatly improving our ability to prioritize energy management improvement activities and providing deeper insight into our emissions performance.

The business also took steps to consolidate waste services into single suppliers for all UK and for all US sites. This will ensure improved management of waste and recycling across our facilities with access to data and reduced spend on related services, as well as a significant reduction in spend on waste services at a site level.

SOCIAL

Element is committed to creating a healthy, engaged, recognized and rewarded workforce. To achieve this, we are dedicated to supporting colleagues across the Group by equipping them with the tools they need to deliver exceptional solutions for our customers.

2019 saw the further development of HR policies that ensure and convey equality and fairness in the treatment of all colleagues, following the laws of the jurisdictions that we operate in, and treating all colleagues and visitors with respect and dignity. These Group policies are readily available to all employees via the HR pages on our colleague intranet, as well as featuring during the onboarding process.

Element operates a number of training programs that provide colleagues with various avenues to improve their skills and learning which in turn promotes their career development and advancement. Through the use of learning and development platforms, all employees have access to development tools and programs. We further strengthened our performance review system and Element recognition programs to ensure that they benefit from their exceptional performance and that they are recognized for the value that they add to the business.

We hold an annual Safety Improvement Week to drive safety improvement activities and conduct an annual safety climate survey to measure safety culture. These important activities result in an increase in the number of safety improvement actions carried out, as well as the number of open actions being closed out. We compare ourselves against a safety perception index score, the results of which in 2019 showed a continuing maturing of safety culture in Element. In addition, during Safety Improvement Week an estimated 30,875 hours were spent by colleagues on safety training and improvement activities.

Element also conduct an annual survey to gauge colleagues' understanding and ability to communicate the Element strategy which generates an employee promoter score (EPS). This gives the business the opportunity to continuously monitor and improve how successfully we communicate our key priorities and purpose to our people.

GOVERNANCE

Corporate governance and an emphasis on the company's culture of ethical behavior is a key priority. We conduct business activities in a large number of jurisdictions across the world and operate in a wide range of legal and business environments, so it is essential that we conduct our business with the highest standards of integrity and adhere to international laws and regulations. We have a number of established policies and practices that reflect our commitment to conducting business with honesty and integrity wherever we operate. These are widely communicated to all colleagues and reinforced through targeted programs and training to ensure that they are understood and adopted.

Element has in place the necessary governance and organizational structures to provide appropriate levels of oversight in audits, risk management and potential conflicts of interest, supported by a Group Internal Audit Director who heads a dedicated internal audit function that continues to enhance operational review and governance.

We provide advice and guidance on our ethical standards for employees, supported by compulsory participation in company business ethics training which takes place annually and is required for all employees, including senior leaders and our Board members.

100
TARGETED
E-SHOTS



3 LEADERSHIP
WEBINARS



80% SAFETY
CLIMATE
SURVEY
PARTICIPATION
RATE



SAFETY
PERCEPTION
INDEX
SCORE

+33.1



2019 saw the creation of a risk management framework, which uses risk mapping and supporting tools to work from Board level to sector and functional areas where appropriate. This has established support for the risk assessment processes that individual business functions undertake.

Our fraud management policy provides an overarching Board level framework that is addressed in policies such as whistleblowing and anti-bribery and corruption. Colleagues have access to an external whistleblowing line that allows them to speak up on any ethical, quality or other issues if they do not wish to report internally. Our anti-bribery and corruption policy sets out our commitment to conducting business in an ethical manner, including guidance on the rules and regulations our people are expected to follow and offers guidance on the screening of third parties to ensure our business partners meet and follow Element's ethical standards.

In 2019 Element has also made significant investment in the development of our trade compliance policy and program, ensuring they were in place to meet requirements in the US, EU and elsewhere. In addition, a data privacy compliance program was developed, ensuring that we meet data privacy laws and respect personal information.

COMMUNICATIONS & ENGAGEMENT

The Group's communications program has equally grown in scale, with the business speaking to a larger and more diverse employee community than ever before. Given the scale of the Group, a regular cadence of effective communications to leadership and all-colleague audiences is critical to the success of the business, ensuring that our people are informed, engaged, and empowered to connect and collaborate.

The annual One Element Week took place in February for all locations to further embed the brand positioning (mission, vision, values) that reflected the combined business, as well as to confirm the organization's purpose, celebrate 2018 successes and look forward to 2019 priorities. It was also an opportunity to recognize colleagues for excellence and collaboration, with 48 CEO and 700 Excellence Awards presented to colleagues. Our Operational Excellence program was also launched as part of One Element Week, with more than 300 workshops, 160 events and 900 pledges made across the business. The events saw good social media coverage and engagement, as colleagues were encouraged to post their location's celebration on the One Element Week Twitter account. We track impact and carry out feedback surveys post-event, using the data and insight gathered to aid our planning for 2020.

In terms of process, our communications operating model has matured by working more closely with business functions and introducing an approach to planning that is more structured and outcomes-focused. A range of functional leadership meetings also took place throughout the year across Quality; IT; Commercial; Group Communications; Safety; and Procurement, as well as a range of divisional meetings.

We have continued to use our email alert service to keep colleagues informed, with more than 100 e-shots distributed to the business across the year. We continue to measure the effectiveness and impact of these communications, using this insight to improve what we do. 2019 has also seen the development of sector-specific newsletters to address more targeted audiences and help colleagues better understand the Group's strategy, strengths and successes, monitoring open rates to ensure that they remain of value and interest to our people.

2019 saw the further development of our M&A communications processes, with improved collaboration and maturing of experience in our partnership between the Group Communications and Corporate Development teams to ensure that we successfully manage change for both our current and new colleagues and customers. Improved social media activities were encouraged through our Group media policy and social media guidance, which are on display across our sites. These highly visible guidelines equip our colleagues with a clear understanding of how they can have a positive impact by raising Element's profile, enhancing its reputation and reaching stakeholders in a meaningful way. We actively monitor and measure the effectiveness of our corporate social network interactions to ensure that we can react to and evaluate the appetite for our stakeholders to engage with us.

SECTION 172(1) STATEMENT

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

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

(the "s.172(1) Matters").

The Board also considers s.172(1) Matters where appropriate at Board Meetings as part of decision making.

The Directors recognize the responsibility of the Company to a wide range of stakeholders, including Element's customers, shareholders and employees. The Company keeps in close contact with its principal stakeholders to understand their views in order to appropriately consider their interests in decision making, together with considering recommendations on how such engagement could be enhanced.

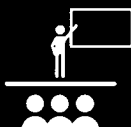
In 2019, Element continued its strong track record of M&A activity. The acquisition of PCTEST Engineering Laboratory is one example of how the Directors have had regard to the s.172(1) Matters. The Board considered a range of factors including the long term impact on the Group, financing requirements, PCTEST's customers and suppliers, and their expectations before approving this acquisition.

Further information on how the Directors have had regard to the s.172(1) Matters can be found on pages 22 to 25 (Year in Review), on pages 34 to 37 (Our People), on pages 38 to 43 (Excellence in Action), on pages 44 to 49 (Acquisitions and Integration) and on pages 56 to 63 (Corporate Governance Report and Directors' Report).

3 TOWN
HALL
EVENTS



QUARTERLY
SENIOR
LEADERSHIP
MEETINGS



EMPLOYEE
PROMOTER
SCORE

+16

OUR PEOPLE

Our global team is achieving our vision
Our class engaged in a discussion on the future of our



OUR PEOPLE

Nancy Grösch
EVP, Human Resources

Our colleagues are truly at the heart of all Element's achievements across the world. From those individuals that run the laboratories, the technicians who conduct the testing to the scientists and engineers who are helping develop new standards for our customers - our global network of world-class engaged experts, living the core values of Element, are essential to achieving Element's mission, vision, and sustainable growth.

Attracting the right people for the right opportunities at the right time and applying 'Certainty' throughout the talent acquisition process was a key focus throughout 2019. In order to deliver on this, we continued to build upon the successful launch in 2018 of a best-in-class global recruitment system and implemented standard policies and procedures across all the talent acquisition teams and hiring managers.

We also introduced clear global key performance indicators (KPIs) and implemented several best-in-class assessments in the selection process to evaluate applicants' strengths, areas for improvement and job readiness. Our talent acquisition approach became increasingly targeted, with bespoke events at locations where effective recruitment can be a challenge, as well as smarter use of social media networks to ensure opportunities are being seen by the right talents.

The engagement, retention and development of our people continues to be another top priority for the Group. As we made many strides in the attraction of new colleagues, we also developed our existing pool of talent. We launched a 'Next Generation Leadership Program' within the Energy Sector, to support the development of our next cohort of high potentials as a pilot for global roll-out in 2020 across the organization.

Throughout the year we supported our colleagues with targeted career development opportunities via global e-learning platforms as well as classroom based training in areas such as management leadership, in addition to functional and technical learning. We also continued creating a variety of learning paths for development. Many of our people moved across the organization, further developing their careers.

In 2019, we also enhanced our employee reward and recognition offer through a number of country-specific employee benefits initiatives, such as bicycle schemes, modernized pension and life insurance benefits, company supported sport and charity events, shopping perks, and a range of voluntary benefits.

We continued the Element Excellence Award program, which was launched in 2018, to further embed recognition in the company DNA by providing regular recognition at a local, sector and functional level. Our people are recognized for going the extra mile and supporting colleagues or delivering outstanding service to customers, and regular organization-wide town hall events are used to present awards to winners in front of their peers.

With all aspects of the safety of our people being the utmost priority for Element, we started a program around mental health and wellbeing training in 2019, running sessions in selected locations across the Group. We plan to make this a fuller part of our employee engagement package in 2020.



As Element grows closer to 7,000 colleagues, we continue to ensure people are at the heart of what we do and that we look after them throughout their careers with us, from their very first engagement as potential recruits throughout the entire employee lifecycle. We are dedicated to making our colleagues' employment experience at Element as positive and memorable as possible.

We will further develop these employee experience programs in 2020, focusing on getting the best people to join us and ensuring that we equip all our colleagues with the processes, resources and tools that make them feel valued and highly motivated to contribute to our shared success. We will continue to focus on the overall employee experience and will conduct, for the first time ever, a global Element colleague experience and engagement survey, which will provide us with additional deep insights into what makes Element a great place to work.

Overall, it has been a positive year for our people – the most important part of our organization. Element is full of world-class talent and expertise and it is through this Element family we will deliver our vision of being the most trusted testing partner in the world.



EXCELLENCE IN ACTION

Operational excellence is a culture of continuous improvement across all aspects of what we do at Element, fundamentally linked to Safety and Quality.



John

element

STRIVING TO DELIVER A WORLD CLASS SERVICE



Dominic Murphy
Operational Development Director

One of the biggest focus areas for the business in 2019 has been ensuring that together we strive to set new standards of excellence in everything we do in order to add certainty to our customers' business.

SAFETY, HEALTH AND ENVIRONMENT (SHE)

In 2019, more than 70% of Element facilities reported zero recordable injuries, which was achieved through the sustained focus on injury reduction efforts, applying a continuous improvement mindset to our approach and the continued development of a world-class SHE program. These results continue to show an injury free workplace is possible when the correct leadership, systems, processes and safety culture are in place, supported and functioning properly. Element's approach to SHE resulted in a reduction of our total recordable injury rate (TRIR) from 1.37 in 2018 to 0.95 in 2019 while increasing the total hours worked, adding new acquisitions and a continued reduction in injuries. This is the first time the TRIR has been below 1.0 and this has been sustained for a number of months consistently throughout 2019. This continued year over year progress has been delivered alongside continued improvement within the program as key functional systems, such as internal audits and monthly inspections were fully implemented.

One adverse trend seen throughout 2019 was an increase in lost work days per event. While injury count decreased, the overall severity level increased, as measured in lost-time work days. This was driven by a small number of colleagues who had extended periods of time away from work following injury. This required a significant increase in communication and education as well as improved injury case management.

Following the redefinition of the SHE program and structure in 2018, specific objectives were set to continue to mature the program in 2019. The business made a significant investment in the education of our company leaders by establishing a workshop outlining operational responsibility, as well as organizing a two-day session covering industry and country required legislation training. Over 90% of all leaders completed this training and the remainder will complete it in early 2020.

Continued progress was made to mature the environmental program as we continue to fully understand the environmental impact of the business. We have taken great strides towards understanding our energy consumption, waste generation and recycling efforts, and established an environmental and social governance (ESG) policy and steering team, part of whose focus is to periodically review progress towards reducing our environmental footprint. This included a series of site audits in the UK to develop a plan for energy consumption reduction associated with the UK government Energy Savings Opportunity Scheme.

SHE procedure refinement continued with a focus on the reduction of the business's top SHE risks to understand where the risk occurs, with what activity, what controls are in place to mitigate and whether there were further actions the team could undertake to reduce the likelihood of the risk.

For many years each location has had a team member who supports the SHE program in addition to other operational responsibilities. These team members were previously identified as safety coordinators but as the business has progressed, it was apparent that these individuals were leading local SHE efforts and deserving of more recognition, resulting in the retitling of the support function to Safety Leaders. This change was not merely a change in title, but a reflection of the importance of this role and its responsibilities. We revised the Safety Leader role profile and aligned monthly deliverables across all locations.

The SHEQ platform was fully implemented in 2019 and is now part of the daily operating rhythm, linking SHE, 5S and SQDC together within the business while effectively ensuring that the appropriate information is captured and findings actioned. Additionally, we continued to implement the MSDS Online system across the business, allowing us to manage location safety data sheets, which gives us a process to access required chemical documentation across all sites.

Once again, Safety Improvement Week was held in 2019 with excellent participation at all Element locations. The key areas of focus were the reduction of cuts and lacerations to hands and fingers, refreshing laboratory markings and visualization of hazard identification, as well as reinvigorating and supporting the 5S mindset within the business.

Finally, for the seventh year running we conducted the annual safety climate survey, which is the primary tool used to measure the safety culture within the business. We achieved a participation rate of 80% with more than 5,200 colleagues completing the survey. The results were converted into a Safety Perception Index (SPI) score which has a minimum score of -50 and a maximum score of +50, with a Group SPI of 33.1 for 2019 (2018: 31.1) which is a very encouraging improvement that shows a continued maturing of the SHE culture.

The outcome of the SHE program is a consistent approach across all divisions, delivering a scalable safety system that routinely meets country legislation and ISO45001 certification, as well as customer expectations. As Element continues to acquire new businesses into the Group, the SHE program will be leveraged to ensure they reach the Element standard as quickly as possible, and that we continue to work towards a zero injury work environment across the entire Group.

QUALITY

Our commitment to Quality underpins the ability to deliver on our commitments to customers. In recognition of the importance of Quality and to further strengthen Element's Quality organization, the Group made a conscious decision in 2019 to appoint an additional number of high caliber quality professionals into strategic roles. This included the appointment of a non-destructive testing (NDT) specialist to lead a culture of quality and technical excellence in our NDT operations, supporting our colleagues and customers with their testing and inspection programs as well as strengthening the Divisional and location Quality teams.

Our new colleagues are bringing fresh ideas, drive and energy to an already engaged and active Quality community. We are well placed for the planned future growth of the business and will continue to strengthen the team as we move into 2020.

The implementation of our quality management policies, procedures and processes is key to Element delivering on its commitments, each and every day. Our approach to governance is robust and we recognize that adherence to our procedures and processes ensures sustained product safety, compliance to specifications and the ongoing trust of our customers.

With trust comes integrity, and demonstrating our value of integrity has been a key theme throughout the year, with discussions around ethics and integrity taking center stage during senior leadership meetings and in communications with our colleagues. Training materials have been developed and training sessions delivered to heighten the profile of integrity so that the concept is more widely understood and discussed, as well as to emphasize its importance in everything we do at Element.

Element is focused on operational excellence and quality improvement. Our quality and operational excellence teams have worked together this year to design and implement a problem solving methodology designed to find the root cause of problems and devise sustainable solutions to prevent recurrence. It is tailored to our business needs, and provides a consistent and thorough approach to problem solving and business improvement and will be fully rolled out in 2020.

As Element delivers testing, inspection, calibration and certification services to world leading companies across the globe, we have taken the opportunity to work with a number of customers throughout the year to further understand their expectations in terms of supply chain management. The discussions have been productive, our partnerships have strengthened and we continue to commit to deliver on time and on quality to support them.

OPERATIONAL EXCELLENCE

Operational Excellence within Element is a culture of continuous improvement across all aspects of everything we do. It is the small improvements and marginal gains that we can all make daily that will help us remove variation, increase efficiency and continue to deliver a best in class service to our customers.

One of our three priorities for the year, Operational Excellence became a driving force across the whole business. The approach was both top down and bottom up. At quarterly get-togethers, senior leaders were trained in the basic concepts and tools of Operational Excellence. These sessions were also used to clearly articulate the vision that we have for Operational Excellence: that it becomes part of Element's DNA. Alongside this leadership, development experts coached leaders on their role in helping to achieve this.

The focus of local teams was to drive the implementation of standard operational tools: 5S – a tool to have a safe, structured and efficient working environment; and Safety, Quality, Delivery & Cost (SQDC) – a tool to implement a daily operating rhythm into the business to drive actions and accountability for performance management.

With 5S and SQDC embedded in the business, a number of improvements have been delivered, such as:

- Improvement in on-time delivery (OTD) and reduction in turnaround times (TAT) in Aerospace Nordics
- Increased adoption of Rapid Deployment requests to help solve operational issues
- Rancho Dominguez UT Utilization improvement of 30% throughput increase after two months of focus
- Support in operational dashboards for KPIs and visibility of capacity
- Solved several technical equipment issues through collaboration with equipment group in Cincinnati

2019 also saw the introduction of Total Productive Maintenance (TPM), a tool to manage and promote proactive maintenance with the goal of eliminating unscheduled downtime. Over 20 locations have already adapted to this proven methodology.

Through these tools and with focused management attention, Element made good progress on its transformation journey towards Operational Excellence in 2019, and we started to see an increase in throughput, positive responses from customers and improvement in our operational KPIs of OTD and TAT.

In addition to the Element-wide rollout of standard tools, dedicated support was given to four focus locations (Huntington Beach, Charlotte, Hillsboro NDT and Warrington) and projects were developed to increase throughput and improve TAT, OTD and first time right (FTR). Through focused resource and effort, throughput in one site increased for real-time technology (RTT) testing by more than 40% in only six weeks.

To support these improvement activities, our team of dedicated Operational Excellence managers has been expanding. By year-end 2019, there were 12 full time Operational Excellence managers active within Element, spread across all sectors and geographies. Their profile and numbers will continue to grow in 2020 as we further embed Operational Excellence into the business.

EXCELLENCE IN ACTION

SOLVING CUSTOMER CHALLENGES

Case Study
Transportation & Industrials

Element Detroit's sled testing investment and strategic partnership meets US Transportation market demand.

There was a gap in the North American Transportation market for independent testing to provide market leading capability and capacity in the strategically important sled testing market, to meet demand from OEMs and Tier 1 suppliers. To achieve this market leading position, Element invested US \$5m in a unique electromagnetic sled, which we believe has the highest level of accuracy, repeatability and efficiency of any sled system currently available on the market.

The sled system is based in our Element Warren Detroit laboratory in Michigan, US, and has a number of features that will drastically reduce turnaround times for our customers. It uses an electrical energy storage system rather than a traditional pneumatic system, reducing regeneration times from 30 minutes to just 30 seconds between shots. The enhanced accuracy of the electric system removes the need to repeat calibration shots and in the majority of cases, pulse matching is within 5% of the target or less. An independent E Liner camera system will also be used in conjunction with the sled, allowing for automated positioning of six cameras and the elimination of unwanted camera motion associated with traditional outriggers.

From the latest high-speed cameras to the dummy positioning system, every component that has gone into this sled system is an example of the latest available technology in the market and we

believe it gives us a unique capability which now extends to include the only electromagnetic sled of its kind in North America. This significant extension of our capabilities is a clear demonstration of our commitment to our customers in the Transportation sector, ensuring that they benefit from the significant increase in efficiency, repeatability and accuracy of this new system.

To further meet the needs of our customers, our Detroit Transportation team is working with another market leader, Humanetics, to deliver this service. Element partnered with Humanetics on the design of the test cell and purchased the sled, anthropomorphic test dummies (ATDs) and a dummy positioning system (DPS) from Humanetics, world leaders in the design and manufacture of crash dummies. Humanetics work very closely with the National Highway Traffic Safety Association (NHTSA) and the Insurance Institute of Highway Safety (IIHS). Both organizations are responsible for developing safety standards and crash ratings in the US, placing Humanetics at a great advantage when developing their products for market.

Element's investment in sled technology and partnership with Humanetics, together with continued investment in the existing capability of the laboratories, is the next step in the Transportation North America Division's journey to become a world class center of excellence for seat structure and seat materials validation.





EXCELLENCE IN ACTION

SUCCESSFUL RELATIONSHIPS

Case Study Aubert & Duval

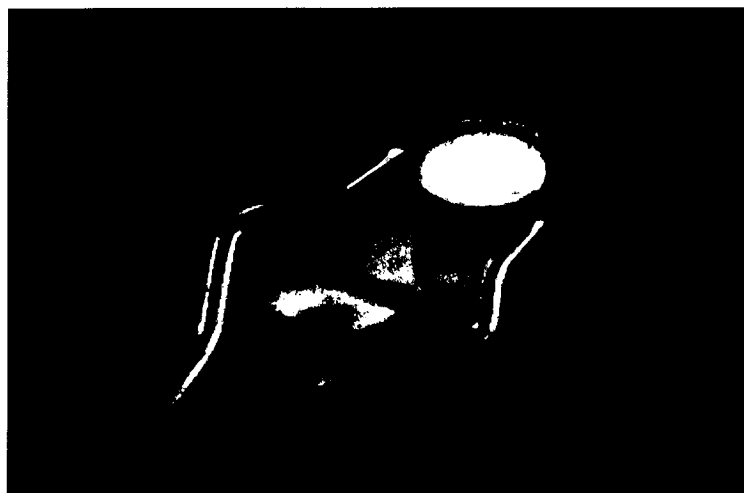
At Element we understand that the delivery of products is key to our customers – as a result, we always look for ways to resolve the issues that they face. One such client is Aubert & Duval (A&D), a specialist in upscale metallurgy and a world leader in designing, developing and industrializing high-performance steel, superalloy, aluminum and titanium parts.

A&D is one of Element's longest standing customers and over the last 20 years we have worked in partnership with them successfully providing a wide variety of testing services for several of their products across a number of global locations.

In late 2018, A&D was in urgent need of additional fatigue testing as they needed to deliver parts to their customers with critical lead times. The majority of the fatigue testing is performed in the Element Toulouse laboratory. Given that this facility was operating at full capacity we looked for other ways to continue to meet the customer's need for support.

Our colleagues engaged with other laboratories, including Lancaster in the UK, and Cincinnati in the US, where the capacities could be adapted to run this specific fatigue testing program. Test engineers from these support laboratories were equipped with the relevant tools and safety measures, which enabled Element to successfully deliver over 600 tests for our client between March and April 2019. This resulted in A&D's lead times for product delivery being met on time and on budget.

The transfer of capacity across these locations clearly demonstrates the agility and willingness to go above and beyond to meet our customers' needs. This not only illustrates our partnership with and commitment to our customers, but also the benefit of Element's global network of capabilities and laboratories.



Current
626.7V
50.2Hz
Mean
87.526V
49.967Hz

ACQUISITIONS AND INTEGRATION

From humble beginnings, Element has transformed itself into a global leader, recognized for supporting customers operating in some of the most complex and advanced industrial supply chains.



Min	Max	Std Dev	Count
16.5V	660.0V	187.89V	27.61k
23.4Hz	470.0Hz	3.4805Hz	27.59k

Settings

Clear Meas

Statistics

ACQUISITIONS AND INTEGRATION

Element continued its strong track record of M&A activity in 2019, expanding our testing capabilities and physical footprint by acquiring four new businesses and marking the completion of the Exova integration program.

COMPLETION OF SUBSTANTIAL INTEGRATION

In the second quarter of 2019 we completed the integration of global testing business Exova. The acquisition, the second largest in the history of the Testing, Inspection and Certification (TIC) sector, required tremendous leadership, teamwork, resilience and project management to conclude. The project was delivered by entirely in-house capability and expertise.

The scope of the integration program covered 135 locations; 4,400 colleagues; five CRM systems; 61 LIMS systems; five external and internal websites and 16 customer portals. The Group also aligned a number of closely located laboratories, creating centers of excellence in Detroit, Michigan for Transportation; Huntington Beach, California for Aerospace and Aberdeen, UK and Houston, Texas for Energy. The successful integration and rebrand was completed in seven major phases across the Americas, Asia, Australasia, Europe, the Middle East and Africa and saw on average, one laboratory rebranded every four working days.

As a result of the coming together of the two businesses, Element more than tripled its scale and created an interconnected global network of 186 laboratories in more than 30 countries with over 6,600 talented and engaged experts.

GROWTH THROUGH ACQUISITIONS

MIDWEST TESTING LABORATORIES

In July 2019 we acquired Midwest Testing Laboratories (MTL) based in Detroit, Michigan, to strengthen our position across environmental and corrosion testing for the transportation industry in the US.

MTL specializes in cyclic corrosion testing, environmental and corrosion testing of raw materials, semi-finished and finished components which offers a complementary service extension to Element's chemistry, destructive and metallurgical testing strength across North America.

MTL was successfully integrated into Element Wixom, with all MTL employees joining the laboratory.

EMV TESTHAUS

EMV Testhaus GmbH was acquired to strengthen our position in the German, Austrian and Eastern European PQT markets, especially in electromagnetic compatibility (EMC), wireless, product and safety testing for customers across technology, medical and automotive.

Through the acquisition of EMV Testhaus we expanded our existing EMC testing capabilities, an important offering to customers who need to test the electromagnetic compatibility of their products to ensure compliance with industry accreditation standards.

EMV Testhaus has a laboratory in Germany and a branch office in Taiwan, which will both be fully integrated into Element in Q1 2020.

AEROTECH

The third acquisition of 2019 was Aerotech Inspection and NDT Ltd (Aerotech), a UK-based non-destructive testing (NDT) business providing radiography services to the aerospace industry.

Aerotech's primary service area is radiography, covering digital, film, and high energy, with further capabilities in computed radiography capabilities, dye penetrant inspection, magnetic particle inspection, and ultrasonic inspection.

Aerotech was established in 2004 and is headquartered in Cradley Heath, West Midlands, with additional facilities in Yeovil and a further on-site customer location. Aerotech is one of a limited number of independent, Nadcap accredited NDT specialists remaining in the UK and has longstanding customer relationships with metal casting companies across the country.

In combination with Element's current capabilities, the acquisition of Aerotech strengthened our service offering to our clients in NDT testing.

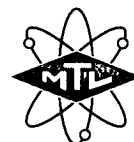
PCTEST

The final acquisition of the year marked a significant and exciting strategic step for Element when we acquired industry leading connected technologies business, PCTEST Engineering Laboratory (PCTEST). The acquisition will significantly strengthen Element's position in testing and certification services within the mobile device, wearables and network connectivity regulatory and compliance sector. PCTEST will form the core of the new fifth sector, Connected Technologies.

Following the acquisition, we announced the creation of an entirely new Connected Technologies sector that will serve a wide range of customers from 17 laboratories covering the US, UK, Germany, China, Japan, Korea and Taiwan.



TESTHAUS



The new sector will harness the commercial and technical synergies of Element's existing strength in wireless, safety and EMC testing, alongside PCTEST's recent significant investments behind 5G testing capability and a full suite of connected devices testing and certification services. We anticipate significant crossover opportunities across our other sectors, and in particular within the Transportation & Industrials sector in respect of autonomous and electric vehicle testing.

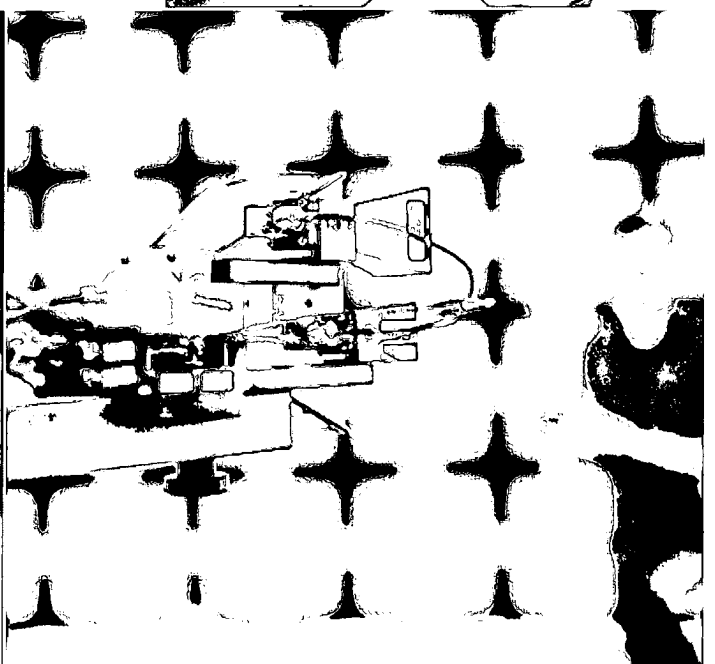
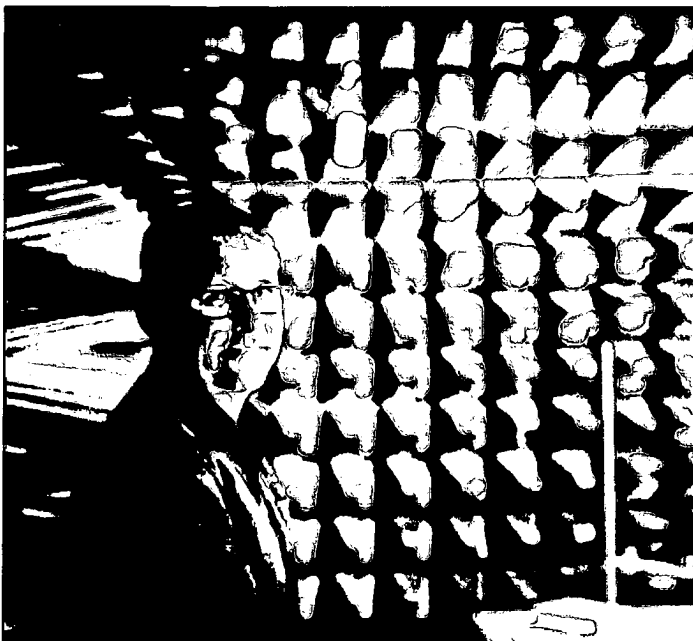
Headquartered in Columbia, Maryland where it has three facilities, PCTEST also operates two laboratories in Silicon Valley, California, US, one in Ibaraki, Japan, and another in the region of Suwon, in South Korea. PCTEST will be integrated during 2020.

CONNECTED TECHNOLOGIES










CONNECTED
TECHNOLOGIES

Applying our expertise to serve some of the world's leading technology companies.



GLOBAL ACQUISITIONS

























2011	2012	2013	2014
 <small>SINCE 1913</small>	 	  <small>an Emerson Automation Solutions Company</small>	 

ARCTIC
OCEAN


NORTH
PACIFIC
OCEAN

INDIAN
OCEAN

2015	2016	2017	2018	2019
  	 	        	   	   

BOARD OF DIRECTORS

The Board provides leadership to the Group and the directors promote the success of the Company. The Board promotes the Group's culture, purpose and strategy. The Board is responsible for the proper management of Group strategy and direction. It oversees the activities and direction of the Group.



ELEGANT

BOARD OF DIRECTORS

JO WETZ

Jo was appointed CEO of the Element Group in 2019, having been the Group CFO since 2012 and prior to this a Board member of the Group since the buyout from Stork in 2010.

A chartered accountant by training, Jo spent his early career in private equity and invested in a number of global testing businesses both in Europe and the US, including leading the buyout of Element in 2010.

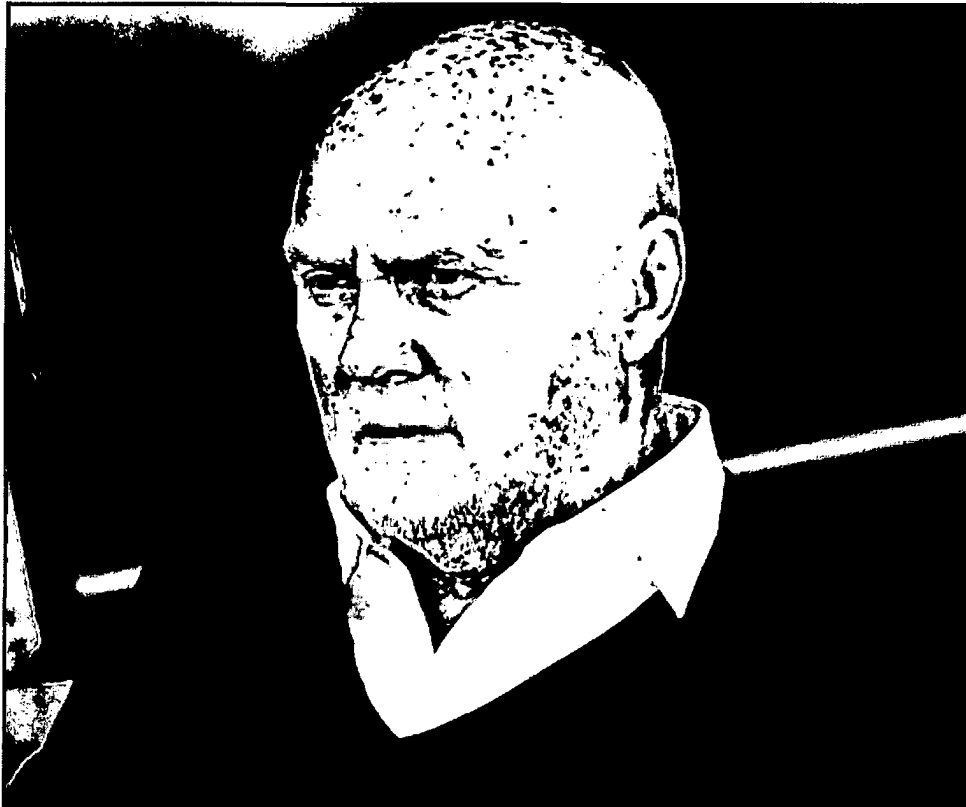
Jo has been instrumental in growing Element from 20 locations in five geographies at the time of the buyout in 2010 into a global business with almost 200 locations in more than 30 countries with circa 7,000 colleagues, through a combination of strong organic growth and the integration of 28 acquisitions. Over the last ten years at Element he has led the buyouts with 3i and Bridgepoint as well as the significant minority investment in Element by Temasek.



NIALL MCCALLUM

Niall is currently interim CFO and is responsible for all the finance, procurement, tax and IT activities within the Group. In his previous role of Group Finance Director, Niall was responsible for the finance operations of the business and for finance transformation across the Group. Niall has responsibility for the sector finance teams globally, ensuring optimum financial performance, controlled investments in capex and management of working capital. In addition, Niall is focused on ensuring best-in-class finance organization, processes and systems to support our growth trajectory, including the successful integration of acquisitions. Niall has led a number of successful refinancing processes, including the recent minority investment by Temasek. Niall joined Element in 2017, following a number of years at Capita plc as a Divisional Finance Director. Prior to this, he was an Investment Director at a mid-market UK private equity fund. Niall started his career at KPMG, where he qualified as a Chartered Accountant and worked in corporate finance.





ALLAN LEIGHTON

Allan is a Non-Executive member of the Element Materials Technology Group Board. He has had an extensive and varied business career holding a series of high profile roles for major corporations in the food retail, FMCG and communications sectors including that of Chief Executive of Asda and Non-Executive Chairman of the Royal Mail. In addition to his role on the Board of Element, he is currently Non-Executive Chair of the Co-operative Group; Chair of the Canal & River Trust; Chairman of Allbright; Chairman of C&A AG; Non-Executive Chairman of Simba Sleep; and Non-Executive Director of the Restaurant Group.

Allan holds an honorary degree from Cranfield University, an honorary fellowship from the University of Lancaster and a Doctorate in Business Administration from York St John University.

CHRIS BUSBY

Chris is a Partner of Bridgepoint with responsibility for Investment activities across Northern Europe having previously run the UK. Chris sits on the firm's Group Board, Operating Committee and is a member of its Investment Advisory Committee.

Chris joined Bridgepoint in 1997. He spent his first five years with Bridgepoint helping establish the Nordic office and is now based in London. In addition to his role on the Board of Element Materials Technology, he also sits on the Board of Vermaat in the Netherlands and Pharmazell. He has worked on a number of transactions including LGC, ERM and Pret A Manger.

Chris holds a BSc from Exeter University and is ACA qualified from his time spent working at PwC prior to joining Bridgepoint.



BOARD OF DIRECTORS

RAOUL HUGHES

Raoul is a Partner of Bridgepoint with Group-wide responsibilities. He joined Bridgepoint in 1988 and is based in London and New York. He is vice-chair of Bridgepoint and currently heads its operations in North America where he is president of Bridgepoint LLC as well as a member of the boards of Bridgepoint Group, BDC and Bridgepoint Credit and the Firm's Investment Advisory Committees. He chairs BDC's Investment Advisory Committee and the Group's Remuneration Committees. Raoul also sits on the boards of Kyriba and STH in the US. Raoul has worked extensively on investments across Europe and has a degree in Business Administration from the University of Bath where he supports a number of PhD programs.



CHARLES NOALL

Charles is a non-executive director and Board member at Element. Between 2003 and 2019 Charles was President and CEO of the Group.

After leading its predecessor, Stork Materials Technology for eight years, Charles successfully led the original management buy-out of Element from Stork BV in 2010. In the nine years that followed, an ambitious growth program saw Element become the fastest growing independent materials and product qualification testing company in the world, employing almost 7,000 engaged experts in nearly 200 laboratories. Under his leadership the Group's revenues grew from US \$60m to over US \$820m as Element dramatically expanded its testing operations to cover five end markets across 32 countries.

In 2015, Charles led the transfer of the company's ownership from its original private equity sponsor, 3i, to its current financial sponsor Bridgepoint. Two years later, he drove the acquisition of Exova plc, a larger competitor and then oversaw a comprehensive integration program that culminated in Element becoming a truly global testing, inspection and certification partner serving over 50,000 customers worldwide.

With a new minority investor, Temasek, on board and further funding for growth secured, Charles stepped down from his role as CEO in December 2019.



RANJIT DANDEKAR

Ranjit is a Managing Director at Temasek with responsibility for investments in the Industrials, Business Services and Energy sector and the EMEA region.

Ranjit joined Temasek in 2004. He spent 12 years in Singapore focusing on Temasek's investments in Natural Resources and has been based in London since 2016. He also sits on the Board of Magris Resources Inc., a Canadian mining company.

Ranjit holds an MBA from INSEAD and an MSc from the University of Southampton. Prior to joining Temasek, he started his career at ABB Equity Ventures, a Switzerland based global infrastructure investor.

CORPORATE GOVERNANCE REPORT

STATEMENT OF DIRECTORS' RESPONSIBILITIES FOR PREPARING THE FINANCIAL STATEMENTS

The directors present their annual report and the audited financial statements for Element Materials Technology Group Limited for the year ended 31 December 2019. The Corporate Governance Report includes the Directors' Report on pages 60 to 63 which contains certain statutory disclosures.

The Strategic Report on pages 16 to 55 contains a description of the Group's business model and information relating to the performance of the Group's business during the financial year, the position of the Group at the end of the year, and likely future developments.

WATES CORPORATE GOVERNANCE PRINCIPLES FOR LARGE COMPANIES

The Element Group has over 6,600 colleagues working from 199 sites in over 30 countries around the world. Element is committed to operating in accordance with the highest standards of corporate governance. The Company is a holding company employing fewer than 2,000 employees. The Company does not meet the qualifying conditions for the financial year to report against the Wates Corporate Governance Principles for Large Private Companies published by the Financial Reporting Council in December 2018. The Board is, however, accountable to shareholders and given that on a consolidated basis the Group would meet the qualifying conditions, is committed to meeting the standards of corporate governance for large private companies as set out in the Wates Corporate Governance Principles for Large Private Companies. This report describes how the Board has applied the main principles of good corporate governance during the period of review, being the year ended 31 December 2019.

PURPOSE AND LEADERSHIP

Element is one of the world's leading independent providers of testing, inspection and certification services. We provide services to a diverse range of industries, where failure in service is not an option. At Element, we help to make certain that the materials and products we test, inspect and certify for our customers are safe, quality, compliant and fit for purpose. Our mission is to be the best testing partner in the world and our vision is to be the world's most trusted testing partner.

Our four brand values drive our everyday behavior:

- Safety: we keep our colleagues and visitors safe;
- Integrity: we act honestly and fairly to do the right thing;
- Excellence: we set new standards of excellence in everything we do; and
- Partnership: we work together for the benefit of our customers.

Our management team has built a people-first, collaborative culture that enables us to deliver on our commitments. Our passion for testing is demonstrated through our technical, commercial and operational excellence.

The Board provides leadership to the Group and the directors promote the success of the Company. The Board promotes the Group's culture, purpose and strategy. The Board is responsible for the proper management of Group strategy and direction. It oversees the activities and direction of the Group.

The Board meets every month to review the overall performance of the business and also to determine Group-wide strategies and performance. The Board ensures that the Group has the necessary financial and human resources in place to meet its objectives, review management performance and strategy against set objectives and help to deliver long-term success. Details of the matters specifically reserved for the Board are set out on page 61.

BOARD COMPOSITION

The Board is responsible for the management of Group strategy and the long-term success of the Company. It also oversees the activities and direction of Element Materials Technology Group Limited.

The Board currently has seven members and includes a combination of Executive and Non-Executive Directors. It comprises the Non-Executive Chairman, two Executive Directors and four Non-Executive Directors. The Board benefits from the wide range of sector experience of its Directors. Details of the Directors and their biographies can be found on pages 50 to 55.

Allan Leighton is a Non-Executive Director and Chairman of the Board. He has had an extensive and varied business career holding a series of high profile roles for major corporations in the food, retail, FMCG and communications sectors including that of Chief Executive of Asda and Chairman of the Royal Mail.

On 31 December 2019, Jo Wetz succeeded Charles Noall as Chief Executive Officer. Jo previously served as Chief Financial Officer

and was responsible for all financial, legal, tax, procurement and IT activities within the Group. Charles Noall remains as a Non-Executive Director allowing the Group to benefit from his extensive industry knowledge and sector experience.

On 31 December 2019, Niall McCallum was appointed as Chief Financial Officer on an interim basis. Niall has been with the Group since 2017 and is now responsible for all financial, tax, procurement and IT activities across the Group. Prior to this role, Niall was Group Finance Director and he remains responsible for the financial operations of the global sector finance activities in addition to ensuring that acquired companies and businesses are integrated with the optimal financial processes and systems.

Chris Busby (a Non-Executive Director) and Raoul Hughes (a Non-Executive Director) are both partners at Bridgepoint which manages funds holding a majority shareholding in the Company. They both have extensive sector and international experience and make a significant contribution to the activities of and decisions made by the Board.

On 22 July 2019, Ranjit Dandekar (a Non-Executive Director) joined the Board. He is a representative of Temasek, a minority shareholder of the Company and brings significant international experience to the Group, in particular through Temasek's strong presence in Asia.

The roles of the Chairman and Chief Executive Officer are separate, clearly defined, set out in writing and approved by the Board. The Chairman is responsible for leadership of the Board and ensuring its effectiveness. The Chairman sets the agendas and timetables for Board meetings, facilitating debate and dialogue during the meetings. The Chief Executive Officer is responsible for the day to day leadership of the Group's business and managing it within the authorities delegated by the Board.

Ongoing training and development is provided to all Directors to ensure that they keep abreast of relevant regulatory and legislative requirements. During 2019, the Board was briefed on a range of subjects including: monitoring risk management and internal controls; the Group's financial processes; operational excellence and safety initiatives, taxation matters; the UK Modern Slavery Act 2015; anti-bribery and whistleblowing.

Directors may seek independent professional advice at the Company's expense where they consider it appropriate in relation to their duties.

DIRECTOR RESPONSIBILITIES

Accountability

The Board has established and maintains corporate practices that provide clear lines of accountability and responsibility to support effective decision-making.

The Board is responsible to shareholders for providing leadership and setting the values and standards of the Company and the Group. The Board approves the Group's business strategy and objectives, budget and forecasts and any material changes to them. It reviews significant investment proposals and the performance of past investments and maintains an overview and control of the Group's operating and financial performance. The Board sets policies for monitoring the Group's overall system of internal controls, governance and compliance and ensures that the necessary financial and human resources are in place for the Company to meet its objectives.

The Board has adopted a schedule of matters reserved for its attention, details of which are set out in the Directors' Report.

The Board believes that documented roles and responsibilities for Directors, with a clear division of key responsibilities between the

Chairman and the Chief Executive Officer, are essential elements in the Group's governance framework and facilitate the effective operation of the Board. Accordingly, the Board has agreed the division of responsibilities between the Chairman and the Chief Executive Officer.

The Non-Executive Directors scrutinize the performance of the Management. They also have a prime role in succession planning for the Executive Directors.

Committees

The Board has delegated specific responsibilities to the Audit and Remuneration Committees to assist it with the direction and control of the Group. These committees, together with the Group Executive Committee, are the principal operating committees of the Group. A Compliance Committee has also been established which will meet at least twice in 2020. If the need should arise, the Board may set up additional committees as appropriate.

Integrity of Information

Detailed papers and presentation materials are circulated in advance of Board and Committee meetings to each of the Directors to allow Directors to be properly briefed in advance of meetings. Board and Committee packs include detailed financial and operational information. Presentations are given at the meetings and minutes of previous meetings and the status of agreed actions are considered. Separate strategy meetings and meetings with senior executives are also held throughout the year.

Key financial information is provided from the Group's accounting and financial systems. The Group's finance team is appropriately qualified to ensure the integrity of this information and is provided with the necessary training and support to keep up to date with regulatory change. Financial information is currently audited by EY on an annual basis. The Group's financial controls are also reviewed by the Group's internal audit function.

OPPORTUNITY AND RISK

Opportunity

The Group considers its long-term opportunities to create and preserve value as part of its annual strategy review. As described in the Strategic Report, the Group's key objectives include driving strong organic growth across the business; attracting, retaining and developing technical talent; and investing and growing the business through targeted capital expenditure investment and mergers and acquisition activity. The Board promotes these activities with the aim of making the Group the best and most trusted testing partner in the world.

Risk

The Board has carried out a robust assessment of the principal risks and uncertainties facing the Company and how those risks affect the prospects of the Company. Please refer to page 28 for further information on the Company's principal risks and uncertainties and their impact on the prospects of the Company.

The Board leads on the establishment of internal controls and transparent policies that underpin our values and reflect our commitment to conducting business with honesty and integrity wherever we operate. These controls and policies range from health and safety, quality, anti-bribery and corruption to trade compliance and whistleblowing. Policies are widely communicated to colleagues and reinforced through targeted programs and training, as required, to ensure they are understood and adopted.

CORPORATE GOVERNANCE REPORT

Element has in place the necessary governance and organizational structures to provide appropriate levels of oversight in audits, risk management and potential conflicts of interest. This is supported by a Group Internal Audit Director who heads a dedicated internal audit function which has significantly enhanced the review and governance of our operations.

RESPONSIBILITIES

The Group has put in place a range of operating rules, processes, best practices and operating standards. The Board approves a number of reserved matters including mergers and acquisitions, capital expenditure above stated levels, contracts above certain values and other matters. This helps promote the long-term sustainable success of the Company.

REMUNERATION

The Remuneration Committee scrutinizes the performance of the Management and is responsible for determining levels of remuneration of the Executive Directors of the Company and such other senior employees as the Board may determine from time to time. Remuneration is set at a level which allows the Company to attract and retain the best talent who can help deliver the Company's strategic plans.

The Remuneration Committee makes recommendations to the Board in relation to the Group's remuneration strategy, recruitment and incentivization of senior executives. In doing so, the Committee takes advice from independent external remuneration consultants and advisers in relation to best market practice, remuneration benchmarking, diversity of senior management and legislative developments.

The Group ensures that colleagues are treated fairly and equally regardless of age, gender, nationality, ethnic origin, religion, marital status, disability and sexual orientation. Decisions are made free from bias and we provide a working environment that is respectful, engaging and creates opportunities for all.

STAKEHOLDER RELATIONSHIPS AND ENGAGEMENT

With a diverse team spread across our laboratories and offices worldwide, the effectiveness of our communications is key to ensuring that all our people are aligned with the business strategy and are fully aware of the role that they play in making Element successful.

Our People

Element is defined by its people and we are committed to supporting all colleagues across the Group through programs which keep them safe, healthy, engaged, recognized and rewarded. The Group places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on the various factors affecting the performance of the Group and the Company.

How we listen and engage:

- CEO roadshows;
- formal and informal meetings;
- regular Group-wide town hall meetings;
- regular initiatives such as One Element Week and Safety Weeks;
- regular Group Communications and newsletters;
- the Company's intranet site;
- presentations for employees of the financial and operational performance of the Group; and
- Employee representatives are consulted regularly on a wide range of matters affecting their current and future interests.

Further information can be found at the People section on pages 34 to 37 and Directors' Report on pages 60 to 63.

Our Customers

Customers are at the heart of everything we do.

How we listen and engage:

- Key Accounts Management programs;
- Net Promoter Score (NPS) program;
- feedback processes through online and traditional channels; and
- the Board receives updates on matters relating to customers (e.g. results of customers surveys)

Further information can be found in the Excellence in Action section on pages 38 to 43.

Our Investors / Shareholders

How we listen and engage:

- Investor meetings;
- ongoing dialogue with the Company's major shareholders through a program of meetings;
- Shareholders Communication;
- detailed papers and presentation materials are circulated in advance of Board and Committee meetings to each of the Directors; and
- Board approval of the full year results and the Annual Report and Accounts.

Our Supply chain

We are developing long-term, collaborative supply chain partnerships and aim to work responsibly with our suppliers.

How we listen and engage:

- we utilize tender processes and supplier pre-qualification questionnaires to ensure responsible procurement;
- other members of the Executive Team meet with the Group Procurement Director to understand strategic procurement activities globally and supply chains where relevant; and
- annual review and approval of the Modern Slavery Statement by the Board.

Community and environment

Our approach to corporate responsibility is founded on Element's values; Safety, Integrity, Excellence and Partnership. 2019 has seen the business mature and grow exponentially, with corporate responsibility continuing to play a central role in ensuring we meet stakeholder expectations and our commitment to conduct business responsibly and ethically to protect the health and safety of all our team members, visitors and the communities in which we operate.

Further information can be found in the Corporate Responsibility section on pages 30 to 33.

The Company provides a confidential whistleblower service, which is managed by a specialist third party provider, across our global business, giving all colleagues and third parties the opportunity to raise concerns. The service encompasses a telephone hotline, email and web-based reporting facility and is available in relevant languages in all countries in which Element has a presence. This service may be used to report incidents of wrongdoing including fraud, bribery and corruption, discrimination, bullying or harassment, supplier labor practices, modern slavery, tax evasion, breach of competition laws, health, safety and quality matters and environmental concerns. Any whistleblowing reports are reviewed and investigated appropriately.



DIRECTORS' REPORT

THE DIRECTORS PRESENT THEIR REPORT AND THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019.

The principal activities of the Group are Materials and Product Qualification Testing. A description and review of the Group during the financial year and indications of future development is set out in pages 16 to 55 within the Strategic Report that also incorporates the requirements of the Companies Act 2006.

STATEMENT OF DIRECTORS' RESPONSIBILITIES FOR PREPARING THE FINANCIAL STATEMENTS

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 Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and the Parent Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 101 "Reduced Disclosure Framework".

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 year.

In preparing the Parent Company 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.

In preparing the Group financial statements, International Accounting Standard 1 requires that Directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the Company's ability to continue as a going concern.

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.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

DIRECTORS

The Directors who served throughout the year and subsequently were as follows:

- Allan Leighton
- Christopher Busby
- Charles Noall
- Joseph Wetz
- Raoul Hughes
- Ranjit Dandekar – appointed 22 July 2019
- Niall McCallum – appointed 25 February 2020

ORGANIZATIONAL STRUCTURE

Element Materials Technology is led by a dynamic group of individuals with years of experience in their respective leadership and management fields. The Board meets every month to review the overall performance of the business and also to determine Group-wide strategies and priorities. Details of the Board members are set out on pages 50 to 55.

The Board is responsible for the proper management of Group strategy and direction. It oversees the activities and direction of the Group.

THE BOARD'S RESPONSIBILITIES

The Board is responsible to shareholders for providing leadership and setting the values and standards of the Company and the Group. The Board has adopted a schedule of matters reserved for its attention. The Board approves the Group's business strategy and objectives,

budget and forecasts and any material changes to them. It reviews significant investment proposals and the performance of past investments and maintains an overview and control of the Group's operating and financial performance.

The Board sets policies for monitoring the Group's overall system of internal controls, governance and compliance and ensures that the necessary financial and human resources are in place for the Company to meet its objectives.

The Board believes that documented roles and responsibilities for Directors, with a clear division of key responsibilities between the Chairman and the Chief Executive Officer, are essential elements in the Group's governance framework and facilitate the effective operation of the Board. Accordingly, the Board has agreed the division of responsibilities between the Chairman and the Chief Executive Officer.

Chairman

Allan Leighton is the Chairman of the Board. He is responsible for the leadership and overall effectiveness of the Board and setting its agenda, but takes no part in the day-to-day running of the business.

The Chairman's key responsibilities include:

- running the Board effectively by ensuring meetings are held with appropriate frequency and the Board's agenda reflects the important issues facing the Group, with an emphasis on strategic rather than routine issues;
- ensuring the Board determines the significant risks the Group is willing to take in the implementation of its strategy;
- encouraging all Directors to contribute fully to Board discussions and ensuring that sufficient challenge applies to major proposals;
- fostering relationships within the Board and providing a sounding board for the Chief Executive Officer on important business issues;
- identifying development needs for the Board and Directors;
- leading the process for evaluating the performance of the Board, its Committees and individual Directors;
- ensuring effective communication with major stakeholders; and
- Chairman of the Audit Committee.

Chief Executive Officer

Charles Noall was the Chief Executive Officer of the Group during the financial year ended 31 December 2019. He stepped down from the role of President and CEO on 31 December 2019 and was succeeded by Jo Wetz. The Chief Executive Officer reports to the Chairman and to the Board directly. The Chief Executive Officer is responsible for leadership of the Group's business and managing it within the authorities delegated by the Board.

The Chief Executive Officer's key responsibilities include:

- managing the Group on a day-to-day basis within the authority delegated by the Board;
- developing and proposing the Group strategy, annual plans and commercial objectives to the Board;
- leading the executive team in the day-to-day management of the Group;
- identifying and executing strategic opportunities for the Group;
- maintaining a dialogue with the Chairman and the Board on important strategic issues facing the Group;
- ensuring that the development needs of the Executive Directors and senior management are met;
- making plans for the succession and replacement of key personnel; and
- recommending budgets and forecasts for Board approval.

Board reserved matters

The Board reserved matters are set out in the Investment Agreement. Decisions on operational matters are delegated to the Executive Directors under documented policies and procedures. In advance of scheduled Board meetings, each Director receives documentation providing updates on the Group's strategy, finances, operations and development. A formal schedule of matters reserved for Board approval is in place which includes matters relating to:

- the Group's business strategy and objectives, budget and forecast and any material changes to them;
- changes in capital structure;
- approving the Annual Report & Accounts including the Corporate Governance Report;
- ensuring the Group has effective systems of internal control and risk management in place, including approving the Group's risk appetite and procedures for the detection of fraud and the prevention of bribery;
- approving major capital projects, corporate actions and transactions;
- reviewing the performance of the Board and its committees and the Group's overall Corporate Governance framework; and
- approving other matters reserved for decision by the Board by law or where likely to have a material impact on the Group's finances, operation, strategy or reputation.

EXECUTIVE TEAM

Element Materials Technology is led by an Executive Team with many years of experience in their respective leadership and management fields. The Executive Team meets regularly to review the overall performance of the business and also to determine Group-wide strategies and priorities.

DISABLED EMPLOYEES

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

EMPLOYEE CONSULTATION

The Group places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on the various factors affecting the

DIRECTORS' REPORT

performance of the Group and the Company. This is achieved through formal and informal meetings, the Company newsletter, the Company's internet site, Element Connect and presentations for employees of the financial performance of the Group. Employee representatives are consulted regularly on a wide range of matters affecting their current and future interests.

PROPOSED DIVIDEND

Interim dividends of US \$7.2 million were paid in the year (2018: US \$2.8 million). The Directors do not recommend the payment of a final dividend (2018: \$nil).

POLITICAL CONTRIBUTIONS

The Group made no political donations or incurred any political expenditure during the year.

PRINCIPAL RISKS AND UNCERTAINTIES

The Group is exposed to a variety of risks and actively manages them through risk management procedures. Whilst risk cannot be eliminated altogether, actions are taken to mitigate risk wherever possible.

The risks that the Group is exposed to are presented in the Principal Risks and Uncertainties report on page 28.

In accordance with its risk management guidelines, the Group raises awareness of business risks at all operational management levels, and encourages all management teams to assess and minimize risk. The Group ensures the appropriate cover of all essential liability and claims risks.

Details of the Group's financial risk management objectives and policies of the Group and exposure to foreign exchange risk, interest rate risk, credit risk and liquidity risk are given in note 23 to the consolidated financial statements.

GOING CONCERN

The Directors have a reasonable expectation that the Group as a whole has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in the accounts.

A full description of the Group's business activities, financial position, cash flows, liquidity position, committed facilities and borrowing position, together with the factors likely to affect its future development and performance, is set out in the Strategic

Report, including the Financial Review, and in note 23 to the financial statements.

The Group's business activities, together with factors likely to affect its future development, performance and position are considered

by the Directors on an annual basis. In addition, notes 21 and 23 include details of the Group's treasury activities, long-term funding arrangements, financial instruments and financial risk management activities.

During the 2019 financial year the company generated a loss of US \$161.4 million (2018: US \$131.4 million) which is mainly driven by finance costs of US \$229.6 million (2018: US \$212.3 million) and non-cash items such as depreciation of US \$59.6 million (2018: US \$56.8 million) and amortization of US \$69.8 million (2018: US \$68.7 million). Management's key focus is the adjusted EBITDA which has remained in line with prior year at US \$236.0 million (2018: US \$235.9 million). The operating profit for the year was US \$65.6 million (2018: US \$55.2 million).

The net current liability position in 2019 was US \$22.9 million compared to the prior year net current asset position of US \$116.1 million, the main driver of this movement is an increase in net debt, at 31 December 2019, overall net debt was US \$2,134.3 million (2018: US \$1,869.2 million). Net cash generated through operating activities was US \$143.3 million (2018: US \$155.7 million) with closing cash of US \$66.5 million in 2019 (2018: US \$87.7 million).

As highlighted in note 23 to the Group financial statements, the Group meets its day-to-day working capital requirements from the positive cash flows generated by its trading activities and its available cash resources. These are supplemented when required by additional drawings under the Group's revolving credit facilities and capex/acquisition facilities. At 31 December 2019 these have a combined total of US \$118.9 million which have increased to US \$248.0 million of cash available as at date of signing these accounts.

The Directors have considered the impact of Coronavirus (COVID-19), which relates to the outbreak of COVID-19 and has been declared a Public Health Emergency of International Concern by the World Health Organization. The COVID-19 pandemic has forced governments to implement extreme, restrictive measures to curb the spread of the virus. Management's priorities are first and foremost: to safeguard the health and safety of the Group's employees; and to ensure appropriate measures and actions are taken to ensure business continuity.

At the time of signing these accounts, the majority of the Group's facilities remain open and operationally active. Although the economic activity and consequently trading have been impacted by restrictive governmental measures put in place to contain the spread of COVID-19, this has been mitigated by Management's prompt action to optimize cash flow, reduce operating costs and strengthen further our liquidity position. Management has taken decisive actions in order to mitigate any unforeseen financial impact should the macroeconomic outlook deteriorate further.

These actions include but were not limited to:

- Applying for appropriate forms of support from governments on direct and indirect taxes, social charges, and employee relief funds, and assessing their relevance to Element;
- Reducing planned capital expenditure for the year ending 31 December 2020; and
- Implementing a range of cost reduction initiatives, including reduction of flexible workforce, suspension of new hires and salary reductions;

In addition to above, the Group secured unrestricted access to its capex/acquisition ("ACF") Facility effective 10 April 2020. The Group has amended the term of its ACF with no covenants, to draw down for general corporate purposes for a period of 18 months, as well as continued use for capital expenditures and permitted acquisitions. The Group has a revolving credit facility ("RCF") of US \$100.0 million of which it has drawn down US \$34.0 million in 2020 leaving the remaining undrawn balance of US \$53.0 million (excluding an undrawn US \$13.0 million letter of credit). The RCF facility has a leverage ratio covenant attached, however based on all of Management's scenarios no additional draw down is required. As at 31 May 2020, the Group has access to US \$195.0 million undrawn ACF funds and has a cash balance of US \$155.5 million.

The going concern assessment takes into account the Group's cash flow and available undrawn banking facilities. The analysis concluded that if the Group performs in line with forecasts it would have sufficient funds to trade and settle its liabilities as they fall due.

In response to the COVID-19 crisis the Group has modeled a variety of downside scenarios over the coming year reflecting activity levels much lower than those which have been experienced to date. These scenarios were prepared to illustrate a sensitized view of the Group. The adverse assumptions are based primarily upon the realization of key Group principal risks, which have the most relevant potential impact on viability. The adverse assumptions also took account of the potential impact of COVID-19 in the geographical locations in which the Group operates, and the impact of COVID-19 on its customers and employees. The key assumption in the sensitivity is revenue. Management has developed a number of scenarios which sensitize the potential impact of reduced revenue and also includes cost action taken by the Group in order to mitigate the extent of the impact. Management has also considered delays in recoverability of trade receivables in the scenarios.

Given the nature of the business and its high variable cost base which allows Management to control costs, in the most severe downside scenarios which Management consider the possibility of occurring to be remote, Management has concluded that there would still be adequate liquidity to trade, settle its liabilities as they fall due, and remain compliant with banking facilities.

Management's focus remains on keeping our colleagues safe and well, together with ensuring business continuity.

The Directors have, at the time of approving the financial statements, a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis of accounting in preparing the financial statements.

FUTURE DEVELOPMENTS AND EVENTS AFTER THE BALANCE SHEET DATE

Details of future developments, are discussed in the Chairman's Report and Year in Review section; and events that have occurred after the balance sheet date can be found in note 30 of the accompanying notes.

DIRECTORS' INSURANCE AND INDEMNITIES

As permitted by the Companies Act 2006, the Company purchases and maintains Directors' and Officers' insurance cover against certain legal liabilities and costs incurred by the Directors and Officers of the Group companies in the performance of their duties. The Company has also granted an indemnity to each of its Directors in relation to the Directors' exercise of their powers, duties and responsibilities as Directors of the Company, the terms of which are in accordance with the Companies Act 2006.

DISCLOSURE OF INFORMATION TO AUDITOR

Each of the persons who are Directors at the time when this Directors' Report was approved has confirmed that:

- so far as that Director is aware, there is no relevant audit information of which the Company and the Group's auditor is unaware, and
- that 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 and the Group's auditor is aware of that information. The auditor, Ernst and Young LLP, will be proposed for reappointment in accordance with section 487 of the Companies Act 2006.

This report was approved by the Board on 24 June 2020 and signed on its behalf.



Jo Wetz
CEO



INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ELEMENT MATERIALS TECHNOLOGY GROUP LIMITED

Report on the audit of the financial statements

Opinion

We have audited the financial statements Element Materials Technology Group Limited (the "Company") and its subsidiaries (together referred to as the "Group") for the year ended 31 December 2019 which comprise consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated statement of financial position, consolidated statement of cash flows and the related notes 1 to 33, including a summary of significant accounting policies, company statement of financial position, company statement of changes in equity and related notes a to k, including a summary of significant accounting policies. The financial reporting framework that has been applied in the Group financial statement preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

In our opinion:

- the financial statements give a true and fair view of the Group's and of the Company's affairs as at 31 December 2019 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the Group and parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter

We draw attention to notes 2 and 30 in the financial statements, which describe the economic, operational and social disruption the Group is facing as a result of COVID-19, which is impacting customer demand and closure of certain laboratories. Our opinion is not modified in respect of this matter.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorized for issue.

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.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this 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 the 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 ELEMENT MATERIALS TECHNOLOGY GROUP LIMITED (continued)

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 directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In light of the knowledge and understanding of the Group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or 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 by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company 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 58], 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 Group's and the parent 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 Group or the parent 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

Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's 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 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.

Ernst & Young L.L.P.

Cameron Cartmell (Senior statutory auditor)

for and on behalf of Ernst & Young LLP, Statutory Auditor

London

25 June 2020

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2019

Continuing Operations	Note	Adjusted Results US \$million	Separately disclosed items (note 4, 12) US \$million	Total 2019 US \$million	Adjusted Results US \$million	Separately disclosed items (note 4, 12) US \$million	Restated (note 2.27) Total 2018 US \$million
Revenue	5	820.6	-	820.6	825.4	-	825.4
Operating expenses	6,12	(714.0)	(36.7)	(750.7)	(715.0)	(55.1)	(770.1)
Impairment of right of use assets	26	-	(3.0)	(3.0)	-	-	-
Loss on disposal of property, plant and equipment		-	(1.3)	(1.3)	-	(0.1)	(0.1)
Operating Profit	6	106.6	(41.0)	65.6	110.4	(55.2)	55.2
Finance income	8	12.4	1.5	13.9	19.1	7.1	26.2
Finance costs	9	(224.3)	(5.3)	(229.6)	(212.3)	-	(212.3)
Loss before tax		(105.3)	(44.8)	(150.1)	(82.8)	(48.1)	(130.9)
Taxation	11	(20.1)	8.8	(11.3)	(6.5)	6.0	(0.5)
Loss for the year		(125.4)	(36.0)	(161.4)	(89.3)	(42.1)	(131.4)
Attributable to:							
Equity holders of the Parent		(127.9)	(36.0)	(163.9)	(94.3)	(42.1)	(136.4)
Non-controlling interest		2.5	-	2.5	5.0	-	5.0
Loss for the year		(125.4)	(36.0)	(161.4)	(89.3)	(42.1)	(131.4)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2019

	Note	2019 US \$million	Restated (note 2.27) 2018 US \$million
Loss for the year		(161.4)	(131.4)
Items that will not be reclassified to profit or loss:			
Actuarial losses on defined benefit pension schemes	25	(4.6)	0.1
Deferred tax on items recognized in other comprehensive income	11	(0.9)	-
Total items that will not be reclassified to profit or loss		(5.5)	0.1
Items that may be reclassified subsequently to profit or loss:			
Current taxation items recognized in other comprehensive income	11	2.4	3.8
Foreign exchange translation difference of foreign operations		8.0	(57.5)
Foreign exchange translation difference of non-controlling interests		-	(0.3)
Total items that may be reclassified subsequently to profit or loss		10.4	(54.0)
Total comprehensive loss for the year		(156.5)	(185.3)
Attributable to:			
Equity holders of the Parent		(159.0)	(190.0)
Non-controlling interest		2.5	4.7
Total comprehensive loss for the year		(156.5)	(185.3)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2019

	Share Capital	Share Premium	Treasury Shares	Translation Reserve	Share based payment reserve	Restated (note 2.27) Accumulated losses	Non- controlling interests	Total US \$million
As at 1 December 2017	-	1.2	-	71.5	-	(243.8)	15.5	(155.6)
Restatement (note 2.27)	-	-	-	-	-	5.8	-	5.8
As at 1 January 2018	-	1.2	-	71.5	-	(238.0)	15.5	(149.8)
Profit/(Loss) for the year	-	-	-	-	-	(155.8)	5.0	(150.8)
Other comprehensive profit / (loss)	-	-	-	(57.5)	-	3.9	(0.3)	(53.9)
Share based payment reserve	-	-	-	-	3.8	-	-	3.8
Dividends	-	-	-	-	-	-	(2.8)	(2.8)
Disposal of non-controlling interest	-	-	-	-	-	-	(0.7)	(0.7)
As at 31 December 2018	-	1.2	-	14.0	3.8	(389.9)	16.7	(354.2)
Restatement (note 2.27)	-	-	-	-	-	19.4	-	19.4
As at 1 January 2019	-	1.2	-	14.0	3.8	(370.5)	16.7	(334.8)
Profit/(Loss) for the year	-	-	-	-	-	(163.9)	2.5	(161.4)
Other comprehensive profit / loss	-	-	-	8.0	-	(3.1)	-	4.9
Share based payment reserve	-	-	-	-	2.6	-	-	2.6
Dividends	-	-	-	-	-	-	(7.2)	(7.2)
Issue of shares	-	8.1	-	-	-	-	-	8.1
Movement in treasury share reserve	-	-	(0.4)	-	-	-	-	(0.4)
As at 31 December 2019	-	9.3	(0.4)	22.0	6.4	(537.5)	12.0	(488.2)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

	Note	2019 US \$million	Restated (note 2.27) 2018 US \$million
Non-current assets			
Goodwill	13	1,441.5	1,264.3
Right of use asset	26	71.9	73.3
Other intangible assets	14	766.9	815.6
Investments		-	0.3
Property, plant and equipment	15	321.2	274.4
Derivative financial instruments	23	-	8.6
Government grants	16	5.6	2.9
		2,607.1	2,439.4
Current assets			
Trade and other receivables	17	196.8	176.2
Contract asset		33.1	24.1
Current tax asset	11	2.4	4.2
Government grants	16	-	1.0
Cash and cash equivalents	18	66.5	87.7
		298.8	293.2
Current liabilities			
Trade payables		(32.7)	(30.2)
Other payables	19	(77.0)	(95.3)
Lease liabilities	26	(20.0)	(17.4)
Tax liabilities	11	(7.2)	(12.0)
Provisions	20	(9.5)	(4.7)
Derivative financial instruments	23	(1.3)	-
Government grants	16	(1.4)	-
Deferred and contingent consideration	22	(2.3)	(14.2)
Interest bearing loans and borrowings	21	(170.3)	(3.3)
		(321.7)	(177.1)
Net current (liabilities)/assets		(22.9)	116.1
Non-current liabilities			
Interest bearing loans and borrowings	21	(1,964.0)	(1,865.9)
Priority shares	21	(813.1)	(723.1)
Derivative financial instruments	23	-	(0.3)
Retirement benefit obligation	25	(11.6)	(14.1)
Provisions	20	(16.5)	(23.4)
Lease liabilities	26	(76.5)	(81.9)
Deferred and contingent consideration	22	(15.0)	(0.8)
Deferred tax liabilities	11	(165.2)	(169.4)
Non-current tax liabilities	11	(2.7)	(3.1)
Other payables	19	(7.8)	(8.3)
		(3,072.4)	(2,890.3)
Net liabilities		(488.2)	(334.8)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

As at 31 December 2019

	Note	2019 US \$million	Restated (note 2.27) 2018 US \$million
Equity			
Share capital	28	-	-
Share premium	28	9.3	1.2
Treasury shares		(0.4)	-
Translation reserve		22.0	14.0
Share based payment reserve	28	6.4	3.8
Accumulated losses		(537.5)	(370.5)
Equity attributable to equity holders of the Parent		(500.2)	(351.5)
Non-controlling interests	29	12.0	16.7
Total shareholders' equity		(488.2)	(334.8)

The financial statements of Element Materials Technology Group Limited (Company registration number 09915743) were approved by the Board of Directors and authorized for issue on 24 June 2020. They were signed on its behalf by:



Jo Wetz
Director
24 June 2020

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2019

	Note	2019 US \$million	Restated (note 2.27) 2018 US \$million
Cash flows from operating activities			
Net loss for the year		(161.4)	(131.4)
Adjustments for:			
Income tax charge recognized in profit and loss	11	11.3	0.5
Finance income	8	(13.9)	(26.2)
Finance costs	9	229.6	212.3
Loss on disposal of property, plant and equipment	6	1.3	0.1
Depreciation of property, plant and equipment	15	42.0	41.0
Depreciation of right of use assets	26	17.6	15.8
Impairment of right of use assets	26	3.0	-
Amortization of other intangible assets	14	69.8	68.7
Share based payment charge	28	2.6	3.8
Non-cash movement in defined benefit pension obligations	25	0.4	0.8
		202.3	185.4
Movements in working capital:			
Increase in trade and other receivables		(4.7)	(19.1)
Decrease in trade and other payables		(34.8)	(1.2)
Cash generated from operations		162.8	165.1
Income taxes paid		(19.5)	(9.4)
Net cash generated by operating activities		143.3	155.7
Cash flows from investing activities			
Purchase of property, plant and equipment	15	(54.7)	(50.9)
Proceeds from disposal of property, plant and equipment		0.4	2.6
Purchase of intangible assets	14	(8.3)	(2.6)
Funds held in escrow	24	(9.5)	-
Cash outflow on settlement of business acquisition consideration	19	(1.9)	-
Cash outflow on business acquisitions (net of cash acquired)	24	(190.9)	(74.6)
Cash outflow on deferred and contingent consideration	22	(12.3)	(6.5)
Net cash used in investing activities		(277.2)	(132.0)
Cash flows from financing activities			
Borrowings	21	207.4	495.8
Repayment of borrowings	21	(7.7)	(316.3)
Repayment of loan notes	21	(20.9)	-
Interest paid	9	(95.2)	(156.3)
Payment of lease liabilities		(27.3)	(25.8)
Payment for debt issue costs	21	(3.0)	(13.1)
Settlement of derivative financial instrument		3.3	-
Proceeds from issue of shares	28	0.8	-
Purchase of own shares		(0.4)	-
Issue of priority shares	21	0.9	0.9
Issue of loan notes	21	61.0	-
Dividends paid to non-controlling interests	29	(7.2)	(2.8)
Net cash provided by/(used in) financing activities		111.7	(17.6)
Net (decrease)/increase in cash and cash equivalents		(22.2)	6.1
Cash and cash equivalents at the beginning of the year		87.7	84.2
Effects of exchange rates on cash and cash equivalents		1.0	(2.6)
Cash and cash equivalents at the end of the year	18	66.5	87.7

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Statement of compliance and presentation of financial statements

The consolidated financial statements of Element Materials Technology Group Limited (the “Company”) and its subsidiaries (together referred to as the “Group”), have been prepared in accordance with International Financial Reporting Standards as adopted in the European Union (“IFRS”) and as issued by the International Accounting Standards Board (IASB). The accounting policies under IFRS are included in the relevant notes to the consolidated financial statements.

The Company and entities controlled by the Company (its subsidiaries, together the “Group”) are disclosed in note 33.

The Company is a private company incorporated and domiciled in England and Wales. The Company’s registered office is 5 Fleet Place, London, England, United Kingdom EC4M 7RD.

The financial statements were approved by the Board of Directors and authorized for issue on 24 June 2020.

2. Basis of preparation and significant accounting policies

The principal accounting policies applied in the preparation of the consolidated financial statements are described below.

These policies have been consistently applied to all periods presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis, except for the revaluation of certain financial instruments that are measured at fair value at the end of each reporting period. The financial statements are presented in United States Dollars (US\$) which is the Company’s functional currency. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services. All information provided in United States Dollars (\$US) has been rounded to the nearest hundred thousand, unless otherwise stated.

The presentation of the Consolidated Statement of Profit or Loss has been updated in the current financial year in order to present the performance of the Group in a clear, consistent and comparable format. The updated presentation discloses certain items separately on the face of the income statement (refer to note 2.26 for further information).

A prior year restatement has been made to the financial statements as at 31 December 2018. This is due to a US \$7.2 million accrual and a US \$12.2 million deferred tax asset being restated. See note 2.27 for details.

The principal accounting policies adopted are set out below.

2.2 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 31 December each year. Control is achieved when the Company:

- has the power over the investee;
- is exposed, or has rights, to variable return from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, the results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary. Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of the subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with the Group’s accounting policies. All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between the members of the Group are eliminated on consolidation. Non-controlling interests in subsidiaries are identified separately from the Group’s equity therein. The interests of non-controlling shareholders that represent ownership interests entitling their holders to a proportionate share of net assets upon liquidation may initially be measured at fair value or at the non-controlling interests’ proportionate share of the fair value of the acquiree’s identifiable net assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

2.2 Basis of consolidation (continued)

The choice of measurement is made on an acquisition-by-acquisition basis. Other non-controlling interests are initially measured at fair value. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity.

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amount of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to the owners of the Company.

The Group has a number of joint arrangements where more than half of the voting power is not owned. As the Group is exposed, or has rights, to variable returns from its involvement with these companies and has the ability to use its power over these companies to affect the amount of the company returns, these investments are accounted for as subsidiaries.

2.3 Going concern

A full description of the Group's business activities, financial position, cash flows, liquidity position, committed facilities and borrowing position, together with the factors likely to affect its future development and performance, is set out in the Strategic Report, including the Financial Review, and in note 23 to the financial statements.

The Group's business activities, together with factors likely to affect its future development, performance and position are considered by the Directors on an annual basis. In addition, notes 21 and 23 include details of the Group's treasury activities, long-term funding arrangements, financial instruments and financial risk management activities.

During the 2019 financial year the company generated a loss of US \$161.4 million (2018: US \$131.4 million) which is mainly driven by finance costs of US \$229.6 million (2018: US \$212.3 million) and non-cash items such as depreciation of US \$59.6 million (2018: US \$56.8 million) and amortization of US \$69.8 million (2018: US \$68.7 million). Management's key focus is the adjusted EBITDA which has remained in line with prior year at US \$236.0 million (2018: US \$235.9 million). The operating profit for the year was US \$65.6 million (2018: US \$55.2 million).

The net current liability position in 2019 was US \$22.9 million compared to the prior year net current asset position of US \$116.1 million, the main driver of this movement is an increase in net debt, at 31 December 2019, overall net debt was US \$2,134.3 million (2018: US \$1,869.2 million). Net cash generated through operating activities was US \$143.3 million (2018: US \$155.7 million) with closing cash of US \$66.5 million in 2019 (2018: US \$87.7 million).

As highlighted in note 23 to the Group financial statements, the Group meets its day-to-day working capital requirements from the positive cash flows generated by its trading activities and its available cash resources. These are supplemented when required by additional drawings under the Group's revolving credit facilities and capex/acquisition facilities. At 31 December 2019 these have a combined total of US \$118.9 million which have increased to US \$248.0 million of cash available as at date of signing these accounts.

The Directors have considered the impact of Coronavirus (COVID-19), which relates to the outbreak of COVID-19 which started in Wuhan in December 2019 and has been declared a Public Health Emergency of International Concern by the World Health Organization. The COVID-19 pandemic has forced governments to implement extreme, restrictive measures to curb the spread of the virus. Management's priorities are first and foremost: to safeguard the health and safety of the Group's employees; and to ensure appropriate measures and actions are taken to ensure business continuity.

At the time of signing these accounts, the majority of the Group's facilities remain open and operationally active. Although the economic activity and consequently trading have been impacted by restrictive governmental measures put in place to contain the spread of COVID-19, this has been mitigated by Management's prompt action to optimize cash flow, reduce operating costs and strengthen further our liquidity position. Management has taken decisive actions in order to mitigate any unforeseen financial impact should the macroeconomic outlook deteriorate further.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

2.3 Going concern (continued)

These actions include but were not limited to:

- Applying for all available forms of support from governments on direct and indirect taxes, social charges, and employee relief funds, and assessing their relevance to Element;
- Reducing planned capital expenditure for the year ending 31 December 2020; and
- Implementing a range of cost reduction initiatives, including the reduction of the flexible workforce, suspension of new hires and salary reductions.

In addition to the above, the Group secured unrestricted access to its capex/acquisition ("ACF") Facility effective 10 April 2020. The Group has amended the term of its ACF with no covenants, to draw down for general corporate purposes for a period of 18 months, as well as continued use for capital expenditures and permitted acquisitions. The Group has a revolving credit facility ("RCF") of US \$100.0 million of which it has drawn down US \$34.0 million in 2020 leaving the remaining undrawn balance of US \$53.0 million (excluding an undrawn US \$13.0 million letter of credit). The RCF facility has a leverage ratio covenant attached, however based on all of Management's scenarios no additional draw down is required. As at 31 May 2020, the Group has access to US \$195.0 million undrawn ACF funds and has a cash balance of US \$155.5 million.

The going concern assessment takes into account the Group's cash flow and available undrawn banking facilities. The analysis concluded that if the Group performs in line with forecasts it would have sufficient funds to trade and settle its liabilities as they fall due.

In response to the COVID-19 crisis the Group has modeled a variety of downside scenarios over the coming year reflecting activity levels much lower than those which have been experienced to date. These scenarios were prepared to illustrate a sensitized view of the Group. The adverse assumptions are based primarily upon the realization of key Group principal risks, which have the most relevant potential impact on viability. The adverse assumptions also took account of the potential impact of COVID-19 in the geographical locations in which the Group operates, impact of COVID-19 on its customers and employees. The key assumption in the sensitivity is revenue. Management have developed a number of scenarios which sensitize the potential impact of reduced revenue and also includes cost action taken by the Group in order to mitigate the extent of the impact. Management have also considered delays in recoverability of trade receivables in the scenarios.

Given the nature of the business and its high variable cost base which allows Management to control costs, in the most severe downside scenarios which Management consider the possibility of occurring to be remote, Management have concluded that there would still be adequate liquidity to trade, settle its liabilities as they fall due, and remain compliant with banking facilities.

Management's focus remains on keeping our colleagues safe and well, together with ensuring business continuity.

The Directors have, at the time of approving the financial statements, a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis of accounting in preparing the financial statements.

2.4 Adoption of new and revised accounting standards

Standards and amendments effective for the year

The Group has adopted all the new and revised Standards and interpretations issued by the International Accounting Standards Board ("IASB") and International Financial Reporting Interpretations Committee ("IFRIC") of the IASB that are relevant to its operations and effective for accounting periods covered by the financial statements. The adoption of these standards and interpretations does not have an impact on the consolidated financial statements of the Group:

- IFRIC 23 Uncertainty over Income Tax Treatments
- Amendments to IFRS 9 - Prepayment Features with Negative Compensation
- Amendments to IAS 28 - Long-term Interests in Associates and Joint Ventures
- AIP (2015-2017 Cycle): IFRS 3 Business Combinations
- AIP (2015-2017 Cycle): IFRS 11 Joint Arrangements
- AIP (2015-2017 Cycle): IAS 12 Income Taxes - Income tax consequences of payments on financial instruments classified as equity
- AIP (2015-2017 Cycle): IAS 23 Borrowing Costs - Borrowing costs eligible for capitalization
- Amendments to IAS 19 - Plan Amendment, Curtailment or Settlement

Standards, amendments and interpretations not yet effective

A number of amendments and interpretations have been issued that are not expected to have any material impact on the accounting policies and reporting. The Group has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

2.5 Revenue from contracts with customers

The Group recognizes revenue from the rendering of materials and product qualification testing, inspection, certification, calibration and services pursuant to written contracts with its customers. These services are recognized through the output method of revenue recognition as the performance obligations are satisfied over time. Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for services provided in the normal course of business, VAT and other sales-related taxes.

Revenue is reduced for estimated and agreed liquidated damages resulting from failure to meet the agreed service performance levels set out in the contract. For short term contracts with single performance obligations, customers are billed in accordance with the contractual terms and revenue is recognized as the performance obligations are satisfied.

Revenue from short-term contracts is generally recognized when the relevant service is completed, that is when the report of findings or test/inspection certificate is issued. Short-term contracts are considered to be those that are between one to two months' duration.

The Group recognizes revenue on long term contracts with multiple performance obligations as each performance obligation is satisfied, with the corresponding amount being included in trade receivables if the customer has been invoiced and the amount is unconditional, or as a contract asset, if billing has yet to be completed. Performance obligations vary across business lines and regions, and on a contract-by-contract basis. Long term contract durations vary from three months to multiple years.

2.6 Business combinations

The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition date fair values of assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interest issued by the Group in exchange for control of the acquiree. Acquisition related costs are recognized in the statement of profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognized at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and assets or liabilities related to employee benefit arrangements are recognized and measured in accordance with IAS 12 Income Taxes and IAS 19 Employee Benefits respectively.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognized immediately in the statement of profit or loss as a bargain purchase gain.

When the consideration transferred by the Group in a business combination includes an asset or liability resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition date fair value and included as part of the consideration transferred in a business combination. Changes in fair value of a contingent consideration qualifying as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

Subsequent accounting for changes in fair value of contingent consideration that do not qualify as measurement period adjustments depend on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates at fair value with the corresponding gain or loss being recognized in the statement of profit or loss.

When a business combination is achieved in stages, the Group's previously held interests in the acquired entity are remeasured to its acquisition date fair value and the resulting gain or loss, if any, is recognized in the statement of profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognized in other comprehensive income are reclassified to the statement of profit or loss, where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognized, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognized at that date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

2.7 Goodwill and Intangibles

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to the Group's cash-generating units (or groups of cash-generating units) that are expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognized directly in the consolidated statement of profit or loss. An impairment loss recognized for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Intangible Assets

Intangible assets that are acquired separately are carried at cost less accumulated amortization and accumulated impairment losses, if applicable. The estimated useful life and amortization method are reviewed at the end of each reporting period; if necessary any changes in estimates are accounted for on a prospective basis.

Intangible assets acquired in a business combination and recognized separately from goodwill are initially recognized at their fair value at the acquisition date, together with any related deferred tax liability. Amortization is charged on a straight line basis to the statement of profit or loss over the expected useful economic lives as follows:

Customer relationships	10 - 20 years
Customer contracts	5 - 10 years
Technology know how & process	5 - 10 years
Trade names	10 years
Other intangibles assets (includes backlog and covenant not to compete)	1 - 5 years
Software & computer licenses	1 - 4 years

The internal costs directly attributable to the development of software and infrastructure projects are capitalized as "other intangible assets" if the future economic benefits to the Group are reasonably certain. The capitalized costs are amortized on a straight line basis over the expected useful economic life of the asset.

An intangible asset is derecognized on disposal, or when no further economic benefits are expected from use or disposal. Gains or losses arising from recognition of an intangible asset, measured as the difference between the net disposal proceeds and the net carrying amount of the asset, are recognized in the statement of profit or loss when the asset is derecognized.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

2.8 Impairment of tangible and intangible assets other than goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognized immediately in the statement of profit or loss.

When an impairment loss subsequently reverses, the carrying amount of the asset or a cash-generating unit is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized immediately in the statement of profit or loss.

2.9 Foreign currency translation

In preparing the Group's financial statements, transactions in currencies other than the Group's presentational currency (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items are recognized in the statement of profit or loss in the period in which they arise except for:

- exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings;
- exchange differences on transactions entered into in order to hedge certain foreign currency risks (see below for hedging accounting policies); and
- exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognized initially in other comprehensive income and reclassified from equity to the statement of profit or loss on repayment of the monetary items.

For the purposes of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognized in other comprehensive income and accumulated in equity, attributed to non-controlling interests as appropriate.

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a jointly controlled entity that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Group are reclassified to the statement of profit or loss.

Goodwill and fair value adjustments on identifiable assets and liabilities acquired arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognized in equity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

2.10 Financial instruments – derivatives

The Group does not hold or issue derivative financial instruments for trading purposes.

Derivative financial instruments are recognized initially at fair value. Subsequent to initial recognition, derivative financial instruments are stated at fair value at each balance sheet date.

The gain or loss on re-measurement to fair value is recognized immediately in the statement of profit or loss.

2.11 Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognized at the proceeds received, net of direct issue costs.

No gain or loss is recognized in the statement of profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments.

Debt issuance costs

Finance costs of debt, including premiums payable on settlement and direct issue costs, are charged to the statement of profit or loss on an accruals basis over the term of the instrument, using the effective interest method, where it is materially different to the straight line method.

Derivative financial instruments

Short-term debtors and creditors are treated as financial assets or liabilities. The Group does not trade in financial instruments. The Group enters into derivative financial instruments to manage its exposure to interest rate risk.

Derivatives are initially recognized at fair value at the date a derivative contract is entered and are subsequently remeasured to their fair value at each reporting date. The resulting gain or loss is recognized in profit or loss immediately.

A derivative with a positive fair value is recognized as a financial asset whereas a derivative with a negative fair value is recognized as a financial liability. A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realized or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis.

Derecognition of financial liabilities

The Group and the Company derecognize financial liabilities when, and only when, the Group's and the Company's obligations are discharged, canceled or have expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in statement of profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

2.12 Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses, if any.

The cost of property, plant and equipment is the purchase cost, together with any directly attributable costs. Costs include professional fees and for qualifying assets, borrowing costs capitalized in accordance with the Group's accounting policy.

Depreciation is provided on all tangible fixed assets other than land, at rates calculated to write off the cost or valuation, less estimated residual value, of each asset on a straight-line basis over its expected useful life, as follows:

Buildings	2% - 5%
Leasehold improvements	Lower of useful life or contractual lease term
Plant and equipment	6 - 33%

Assets under the course of construction are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets is determined on its asset category and commences when the assets are completed and ready for their intended use.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in the statement of profit or loss.

2.13 Provisions

Provisions are recognized when the Group has a present obligation, legal or constructive, as a result of a past event, it is probable that the Group will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

The best estimate of the consideration required to settle the present obligation at the end of the reporting period is measured by considering the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows when the effect of the time value of money is material.

A restructuring provision is recognized when the Group has developed a detailed formal plan for restructuring and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement the plan or announcing its main features to those affected by it. The measurement of a restructuring provision includes only the direct expenditures arising from the restructuring which are those amounts that are both necessarily entailed by the restructuring and not associated with the on-going activities of the Group.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received, and the amount of the receivable can be measured reliably.

2.14 Lease accounting

The Group holds leases primarily on land, buildings and motor vehicles used in the ordinary course of business. The Group recognizes a right-of-use asset and a lease liability at the commencement date of the contract for all leases conveying the right to control the use of an identified asset for a period of time. The commencement date is the date on which a lessor makes an underlying asset available for use by a lessee.

All leases where the Group is the lessee (except for low-value lease arrangements) are recognized in the statement of financial position. A lease liability is recognized based on the present value of the future lease payments, and a corresponding right-of-use asset is recognized. The right-of-use asset is depreciated over the shorter of the lease term or the useful life of the asset. Lease payments are apportioned between finance charges and a reduction of the lease liability.

The right-of-use assets are initially measured at cost, which comprises:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received; and
- any initial direct costs incurred by the lessee.

After the commencement date the right-of-use assets are measured at cost less any accumulated depreciation and any accumulated impairment losses and adjusted for any remeasurement of the lease liability.

The Group depreciates the right-of-use asset over the shorter of the useful life and the lease term, given as the commencement date to the end of the lease term. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. These include:

- fixed payments, less any lease incentives receivable; and
- variable lease payments that depend on a fixed rate, as at the commencement date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

2.14 Lease accounting (continued)

The leases held by the Group are split into two categories: property and non-property. The Group leases various properties, principally offices and laboratories, which have varying terms and renewal rights that are typical to the territory in which they are located. Non-property includes all other leases, such as motor vehicles, printers and other small office equipment.

Variable lease payments not included in the initial measurement of the lease liability are recognized in the consolidated statement of profit or loss as they arise.

The lease payments are discounted using the incremental borrowing rate at the commencement of the lease contract or modification. Generally, it is not possible to determine the interest rate implicit in the land and building leases. The incremental borrowing rate is estimated taking account of the economic environment of the lease, the currency of the lease and the lease term. The lease term determined by the Group comprises:

- non-cancelable period of lease contracts;
- periods covered by an option to extend the lease if the Group is reasonably certain to exercise that option; and
- periods covered by an option to terminate the lease if the Group is reasonably certain not to exercise that option.

After the commencement date the Group measures the lease liability by:

- increasing the carrying amount to reflect interest on the lease liability;
- reducing the carrying amount to reflect lease payments made; and
- remeasuring the carrying amount to reflect any reassessment or lease modifications.

The right-of-use asset and lease liability balances are calculated with reference to the underlying functional currency and then translated to USD.

2.15 Employee benefit plans

Payments to defined contribution retirement benefit plans are recognized as an expense when employees have rendered service entitling them to the contributions. Payments made to state-managed retirement benefit schemes are dealt with as payments to defined contribution schemes where the Group's obligations under the schemes are equivalent to those arising in a defined contribution retirement benefit scheme.

The Group operates several defined benefit plans in the UK, Sweden, Germany, Netherlands and Norway all of which require contributions to be made to separately administered funds or insurance schemes. The cost of providing benefits under the defined benefit plans are determined using actuarial valuations that are carried out at the end of each reporting period. Re-measurement comprises of actuarial valuations being carried out at the end of each reporting period. Re-measurement of actuarial gains and losses, and the return on scheme assets (excluding interest) are recognized immediately in the balance sheet with a charge or credit to the statement of comprehensive income in the period which they occur. Re-measurement recorded in the statement of comprehensive income is not recycled. Past service costs are recognized in the statement of profit or loss in the period of scheme amendment. Net interest is calculated by applying a discount rate to the defined benefit liability or asset. Defined benefit costs are split into three categories:

- Current service cost, past service cost and gains and losses on curtailments and settlements;
- Net interest expense or income; and
- Re-measurement.

The first two components of defined benefit costs are presented within administrative expenses in its consolidated statement of profit or loss. Curtailment gains and losses are accounted for as past-service costs.

Net interest expense or income is recognized within finance costs.

The retirement benefit obligation recognized in the consolidated statement of financial position represents the deficit or surplus in the Group's defined benefit schemes. Any surplus resulting from this calculation is limited to the present value of economic benefits available in the form of refunds from the schemes or reductions in the future contributions to the schemes.

A liability for a termination benefit is recognized at the earlier of when the entity can no longer withdraw the offer of the termination benefit and when the entity recognizes any related restructuring costs.

The retirement benefit obligation for all defined benefit plans operated by the Group was US \$11.6 million as at 31 December 2019 (2018: US \$14.1 million).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

2.15a Share based payments

As described in note 28, certain employees and directors of the Group are holders of certain ordinary shares that are considered equity-settled share-based payment transactions.

The Group provides benefits to employees (including directors) in the form of equity-settled share-based payment transactions, whereby employees (and directors) render services in exchange for shares.

In valuation of share-based payments, the fair value of the employee services rendered is determined by reference to the fair value of the shares awarded or options granted, excluding the impact of any non-market vesting conditions. All share options are valued using an option-pricing model (Black-Scholes or Monte Carlo). This fair value is charged to the income statement over the vesting period of the share-based payment scheme. The value of the charge is adjusted in the income statement over the remainder of the vesting period to reflect expected and actual levels of options vesting, with the corresponding adjustments made in equity.

2.16 Short term employee benefits

The Group accrues for all short-term accumulating compensated balances such as holiday entitlement earned but not taken at the balance sheet date.

2.17 Cash and cash equivalents

Cash and cash equivalents are comprised of cash on hand and demand deposits and other short term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of change in value.

2.18 Government grants

Government grants are recognized where there is reasonable assurance that the grant will be received, and all attached conditions will be complied with. When the grant relates to an expense item, it is recognized as income over the period necessary to match the grant on a systematic basis to the costs that it is intended to compensate.

2.19 Related parties

Parties are considered to be related to the Group if they have the ability, directly or indirectly to control the Group or exercise significant influence over the Group in making financial or operating decisions, or vice versa, or where the Group is subject to common control or common significant influence. Related parties may be individuals or other entities.

2.20 Trade receivables

Trade receivables are recognized by the Group and the Company carried at original invoice amount less an allowance for any non-collectable or impaired amounts. The Group uses the IFRS 9 expected credit loss ("ECL") model to measure loss allowances at an amount equal to their lifetime expected credit loss.

For trade receivables, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

In the year, Management reduced the expected default rate on receivables less than 90 days old. This followed a review of written off debt in the year where it was found that the default rate in 2019 rarely rose above 0.1% for any sector. In the 2019 IFRS 9 provision calculation, a lower expected default rate of 0.1 % was applied to debts below 90 days for most sectors and a rate of 0.2% applied to higher risk sectors.

2.21 Trade payables

Trade payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

2.22 Borrowings

Interest bearing loans and overdrafts are recorded at the proceeds received, net of direct issue costs. Finance charges, including premiums on settlement or redemption and direct issue costs, are accounted for on an accrual basis in the consolidated statement of profit or loss using the effective interest rate method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

2.23 Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is measured at the effective tax rate.

Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the year in which the liability is settled or the asset realized, based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax for the year

Current and deferred tax are recognized in the statement of profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

2.24 Joint ventures

A joint venture is a type of joint arrangement whereby the parties have joint control of the arrangement and have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities requires consent of the parties sharing control. The Group's investments in joint ventures are accounted for using the equity method.

Under the equity method, the investment in a joint venture is initially recognized at cost. The carrying amount of the investment is adjusted to recognize changes in the Group's share of net assets of the joint venture since the acquisition date. Goodwill relating to the joint venture is included in the carrying amount of the investment and is not tested for impairment individually. The statement of profit or loss reflects the Group's share of the results of operations of the joint venture. Any change in other comprehensive income of those investees is presented as part of the Group's other comprehensive income. In addition, when there has been a change recognized directly in the equity of the joint venture, the Group recognizes its share of any changes, when applicable, in the statement of changes in equity.

Unrealized gains and losses resulting from transactions between the Group and the joint venture are eliminated to the extent of the interest in the joint venture. The aggregate of the Group's share of profit or loss of a joint venture is shown on the face of the statement of profit or loss.

2.25 Contingent consideration

Contingent consideration arises when settlement of all or any part of the cost of a business combination is deferred and becomes payable only when the acquiree meets certain financial performance criteria at a date pre-determined on the date of acquisition. It is stated at fair value at the date of acquisition which is determined by discounting the amount due to present value at that date. It is measured at fair value through profit and loss subsequent to acquisition. Interest is calculated on the fair value of non-interest-bearing deferred consideration at the discount rate and expensed within interest payable and similar charges. At each balance sheet date contingent consideration comprises the remaining contingent consideration valued at acquisition plus interest calculated on such amounts from acquisition to the balance sheet date.

Any changes to the fair value of the contingent consideration is recognized in the statement of profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

2.26 Alternative performance measures

In order to present the performance of the Group in a clear, consistent and comparable format, certain items are disclosed separately on the face of the statement of profit or loss. Separately disclosed items are items which by their nature or size, in the opinion of the Directors, should be excluded from the adjusted EBITDA to provide readers with a clear and consistent view of the business performance of the Group and its operating sectors.

The Group believes that EBITDA before separately disclosed items (termed "adjusted EBITDA") is the most significant indicator of operating performance and allows a better understanding of the underlying profitability of the Group. The Group defines adjusted EBITDA as operating profit/(loss) before transaction, acquisition and other income and expense items that are material by virtue of their size and nature, depreciation, amortization, gains/losses on sale of assets and share based payments.

Adjusted EBITDA, which is a non-GAAP measure, excludes the costs of restructuring activities and integration projects where they represent fundamental changes in individual operations around the Group and reflect the refinement of our operational structure. The costs associated with successful, active or aborted acquisitions are excluded from adjusted operating profit to provide useful information regarding the underlying performance of the Group's operations. Other costs include those items that are of a non-operating nature which are mainly related to share based payment charges and non-recurring tax expenses.

The Directors define separately disclosed items as those expense and income items which fall into one or both of following categories:

1. A transaction that results from a corporate activity that has neither a close relationship to our businesses' operations nor any associated operational cash flows (for example, costs incurred in connection with a refinancing activity)
2. A transaction is of such material in size and nature that it would obscure an understanding of underlying outcomes and trends in revenues, costs or other components of performance (for example, restructuring activities and reversals of any provisions for the costs of restructuring)

Alternative performance measures are used as the primary measure of business performance within the Group and align with the results shown in management accounts, with the key uses being:

1. Management and Board reviews of performance against expectations and over time, including assessments of sector performance
2. In support of business decisions by the Board and by Management, encompassing both strategic and operational levels of decision-making
3. Assessments of compliance with quarterly leverage tests as defined in the Senior Facilities Agreement; and
4. Widely recognized measure of performance and valuation by shareholders, lenders and stakeholders

The Group's policies on separately disclosed items have been consistently applied over time, but they are not defined by IFRS and, therefore, likely to differ from separately disclosed measures used by other companies.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

2.27 Prior year restatements

Impact of restatement on prior year financial statement	As Reported 2017 US \$million	Transaction fee adjustment (a) US \$million	Deferred tax adjustment (b) US \$million	Restated 2017 US \$million
Taxation	65.5	-	5.8	71.3
Loss for the year	(134.5)	-	5.8	(128.7)
Loss attributable to equity holders of the Parent	(136.3)	-	5.8	(130.5)
Deferred tax liabilities	(192.9)	-	5.8	(187.1)
Accumulated losses as at 31 December 2017	(243.8)	-	5.8	(238.0)

Impact of restatement on prior year financial statement	As Reported 2018 US \$million	Transaction fee adjustment (a) US \$million	Deferred tax adjustment (b) US \$million	Restated 2018 US \$million
Operating expenses	(777.4)	7.2	-	(770.2)
Operating Profit	48.0	7.2	-	55.2
Taxation	(12.7)	-	12.2	(0.5)
Loss for the year	(150.8)	7.2	12.2	(131.4)
Loss attributable to equity holders of the Parent	(155.8)	7.2	12.2	(136.4)
Other payables	(102.4)	7.2	-	(95.2)
Deferred tax liabilities	(187.4)	-	18.0	(169.4)
Accumulated losses as at 31 December 2018	(395.7)	7.2	18.0	(370.5)

(a) Transaction fee adjustment

On completion of sale of minority transaction on 22 July 2019, Management re-analyzed the substance of associated transaction fees which were accrued at 2018 year end and concluded that of the total amount accrued, US \$7.2 million was a cost attributable to the shareholders rather than the Group. During 2019 these fees were borne by shareholders of the Group. Accordingly, the 2018 consolidated statement of financial position and consolidated statement of profit or loss have been restated. This correction has resulted in US \$7.2million decrease in separately disclosed items and a corresponding increase in the statement of changes in equity in the 2018 consolidated financial statements.

(b) Deferred tax adjustment

Following the issuance of technical guidance in the US, Management has reconsidered the requirements of IAS 12 "Income Taxes" and the fact that the Group has significant deferred tax liabilities in both the US and the UK. Management believes to the extent deferred tax liabilities exist for offset, then a deferred tax asset should be recognized on restricted interest. The recognition of a deferred tax asset on restricted interest has been applied retrospectively.

At 31 December 2019, US \$30.8 million deferred tax asset has been recognized and US \$12.8 million deferred tax credit in the consolidated statement of profit or loss for the year ended 31 December 2019. The prior year impact of the change is an increase in net assets of US \$18.0 million. The impact on the consolidated statement of profit or loss for the year ended 31 December 2018 is a deferred tax credit of US \$12.2 million with a US \$5.8 million increase in the brought forward shareholders' equity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. Critical accounting judgments and key sources of estimation

In the application of the Group's accounting policies, described in note 2, the directors are required to make judgments (other than those involving estimations) that have a significant impact on the amounts recognized and to make 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 recognized in the year in which the estimate is revised if the revision affects only that year, or in the year of the revision and future periods if the revision affects both current and future periods.

3.1 Critical accounting judgments

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

a) Separately disclosed items

In order to present the performance of the Group in a clear, consistent and comparable format, certain items are disclosed separately on the face of the statement of profit or loss. Separately disclosed items are items which by their nature or size, in the opinion of the Directors, should be excluded from the adjusted EBITDA to provide readers with a clear and consistent view of the business performance of the Group and its operating sectors.

Further detail provided in note 12.

b) Goodwill and other intangible assets

When the Group makes an acquisition, Management determines initially whether any intangible assets should be recognized separately from goodwill, and the provisional amounts at which to recognize the assets. During the first 12 months of ownership, intangible assets are reviewed to determine whether any additional information exists that supports amendments to that original assessment, including new intangible assets.

c) Share based payments

In estimating the fair value for its equity-settled share-based payment transactions, the Group has exercised judgment in the determination of the most appropriate inputs to the valuation model including the expected volatility, expected term and dividend yield. The basis for these key inputs and assumptions are described in note 28.

3.2 Key sources of estimation

a) Impairment of goodwill

Goodwill is tested annually for impairment or more frequently when there is an indication that the unit may be impaired. Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the directors to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. Note 13 provides further details of the key assumptions used for the value in use calculation.

b) Taxation

The Group operates in a number of tax jurisdictions around the world. Tax regulations generally are complex and, in some jurisdictions, agreeing tax liabilities with local tax authorities can take several years.

At the balance sheet date tax liabilities and assets are based on Management's best estimate of the future amounts that will be settled. While the Group aims to ensure that the estimates recorded are accurate, the actual amounts could be different from those expected.

The Group recognizes deferred income tax assets for deductible temporary differences and tax loss carry forwards to the extent that it deems probable such assets will be recovered in the future. Further detail provided in note 11.

c) Defined benefit plans

The present value of the defined benefit obligations depend on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost or income for pensions include the discount rate. Any changes in these assumptions will impact the carrying amount of pension obligations.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

3.2 Key sources of estimation (continued)

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

Other key assumptions for defined pension plans are based in part on current market conditions. Further detail provided in note 25.

d) Contingent consideration

Contingent consideration is tied to future performance of acquired entities. The fair value of the contingent consideration determined at 31 December 2019 is the present value of expected future cash flows based on the latest forecasts of future performance.

Contingent consideration can also be based on Management's intention for the use of certain assets specified in the sale and purchase agreement. Here the contingent consideration is based on Management's intention of the use of the specified assets.

Further detail on the contingent consideration at year end along with the range of the contingent consideration subject to Management estimation is shown in note 22.

4. Adjusted EBITDA and separately disclosed items

The Group believes that EBITDA before separately disclosed items (termed "adjusted EBITDA") is the most significant indicator of operating performance and allows a better understanding of the underlying profitability of the Group. The Group defines adjusted EBITDA as operating profit/(loss) before transaction, acquisition and other income and expense items that are material by virtue of their size and nature, depreciation, amortization, gains/losses on sale of assets and share based payments.

Adjusted EBITDA for the year is calculated below:

Reconciliation of consolidated statement of profit or loss to non-statutory measures	Note	2019 US \$million	Restated (note 2.27) 2018 US \$million
Operating Profit		65.6	55.2
Add: Separately disclosed items	12	36.7	55.1
Add: Depreciation of property, plant and equipment	15	42.0	41.0
Add: Depreciation of right of use assets	26	17.6	15.8
Add: Amortization of intangible assets	14	69.8	68.7
Add: Impairment of right of use assets	26	3.0	-
Add: Loss on disposal of property, plant and equipment		1.3	0.1
Adjusted EBITDA (Alternative performance measure as defined in note 2.26)		236.0	235.9
Adjusted EBITDA margin		28.8%	28.6%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

5. Revenue analysis

The following is an analysis of the Group's revenue for the year from continuing operations:

	2019 US \$million	2018 US \$million
Revenue from services rendered	820.6	825.4
Geographic analysis		
United States and Canada	402.3	401.4
United Kingdom	151.4	157.1
Mainland Europe	152.9	152.2
Rest of world	114.0	114.7
Total	820.6	825.4

Set out below is the disaggregation of the Group's revenue by sector:

Aerospace	388.3	375.5
Transportation and Industrials	209.2	217.4
Energy	126.7	136.3
Fire & Building Products	96.4	96.2
Total	820.6	825.4

Set out below is the amount of revenue recognized from:

	2019 US \$million	2018 US \$million
Amounts included in contract liabilities at the beginning of the year	9.0	7.9

6. Operating profit

Operating profit is stated after charging/(crediting):

	Note	2019 US \$million	Restated (note 2.27) 2018 US \$million
Net foreign exchange loss/(gain)		0.2	(0.3)
Depreciation of property, plant and equipment	15	42.0	41.0
Depreciation of right of use assets	26	17.6	15.8
Impairment of right of use assets	26	3.0	-
Amortization of intangible assets	14	69.8	68.7
Separately disclosed items	12	36.7	55.1
Staff costs	10	391.9	394.4
Rental income on right of use assets	26	(1.0)	(0.9)
Government grants	16	(1.6)	(0.2)
Loss on disposal of property, plant and equipment		1.3	0.1

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

7. Auditor remuneration

During the year the Group obtained the following services from the Group's auditor and its associates:

	2019 US \$million	2018 US \$million
Audit fees	1.4	1.0
Fees paid for audit services provided to Group	1.4	1.0
Tax advisory fees	0.4	0.3
Transaction advisory and due diligence fees	2.2	2.8
Fees paid for non-audit services provided to Group	2.6	3.1
Total	4.0	4.1

8. Finance income

	2019 US \$million	2018 US \$million
Interest income	0.4	0.3
Foreign exchange gain	12.0	18.8
Gain on re-measurement of right of use assets	1.5	-
Gain on derivative instruments at fair value through profit or loss	-	7.1
Total	13.9	26.2

9. Finance costs

	2019 US \$million	2018 US \$million
Bank loan interest	94.4	89.4
Priority share interest	79.8	71.7
Loan notes interest	35.2	37.6
Amortization of bank fees	6.1	4.0
Interest on defined benefit obligation	0.9	0.8
Interest expense on lease liabilities	7.8	8.8
Loss on derivative instruments at fair value through profit or loss	5.3	-
Unwind of provision discount	0.1	-
Total	229.6	212.3

In the year the Group recognized US \$95.2 million (2018: US \$86.9 million) cash outflow in relation to interest payments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

10. Staff costs

Group employee expenses	2019 US \$million	2018 US \$million
Wages and salary expenses	344.0	347.8
Social security expenses	34.3	33.1
Pension cost – defined contribution plans	13.2	12.7
Pension cost – defined benefit plans	0.4	0.8
Total	391.9	394.4

Group employee numbers	2019	2018
Unite States & Canada	2,803	2,549
Europe	2,827	2,912
Rest of the world	1,058	1,109
Total	6,688	6,570
Average	6,483	6,351

Directors remuneration	2019 US \$million	2018 US \$million
Fees paid to non-Executive Directors	0.7	0.7
Aggregate emoluments	0.7	1.5
	1.4	2.2

Highest paid Director remuneration		
Aggregate emoluments	0.4	0.8
	0.4	0.8

There are no retirement benefits accruing to directors under pension schemes as at 31 December 2019 (31 December 2018: nil). The employment benefits of directors and other members of key management were:

	2019 US \$million	2018 US \$million
Short term employment benefits	0.1	0.1
	0.1	0.1

A total of two of the six directors were remunerated by the Group. The remaining Directors were remunerated for their services by companies outside the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

11. Income taxes

	2019 US \$million	Restated (note 2.27) 2018 US \$million
Income tax recognized in the statement of profit or loss		
Current tax		
Tax charge	11.6	18.4
Current tax charge / (credit) in respect of unrealized foreign exchange movements	2.4	3.8
Current tax attributable to US repatriation tax	-	-
Current tax expense in respect of the prior period	2.6	0.8
Withholding tax written off	0.5	0.4
	17.1	23.4
Deferred tax		
Deferred tax credit recognized in the year	(21.5)	(23.0)
Adjustments to deferred tax attributable to changes in tax rates and laws	15.6	0.9
Deferred tax expense in respect of prior period	0.1	(0.8)
	(5.8)	(22.9)
Total tax charge recognized in the year	11.3	0.5

The income tax charge for the year can be reconciled to the accounting loss as follows:

Loss before tax from continuing operations	(150.1)	(130.9)
Income tax expense calculated at 19.0% (2018: 19.0%)	(28.5)	(24.9)
Effects of expenses that are not deductible for tax purposes	3.7	3.0
Effects of unused tax losses and tax offsets not recognized as deferred tax assets	23.5	23.0
Effects of different tax rates on subsidiaries operating in other jurisdictions	(5.0)	(2.7)
Effect of change in tax rate in deferred tax balances	15.6	1.2
Overseas withholding tax	0.5	0.4
Effect of non-taxable income	(0.6)	(0.4)
Prior year adjustment – current tax	2.6	0.8
Prior year adjustment – deferred tax	0.1	(0.8)
Other	(0.6)	0.9
	11.3	0.5

Income tax recognized directly in equity

Current tax		
Local tax credit on unrealized foreign exchange movements	(2.4)	(3.8)
	(2.4)	(3.8)
Deferred tax		
Defined benefit pensions obligation	0.9	-
	0.9	-

	2019 US \$million	2018 US \$million
Current tax assets		
Income tax receivable	2.4	4.2
Current tax liabilities		
Income tax payable	(7.2)	(12.0)
Non-Current tax liabilities		
Corporation tax payable	(2.7)	(3.1)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

11. Income taxes (continued)

The following is the analysis of deferred tax liabilities presented in the consolidated statement of financial position:

	2019 US \$million	Restated (note 2.27) 2018 US \$million
Deferred tax balances		
Net deferred tax liabilities	(165.2)	(169.4)
Total	(165.2)	(169.4)

US \$million	As at 31 December 2018	Acquisitions	Tax rate change	Current year (charge) / credit	Prior year (charge) / credit	Recognized in OCI	Foreign exchange	At 31 December 2019
Net operating loss	4.0	-	0.1	3.4	(1.5)	-	-	6.0
Accrued expenses	2.2	-	0.2	0.2	(0.3)	-	-	2.4
Prepaid expenses	(0.9)	-	(0.1)	0.1	-	-	-	(0.9)
Property, plant and equipment	(12.9)	(0.2)	(2.4)	(4.9)	-	-	-	(20.4)
Intangible assets	(185.7)	(2.2)	(13.9)	15.5	(0.1)	-	(0.2)	(186.6)
Research and development	(1.6)	-	-	(0.2)	-	-	(0.1)	(1.9)
Provisions / accruals	4.0	-	0.3	(0.5)	0.2	-	-	4.0
Retirement benefit obligations	3.3	-	-	(1.6)	0.1	0.9	-	2.7
Other	18.2	-	0.3	9.6	1.5	-	-	29.5
Total	(169.4)	(2.4)	(15.5)	21.6	(0.1)	0.9	(0.3)	(165.2)

Deferred taxes

Deferred tax assets are recognized to the extent that the realization of the related deferred tax benefit through future taxable profits is probable.

At the statement of financial position date, the Group did not recognize a deferred tax asset of US \$35.3 million (2018: US \$38.7 million) relating to tax losses, due to uncertainty over the availability of future taxable profits. The material components of the unrecognized deferred tax asset comprise US \$11.8 million relating to UK tax losses, US \$10.1 million relating to Dutch tax losses (which will expire between 2019 and 2025), US \$7.6 million relating to Swedish tax losses and US \$2 million relating to German tax losses.

The Group also has an unrecognized deferred tax asset of US \$13.4 million (2018: US \$5.5 million, as restated) relating to interest carried forward, arising in the UK as a result of the corporate interest restriction provisions and US \$2.2 million (2018: US \$0 million, as restated) relating to accrued interest in the US arising as a result of the s. 163j interest limitation provisions. There is uncertainty as to when the interest amounts will be available to deduct against UK and US taxable profits.

No deferred tax liability has been recognized in respect of unremitted earnings of subsidiaries. It is likely that the majority of the overseas earnings will qualify for the UK dividend exemption and the Group can control the distribution of dividends by its subsidiaries. In some jurisdictions local tax is payable on the remittance of a dividend. If dividends were remitted from subsidiaries in these countries the additional tax payable would be US \$5.0 million (2018: US \$4.5 million) with the gross timing difference being US \$99.8 million (2018: US \$89.0 million). Other deferred tax items predominantly include temporary differences arising from interest restrictions carried forward and deductible in future periods.

UK Corporation tax rate change

A UK budget resolution was substantively enacted on 17 March 2020 canceling the previously enacted UK corporation tax reduction to 17% due to be introduced on 1 April 2020. UK deferred tax balances within the accounts have been calculated using a corporation tax rate of 17%. The impact of this change would be to increase the tax charge by US \$2.4 million.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

12. Separately disclosed items

	2019 US \$million	Restated (note 2.27) 2018 US \$million
Reorganization and integration costs related to the acquisition of Exova plc	14.1	22.4
Acquisition and new business setup costs	9.8	6.0
Strategic restructuring and reorganization of the Group	4.8	8.3
Share based payment charge	2.6	3.8
Transaction fees and costs related to the refinancing of the business	-	7.6
Other	5.4	7.0
Total	36.7	55.1

Separately disclosed items are items which by their nature or size, in the opinion of the Directors, should be excluded from the adjusted EBITDA to provide readers with a clear and consistent view of the business performance of the Group and its operations.

Reorganization and integration costs related to the acquisition of Exova plc

This is a continuation of the substantial corporate restructuring the Group commenced in 2017, following the acquisition of Exova plc in 2017, reorganization and integration of the enlarged Group. The integration program encompassed various cost optimization and business model initiatives including closure or consolidation of laboratories into a single location. This program, for which costs include fees for external advisers, and the cost of staff redundancies, is substantial in scope and impact. Directors consider these costs to be non-recurring operational or management activities and therefore should be separately disclosed. The costs incurred in connection with reorganization and integration activities in 2019 were US \$7.0 million (2018: US \$7.4 million).

In addition, the Group has incurred costs of US \$5.4 million in relation to the functional alignment of the business, in the areas of Communications and Branding, Finance and Information Technology as envisaged at the time of acquisition of Exova plc. Included within this total are costs related to severance payments of US \$1.4 million (2018: US \$1.4 million) and US \$3.5 million contractor and consultancy costs (2018: US \$3.5 million). Also included are dual running costs for employees holding specific roles in the integration project.

The Group-wide rebranding program which commenced in 2017 and completed in first half of 2019 resulted in costs to execute of US \$1.7 million in 2019.

Acquisition and new business setup costs

During 2019, the Group incurred material costs relating to corporate transactions. These costs relate to directly attributable transaction fees linked to successful, active or aborted acquisitions. The Group completed three acquisitions in the last quarter of 2019 (note 24) and incurred transaction costs of US \$5.6 million.

In addition to acquisition costs, the Group set up new greenfield sites in 2019. Set up costs for these sites have been treated as separately disclosed until they become fully operational. Directors consider a new site to be fully operational when all accreditations and regulatory approvals are obtained. Management do not consider costs associated with the setting up of a new facility or entering a new region to be in the ordinary course of business and therefore these costs are presented as separately disclosed items. The Group incurred a total of US \$4.2 million set up costs in 2019.

Strategic restructuring and reorganization of the Group

During the year the Group incurred further costs as a result of relocating laboratories across the business and undertaking restructuring activities. Total costs incurred were US \$4.8 million (2018: US \$8.3 million) of which US \$2.5 million relates to severance payments. The Group incurred US \$1.4 million of consultancy fees in relation to executive appointments which is directly related to strategic restructuring of the management team. Other restructuring and reorganization costs include amounts incurred in relation to corporate simplification, residual Project Align costs and legal fees associated with the program (US \$0.5 million). In addition, the Group incurred US \$0.4 million costs in relation to a specific customer which required relocation of selected technical and managerial personnel.

Share based payment charge

The Group provides benefits to employees (including Directors) in the form of equity-settled share-based payment transactions, whereby employees (and Directors) render services in exchange for shares.

In valuation of share-based payments, the fair value of the employee services rendered is determined by reference to the fair value of the shares awarded or options granted, excluding the impact of any non-market vesting conditions.

All share awards are valued using an option-pricing model (Black-Scholes or Monte Carlo). This fair value is charged to the income statement over the vesting period of the share-based payment scheme. The value of the charge is adjusted in the income statement over the remainder of the vesting period to reflect expected and actual levels of options vesting, with the corresponding adjustments made in equity and accruals.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

12. Separately disclosed items (continued)

The Group recognized US \$2.6 million (2018: US \$3.8 million) of share-based payment charge (note 28) related to share-based payment transactions made during the financial year.

Other

1) Tax Settlements

In 2019, the Group has reached tax settlements in the UK in respect of employment taxes. The settlement was retrospective in nature and of material scale. Therefore, the amount was separately disclosed in the accompanying financial statements. In addition, in the current year an additional tax payable triggered by a change in the holding company structure of a non-UK jurisdiction was incurred with retrospective effect. Total costs accrued in 2019 in connection with both settlements were US \$2.6 million.

2) Other costs

Other costs include Board management fees (US \$1.0 million) and professional fees, contractor costs and legal expenses incurred in connection with one-off projects (US \$1.8 million). Management consider these costs should be separately disclosed items.

13. Goodwill

	Aerospace	Energy	Transportation & Industrials	Fire & Building Products	Infrastructure & Environmental	Connected Technologies	Total US \$million
As at 1 January 2018	811.9	100.8	142.2	152.9	48.8	-	1,256.6
Acquisitions	14.1	-	26.2	-	-	-	40.3
Transfers between CGU	(9.2)	42.3	15.7	-	(48.8)	-	-
Disposals	-	-	-	(1.0)	-	-	(1.0)
Exchange movements	(14.3)	(4.8)	(3.9)	(8.6)	-	-	(31.6)
As at 31 December 2018	802.5	138.3	180.2	143.3	-	-	1,264.3
Acquisitions (note 24)	5.6	-	0.1	-	-	167.1	172.8
Transfers between CGU	(0.7)	0.7	-	-	-	-	-
Exchange movements	1.0	(0.2)	0.8	2.8	-	-	4.4
As at 31 December 2019	808.4	138.8	181.1	146.1	-	167.1	1,441.5

The Group tests goodwill annually for impairment, or more frequently if there are indications that it might be impaired. The recoverable amounts of the cash generating units (CGUs) are determined from value in use calculations based on discounted cash flow forecasts. The cash flow forecasts are based on the most recent Board approved annual budget and projections for the next five years. The key assumptions for the value in use calculations are those regarding the growth rates and the weighted average cost of capital rates. No impairment arises from a reasonable possible change in the key assumptions underlying the goodwill impairment review.

The growth rates are based on the CGU to which they relate and take into account the various market conditions that are relevant to that CGU. The margins are assumed to remain sustainable, which is supported by historical experience. Growth rates generally approximate to the long-term average rates for the markets in which the business operates. The average revenue growth rates applied range from 0.6% to 11.4% (2018: 3.4% to 7.4%) with a long term growth rate of 2.5% (2018: 2.5%) applied in the terminal value calculation.

In this exercise a discount rate range was used as shown below.

	Aerospace	Energy	Transportation & Industrials	Fire & Building Products
As at 31 December 2018	11.5%	11.5%	11.5%	11.5%
As at 31 December 2019	10.0%	11.0%	10.0%	10.0%

Goodwill acquired in a business combination is allocated, at acquisition, to the CGUs or group of units that are expected to benefit from that business combination. The Group restructured during 2018 and as a result reduced the number of CGUs from five to four. In 2019 a new CGU, Connected Technologies, was added increasing the number of CGUs back to five, as disclosed in the table above. This was driven by the acquisition of PCTEST Engineering Laboratory Inc on 30 December 2019 which gave rise to a business combination sufficiently different to require a new CGU.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

13. Goodwill (continued)

Impairment reviews were performed for each individual CGU except Connected Technologies as at 31 December 2019, including sensitivity analysis for changes in the weighted average cost of capital and the long term growth rates applied. No impairment in the value of goodwill in any of the sectors was identified. An impairment analysis will be performed on Connected Technologies within 12 months of the acquisition date. The acquisition was completed on 30 December 2019 and therefore provisional fair values have been accounted for at the year-end date (note 24).

Management identified a number of key assumptions relevant to the property impairment calculations, being EBITDA growth, which is impacted by an interaction of a number of elements and assumptions regarding revenue growth, maintenance capital expenditure, discount rates and terminal growth rates. These variables are interdependent and the forecast cash flows reflect Management's expectations based on current market conditions. Management performed sensitivity analysis and determined that should the discount rate increase by 25 basis points with all other assumptions remaining equal, sufficient headroom would remain.

14. Other intangible assets

Cost	Customer relationships	Customer contracts	Technology know how & process	Other	Trade name	Total Acquisition Intangibles	Software & Computer licenses	Total US \$million
As at 1 January 2018	717.8	-	187.7	0.8	20.9	927.2	10.7	937.9
Acquisitions	20.6	9.4	2.7	-	-	32.7	-	32.7
Additions	-	-	-	-	-	-	2.8	2.8
Disposals	-	-	-	-	-	-	(0.1)	(0.1)
Exchange movements	(21.7)	(0.2)	(5.5)	-	(0.3)	(27.7)	(0.6)	(28.3)
As at 31 December 2018	716.7	9.2	184.9	0.8	20.6	932.2	12.8	945.0
Acquisitions (note 24)	7.4	0.4	-	0.8	-	8.6	1.5	10.1
Additions	-	-	-	-	-	-	6.7	6.7
Disposals	-	-	-	-	-	-	(0.1)	(0.1)
Exchange movements	2.7	(0.2)	0.8	-	-	3.3	8.4	11.7
As at 31 December 2019	726.8	9.4	185.7	1.6	20.6	944.1	29.3	973.4
Accumulated Amortization								
As at 1 January 2018	37.6	-	19.7	0.3	3.6	61.2	2.5	63.7
Charge for the year	43.9	0.5	18.9	0.2	2.0	65.5	3.2	68.7
Exchange movements	(2.0)	-	(0.9)	-	(0.1)	(3.0)	-	(3.0)
As at 31 December 2018	79.5	0.5	37.7	0.5	5.5	123.7	5.7	129.4
Charge for the year	43.7	0.9	18.7	0.2	2.0	65.5	4.3	69.8
Disposals	-	-	-	-	-	-	(0.1)	(0.1)
Exchange movements	0.5	-	0.2	-	-	0.7	6.7	7.4
As at 31 December 2019	123.7	1.4	56.6	0.7	7.5	189.9	16.6	206.5
Net book value								
As at 31 December 2018	637.2	8.7	147.2	0.3	15.1	808.5	7.1	815.6
As at 31 December 2019	603.1	8.0	129.1	0.9	13.1	754.2	12.7	766.9

Amortization policy for each asset class is disclosed in note 2.7.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

15. Property, plant and equipment

Cost	Land & Buildings	Leasehold Improvements	Plant & Equipment	Assets under Construction	Total US \$million
As at 1 January 2018	53.3	28.1	203.6	12.2	297.2
Acquisitions	0.8	1.7	7.4	0.1	10.0
Additions	1.2	2.5	34.2	14.2	52.1
Transfers	0.3	0.1	(1.3)	0.9	-
Disposals	(1.2)	(0.2)	(1.6)	-	(3.0)
Exchange movements	(2.0)	0.2	(4.3)	(1.9)	(8.0)
As at 31 December 2018	52.4	32.4	238.0	25.5	348.3
Acquisitions (note 24)	0.1	6.0	23.5	0.9	30.5
Additions	4.9	2.3	39.2	12.2	58.6
Transfers	1.9	0.5	3.7	(6.1)	-
Disposals	-	(0.3)	(4.1)	-	(4.4)
Exchange movements	(0.1)	0.2	2.8	0.2	3.1
As at 31 December 2019	59.2	41.1	303.1	32.7	436.1
Accumulated Depreciation					
As at 1 January 2018	0.7	2.7	30.9	-	34.3
Charge for the year	1.5	4.1	35.4	-	41.0
Disposals	-	-	(0.3)	-	(0.3)
Exchange movements	(0.2)	(0.1)	(0.8)	-	(1.1)
As at 31 December 2018	2.0	6.7	65.2	-	73.9
Charge for the year	3.6	2.2	36.2	-	42.0
Disposals	-	(0.1)	(2.6)	-	(2.7)
Exchange movements	-	0.1	1.6	-	1.7
As at 31 December 2019	5.6	8.9	100.4	-	114.9
Net book value					
As at 31 December 2018	50.4	25.7	172.8	25.5	274.4
As at 31 December 2019	53.6	32.2	202.7	32.7	321.2

Depreciation policy for each asset class is disclosed in note 2.12.

16. Government grants

	2019 US \$million	2018 US \$million
At 1 January	3.9	6.8
Amount earned in the year	1.6	0.2
Utilized during the year	(1.5)	(2.7)
Exchange movements	0.2	(0.4)
As at 31 December	4.2	3.9
Included in:		
Current (liabilities) / assets	(1.4)	1.0
Non-current assets	5.6	2.9
As at 31 December	4.2	3.9

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

16. Government grants (continued)

Government grants are receivable in relation to research and development (R&D) expenditure. Accumulated tax credits (Scientific Research and Experimental Development) from R&D expenditure in Canada can be used to settle future cash tax liabilities and can be carried forward for up to 20 years. A provision has been booked against the R&D credits carried forward to provide against uncertainties in prior year claims that remain open to challenge from the Canadian tax authorities.

17. Trade receivables and other receivables

	2019 US \$million	2018 US \$million
Trade receivables	163.5	154.2
Prepayments	18.6	16.3
Other receivables	14.7	5.6
As at 31 December	196.8	176.1

Included within other receivables above is US \$9.5 million held in an escrow account. This amount is associated with the acquisition of PCTEST and was refunded to the company post year end (note 24).

The Group measures the loss allowance for trade receivables and amounts receivable from other Group companies at an amount equal to lifetime ECL. The expected credit losses on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. The directors consider that the carrying amount of trade and other receivables is approximately equal to their fair value. The amounts receivable from other Group companies relates to principal due from EMT Holdings Limited.

The aging of trade receivables not impaired is as follows:

	2019 US \$million	2018 US \$million
Not past due	93.3	93.3
Past due 0-30 days	37.2	30.4
Past due 31-60 days	14.8	15.5
Past due 61-90 days	6.6	6.8
Past due 90 days	14.2	11.5
Less: expected credit loss	(2.6)	(3.3)
Total	163.5	154.2
Receivables split by currency is as follows:		
U.S. Dollar	80.4	71.3
Pound Sterling	25.4	17.6
Euro	18.1	7.6
Canadian Dollars	8.5	25.0
Swedish Krona	7.8	7.6
Other currencies	23.3	25.1
Total	163.5	154.2

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

17. Trade receivables and other receivables (continued)

Movements in the expected credit losses	2019 US \$million	2018 US \$million
At 1 January	3.3	3.8
Reversal of expected credit losses during the year	(0.9)	(0.4)
Impact of IFRS 9 transition	-	(0.7)
Increase in expected credit loss during the year	0.5	0.6
Acquisitions	-	0.2
Receivables written off during the year as uncollectable	(0.3)	(0.2)
Total	2.6	3.3

18. Cash and cash equivalents

	2019 US \$million	2018 US \$million
U.S. Dollar	22.1	26.8
Euro	10.9	13.9
Pound Sterling	9.1	9.3
Saudi Arabian Riyal	4.8	3.8
Other currencies	19.6	33.9
Total	66.5	87.7

19. Other payables

	2019 US \$million	Restated (note 2.27) 2018 US \$million
Current		
Accrued bonuses, wages and personnel costs	28.0	35.8
Other accrued liabilities	37.2	48.2
Contract liabilities	10.0	9.4
Customer deposits	1.8	1.9
Total	77.0	95.3

The fair value of the Group's trade and other payables approximates their face value.

Included in the 2018 other accrued liabilities balance above is US \$1.9 million which related to unissued shares as a result of an acquisition made by the Group during 2018. This liability was settled in cash during 2019.

	2019 US \$million	2018 US \$million
Non-Current		
Other liabilities	7.8	8.3
Total	7.8	8.3

US \$7.2 million (2018: US \$5.1 million) of other accrued liabilities relates to employment liabilities accrued in accordance with regulatory requirements in foreign jurisdictions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

20. Provisions

	Dilapidation provisions	Other Provisions	Total US \$million
As at 1 January 2018	25.1	5.5	30.6
Reclassification of provisions	0.2	(0.2)	-
Acquisitions	2.0	-	2.0
Additions	1.5	1.2	2.7
Utilized during the year	(4.4)	(0.9)	(5.3)
Exchange movements	(1.8)	(0.1)	(1.9)
As at 31 December 2018	22.6	5.5	28.1
Acquisitions	0.3	-	0.3
Additions	0.2	1.6	1.8
Utilized during the year	(2.7)	(1.8)	(4.5)
Exchange movements	0.1	0.2	0.3
As at 31 December 2019	20.5	5.5	26.0
Included in:			
Current liabilities	3.8	0.9	4.7
Non-current liabilities	18.8	4.6	23.4
As at 31 December 2018	22.6	5.5	28.1
Included in:			
Current liabilities	5.6	3.9	9.5
Non-current liabilities	14.9	1.6	16.5
As at 31 December 2019	20.5	5.5	26.0

The dilapidation provisions at 31 December 2019 and 31 December 2018 represent present value of the estimated cost of restoration of the leased properties upon expiry of the contractual lease term. A maturity analysis has been performed over the lease liabilities (note 26) which is indicative of the expiry of the dilapidations provision.

Included in other provisions, US \$2.5 million relates to restructuring provision, US \$1.6 million relates to legal provisions and the remaining US \$1.4 million relates to various other provisions.

Restructuring provision

Restructuring provision relates to various fundamental restructuring activities, including site consolidations, closure of non-core business units, re-engineering of underperforming businesses and the delayering of management structure. Management has used its best judgment to estimate the cost and the timing of the cash outflows but is likely to be within one year.

Legal provision

The Group is involved in various claims and lawsuits incidental to the ordinary course of its business. The outcome of such litigation and the timing of any potential liability is uncertain, as it is often subject to legal proceedings. Based on information currently available, the Directors consider that the cost to the Group of an unfavorable outcome arising from such litigation is unlikely to have a materially adverse effect on the financial position of the Group in the foreseeable future. In making provision for claims, Management has used its judgment to assess the circumstances relating to each specific event, internal and external legal advice, knowledge of the industries and markets, prevailing commercial terms and legal precedents.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

21. Interest bearing loans and borrowings

Type	2019			2018		
	Current	Non-Current	Total US \$million	Current	Non-Current	Total US \$million
Term B loan	7.7	1,270.0	1,277.7	7.7	1,280.5	1,288.2
Loan notes	-	463.9	463.9	-	398.0	398.0
Second lien loan	-	259.0	259.0	-	220.0	220.0
Capex/acquisition and revolving credit facility	169.0	-	169.0	-	-	-
Deferred financing costs	(6.4)	(28.9)	(35.3)	(6.2)	(32.6)	(38.8)
Loans and borrowings	170.3	1,964.0	2,134.3	1.5	1,865.9	1,867.4
Second lien loan	-	-	-	1.8	-	1.8
Accrued interest	-	-	-	1.8	-	1.8
Total interest bearing loans and borrowings	170.3	1,964.0	2,134.3	3.3	1,865.9	1,869.2
Priority A shares	-	546.6	546.6	-	492.4	492.4
Priority B shares	-	266.5	266.5	-	230.7	230.7
Priority shares	-	813.1	813.1	-	723.1	723.1
Total	170.3	2,777.1	2,947.4	3.3	2,589.0	2,592.3

The principal terms of the Group's Loans and borrowings at the year-end were as follows:

Term B Loan

The Term B loans consist of the following facilities:

- US \$770 million principal amount was drawn on 29 June 2017. The loan has an annual principal repayment of 1% per annum. The remaining balance is repayable in full on maturity (28 June 2024). The loan carries variable interest at Libor plus 3.5% margin. The outstanding principal as at 31 December 2019 is US \$754.6 million (2018: US \$762.3 million).
- Gross GBP loan of £160 million was drawn on 29 June 2017 and is repayable on 28 June 2024. The interest is variable and is charged at Libor plus 4.25% margin. As at 31 December 2019, the outstanding GBP loan is US \$208.0 million (2018: US \$202.1 million). The change is due to foreign exchange movements in the year.
- Gross EUR loan of €213.7 million was drawn on 29 June 2017 and is repayable on 27 June 2024. The interest is variable and is charged at Euribor plus 3.25% margin.
- A further €70.2m was raised on 14 December 2018 and was an extension to the original draw down with the interest and repayment terms remaining unchanged.
- As at 31 December 2019, the total amount outstanding on EUR loan is US \$315.1 million (2018: US \$323.8 million). The residual movement year on year is due to foreign exchange of US \$10.5 million.

Second Lien Loan

- The principal amount of the facility is US \$220 million and was drawn on 29 June 2017. The outstanding loan is repayable in full on 27 June 2025. The interest is variable and is charged at Libor plus 7.0% (reduced from 7.5% effective 14 December 2018).
- A further US \$39.0 million was raised on 24 December 2019 and is an extension to the original draw down with the interest and repayment terms remaining unchanged.
- As at 31 December 2019, the total amount outstanding on the Second lien loan is US \$259.0 million (2018: US \$220.0 million).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

21. Interest bearing loans and borrowings (continued)

Capex/acquisition and revolving credit facility

A series of drawdowns were made on the capex/acquisition and revolving credit facility during 2019 which remained unpaid as at 31 December 2019. The interest paid on the capex/acquisition facility is variable and is charged at Libor plus 3.5% margin. Interest on the revolving credit facility is variable and is charged at Libor plus 3.25%. The following drawdowns occurred during the year:

Capex/acquisition:

- GBP £9 million was drawn on 23 May 2019. At 31 December 2019, the outstanding amount is US \$11.7 million.
- US \$10 million was drawn on 19 July 2019 and is outstanding at 31 December 2019.
- US \$15 million was drawn on 30 September 2019 and is outstanding at 31 December 2019.
- US \$100 million was drawn on 24 December 2019 and is outstanding at 31 December 2019.

Revolving credit facility:

- US \$10 million was drawn on 28 June 2019 and is outstanding at 31 December 2019.
- GBP £2 million and EUR €2.3 million were drawn down on 30 September 2019. At 31 December 2019, the outstanding amounts are US \$2.6 million and \$2.5 million, respectively.
- EUR €8.2 million was drawn on 28 November 2019. At 31 December 2019, the outstanding amount is US \$9.1 million.
- GBP £6.2 million was drawn on 3 December 2019. At 31 December 2019, the outstanding amount is US \$8.1 million.

All amounts outstanding on the capex/acquisition and revolving credit facility have been repaid on 23 January 2020 as a result of the Group successfully completing a refinancing of its existing debt structure. Further details have been provided in note 30, Events after the balance sheet date.

The terms of the Priority shares and Loan notes are detailed in note 23.

Analysis of borrowings by currency:

	GBP	EUR	USD	Total US \$million
Redeemable cumulative priority shares	-	-	723.1	723.1
Second lien loan (net of deferred financing costs)	-	-	216.4	216.4
Term B loan (net of deferred financing costs)	199.0	318.6	749.9	1,267.5
Loan notes (net of deferred financing costs)	-	330.7	54.6	385.3
As at 31 December 2018	199.0	649.3	1,744.0	2,592.3

	GBP	EUR	USD	Total US \$million
Redeemable cumulative priority shares	-	-	813.1	813.1
Second lien loan (net of deferred financing costs)	-	-	253.4	253.4
Term B loan (net of deferred financing costs)	205.4	310.9	744.5	1,260.8
Loan notes (net of deferred financing costs)	-	412.8	38.4	451.2
Capex/acquisition and revolving credit facility	22.4	11.6	135.0	169.0
As at 31 December 2019	227.8	735.3	1,984.4	2,947.5

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

21. Interest bearing loans and borrowings (continued)

Analysis of undrawn borrowings:

	Total US \$million
As at 31 December 2018	
Capex/acquisition	200.0
Revolving credit facility	87.0
Total	287.0

	Total US \$million
As at 31 December 2019	
Capex/acquisition	63.8
Revolving credit facility	55.1
Total	118.9

The available undrawn facilities are multi-currency.

At 31 December 2019, the Group has US \$13.0 million (2018: US \$13.0 million) letter of credit outstanding (refer to note 32).

The weighted average interest rates paid during the year were as follows:

	2019 %	2018 %
Priority shares	11.0	11.0
Loans notes	9.1	11.1
Bank loans	6.4	6.2

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

22. Deferred and contingent consideration

	Total US \$million
As at 1 January 2018	21.8
Payment of deferred and contingent consideration	(6.5)
Exchange movements	(0.3)
As at 31 December 2018	15.0
Acquisitions (note 24)	15.3
Fair value re-measurement	(0.6)
Payment of deferred and contingent consideration	(12.3)
Exchange movements	(0.1)
As at 31 December 2019	17.3
Included in:	US \$million
Current liabilities	14.2
Non-current liabilities	0.8
As at 31 December 2018	15.0
Current liabilities	2.3
Non-current liabilities	15.0
As at 31 December 2019	17.3

The fair value of the contingent consideration determined at 31 December 2019 is the present value of expected future cash flows based on the latest forecasts of future performance and recognized through profit or loss.

Included within deferred consideration from 31 December 2018 that was paid in the year is the following:

The consideration to acquire Admaterials Technologies Private Limited included contingent consideration relating to a put and call option to purchase the remaining shareholding three years after acquisition (in 2016) based on the same earnings multiple as the original offer. Contingent consideration of US \$10.9 million was paid on 15 May 2019.

The consideration to acquire SL Pharma Labs Inc included contingent consideration based on future targets being met. Contingent consideration of US \$0.1 million was paid in July 2019.

The consideration to acquire Metals Testing Company (MTC) included contingent consideration based on future targets being met. The maximum amount payable with respect to contingent consideration was US \$1.5 million. Contingent consideration of US \$1.3 million has been paid in 2019.

Included within deferred consideration as at 31 December 2019 is the following:

The consideration to acquire Testing and Engineering of Aeronautical Materials and Structures S.L (TEAMS) included contingent consideration based on Management's intention for the use of certain assets specified in the sale and purchase agreement. The contingent consideration's range was between a minimum of \$nil and a maximum of US \$0.8 million. The contingent consideration becomes due in 2020 if a triggering event has not occurred prior to this date. The fair value of the contingent consideration is the present value of expected future cash flows based on Management's intention of the use of the specified assets. The fair value of the contingent consideration is US \$0.7 million.

The consideration to acquire Defire Holdings Pty Limited included contingent consideration based on future targets being met. The contingent consideration range is between a minimum of \$nil and a maximum of US \$1.4 million. The due date of the contingent consideration has been renegotiated and is payable in 2020. The fair value of the contingent consideration is US \$1.3 million.

The consideration to acquire the assets of Midwest Testing Laboratories Inc included contingent consideration of US \$0.3m. This was paid in full post year end.

The consideration to acquire PCTEST Engineering Laboratory Inc included contingent consideration that becomes due in 2021. The contingent consideration's range was between a minimum of \$nil and a maximum of US \$15.0 million. The contingent consideration becomes due in 2021. The fair value of the contingent consideration is US \$15.0 million.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

23. Financial instruments

Financial risk management objectives and policies

The Group's finance function provides services to the business, coordinates access to domestic and international financial markets, and monitors and manages the financial risks relating to the operations of the Group through internal risk reports which analyze exposures by degree and magnitude of risks. The Group's business and financial results are affected by fluctuations in world financial markets, including changes in currency exchange rates and interest rates. The Group manages these risks through a combination of normal operating and financing activities and derivative financial instruments. The Group uses interest rate cap contracts to manage its exposure to interest rate changes. The Group does not use derivative financial instruments for trading or speculative purposes.

Financial risk management including the use of financial instruments and the related currency, liquidity, credit and interest rate risks is dealt with by the Group finance function of the parent on behalf of the Group.

Fair value measurements

Set out below is a comparison by category of carrying amounts and fair values of all the Group's financial instruments, other than those with carrying amounts that are reasonably approximations of fair values, that are carried in the financial statements.

Financial assets / (Financial liabilities)	Fair value hierarchy	Fair value measurements		Carrying amount as at 31 December	
		31 December 2019	31 December 2018	31 December 2019	31 December 2018
Contingent consideration in a business combination	Level 3	(17.3)	(15.0)	(17.3)	(15.0)
Interest rate caps	Level 2	(1.3)	8.3	(1.3)	8.3

In accordance with IFRS 7 Financial Instruments: Disclosures, financial instruments are classified in the form of a three-level fair value hierarchy, by class, for all financial instruments recognized at fair value:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3: inputs for the asset or liability that are not based on observable market data.

At 31 December 2019 and 31 December 2018, the Group held all financial instruments at level 2 fair value measurement for the purposes of disclosing their fair value, with the exception of trade receivables and payables, cash and cash equivalents and contingent consideration. Between 31 December 2019 and 31 December 2018, there were no transfers between level 1 and level 2 fair value measurements and no transfers into or out of level 3 fair value measurements.

At 31 December 2019 and 31 December 2018, there is one level 3 fair value measurement which relates to contingent consideration liabilities resulting from acquisition activity. The fair value of the contingent consideration liabilities is based on an assessment of the probability of possible outcomes discounted to net present value. Subsequent changes to the fair value of the contingent consideration liabilities are adjusted against the cost of acquisition where they qualify as measurement period adjustments. All other subsequent changes in the fair value of contingent consideration liabilities are accounted for in accordance with relevant IFRSs and designated through the statement of profit or loss.

For financial instruments that are recognized at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting year.

The methods and assumptions used to estimate the fair values shown above are:

- other financial instruments – the fair value of all other items have been calculated by discounting the expected future cash flows at prevailing interest rates.

Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

23. Financial instruments (continued)

Trade receivable exposures are managed locally in the operating units where they arise. Credit terms vary by country and are set as deemed appropriate for the customer. Management actively monitors concentration of credit risk whereby no customer represents greater than 10% of total trade receivables throughout the year. The Company has a concentration risk with regards to the receivable balances with related parties. The Group's exposure and the credit ratings of its counterparties and related parties are continuously monitored and the aggregate value of credit risk within the business is spread amongst a number of approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by Management. The carrying amount of the financial assets recorded in the financial statements, which is net of expected credit losses, represents the Group's and the Company's exposure to credit risk.

The Group uses the IFRS 9 ECL model to measure loss allowances at an amount equal to their lifetime expected credit loss.

In order to minimize credit risk, the Group has categorized exposures according to their degree of risk of default. The credit rating information is based on a range of qualitative and quantitative factors that are deemed to be indicative of risk of default and range from 1 (lowest risk of default) to 5 (greatest risk of default). Loss allowances for trade receivables from related parties held by the Company are deemed immaterial.

Group rating	Aging	Gross exposure US \$million	Loss allowance US \$million	Net Exposure US \$million
1	Not past due	93.3	(0.1)	93.2
2	Past due 0-30 days	37.2	-	37.2
3	Past due 31-60 days	14.8	-	14.8
4	Past due 61-90 days	6.6	-	6.6
5	Past due 90 days	14.2	(2.5)	11.7
Total		166.1	(2.6)	163.5

Priority shares

The priority shares are unsecured borrowings of the Group. The priority shares do not carry any equity component and are classified as financial liabilities.

Priority A shares

The Company's redeemable cumulative priority A shares of US \$368.2 million were issued on 22 March 2016. The shares carry 11 per cent interest per annum and are redeemable on 22 March 2026. Total interest accrued to 31 December 2019 was US \$178.4 million (2018: US \$124.2 million). The redeemable cumulative priority shares are classified as financial liabilities. The priority A shares do not carry voting rights.

Priority B shares

The Company's redeemable cumulative priority B shares of US \$191.4 million were issued on 29 June 2017, a further US \$4.9 million was issued on 29 December 2017. In 2018 the Group issued a further US \$0.7 million on 13 September 2018 and a further US \$0.1 million on 20 November 2018. Further issuances were made during 2019 as follows: US \$2.5 million on 22 July 2019 and US \$7.9 million on 30 December 2019. Total proceeds from share issuances in the year were US \$0.9 million. The shares carry 11 per cent interest per annum and are redeemable on 22 March 2026. Total interest accrued to 31 December 2019 was US \$59.0 million (2018: US \$33.5 million). The redeemable cumulative priority shares are classified as financial liabilities. The priority B shares do not carry voting rights.

Loan notes

The US \$220.0 million unsecured redeemable loan notes 2026 were issued on 22 March 2016 at an issue price of US \$1 per note and are redeemable on 22 March 2026 at par value plus all rolled up interests of 11 per cent per annum. The loan notes were listed on The International Stock Exchange (TISE) on 20 March 2017. US \$182.2 million principal plus \$60.3 million accrued interest were repaid on 14 December 2018. A further US \$11.9 million principal plus US \$5.0 million accrued interest was repaid on 22 July 2019. The directors consider that the carrying amount of the loan notes are approximately equal to their fair value.

The US \$50.0 million unsecured redeemable loan notes 2026 were issued on 29 June 2017 at an issue price of US \$1 per note and are redeemable on 22 March 2026 at par value plus all rolled up interests of 12 per cent per annum. US \$50.0 million principal plus \$9.1 million accrued interest were repaid on 14 December 2018.

A further US \$14.0 million of unsecured redeemable loan notes were issued on 29 June 2017 at an issue price of US \$1 per note, of which US \$10.0 million were repaid on 31 July 2017. The remaining balance of US \$4.0 million was repaid on 22 July 2019. No interest is accrued on this issue.

The Group issued EUR €300.0 million (US \$342.0 million) of PIK notes on 14 December 2018 that are redeemable on 14 December 2026. The interest is variable and is charged at Euribor plus 8.75%. A further EUR €55.0 million (US \$61.0 million) was issued on 24 December 2019 and is an extension to the original draw down with the interest and repayment terms remaining unchanged.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

23. Financial instruments (continued)

The Group management reviews and manages the key risks that could prevent the Group from meeting its business objectives. The Group management consists of senior managers from operating sectors and reports findings and actions directly to the Chief Executive Officer and the Board. This process covers all risk areas, including strategic, operational and financial risks. The key risks identified by Management are as follows:

Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximizing the return to shareholders through the optimization of the debt and equity balance. The Group's overall strategy remains unchanged.

The capital structure of the Group consists of net debt (borrowings disclosed in note 21 after deducting cash and bank balances) and equity of the Group (as disclosed in the statement of changes in equity).

The Group is not subject to any externally imposed capital requirements.

The Group's risk to the capital structure is reviewed on a regular basis by the directors. As part of this review, the directors consider the cost of capital and the risks associated with each class of capital.

Liquidity risk

Liquidity risk is the risk that suitable sources of funding may not be available for the Group's business activities. The Group manages liquidity risk by maintaining adequate reserves and banking facilities and continuously monitoring forecast and actual cash flows including consideration of appropriate sensitivities.

The Group monitors cash balances daily and projects cash on a rolling thirteen-week basis. The Group's financial risk management activities in this area seek to achieve a balance between certainty of funding with committed facilities and a flexible cost-effective structure.

At 31 December 2019, the Group had credit facilities of US \$1,824.6 million (2018: US \$1,795.2 million), of which US \$1,705.7 million (2018: US \$1,508.2 million) had been drawn down leaving US \$118.9 million (2018: US \$287.0 million) undrawn facility available under the Senior Facilities Agreement (SFA). The Group held cash of US \$66.5 million (2018: US \$87.7 million) at year end.

In addition to cash and undrawn facilities available, liquidity risk is managed through on-going review of the Group's financial projections by the Group finance function. Recommendations may then be made to the Board to mitigate cash outflows through restriction or deferral of discretionary expenditure as appropriate.

The table below analyses the Group's financial liabilities which will be settled on a net basis into relevant maturity groupings based on the remaining years, at the balance sheet date, to the contractual maturity date. The amounts disclosed in the table represent the contractual undiscounted cash flows. Balances due within 12 months equal their carrying value as the impact of discounting is not considered to be significant.

	Less than one year	Between one and two years	Between two and three years	Between three and five years	More than five years	Total US \$million
Senior Facilities Agreement: secured	7.7	7.7	7.7	15.4	1,469.7	1,508.2
Trade payables	30.2	-	-	-	-	30.2
Other payables	95.3	-	-	-	8.3	103.6
Loan notes	-	-	-	-	398.0	398.0
Priority shares	-	-	-	-	723.1	723.1
Lease liabilities	24.9	22.1	19.0	26.4	40.4	132.8
As at 31 December 2018	158.1	29.8	26.7	41.8	2,639.5	2,895.9
Senior Facilities Agreement: secured	7.7	7.7	7.7	1,513.6	-	1,536.7
Capex/acquisition and revolving credit facility	169.0	-	-	-	-	169.0
Trade payables	32.7	-	-	-	-	32.7
Other payables	77.0	-	-	-	7.8	84.8
Loan notes	-	-	-	-	463.9	463.9
Priority shares	-	-	-	-	813.1	813.1
Lease liabilities	27.0	22.8	17.6	23.6	35.2	126.2
As at 31 December 2019	313.4	30.5	25.3	1,537.2	1,320.0	3,226.4

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

23. Financial instruments (continued)

Interest rate risk

The Group is exposed to interest rate risks on its secured bank loans (note 21). Secured bank loans are managed through interest rate caps.

In addition to available cash and cash from operations, the Group uses short and long-term debt to finance business activities. Interest rate on bank borrowings range between 0.67% and 9.82% (2018: 3.2% - 10.4%). The Group is exposed to interest rate risk on its debt obligations. The Group currently uses derivative financial instruments to manage interest rate.

Hedging

Derivative financial instruments involve credit risk in the event the counterparty should default. It is the Group's policy to execute such instruments with global financial institutions that the Group believes to be creditworthy. The Group also uses International Swap Dealers Association (ISDA) master-netting agreements. The ISDA agreements reduce the Group's counterparty settlement risk to the net amount of any receipts or payments due between the Group and the counterparty financial institution. Such contracts enable the Group to mitigate the risk of changing interest rates on the fair value of issued fixed rate debt held and the cash flow exposures on the issued variable rate debt held. The average interest rate is based on the outstanding balances at the end of the financial year.

The following derivatives are stated at the fair values as set out below:

	2019 US \$million	2018 US \$million
Asset		
Asset (U.S. Dollar interest rate cap)	-	8.6
	-	8.6
Liability		
Liability (GBP interest rate cap)	(0.2)	-
Liability (USD interest rate cap)	(1.0)	-
Liability (EUR interest rate cap)	(0.1)	(0.3)
Total	(1.3)	(0.3)

The interest rate caps fix the net interest rate payable in respect of amounts hedged maturing on 30 September 2020. The change in the Fair Value of the derivative is designated through the statement of profit or loss and therefore, the Group do not designate these derivatives as hedging instruments.

Market risk

The business activities of the Group expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates. The Group entered into a number of interest rate caps to manage its exposure to rising interest rates.

There has been no change to the Group's exposure to market risks or the manner in which these risks are managed and measured.

Foreign currency risk management

The Group undertakes transactions denominated in foreign currencies; consequently, exposures to exchange rate fluctuations arise. These risks include the translation of local currency balances and results of the Group's worldwide operations into United States Dollars. In addition, there are gains and losses related to intercompany and third-party transactions denominated in currencies other than a location's functional currency. The Group operates in 32 countries, although the principal currency exposures relate to Sterling and Euro. The Group's objective is to minimize the volatility of its exposures to these risks through a combination of normal operating and financing activities. Currency risk is managed centrally by the parent on behalf of the Group.

Safety, health, environmental and quality risk (SHEQ)

The Group is exposed to SHEQ risk principally through its operations in the materials testing sector.

Through its formal risk assessment process, the Group has systems in place to assess risks prior to planned changes or when unplanned changes occur, whether permanent or temporary, during operations or when changes are required to facilities, equipment, procedures, laws, regulations, standards or systems. The risk assessment process involves staff with relevant knowledge and experience, with findings and changes communicated to all those who may be affected, and training provided as required.

The SHEQ risk management processes are applied to all new projects and existing operations, with risks prioritized and managed to ensure they are reduced to a level that is as low as reasonably practical. All identified risks are recorded and maintained at business unit level and are escalated to the Board as appropriate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

24. Business Combinations

The primary strategic reasons for the following acquisitions and key benefits to the Group are set out on pages 46-47.

EMV Testhaus GmbH

On 28 November 2019, the Group acquired 100% of the voting share capital of EMV Testhaus GmbH in Germany. Total consideration was US \$8.1 million consisting of US \$8.9 million paid in cash net of cash acquired of US \$0.8 million. The consideration was paid in cash and was funded by a draw down on the revolving credit facility. Acquisition expenses of US \$0.03 million were incurred in respect of this acquisition and expensed to the consolidated statement of profit or loss.

Set out below is an analysis of the net book value and fair value of the net assets acquired and the consideration payable in respect of this acquisition.

EMV Testhaus GmbH	Book value US \$million	Fair value US \$million
Intangible assets	-	3.5
Property, plant and equipment	0.7	1.4
Trade and other receivables	0.7	0.9
Trade and other payables	(0.4)	(0.4)
Deferred tax	-	(1.2)
Net assets acquired	1.0	4.2
Goodwill		3.9
		8.1
Satisfied by:		
Cash paid		8.9
Cash acquired		(0.8)
Total consideration		8.1

From the date of acquisition to 31 December 2019, EMV Testhaus contributed US \$0.2 million to revenue and US \$0.03 million to profit before tax. If the acquisition had been made at the beginning of the financial year, the business would have contributed US \$3.5 million to revenue, US \$0.7 million to profit before tax and US \$1.0 million to adjusted EBITDA. Profit before tax should not be viewed as indicative of the results of this business that would have occurred, if this acquisition had been completed at the beginning of the year.

The fair value adjustments mainly relate to the recognition of acquisition intangible and associated deferred tax liability, as well as a fair value uplift to the property, plant and equipment. Goodwill, being the excess of the consideration over the net tangible and intangible assets acquired, represents benefits which do not qualify for recognition as intangible assets, including the ability of a business to generate higher returns than individual assets, skilled workforces and acquisition synergies that are specific to the Group. In addition, goodwill arises on the recognition of deferred tax liabilities in respect of intangible assets for which amortization does not qualify for tax deductions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

24. Business Combinations (continued)

Aerotech Inspection & NDT Limited

On 4 December 2019, the Group acquired 100% of the voting share capital of Aerotech Inspection & NDT Limited in the United Kingdom. Total consideration was US \$6.7 million consisting of US \$8.3 million paid in cash net of cash acquired of US \$1.6 million. The consideration was paid in cash and was funded by a draw down on the revolving credit facility.

Acquisition expenses of US \$0.2 million were incurred in respect of this acquisition and expensed to the consolidated statement of profit or loss.

Set out below is an analysis of the net book value and fair value of the net assets acquired and the consideration payable in respect of this acquisition.

Aerotech Inspection & NDT Limited	Book value US \$million	Fair value US \$million
Intangible assets	-	4.0
Property, plant and equipment	1.0	1.3
Right of use asset	0.3	0.3
Trade and other receivables	1.5	1.5
Trade and other payables	(1.3)	(1.3)
Deferred tax	(0.2)	(0.9)
Net assets acquired	1.3	4.9
Goodwill		1.8
		6.7
Satisfied by:		
Cash paid		8.3
Cash acquired		(1.6)
Total consideration		6.7

From the date of acquisition to 31 December 2019, Aerotech Inspection & NDT Limited contributed US \$0.2 million to revenue and US \$0.03 million to profit before tax. If the acquisition had been made at the beginning of the financial year, the business would have contributed US \$3.7 million to revenue, US \$1.2 million to profit before tax and US \$1.3 million to adjusted EBITDA. Profit before tax should not be viewed as indicative of the results of this business that would have occurred, if this acquisition had been completed at the beginning of the year.

The fair value adjustments mainly relate to the recognition of acquisition intangible and associated deferred tax liability, as well as a fair value uplift to the property, plant and equipment. Goodwill, being the excess of the consideration over the net tangible and intangible assets acquired, represents benefits which do not qualify for recognition as intangible assets, including the ability of a business to generate higher returns than individual assets, skilled workforces and acquisition synergies that are specific to the Group. In addition, goodwill arises on the recognition of deferred tax liabilities in respect of intangible assets for which amortization does not qualify for tax deductions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

24. Business Combinations (continued)

PCTEST Engineering Laboratory Inc

On 30 December 2019, the Group acquired 100% of the voting share capital of PCTEST Engineering Laboratory Inc in the United States. Total consideration was US \$204.7 million consisting of US \$176.8 million paid in cash, US \$15.0 million contingent consideration, shares issued of US \$15.0 million and net of cash acquired of US \$2.1 million. The consideration paid in cash was funded by a mixture of draw down on the capex/acquisition facility, issuance of an additional PIK loan and further second lien capital raised. Acquisition expenses of US \$3.0 million were incurred in respect of this acquisition and expensed to the consolidated statement of profit or loss.

Set out below is an analysis of the net book value and fair value of the net assets acquired and the consideration payable in respect of this acquisition.

PCTEST Engineering Laboratory Inc	Book value US \$million	Fair value US \$million
Intangible assets	1.5	1.5
Property, plant and equipment	27.8	27.8
Right of use asset	1.5	1.5
Trade and other receivables	4.8	4.8
Contract assets	7.2	7.2
Trade and other payables	(5.2)	(5.2)
Net assets acquired	37.6	37.6
Goodwill		167.1
		204.7
Satisfied by:		
Cash paid (net of US \$9.5 million escrow funds)		176.8
Shares issued		15.0
Contingent consideration		15.0
Cash acquired		(2.1)
Total consideration		204.7

If the acquisition had been made at the beginning of the financial year, the business would have contributed US \$59.3 million to revenue, US \$13.9 million to profit before tax and US \$22.0 million to adjusted EBITDA. Profit before tax should not be viewed as indicative of the results of this business that would have occurred, if this acquisition had been completed at the beginning of the year.

Any fair value adjustments are provisional and will be finalized within 12 months of the acquisition date. An assessment of the fair value of the intangible assets and property, plant and equipment is incomplete at the date of these consolidated financial statements and as such the carrying value of the acquired assets has been used in the completion of these statements. When the final valuation work is concluded, an adjustment to property, plant and equipment and intangible asset values and a corresponding adjustment in goodwill is anticipated.

Goodwill, being the excess of the consideration over the net tangible and intangible assets acquired, represents benefits which do not qualify for recognition as intangible assets, including the ability of a business to generate higher returns than individual assets, skilled workforces and acquisition synergies that are specific to the Group. In addition, goodwill arises on the recognition.

Other business combinations in the year

On 30 July 2019, the Group through Element Materials Technology Detroit LLC, acquired the assets of Midwest Testing Laboratories Inc, as an asset purchase agreement for a net cash consideration of US \$1.7 million of which US \$0.3 million was deferred as at year end (note 22). The consideration for this asset acquisition was paid in cash and funded by the Group's existing cash resources. Intangible assets of US \$1.2 million were recognized on acquisition.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

25. Retirement benefit obligations

The Group operates a number of pension schemes throughout the world. In most locations, these are defined contribution arrangements. However, there are defined benefit pension plans in the UK, Sweden, Germany and Netherlands, which require contributions to be made to separately administered funds or insurance companies.

Defined contribution pension schemes

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognized as an employee benefit expense in the statement of profit or loss as incurred. The Group made US \$13.2 million payment to defined contribution plans in 2019 (2018: US \$12.7 million).

Defined benefit pension schemes

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan.

The Group's net obligation in respect of defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefits that employees have earned in return for their service in the current and prior years; that benefit is discounted to determine its present value. Any unrecognized past service costs and the fair values of any plan assets are deducted.

The largest of the defined benefit pension schemes is the UK scheme, TTL Chiltern Group Pension Scheme, which was acquired as part of the Exova plc acquisition. The assets of this scheme are administered by trustees in a fund independent from those of the participating companies and invested directly on the advice of the independent professional investment managers.

The Scheme provides pensions in retirement and death benefits to members. Pension benefits are linked to a member's final salary at retirement and their length of service. Since 1 October 2015 the Scheme has been closed to future accrual. The Scheme is a registered scheme under UK legislation and was contracted out of the State Second Pension. The Scheme is subject to the scheme funding requirements outlined in UK legislation. The Scheme was established from 2 March 1978 under trust and is governed by the Scheme's rules dated 22 July 2011 and subsequent amending deeds (the "Rules"). The Trustees are responsible for the operation and the governance of the Scheme, including making decisions regarding the Scheme's funding and investment strategy. Under clause 66 of the Rules the Company is entitled to an unconditional right to a refund of surplus if the Scheme winds up with excess assets.

The Scheme exposes the Company to actuarial risks such as; market (investment) risk, interest rate risk, inflation risk currency risk and longevity risk. The Scheme does not expose the Company to any unusual Scheme-specific or Company-specific risks.

The Scheme's investment strategy is to invest broadly 55% in return seeking assets (with 27.5% allocated to diversified growth funds and 27.5% allocated to equities) and 45% in matching assets (with 20.5% allocated to index-linked gilts or other inflation linked assets and 24.5% allocated to corporate bonds). This strategy reflects the Scheme's liability profile and the Trustees' and Company's attitude to risk.

The last funding valuation of the Scheme was as at 31 December 2016 and revealed a funding deficit of £22.6 million (US \$30.0 million). The Group agreed to pay monthly contributions of £0.1 million (US \$0.2 million) payable from 1 October 2018, ceasing on 31 January 2025 in line with the recovery plan dated 15 October 2018. In 2019, the Group made contributions of US \$7.5 million to the UK scheme (31 December 2018: US \$10.7 million). The Group expects to make contributions of US \$2.9 million in 2020.

In addition, Scheme expenses, Pension Protection Fund Levies and insurance premiums are paid directly by the Group. Contributions to the Scheme are subject to review at future actuarial valuations and subsequent certification of a new schedule of contributions. The next actuarial valuation of the Scheme is due with effective date 31 December 2019 and a new schedule of contributions must be in place within 15 months of the effective date.

The liabilities of the Scheme are based on the current value of expected benefit payment cashflows to members of the Scheme over the next 70 to 80 years. On the chosen IAS 19 assumptions the average duration of the liabilities at 31 December 2019 is approximately 19 years (31 December 2018: 19 years).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

25. Retirement benefit obligation (continued)

Total pension cost

The pension expense relating to defined benefit schemes, recognized in the Group statement of profit or loss consists of:

	2019 US \$million	2018 US \$million
Defined benefit schemes		
Defined benefit scheme – current service cost	0.4	0.4
Defined benefit scheme – past service cost (GMP equalization cost)	-	0.4
Pension cost included in operating profit	0.4	0.8

Defined benefit schemes

The amounts recognized in the statement of profit or loss were as follows:

	2019 US \$million	2018 US \$million
Current service cost	0.4	0.4
Past service cost	-	0.4
Net pension interest cost	0.3	0.6
Total charge	0.7	1.4

The current service cost, past service cost and scheme administration costs are included in operating costs in the Group statement of profit or loss. Net pension interest cost is included in net finance costs.

Actuarial losses recognized directly in the Group statement of comprehensive income:

	2019 US \$million	2018 US \$million
Cumulative losses at 1 January	(0.5)	(0.6)
Recognized loss / (gains) in the year	(4.6)	0.1
Cumulative loss as at 31 December	(5.1)	(0.5)

Remeasurements of the net defined liability shown in the Group statement of comprehensive income are as follows:

	2019 US \$million	2018 US \$million
Net remeasurement – financial	10.6	(3.7)
Net remeasurement – demographic	(0.5)	0.1
Net remeasurement – experience	0.2	1.2
Return on assets – excluding interest income	(5.7)	2.5
Total remeasurement of the net defined liability shown in the Group statement of other comprehensive income	4.6	0.1

Employer contributions

In 2019, the Group made contributions of US \$7.5 million (2018: US \$11.2 million) to the UK pension scheme. The Group expects to make contributions of US \$2.9 million in 2020, of which US \$2.3 million relates to the UK scheme.

Pension liability for defined benefit schemes

The amounts recognized in the balance sheet for defined benefit schemes were as follows:

	2019 US \$million	2018 US \$million
Fair value of scheme assets	71.5	58.5
Present value of funded defined benefit obligations	(83.1)	(72.6)
Net liability in the statement of financial position	(11.6)	(14.1)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

25. Retirement benefit obligation (continued)

The fair value changes in the schemes are shown below:

	Fair value of plan assets 2019	Defined benefit obligation 2019	Total US \$million
As at 1 January 2019	58.5	(72.6)	(14.1)
Current service cost	-	(0.4)	(0.4)
Net interest cost	1.7	(2.0)	(0.3)
Actuarial gains / (losses)	5.8	(10.4)	(4.6)
Contributions by the employer	7.5	-	7.5
Benefits paid	(2.9)	2.9	-
Effect of exchange rate changes on overseas schemes	0.9	(0.6)	0.3
As at 31 December 2019	71.5	(83.1)	(11.6)

	Fair value of plan assets 2018	Defined benefit obligation 2018	Total US \$million
As at 1 January 2018	55.7	(80.9)	(25.2)
Current service cost	-	(0.4)	(0.4)
Past service cost	-	(0.4)	(0.4)
Net interest cost	1.4	(2.0)	(0.6)
Actuarial gains / (losses)	(2.5)	2.6	0.1
Contributions by the employer	11.2	-	11.2
Benefits paid	(3.4)	3.4	-
Effect of exchange rate changes on overseas schemes	(3.9)	5.1	1.2
As at 31 December 2018	58.5	(72.6)	(14.1)

Composition of scheme assets in each category:

	UK scheme 2019 US \$million	Sweden scheme 2019 US \$million
Equities	34.4	0.8
Bonds	9.6	3.0
Property	11.0	-
LDI	11.3	-
Structured products	-	0.7
Cash	0.7	-
	67.0	4.5

	UK scheme 2018 US \$million	Sweden scheme 2018 US \$million
Equities	21.5	0.7
Bonds	8.9	3.1
Property	10.1	-
LDI	3.8	-
Structured products	-	1.1
Cash	9.3	-
	53.6	4.9

The equities and bonds held within the UK and Swedish scheme are all quoted in active markets. The other schemes have no assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

25. Retirement benefit obligation (continued)

The actual return on scheme assets was as follows:

	UK scheme 2019 US \$million	Sweden scheme 2019 US \$million
Actual return	(5.7)	(0.1)

	UK scheme 2018 US \$million	Sweden scheme 2018 US \$million
Actual return	2.3	0.2

The pension deficit of each scheme at 31 December 2019 was as follows:

	UK scheme 2019 US \$million	Sweden scheme 2019 US \$million	Germany schemes 2019 US \$million	Norway scheme 2019 US \$million	Netherlands scheme 2019 US \$million
Present value of funded defined benefit obligations	(71.1)	(10.6)	(0.5)	-	-
Present value of unfunded defined benefit obligations	-	-	(0.9)	-	-
Fair value of scheme assets	67.0	4.5	-	-	-
Net defined benefit obligation	(4.1)	(6.1)	(1.4)	-	-

The pension deficit of each scheme at 31 December 2018 was as follows:

	UK scheme 2018 US \$million	Sweden scheme 2018 US \$million	Germany schemes 2018 US \$million	Norway scheme 2018 US \$million	Netherlands scheme 2018 US \$million
Present value of funded defined benefit obligations	(61.6)	(9.7)	-	(0.1)	-
Present value of unfunded defined benefit obligations	-	-	(0.8)	-	(0.4)
Fair value of scheme assets	53.6	4.9	-	-	-
Net defined benefit obligation	(8.0)	(4.8)	(0.8)	(0.1)	(0.4)

Principal actuarial assumptions:

	UK scheme 2019 US \$million	Sweden scheme 2019 US \$million	Germany schemes 2019 US \$million	Norway scheme 2019 US \$million	Netherlands scheme 2019 US \$million
Discount rate	2.0%	1.5%	1.0%	-	-
Inflation rate	2.9%	1.8%	2.0%	-	-
Rate of salary increases	0.0%	2.0%	2.0%	-	-
Life expectancy for pensioners at the age of 65 (years):					
Male	21.8	24.0	20.0	-	-
Female	23.7	22.0	23.6	-	-

	UK scheme 2018 US \$million	Sweden scheme 2018 US \$million	Germany schemes 2018 US \$million	Norway scheme 2018 US \$million	Netherlands scheme 2018 US \$million
Discount rate	2.9%	2.4%	2.0%	2.6%	-
Inflation rate	2.0%	2.0%	2.0%	2.0%	-
Rate of salary increases	-	2.2%	2.0%	2.2%	-
Life expectancy for pensioners at the age of 65 (years):					
Male	21.8	21.8	20.0	21.3	-
Female	23.7	24.4	23.6	24.5	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

25. Retirement benefit obligations (continued)

Changes in significant assumptions and the impact on the defined benefit obligations at 31 December 2019 are shown below:

	UK Scheme		Sweden Scheme	
	0.25% Increase US \$million	0.25% Decrease US \$million	0.50% Increase US \$million	0.50% Decrease US \$million
Assumptions				
Inflation rate	(1.9)	1.9	(0.9)	1.1
Discount rate	3.4	(3.4)	0.8	(0.7)
Rate of salary increase	n/a	n/a	0.4	(0.3)
	Increase by one year US \$million	Decrease by one year US \$million	Increase by one year US \$million	Decrease by one year US \$million
Assumed life expectancy at age 65	2.5	n/a	0.4	(0.4)

Changes in significant assumptions and the impact on the defined benefit obligations at 31 December 2018 are shown below:

	UK Scheme		Sweden Scheme	
	0.25% Increase US \$million	0.25% Decrease US \$million	0.50% Increase US \$million	0.50% Decrease US \$million
Assumptions				
Inflation rate	(3.1)	3.1	(0.8)	0.9
Discount rate	1.6	(1.6)	0.7	(0.6)
Rate of salary increase	n/a	n/a	0.4	(0.3)
	Increase by one year US \$million	Decrease by one year US \$million	Increase by one year US \$million	Decrease by one year US \$million
Assumed life expectancy at age 65	2.5	n/a	0.3	(0.3)

The sensitivity analyses above have been determined based on a method that extrapolates the impact on the defined benefit obligation as a result of reasonable changes in key assumptions occurring at the end of the reporting period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

26. Lease arrangements

Right of use asset	Property	Non-property	Total US \$million
Cost			
As at 1 January 2018	98.8	8.3	107.1
Acquisitions	3.1	0.9	4.0
Additions	10.5	3.2	13.7
Expiry	(1.5)	(1.8)	(3.3)
Exchange movements	(1.8)	(0.1)	(1.9)
As at 31 December 2018	109.1	10.5	119.6
Acquisitions (note 24)	1.7	0.1	1.8
Additions	20.9	4.0	24.9
Expiry	(9.6)	(3.4)	(13.0)
Exchange movements	(1.6)	-	(1.6)
As at 31 December 2019	120.5	11.2	131.7
Accumulated Depreciation			
As at 1 January 2018	32.5	2.8	35.3
Charge for the year	12.0	3.8	15.8
Expiry	(1.5)	(1.8)	(3.3)
Exchange movements	(1.3)	(0.2)	(1.5)
As at 31 December 2018	41.7	4.6	46.3
Charge for the year	13.8	3.8	17.6
Expiry	(3.3)	(3.0)	(6.3)
Exchange movements	(0.6)	(0.2)	(0.8)
Impairment	3.0	-	3.0
As at 31 December 2019	54.6	5.2	59.8
Net book value			
As at 31 December 2018	67.4	5.9	73.3
As at 31 December 2019	65.9	6.0	71.9
Lease Liabilities		2019 US \$million	2018 US \$million
Current			
Property		17.3	14.4
Non-property		2.7	3.0
		20.0	17.4
Non-current			
Property		73.6	78.9
Non-property		2.9	3.0
		76.5	81.9
Total			
Property		90.9	93.3
Non-property		5.6	6.0
		96.5	99.3

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

26. Lease arrangements (continued)

Lease Liabilities	Within 1 year	2 - 5 years	5+ years	Total US \$million
Property	17.3	45.3	28.3	90.9
Non-property	2.7	2.9	-	5.6
31 December 2019	20.0	48.2	28.3	96.5

Interest expense on the lease liabilities recognized within finance costs was US \$7.8 million (2018: US \$8.8 million). As at 31 December 2019, the Group was committed to leases with future cash flows of \$2.0 million discounted to present value. As these leases had not yet commenced, they have not been accounted for as a liability as at 31 December 2019.

There are four properties that are vacant and are actively being marketed as at 31 December 2019. As these properties were vacant as at 31 December 2019, Management have recognized a US \$3.0 million impairment charge (2018: nil).

A liability and corresponding right-of-use asset will be recognized for these leases at the lease commencement date. The Group subleases vacant space available within its leased properties. IFRS 16 specifies conditions whereby a sublease is classed as a finance lease for the sub-lessor. The finance lease receivable balance held is as follows:

Lease income	2019 US \$million	2018 US \$million
Income recognized in relation to lease receivables	1.0	0.9
Total	1.0	0.9

27. Uncompleted performance obligations

The table below represents uncompleted performance obligations at the end of the reporting period. This is total revenue which is contractually due to the Group, subject to the performance of the obligations of the Group related to these revenues.

	2019 US \$million	2018 US \$million
Total contracted revenue	43.4	75.8

The total contracted revenue with customers as at 31 December 2019 with local currency amounts converted at the applicable spot rate for US dollars on 31 December 2019 held constant is below. Contracted revenue calculation split between current and non-current assumes: (i) no changes in service fees, (ii) no changes to the performance obligations in the master service agreements ("MSAs") otherwise described elsewhere in these financial statements, (iii) customers do not utilize any cancellation allowances set forth in their MSAs and (iv) customers do not terminate MSAs early for any reason.

	Current US \$million	Non-current US \$million
Total 2019 contracted revenue	23.3	20.1

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

28. Share capital and reserves

Share capital

Type	Nominal Value	2019 Issued number	2019 Total US \$	2018 Issued number	2018 Total US \$
A1 Ordinary shares	0.0001	784,208	78	775,585	78
A1A Ordinary shares	0.03	5,161	155	-	-
A2 Ordinary shares	0.0001	49,988	5	44,991	4
A3 Ordinary shares	0.03	20,110	603	25,271	758
A4 Ordinary shares	0.000001	259,068	-	258,141	-
B Ordinary shares	0.0001	1,460,713	146	1,408,775	141
B1 Ordinary shares	0.0001	64,924	6	64,924	6
B2 Ordinary shares	0.0001	64,656	6	-	-
B3 Ordinary shares	0.0001	59,399	6	-	-
C Ordinary shares	250	4	1,000	4	1,000
M Ordinary shares	0.0001	100	-	-	-
As at 31 December		2,768,331	2,005	2,577,691	1,987
			2019		2018
			\$'000		\$'000
Authorized, issued and fully paid, as at 31 December			2		2

2,536 A1 ordinary shares were issued during 2019 at US \$1 per share inclusive of share premium. The total share premium from the shares issued in the year was US \$2,535.74.

6,087 A2 ordinary shares were reassigned to A1 ordinary shares during 2019. 5,161 A3 ordinary shares were reassigned to A1A ordinary shares during 2019. There were no changes to share capital or share premium as a result of this reassignment.

11,084 A2 ordinary shares were issued during 2019 at US \$672.99 per share inclusive of share premium. The total share premium from the shares issued in the year was US \$7,459,420. 10,380 of the 2019 issued shares was for non-cash consideration and related to the acquisition of PCTEST Engineering Laboratory Inc (note 24).

843 A4 ordinary shares were issued during 2019 at a price of US \$675.68 per share inclusive of share premium. 84 A4 ordinary shares were issued during 2019 at a price of US \$675.69 per share inclusive of share premium. The total share premium from the shares issued in the year was US \$626,357.

64,656 B2 ordinary shares were issued during 2019 at US \$0.0001 per share. These shares did not have share premium attached.

59,399 B3 ordinary shares were issued during 2019. 34,168 B3 ordinary shares were issued at US \$1 per share inclusive of share premium. The total share premium from the shares issued in the year was US \$34,165.

51,938 B ordinary shares were issued during 2019 at US \$0.22 per share inclusive of share premium. The total share premium from the shares issued in the year was US \$11,421.

100 M ordinary shares were issued during 2019 at US \$1 per share inclusive of share premium. The total share premium from the shares issued in the year was US \$99.99. Pursuant to the terms set out in the Articles of Association, the pay-out for these M shares is based on a calculation dependent on the enterprise exit value of the Group and are subject to meeting certain hurdle rates.

Rights and conditions of each class of share:

- A1 ordinary shares have full voting entitlement
- A1A ordinary shares have full voting entitlement
- A2 ordinary shares have no voting entitlement
- A3 ordinary shares have full voting entitlement
- A4 ordinary shares have full voting entitlement
- B1 ordinary shares have no voting entitlement
- B2 ordinary shares have no voting entitlement
- C ordinary shares have no voting entitlement
- M ordinary shares have no voting entitlement

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

28. Share capital and reserves (continued)

Share premium

The share premium reserve contains the premium arising on issue of equity shares, net of issue expenses.

Treasury shares

As at 31 December 2019 the number of shares held by Employee Benefit Trust were 103,998 (2018: 5,250 shares).

Share based payment reserve

The Company has issued B, B1, B2 and B3 Ordinary shares ("B shares") to certain employees and Directors. Pursuant to the terms set out in the Articles of Association the pay-out for these B shares are based on a calculation dependent on the enterprise exit value of the Group and are subject to meeting certain hurdle rates. These shares are treated as equity-settled share based payments, where the grant date fair value is spread over the period between the grant date and the best estimate of the anticipated exit date.

An option pricing model is used to determine the fair value at grant date. The key inputs and assumptions include:

- Expected volatility - the Group applied re-levered equity volatility based on historical equity volatility of publicly traded peer companies.
- Expected term - the period until an exit event which is estimated to be 4 to 6 years from the initial investment by the majority shareholder.
- Risk free interest rate - determined by reference to US Treasury yield curve for the period commensurate with the expected timing of exit.
- A total of 1.6 million B shares has been issued as at 31 December 2019 (including 0.2 million shares issued during 2019). The fair value at grant date was determined to be US \$5.4 per share in for those shares issued in 2018. The 2019 share issues have the following fair values at grant date: B Ordinary shares US \$57.1 per share, B2 Ordinary shares US \$11.0 per share and B3 Ordinary shares US \$46.4 per share.

Based on the above, the Company recognized a share-based payment expense of US \$2.6 million (2018: US \$3.8 million).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

29. Non-controlling interests

The Group holds equity interests of less than 51% in the following companies where it exercises control:

	% shareholding
Element Doha LLC	24.5%
Al Futtaim Element Materials Technology Dubai LLC	49.0%
Exova Warringtonfire Middle East LLC	49.0%
Element (Saudi Arabia) Company Limited	50.0%
Warringtonfire Doha (formerly Exova Warringtonfire LLC)	49.0%

Element Doha LLC approved and paid a dividend of US \$0.7 million (2018: US \$1.6 million). Al Futtaim Element Materials Technology Dubai LLC approved and paid a dividend of US \$6.3 million (2018: nil).

In addition, Admaterials Technologies Private Limited, a subsidiary of the Group, paid US \$0.2 million dividend (2018: US \$1.2 million) to its non-controlling interest in the year.

During the year the Group acquired the remaining 35% in Warrington Fire Research Gent N.V. for a total consideration of US \$0.8 million.

The Group is exposed, or has rights, to variable returns from its involvement with the equity interests and has the ability to affect those returns through its power over the equity interests. Based on this, the directors have determined that the Group has control over these equity interests and therefore consolidates them within the financial statements.

The Group has interests in joint venture arrangements in the following companies:

Name	Principal place of business	Group ownership interest	Held by
BM Trada RKCA Certifications Private Limited	India	50%	BM TRADA Overseas Limited
FIRA – CMA Testing Services Limited	Hong Kong	50%	BM TRADA Overseas Limited
Standard BM TRADA Belgelendirme AS	Turkey	50%	BM TRADA Overseas Limited
BM TRADA RKCA Lanka Certifications (Private) Limited	Sri Lanka	50%	BM TRADA RKCA Certification Private Limited
Tianjin C-Kai BM TRADA Certification Company Limited	China	40%	BM TRADA Certification Limited

In 2019, the Group has sold the joint venture arrangements in the following companies:

Name	Principal place of business	Group ownership interest	Held by
BM TRADA Deutschland GmbH	Germany	50%	BM TRADA Latvija
BM TRADA Suomi OY	Finland	50%	BM TRADA Latvija
BM TRADA Latvija	Latvia	50%	BM TRADA Overseas Limited
BM TRADA Eesti OÜ	Estonia	50%	BM TRADA Latvija
BM TRADA Lietuva	Lithuania	50%	BM TRADA Latvija

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

30. Events after the reporting date

On 23 January 2020, all amounts outstanding on the capex/acquisition and revolving credit facility have been repaid (US \$169.0 million), as a result of the Group successfully completing a refinancing of its existing debt structure. The refinancing included the additional draw down of US \$100.0 million and EUR €90.0 million Term B loans (equivalent to US \$99.1 million). The interest and repayment terms are consistent with the existing Term B loans and remain unchanged.

On 17 March 2020, a new draw down of US \$34.0 million was made on the revolving credit facility and a new drawdown of US \$5.0 million was made on the capex/acquisition facility.

As explained in note 2.3, the Group secured unrestricted access to its capex/acquisition facility ("ACF") effective 10 April 2020. The Group has amended the term of its ACF with no covenants, to draw down for general corporate purposes for a period of 18 months, as well as continued use for capital expenditures and permitted acquisitions. At the date of signing date of these accounts US \$5.0 million of the US \$200.0 million facility has been drawn to date.

Whilst it is difficult to predict the full extent of the COVID-19 impact, Management notes that events such as announcements or the enactment of new measures to contain the virus or decisions taken by Management in respect of such measures are considered to be non-adjusting events subsequent to the 2019 results reported. Therefore, there have been no adjustments made in these financial statements in respect of such developments.

The estimates and assumptions used within our impairment methodology on the Goodwill (2019: US \$1,441.5 million) and Other intangible assets (2019: US \$766.9 million) do not include the impact of COVID-19 as this was not an observable indicator as at the statement of financial position date. COVID-19 could have a material impact on our impairment assessment as a result of unpredictable cashflows and changes in the discount rates that we have applied, not least because of changes in macroeconomic factors since the escalation of COVID-19. Given the difficulty in quantifying the impact of COVID-19, it is inherently difficult to quantify the potential impact on the impairment of non-current assets. As a result, a reasonable estimate of the impact of COVID-19 cannot be provided and Management's best estimates indicate no material change from the statement of financial position date.

Management are still evaluating the potential impact of COVID-19 on other fair value assets, however their best estimates indicate no material change from the statement of financial position date. Balances stated at fair values are provided in note 2 of these financial statements and the specific accounts in the financial statements include goodwill (note 13), other intangibles (note 14), trade and other receivables (note 17), financial instruments (note 23) and retirement benefit obligations (note 25).

Between the end of the financial year and the date of this report, no other item, transaction or event of a material nature has occurred, in the opinion of the Directors of the Company, that is likely to significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

31. Related party transactions

Transactions between the Group and its subsidiaries which are related parties have been eliminated on consolidation and are not disclosed in this note. Bridgepoint Advisers Limited provides certain administrative services for the Group in return for a monitoring fee. Monitoring fees of US \$0.4 million (2018: US \$0.4 million) were charged by Bridgepoint Advisers Limited in the year.

Machinery fixed asset additions in the year included US \$3.3 million (2018: nil) purchased from Humanetics Innovative Solutions Inc. Humanetics Innovative Solutions Inc is a supplier of test equipment owned by Safety Technology Holdings which is owned by Bridgepoint Europe V.

Remuneration to key management personnel are disclosed in note 10. The key management personnel are directors and non-executive directors of the Company.

32. Commitments and contingent liabilities

The Group signed a Senior Facilities Agreement with the institutional lenders in order to secure the credit facilities. The SFA names specific entities of the Group that may borrow under the various facilities of the agreement. In addition, all borrowings under the SFA are subject to security over material subsidiaries organized in Canada, the United Kingdom, Netherlands and the United States, subject to certain exclusions. Material subsidiaries of the Group, as defined by the SFA, are the guarantors to any borrowings. Security will only be enforceable on the occurrence of an Event of Default as defined by the SFA.

The Group is involved in various claims incidental to the ordinary course of its business, including claims for commercial disputes regarding inspection and testing, and disputes with employees and former employees. The Group is not currently party to any legal proceedings other than ordinary litigation incidental to the conduct of business. The Group maintains appropriate insurance cover to provide protection from the small number of significant claims it is subject to from time to time.

At 31 December 2019, the Group has US \$13.0 million letter of credit outstanding (2018: US \$13.0 million). The Capital commitments of the Group as at 31 December 2019 are US \$9.0 million (31 December 2018: US \$4.9 million).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

33. Subsidiaries and associated companies

The Group's and Company's subsidiaries are listed below. All the subsidiaries were consolidated at 31 December 2019.

Name Continuing businesses	Country of incorporation or registration	Proportion Held	Activity	Registered Address
Element Materials Technology Detroit LLC	USA	100%	Testing and inspection operations	40600 Ann Arbor Road E Suite 201 Plymouth, MI 48170
Element Materials Technology Cleveland Inc.	USA	100%	Testing and inspection operations	160 Mine Lake Court, Suite 200 Raleigh, NC 27615
Element Materials Technology Huntington Beach LLC	USA	100%	Testing and inspection operations	160 Mine Lake Court, Suite 200 Raleigh, NC 27615
Element Materials Technology Jupiter LLC	USA	100%	Testing and inspection operations	1200 South Pine Island Road Plantation, FL 33324
Element Materials Technology New Berlin Inc.	USA	100%	Testing and inspection operations	301 S Bedford Street, Suite 1 Madison, WI 53703
Element Materials Technology St. Paul Inc.	USA	100%	Testing and inspection operations	160 Mine Lake Court, Suite 200 Raleigh, NC 27615
Element Materials Technology Cincinnati Inc.	USA	100%	Testing and inspection operations	4400 Easton Commons Way Suite 125 Columbus, OH 43219
Element Materials Technology Houston LLC	USA	100%	Testing and inspection operations	160 Mine Lake Court, Suite 200 Raleigh, NC 27615
Element Materials Technology Wixom Inc.	USA	100%	Testing and inspection operations	306 West Main Street Suite 512 Frankfort, KY 40601
Element Materials Technology Fort Wayne LLC	USA	100%	Testing and inspection operations	150 West Market Street Suite 800 Indianapolis, IN 46204
Element Materials Technology Lafayette, LLC	USA	100%	Testing and inspection operations	3867 Plaza Tower Dr Baton Rouge, LA 70816
Element Materials Technology Broken Arrow, LLC	USA	100%	Testing and inspection operations	1833 South Morgan Road Oklahoma City, OK 73128
Element Materials Technology Los Angeles LLC.	USA	100%	Testing and inspection operations	818 West 7th Street Los Angeles, CA 90017
Element Materials Technology Minneapolis LLC	USA	100%	Testing and inspection operations	1010 Dale Street N Saint Paul, MN 55117
Element Materials Technology Minneapolis Inc.	USA	100%	Testing and inspection operations	1010 Dale Street N Saint Paul, MN 55117
Element Materials Technology Portland Inc.	USA	100%	Testing and inspection operations	780 Commercial Street SE Suite 100 Salem, OR 97301
Element Materials Technology Portland - Evergreen Inc.	USA	100%	Testing and inspection operations	780 Commercial Street SE Suite 100 Salem, OR 97301
Element Materials Technology Cleveland - Middleburg Heights Inc. (formerly Orbit Industries, Inc.)	USA	100%	Testing and inspection operations	4400 Easton Commons Way, Suite 125 Columbus, Ohio, 43219

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

33. Subsidiaries and associated companies (continued)

Name Continuing businesses	Country of incorporation or registration	Proportion Held	Activity	Registered Address
Element Materials Technology Sheffield Ltd.	United Kingdom	100%	Testing and inspection operations	10 Lower Grosvenor Place, London England, United Kingdom, SW1W 0EN
Element Materials Technology Aberdeen Ltd.	United Kingdom	100%	Testing and inspection operations	10 Lower Grosvenor Place, London England, United Kingdom, SW1W 0EN
Element Materials Technology Hitchin Limited	United Kingdom	100%	Testing and inspection operations	10 Lower Grosvenor Place, London, England, United Kingdom, SW1W 0EN
Element Materials Technology Warwick Ltd	United Kingdom	100%	Testing and inspection operations	10 Lower Grosvenor Place, London, England, United Kingdom, SW1W 0EN
Element Materials Technology Amsterdam B.V.	Netherlands	100%	Testing and inspection operations	Zekeringstraat 33 1014 BV, Amsterdam
Element Materials Technology Rotterdam B.V.	Netherlands	100%	Testing and inspection operations	Sevillaweg 46 3047 AL, Rotterdam
Element Materials Technology Holding Germany GmbH	Germany	100%	Testing and inspection operations	Tempowerkring 11 D-21079, Hamburg, Germany
Element Materials Technology Berlin GmbH	Germany	100%	Testing and inspection operations	Friedrich-Wöhler-Str. 1 12489 Berlin
Element Materials Technology Hamburg GmbH	Germany	100%	Testing and inspection operations	Tempowerkring 11 21079, Hamburg
Element Materials Technology Antwerpen N.V.	Belgium	100%	Testing and inspection operations	Herentalsebaan 406 2160 Wommelgem
Element Materials Technology Shenzhen Ltd	China	100%	Testing and inspection operations	B818, Languang Technology Park No. 7 Xixi Road, High-tech Industrial Park, Nanshan, Shenzhen
FIRA International Limited	United Kingdom	100%	Testing	10 Lower Grosvenor Place, London England, United Kingdom, SW1W 0EN
N.D.T. Limited	United Kingdom	100%	Testing	10 Lower Grosvenor Place, London England, United Kingdom, SW1W 0EN
Element Materials Technology Ireland Limited (formerly Exova (Ireland) Limited)	Ireland	100%	Testing	Unit D8, North City Business Park, North Road, Finglas, Dublin 11, D11Y267
Warringtonfire Consulting Ireland Limited	Ireland	100%	Testing	Unit D8, North City Business Park, North Road, Finglas, Dublin 11, D11Y267
Element Materials Technology Pilsen s.r.o.	Czech Republic	100%	Testing	Podnikatelska 1184/39 301 00, Plzen
Element Metech s.r.o.	Czech Republic	100%	Testing	Toužimská 767, Letňany, Praha 9 19900 Czech Republic
Element Materials Technology Milan s.r.l.	Italy	100%	Testing	Via della Pierina 9/11 26013 Crema (CR)
C.T.R. S.R.L.	Italy	100%	Testing	Via Visco 7/A 35010, Limena (PD)
Exova Metech AS	Norway	100%	Testing	Bygning 3, Fabrikkevegen 11 Raufoss, 2830
Element Materials Technology Toulouse SAS	France	100%	Testing	3 Avenue André Marie Ampère, Zone d'Activité Commerciale du Perget 31770, Colomiers
Element Materials Technology France SAS	France	100%	Testing	3 Avenue André Marie Ampère, Zone d'Activité Commerciale du Perget 31770, Colomiers
Warringtonfire Frankfurt GmbH	Germany	100%	Testing	Industriepark, Hochst, Geb. C369, am Main, 65926, Frankfurt
Element Metech GmbH	Germany	100%	Testing	Hans-Böckler-Ring 9 D-22851 Norderstedt
Vohtec Qualitätssicherung GmbH	Germany	100%	Testing	Carl-Zeiss-Str. 17, Aalen 73431, Germany
WFRGent NV	Belgium	100%	Testing	Ottergemsesteenweg-Zuid 711 Ghent, Flemish Region 9000

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

33. Subsidiaries and associated companies (continued)

Name Continuing businesses	Country of incorporation or registration	Proportion Held	Activity	Registered Address
Element Materials Technology AB	Sweden	100%	Testing	Box 1340 581 13, Linköping
CSM NDT Certification AB*	Sweden	80%	Testing	Artilleriplan 4 691 50, Karlskoga
Element Metech AB	Sweden	100%	Testing	Box 1340, 581 13, Linköping
Element Metech A/S	Denmark	100%	Testing	Flyvestation, Karup, DK-7470, Herningvej 30, Karup
Element Metech OY	Finland	100%	Testing	Kuormakuja Nummela, 03100
Element Metech Measurement Technology Services (Tianjin) Co. Limited	China	100%	Testing	Room 1719, 17F, C1, TEDA MSD, No.79 First Avenue, TEDA, Tianjin, 300457
Exova, Inc	USA	100%	Testing	1209 Orange Street, Wilmington DE 19801
BM TRADA Certification North America Inc	USA	100%	Testing	820 Bear Tavern Road, Mercer County, West Trenton, NJ 08628
Element Materials Technology Canada Inc	Canada	100%	Testing	2395 Speakman Drive, Mississauga ON L5K 1B3
BM TRADA Certification Canada Inc.	Canada	100%	Testing	398-2416 Main Street, Vancouver BC V5T 3E2
Element Materials Technology Monterrey S. de R. L de CV	Mexico	100%	Testing	Carretera Monterrey-Saltillo 3279 B, Privada de Santa Catarina, Santa Catarina, Nuevo Leon, C.P. 66367
Element Doha LLC*	Qatar	24.5%	Testing	Street 46, Gate 16, Salwa Industrial Area P.O. Box 23650, Doha
Warringtonfire Doha (formerly Exova Warringtonfire LLC) *	Qatar	49%	Testing	P.O. Box 24863, Doha
Element Materials Technology Singapore Pte Ltd.	Singapore	100%	Testing	60 Paya Lebar Road, #08-43 Paya Lebar Square, Singapore, 409051
Warringtonfire Singapore Pte. Ltd.	Singapore	100%	Testing	60 Paya Lebar Road, #08-43 Paya Lebar Square, Singapore, 409051
Admaterials Technologies Pte. Ltd.	Singapore	100%	Testing	58 Sungei Kadut Loop, Prospa Industrial Building, Singapore, 729501
Element Materials Technology ME Limited LLC*	Oman	70%	Testing	Muscat Governorate/Bawshar/Ghala PO Box 3552, PC 112
Element Saudi Arabia Company Limited*	Saudi Arabia	50%	Testing	Dammam, 2nd Industrial City Road 76-27
Element Materials Technology ME Limited	Cayman Islands	100%	Testing	PO Box 309, Ugland House Grand Cayman, KY1-1104
Al Futtaim Element Materials Technology Dubai L.L.C*	UAE	49%	Testing	Dubai Investments Park P.O. Box 34924, Dubai
Metallurgical Services Private Limited	India	100%	Testing	Mehta House, Ashok Silk Mills Lane, Khatkopar (West), Mumbai, 40086
Exova (Malaysia) Sdn.Bhd	Malaysia	100%	Testing	Suite 13.03, 13th Floor, Menara Tan & Tan, 207 Jalan Tun Razak, 50400, Kuala Lumpur
Admaterials Technologies Sdn. Bhd	Malaysia	100%	Testing	2C Jalan Giam, Taman Majidee 80250 Johor Bahru, Johor
Warringtonfire Consulting ME Limited	Channel Islands	100%	Testing	Heritage Hall, Le Marchant Street, St Peter Port, GY1 4HY, Guernsey
Warrington Fire Hong Kong Limited	Hong Kong	100%	Testing	Unit C 18/F Infotech Centre, 21 Hung To Road, Kwun Tong, Kowloon

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

33. Subsidiaries and associated companies (continued)

Name Continuing businesses	Country of incorporation or registration	Proportion Held	Activity	Registered Address
Warringtonfire Australia Pty Limited	Australia	100%	Testing	Unit 2, 409-411 Hammond Road, Dandenong South, Victoria 3175
Exova Certifire Pty Ltd	Australia	100%	Testing	Unit 2, 409-411 Hammond Road, Dandenong South, Victoria 3175
Warringtonfire Limited	Cayman Islands	100%	Testing	PO Box 309, Ugland House Grand Cayman, KY1-1104
Element Materials Technology South Africa Proprietary Limited (formerly Exova Jones Environmental South Africa (Pty) Ltd)*	South Africa	90%	Testing	Unit D2 and D5, 9 Quantum Road Firgrove Business PA, Somerset West Western Cape, 7130
Element Materials Technology Seville S.L.	Spain	100%	Testing	Wilburg y Orville Wright 1, Aeropolis Seville, 41309, La Rinconada
Element Materials Technology Hartford Inc.	USA	100%	Testing	One Constitution Plaza Hartford CT 06103-1919
Element Materials Technology Wilmington Inc.	USA	100%	Testing	1209 Orange Street, Wilmington DE 19801
Element Materials Technology (Shanghai) Co. Ltd.	China	100%	Certification	1st Floor, Building No. 7, No. 398 Songying Road, Qingpu District, Shanghai
FIRA - CMA Testing Services Limited-	Hong Kong	50%	Certification	Room 1401-3 Yan Hing Centre, 9-13 Wong Chuk Yeung Street, Fo Tan, Shatin
Standart BM TRADA Belgelendirme AS-	Turkey	50%	Certification	CEVİZLİ MH, TUGAY YOLU CD, N.20/B OFİSİM İST, İŞM.K.7, MALTEPE, N.42
BM TRADA RKCA Lanka Certifications (Private) Limited-	Sri Lanka	50%	Certification	No. 1041-2/1 Maradana Road Borella, Columbo 8
Herculean Testing Group B.V.	Netherlands	100%	Holding Company	Herikerbergweg 238, Luna Arena, 1101 CM Amsterdam
Element Materials Technology Holding Netherlands B.V.	Netherlands	100%	Holding Company	Zekeringstraat 33, 1014 BV Amsterdam
Element Materials Technology Chicago LLC (formerly Sherry Holdings LLC)	USA	100%	Holding Company	150 West Market Street Suite 800 Indianapolis, IN 46204
Herculean US Holdings, Inc.	USA	100%	Holding Company	1209 Orange Street Wilmington, DE 19801
Element Materials Technology Holding USA Inc.	USA	100%	Holding Company	1209 Orange Street Wilmington, DE 19801
Element Materials Technology Group US Holdings Inc.	USA	100%	Holding Company	1209 Orange Street Wilmington, DE 19801
Element Materials Technology Holding UK Ltd.	United Kingdom	100%	Holding Company	10 Lower Grosvenor Place, London England, United Kingdom, SW1W 0EN
Element Materials Technology Group Holdings Limited	United Kingdom	100%	Holding Company	10 Lower Grosvenor Place, London England, United Kingdom, SW1W 0EN
Element Materials Technology Group Holdings CC1 Limited	United Kingdom	100%	Holding Company	10 Lower Grosvenor Place, London England, United Kingdom, SW1W 0EN
Element Materials Technology Group Holdings CC2 Limited	United Kingdom	100%	Holding Company	10 Lower Grosvenor Place, London England, United Kingdom, SW1W 0EN
EMT Holdings Limited	United Kingdom	100%	Holding Company	5 Fleet Place, London, EC4M 7RD
Element Materials Technology Limited	United Kingdom	100%	Holding Company	10 Lower Grosvenor Place, London England, United Kingdom, SW1W 0EN
Greenrock Topco Limited	United Kingdom	100%	Holding Company	10 Lower Grosvenor Place, London England, United Kingdom, SW1W 0EN
Greenrock Bidco Limited	United Kingdom	100%	Holding Company	10 Lower Grosvenor Place, London England, United Kingdom, SW1W 0EN
Greenrock Midco Limited	United Kingdom	100%	Holding Company	10 Lower Grosvenor Place, London England, United Kingdom, SW1W 0EN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

33. Subsidiaries and associated companies (continued)

Name Continuing businesses	Country of incorporation or registration	Proportion Held	Activity	Registered Address
EMT Finance Inc	USA	100%	Holding Company	1209 Orange Street Wilmington, DE 19801
Greenrock Finance, Inc	USA	100%	Holding Company	1209 Orange Street Wilmington, DE 19801
EMT 2 Holdings Limited	United Kingdom	100%	Holding Company	10 Lower Grosvenor Place, London England, United Kingdom, SW1W 0EN
EMT FX EUR Limited	United Kingdom	100%	Holding Company	10 Lower Grosvenor Place, London England, United Kingdom, SW1W 0EN
Element Materials Technology China Holding Limited	United Kingdom	100%	Holding Company	10 Lower Grosvenor Place, London England, United Kingdom, SW1W 0EN
N.D.T. (Holdings) Limited	United Kingdom	100%	Holding Company	10 Lower Grosvenor Place, London England, United Kingdom, SW1W 0EN
Exova Group Limited	United Kingdom	100%	Holding Company	10 Lower Grosvenor Place, London England, United Kingdom, SW1W 0EN
Exova 2014 Limited	United Kingdom	100%	Holding Company	10 Lower Grosvenor Place, London England, United Kingdom, SW1W 0EN
Exova Treasury Limited	United Kingdom	100%	Holding Company	10 Lower Grosvenor Place, London England, United Kingdom, SW1W 0EN
EMT Finance 1 Limited	United Kingdom	100%	Holding Company	10 Lower Grosvenor Place, London England, United Kingdom, SW1W 0EN
EMT Finance 2 Limited	United Kingdom	100%	Holding Company	10 Lower Grosvenor Place, London England, United Kingdom, SW1W 0EN
Exova Group (UK) Limited	United Kingdom	100%	Holding Company	10 Lower Grosvenor Place, London England, United Kingdom, SW1W 0EN
MTS Pendar Limited	United Kingdom	100%	Holding Company	10 Lower Grosvenor Place, London England, United Kingdom, SW1W 0EN
Warrington Fire Research Group Limited	United Kingdom	100%	Holding Company	10 Lower Grosvenor Place, London England, United Kingdom, SW1W 0EN
BM TRADA Overseas Limited	United Kingdom	100%	Holding Company	10 Lower Grosvenor Place, London England, United Kingdom, SW1W 0EN
Warringtonfire Holdings GmbH	Germany	100%	Holding Company	Industriepark, Hochst, 65926, Geb. C369, Frankfurt
Element Materials Technology Sweden Holdings AB	Sweden	100%	Holding Company	Box 1340, 581 13, Linköping
Exova (US) Holdings Inc	USA	100%	Holding Company	1209 Orange Street Wilmington, DE 19801
Defire Holdings Pty Ltd	Australia	100%	Holding Company	Unit 2, 409-411 Hammond Road Dandenong South, Victoria 3175
Exova (UK) Limited	United Kingdom	100%	Holding Company	Lochend Industrial Estate, Queen Anne Drive Newbridge, Midlothian, EH28 8LP
Exova Property Holdings Inc	Canada	100%	Property Holding Company	2395 Speakman Drive Mississauga, ON L5K 1B3
Western Technical Services Limited	United Kingdom	100%	Non-trading	10 Lower Grosvenor Place, London England, United Kingdom, SW1W 0EN
Exova Warringtonfire Middle East LLC*	UAE	49%	Non-Trading	Dubai Investments Park P.O. Box 34924, Dubai
EMT FX GBP Limited**	United Kingdom	100%	Dormant	10 Lower Grosvenor Place, London England, United Kingdom, SW1W 0EN
EMT FX USD Limited**	United Kingdom	100%	Dormant	10 Lower Grosvenor Place, London England, United Kingdom, SW1W 0EN
EMC Projects Limited**	United Kingdom	100%	Dormant	10 Lower Grosvenor Place, London England, United Kingdom, SW1W 0EN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

33. Subsidiaries and associated companies (continued)

Name Continuing businesses	Country of incorporation or registration	Proportion Held	Activity	Registered Address
TRaC EMC & Safety Limited**	United Kingdom	100%	Dormant	10 Lower Grosvenor Place, London England, United Kingdom, SW1W 0EN
TRaC Environmental and Analysis Ltd **	United Kingdom	100%	Dormant	10 Lower Grosvenor Place, London England, United Kingdom, SW1W 0EN
TRaC Telecoms & Radio Limited**	United Kingdom	100%	Dormant	10 Lower Grosvenor Place, London England, United Kingdom, SW1W 0EN
TRaC Global Limited**	United Kingdom	100%	Dormant	10 Lower Grosvenor Place, London England, United Kingdom, SW1W 0EN
Element Materials Technology (Mexico) Ltd.	United Kingdom	100%	Dormant	10 Lower Grosvenor Place, London England, United Kingdom, SW1W 0EN
Catalyst Environmental Limited**	United Kingdom	100%	Dormant	10 Lower Grosvenor Place, London England, United Kingdom, SW1W 0EN
Environmental Evaluation Limited**	United Kingdom	100%	Dormant	10 Lower Grosvenor Place, London England, United Kingdom, SW1W 0EN
Accusense Systems Limited**	United Kingdom	100%	Dormant	10 Lower Grosvenor Place, London England, United Kingdom, SW1W 0EN
Warrington Certification Limited**	United Kingdom	100%	Dormant	Holmesfield Road, Warrington Cheshire, WA1 1RE
Warrington Fire Research Centre (London) Limited**	United Kingdom	100%	Dormant	10 Lower Grosvenor Place, London England, United Kingdom, SW1W 0EN
Warrington Fire Research Consultants Limited**	United Kingdom	100%	Dormant	10 Lower Grosvenor Place, London England, United Kingdom, SW1W 0EN
Warrington Fire Research Centre Limited**	United Kingdom	100%	Dormant	10 Lower Grosvenor Place, London England, United Kingdom, SW1W 0EN
Warrington APT Laboratories Limited**	United Kingdom	100%	Dormant	10 Lower Grosvenor Place, London England, United Kingdom, SW1W 0EN
Certifire Limited**	United Kingdom	100%	Dormant	10 Lower Grosvenor Place, London England, United Kingdom, SW1W 0EN
Firas Limited**	United Kingdom	100%	Dormant	10 Lower Grosvenor Place, London England, United Kingdom, SW1W 0EN
BM TRADA Group Limited**	United Kingdom	100%	Dormant	10 Lower Grosvenor Place, London England, United Kingdom, SW1W 0EN
BM TRADA Certification Limited**	United Kingdom	100%	Dormant	10 Lower Grosvenor Place, London England, United Kingdom, SW1W 0EN
TRADA Technology Limited**	United Kingdom	100%	Dormant	10 Lower Grosvenor Place, London England, United Kingdom, SW1W 0EN
Chiltern International Fire Limited**	United Kingdom	100%	Dormant	10 Lower Grosvenor Place, London England, United Kingdom, SW1W 0EN
U.K. First Limited**	United Kingdom	100%	Dormant	10 Lower Grosvenor Place, London England, United Kingdom, SW1W 0EN
TRADA Certification Limited**	United Kingdom	100%	Dormant	10 Lower Grosvenor Place, London England, United Kingdom, SW1W 0EN
CCB Evolution Limited**	United Kingdom	100%	Dormant	Chiltern House, Stocking Lane, Hughenden Valley, High Wycombe, Buckinghamshire, HP14 4ND
Jones Environmental Forensics Limited**	United Kingdom	100%	Dormant	10 Lower Grosvenor Place, London England, United Kingdom, SW1W 0EN
Insight N.D.T. Limited**	United Kingdom	100%	Dormant	10 Lower Grosvenor Place, London England, United Kingdom, SW1W 0EN
Morel Ventures, LLC	USA	100%	Dormant	4400 Easton Commons Way Suite 125 Columbus, OH 43219
Cascade Methods, LLC	USA	100%	Dormant	780 Commercial Street SE Suite 100 Salem, OR 97301
McCloy Engineering, LLC	USA	100%	Dormant	4400 Easton Commons Way Suite 125 Columbus, OH 43219

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

33. Subsidiaries and associated companies (continued)

Name Continuing businesses	Country of incorporation or registration	Proportion Held	Activity	Registered Address
Front Range Methods, LLC	USA	100%	Dormant	780 Commercial Street SE Suite 100 Salem, OR 97301
BM TRADA RKCA Certifications Private Limited~	India	50%	Dormant	515 Tulsiani Chambers, Nariman Point Mumbai, 400021
Certifire (Hong Kong) Limited	Hong Kong	100%	Dormant	Unit C, 18/F Infotech Centre 21 Hung To Road, Kwun Tong, Kowloon
Warringtonfire Certification and Inspection Hong Kong Limited	Hong Kong	100%	Dormant	Unit C, 18/F Infotech Centre 21 Hung To Road, Kwun Tong, Kowloon
Exova Warringtonfire NZ Limited	New Zealand	100%	Holding Company	Whitelaw Weber & Co, 2 Clifford Street Kaikohe, 0405
Materials Engineering Research Laboratory Limited	United Kingdom	100%	Dormant	10 Lower Grosvenor Place, London England, United Kingdom, SW1W 0EN
Exova B.V.	Netherlands	100%	Dormant	Kapitein Nemostraat 12, 7821 AC Emmen, Drenthe
Defire (ACT) Pty Ltd	Australia	100%	Dormant	Unit 2, 409-411 Hammond Road Dandenong South, Victoria 3175
Defire (NSW) Pty Ltd	Australia	100%	Dormant	Unit 2, 409-411 Hammond Road Dandenong South, Victoria 3175
Defire (QLD) Pty Ltd	Australia	100%	Dormant	Unit 2, 409-411 Hammond Road Dandenong South, Victoria 3175
Defire (WA) Pty Ltd	Australia	100%	Dormant	Unit 2, 409-411 Hammond Road Dandenong South, Victoria 3175
Tianjin C-Kai BM TRADA Certification Company Limited -	China	40%	Dormant	Room 708, Suite F Hai Tai Plaza No.8 Hua Tian Road, Tianjin Hua Yan Industrial Zone
MERL Technology Limited	United Kingdom	100%	Dormant	10 Lower Grosvenor Place, London England, United Kingdom, SW1W 0EN
Element Materials Technology G.C. Ltd.	United Kingdom	100%	Dormant	10 Lower Grosvenor Place, London England, United Kingdom, SW1W 0EN
Linbob, LLC	USA	100%	Dormant	447 Center Street, Manchester CT 06040
Element Materials Technology Environmental UK Limited (formerly Exova Environmental UK Limited)	United Kingdom	100%	Testing	10 Lower Grosvenor Place, London England, United Kingdom, SW1W 0EN
Element Materials Technology Oil & Gas UK Limited	United Kingdom	100%	Testing	10 Lower Grosvenor Place, London England, United Kingdom, SW1W 0EN
Element Materials Technology Aerospace UK Limited	United Kingdom	100%	Testing	10 Lower Grosvenor Place, London England, United Kingdom, SW1W 0EN
Warrington Fire & Building Products UK Limited	United Kingdom	100%	Testing	10 Lower Grosvenor Place, London England, United Kingdom, SW1W 0EN
Warringtonfire Testing and Certification Limited	United Kingdom	100%	Testing	10 Lower Grosvenor Place, London England, United Kingdom, SW1W 0EN
Warringtonfire Consulting Limited	United Kingdom	100%	Testing	10 Lower Grosvenor Place, London England, United Kingdom, SW1W 0EN
Element Materials Technology Shared Services Limited	United Kingdom	100%	Testing	10 Lower Grosvenor Place, London England, United Kingdom, SW1W 0EN
Element Materials Technology Wednesbury Limited	United Kingdom	100%	Testing	10 Lower Grosvenor Place, London England, United Kingdom, SW1W 0EN
Element Materials Technology Food US LLC	USA	100%	Testing	1209 Orange Street Wilmington, DE 19801
Element Materials Technology Pharma US LLC	USA	100%	Testing	1209 Orange Street Wilmington, DE 19801

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

33. Subsidiaries and associated companies (continued)

Name Continuing businesses	Country of incorporation or registration	Proportion Held	Activity	Registered Address
Element Materials Technology Transportation US LLC	USA	100%	Testing	1209 Orange Street Wilmington, DE 19801
Element Materials Technology Aerospace US LLC	USA	100%	Testing	1209 Orange Street Wilmington, DE 19801
Element Materials Technology Transportation & Industrials US LLC	USA	100%	Testing	1209 Orange Street Wilmington, DE 19801
Element Materials Technology (Suzhou) Co., Ltd	China	100%	Testing	No. 39 Qiming Road, Shengpu Town Suzhou, Industrial Park, Suzhou Jiangsu Province, China
EMV Testhaus GmbH	Germany	100%	Testing	Gustav-Hertz-Strasse. 35, 94315, Straubing, Bavaria, Germany
EMV Test House Taiwan Ltd	Taiwan	100%	Testing	No.13, Lane 19, Wensansan Street, Guishan District, Taoyuan City
Aerotech Inspection & NDT Limited	United Kingdom	100%	Testing	10 Lower Grosvenor Place, London England, SW1W 0EN
PCTEST Engineering Laboratory, LLC	USA	100%	Testing	1209 Orange Street Wilmington DE 19801, USA
PCTEST Holdings, Inc.	USA	100%	Holding Company	1209 Orange Street Wilmington DE19801 USA
PCTEST Japan Co., Ltd.	Japan	100%	Testing	1797-8 Ohata, Kamisu-shi Ibaraki-ken, Japan
PCTEST Korea Co., LTD	Korea	100%	Testing	13, Heungdeok 1-ro, Giheung-gu Yongin-si, Gyeonggi-do, Republic of Korea

* These companies are treated as subsidiaries in the results of the Group as effective control over their operations exists, as described in the shareholder and management services agreements with the related parties.

** For the year ending 31 December 2019 this subsidiary of the Group was entitled to exception from audit under s480 of the Companies Act 2016 relating to subsidiary companies.

~ These are companies where the Group exercises joint control.

EMT Holdings Limited's shareholding is held directly whilst all others are held through wholly owned subsidiaries.

Element Materials Technology Group Limited is majority owned by the Bridgepoint V Fund, which is in turn managed by Bridgepoint Advisors Limited, a company incorporated in England.

COMPANY STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

	Note	2019 US \$million	2018 US \$million
Non-current assets			
Investments	e	575.6	558.7
		575.6	558.7
Current assets			
Amounts owed by Group companies	f	9.3	8.9
Cash and cash equivalents	g	-	0.9
		9.3	9.8
Current liabilities			
Other payables	h	-	(1.9)
		-	(1.9)
Non-current liabilities			
Priority shares	i	(813.1)	(723.1)
		(813.1)	(723.1)
Net liabilities		(228.2)	(156.5)
Equity			
Share capital	j	-	-
Share premium	j	9.3	1.2
Treasury shares	j	(0.4)	-
Retained earnings		(243.5)	(161.5)
Share based payment reserve	j	6.4	3.8
Total shareholders' equity		(228.2)	(156.5)

The Company's loss after tax for the year ended 31 December 2019 was US \$82.0 million (2018: US \$75.5 million).

The financial statements of Element Materials Technology Group Limited (Company registration number 09915743) were approved by the Board of Directors and authorized for issue on 24 June 2020. They were signed on its behalf by:



Jo Wetz
Director
24 June 2020

COMPANY STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2019

	Share capital	Share premium	Retained earnings	Total US \$million	Total US \$million	Total US \$million
As at 1 January 2018	-	1.2	-	(86.0)	-	(84.8)
Total Comprehensive Loss	-	-	-	(75.5)	-	(75.5)
Share based payment reserve	-	-	-	-	3.8	3.8
As at 31 December 2018	-	1.2	-	(161.5)	3.8	(156.5)
Total Comprehensive Loss	-	-	-	(82.0)	-	(82.0)
Issue of shares	-	8.1	-	-	-	8.1
Movement in treasury shares	-	-	(0.4)	-	-	(0.4)
Share based payment reserve	-	-	-	-	2.6	2.6
As at 31 December 2019	-	9.3	(0.4)	(243.5)	6.4	(228.2)

The notes on the following pages form part of these financial statements.

NOTES TO THE COMPANY FINANCIAL STATEMENTS

a) Accounting policies

(i) Basis of accounting

These financial statements have been prepared on a going concern basis and under the historical cost convention in accordance with the Companies Act 2006 and applicable FRS 101 “Reduced Disclosure Framework”. As permitted by section 408 of the Companies Act 2006, no separate statement of profit or loss account is presented for the Company.

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to the presentation of a cash-flow statement, financial instruments, standards not yet effective, impairment of assets and related party transactions. Where required, equivalent disclosures are given in the Group accounts of Element Materials Technology Group Limited.

Going concern

Element Materials Technology Group Limited (“Element”) is the ultimate holding company of the Group. The company’s future viability is ultimately dependent on the performance of the wider trading group and Group management’s decisions on the flow of capital. The Directors have carried out a review, including consideration of appropriate forecasts and sensitivities, which indicates that the company will have adequate resources to continue to trade for the foreseeable future.

A full description of the Group’s business activities, financial position, cash flows, liquidity position, committed facilities and borrowing position, together with the factors likely to affect its future development and performance, is set out in the Strategic Report, including the Financial Review, in note 2.3 and in note 23 to the financial statements.

The financial statements of the Company have been prepared on a going concern basis. The directors have a reasonable expectation that the Company has access to adequate resources to continue in operational existence for the foreseeable future. The Company has a net liability position of US \$228.2 million driven by priority share liabilities of US \$813.1 million. The Directors considered going concern status of Element Materials Technology Group Limited and on the basis that this company is a holding company for Group’s operating entities, going concern assumptions and sensitivities discussed in this annual statement are applicable from a standalone company perspective. On that basis, the Directors are satisfied that the Company is a going concern for at least a 12-month period from the signing of these accounts.

(ii) Priority shares

The Company issued priority shares that pay a fixed rate of interest and have a mandatory redemption feature at a future date. The priority shares are a contractual obligation to deliver cash and therefore are recognized as a liability.

(iii) Investments

Investments are stated at cost less provision for impairment.

(iv) Dividends

Dividend income is recognized when received. Final dividend distributions are recognized in the Company’s financial statements in the year in which the dividends are approved by the Company’s shareholders.

(v) Share based payments

The Group provides benefits to employees (including directors) in the form of equity-settled share-based payment transactions, whereby employees (and directors) render services in exchange for shares.

In valuation of share-based payments, the fair value of the employee services rendered is determined by reference to the fair value of the shares awarded or options granted, excluding the impact of any non-market vesting conditions. All share options are valued using an option-pricing model (Black-Scholes or Monte Carlo). This fair value is charged to the income statement over the vesting period of the share-based payment scheme. The value of the charge is adjusted in the income statement over the remainder of the vesting period to reflect expected and actual levels of options vesting, with the corresponding adjustments made in equity.

(vi) Other receivables

Other receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less allowance. The Company applies IFRS 9 to measure expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets.

NOTES TO THE COMPANY FINANCIAL STATEMENTS (continued)

b) Directors' and employees' remuneration

No emoluments were paid directly by the Company; information on the directors' remuneration can be found in Key Management Remuneration in note 10 of the Consolidated Group Financial Statements. The Company has no employees.

c) Related parties

For details of related party transactions please refer to note 31 of the Consolidated Group Financial Statements.

d) Auditor's remuneration

Fees payable to Ernst & Young LLP for the audit of the Company were borne by other companies within the Group and disclosed in Note 7 of the Consolidated Group Financial Statements. Fees payable in the prior year were also borne by other companies within the Group. There were no non-audit services provided to the Company during the year (2018: £nil).

e) Investments

	2019 US \$million	2018 US \$million
Investments	575.6	558.7
	575.6	558.7

The investment relates to direct holdings in EMT Holdings Limited. Details of the subsidiaries directly and indirectly held by the Company are included in note 33. The increase of \$15.0 million since prior year is driven by the acquisition of PCTEST Engineering Laboratory Inc made in the year as shown in note 24. The Company invested an additional US \$1.9 million in EMT Holdings Limited during the year.

f) Amounts receivable from Group Companies

	2019 US \$million	2018 US \$million
Herculean Testing Group B.V. Employee Benefit Trust	0.4	-
EMT Finance 1 Ltd	0.3	-
Element Materials Technology Holding UK Ltd	0.5	-
Element Materials Technology Group Holdings CC2 Ltd	1.2	2.0
Greenrock Midco Limited	1.9	1.9
Element Materials Technology Holdings USA Inc	5.0	5.0
Amounts owed by Group companies	9.3	8.9

The receivable amount relates to six different intercompany loans that Element Materials Technology Group Limited holds with other Element entities as set out above. All six loans are non-interest bearing and repayable on demand.

g) Cash and cash equivalents

	2019 US \$million	2018 US \$million
U.S. Dollar	-	0.9
	-	0.9

h) Other payables

	2019 US \$million	2018 US \$million
Other payables	-	1.9
	-	1.9

The 2018 other payables balance above is related to unissued shares as a result of an acquisition made by the Group during 2018. This liability was settled in cash during 2019.

NOTES TO THE COMPANY FINANCIAL STATEMENTS (continued)

i) Priority shares

The priority shares are unsecured borrowings of the Group. The priority shares do not carry any equity component and are classified as financial liabilities.

Priority A shares

The Company's redeemable cumulative priority A shares of US \$368.2 million were issued on 22 March 2016. The shares carry 11 per cent interest per annum and are redeemable on 22 March 2026. Total interest accrued to 31 December 2019 was US \$178.4 million (2018: US \$124.2 million). The redeemable cumulative priority shares are classified as financial liabilities. The priority A shares do not carry voting rights.

Priority B shares

The Company's redeemable cumulative priority B shares of US \$191.4 million were issued on 29 June 2017, a further US \$4.9 million was issued on 29 December 2017. In 2018 the Group issued a further US \$0.7 million on 13 September 2018 and a further US \$0.1 million on 20 November 2018.

Further issuances were made during 2019 as follows: US \$2.5 million on 22 July 2019 and US \$7.9 million on 30 December 2019. Total proceeds from share issuances in the year were US \$8.6 million.

The shares carry 11 per cent interest per annum and are redeemable on 22 March 2026.

Total interest accrued to 31 December 2019 was US \$59.0 million (2018: US \$33.5 million). The redeemable cumulative priority shares are classified as financial liabilities. The priority B shares do not carry voting rights.

j) Share capital and share premium

Share capital

Type	Nominal Value	2019 Issued number	2019 Total US \$	2018 Issued number	2018 Total US \$
A1 Ordinary shares	0.0001	784,208	78	775,585	78
A1A Ordinary shares	0.03	5,161	155	-	-
A2 Ordinary shares	0.0001	49,988	5	44,991	4
A3 Ordinary shares	0.03	20,110	603	25,271	758
A4 Ordinary shares	0.000001	259,068	-	258,141	-
B Ordinary shares	0.0001	1,460,713	146	1,408,775	141
B1 Ordinary shares	0.0001	64,924	6	64,924	6
B2 Ordinary shares	0.0001	64,656	6	-	-
B3 Ordinary shares	0.0001	59,399	6	-	-
C Ordinary shares	250	4	1,000	4	1,000
M Ordinary shares	0.0001	100	-	-	-
As at 31 December		2,768,331	2,005	2,577,691	1,987
			2019		2018
			\$'000		\$'000
Authorized, issued and fully paid, as at 31 December			2		2

2,536 A1 ordinary shares were issued during 2019 at US \$1 per share inclusive of share premium. The total share premium from the shares issued in the year was US\$ 2,535.74.

6,087 A2 ordinary shares were reassigned to A1 ordinary shares. 5,161 A3 ordinary shares were reassigned to A1A ordinary shares during 2019. There were no changes to share capital or share premium as a result of this reassignment.

11,084 A2 ordinary shares were issued during 2019 at US \$672.99 per share inclusive of share premium. The total share premium from the shares issued in the year was US \$7,459,420.

843 A4 ordinary shares were issued during 2019 at a price of US \$675.68 per share inclusive of share premium. 84 A4 ordinary shares were issued during 2019 at a price of US \$675.69 per share inclusive of share premium. The total share premium from the shares issued in the year was US \$626,357.

64,656 B2 ordinary shares were issued during 2019 at US \$0.0001 per share. These shares did not have share premium attached.

NOTES TO THE COMPANY FINANCIAL STATEMENTS

(continued)

59,399 B3 ordinary shares were issued during 2019. 34,168 B3 ordinary shares were issued at US \$1 per share inclusive of share premium. The total share premium from the shares issued in the year was US \$34,165.

51,938 B ordinary shares were issued during 2019 at US \$0.22 per share inclusive of share premium. The total share premium from the shares issued in the year was US \$11,421.

100 M ordinary shares were issued during 2019 at US \$1 per share inclusive of share premium. The total share premium from the shares issued in the year was US \$99.99. Pursuant to the terms set out in the Articles of Association, the pay-out for these M shares is based on a calculation dependent on the enterprise exit value of the Group and are subject to meeting certain hurdle rates.

Rights and conditions of each class of share:

- A1 ordinary shares have full voting entitlement
- A1A ordinary shares have full voting entitlement
- A2 ordinary shares have no voting entitlement
- A3 ordinary shares have full voting entitlement
- A4 ordinary shares have full voting entitlement
- B ordinary shares have no voting entitlement
- B1 ordinary shares have no voting entitlement
- B2 ordinary shares have no voting entitlement
- C ordinary shares have no voting entitlement
- M ordinary shares have no voting entitlement

Share premium

The share premium reserve contains the premium arising on issue of equity shares, net of issue expenses.

Treasury shares

As at 31 December 2019 the number of shares held by Employee Benefit Trust were 103,998 (2018: 5,250 shares).

Share based payment reserve

The Company has issued B, B1, B2 and B3 Ordinary shares ("B shares") to certain employees and Directors. Pursuant to the terms set out in the Articles of Association, the pay-out for these B shares are based on a calculation dependent on the enterprise exit value of the Group and are subject to meeting certain hurdle rates. These shares are treated as equity-settled share based payments, where the grant date fair value is spread over the period between the grant date and the best estimate of the anticipated exit date.

An option pricing model is used to determine the fair value at grant date. The key inputs and assumptions include:

- Expected volatility - the Company applied re-levered equity volatility based on historical equity volatility of publicly traded peer companies.
- Expected term - the period until an exit event which is estimated to be 4 to 6 years from the initial investment by the majority shareholder.
- Risk free interest rate - determined by reference to US Treasury yield curve for the period commensurate with the expected timing of exit.
- A total of 1.6 million B shares has been issued as at 31 December 2019 (including 0.2 million shares issued during 2019). The fair value at grant date was determined to be US \$5.4 per share in for those shares issued in 2018. The 2019 share issues have the following fair values at grant date: B Ordinary shares US \$57.1 per share, B2 Ordinary shares US \$11.0 per share and B3 Ordinary shares US \$46.4 per share.

Based on the above, the Company recognized a share-based payment expense of US \$2.6 million (2018: US \$3.8 million).

k) Events after the reporting date

No significant events have occurred after 31 December 2019 other than those disclosed in the consolidated Group financial statements.

Whilst it is difficult to predict the full extent of the COVID-19 impact, Management notes that events such as announcements or the enactment of new measures to contain the virus or decisions taken by Management or governments in respect of such measures are considered to be non-adjusting events subsequent to the 2019 results reported. Therefore, there have been no adjustments made in these financial statements in respect of such developments. Management are still evaluating the potential impact of COVID-19 on other fair value assets; however their best estimates indicate no material change from the statement of financial position date.

DIRECTORS AND ADVISERS

Directors

Allan Leighton

Charles Noall

Jo Wetz

Christopher Busby

Raoul Hughes

Niall McCallum (appointed 25th February 2020)

Ranjit Dandekar (appointed 22nd July 2019)

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