

# ANNUAL REPORT 2020

AND CONSOLIDATED  
FINANCIAL STATEMENTS



We continue to advance our strategic ambitions whilst remaining focused on end market opportunities with a new and energized leadership team, despite the challenges faced in the current economic climate.

**Ruth Prior**  
Group CFO

# CONTENTS

<b>About Element</b>	<b>4</b>	<b>Board of Directors</b>	<b>50</b>
<hr/>		<b>Operating Board</b>	<b>54</b>
<b>Strategic Report</b>		<b>Corporate Governance Report</b>	<b>58</b>
Chairman's Report	6	<b>Principal Risks and Uncertainties</b>	<b>62</b>
CEO Report	8	<b>Directors' Report</b>	<b>66</b>
CFO Report	12	<b>Independent Auditor's Report</b>	<b>70</b>
Covid-19 Response	18	<b>Consolidated Financial Statements</b>	<b>73</b>
Corporate Responsibility	22	<hr/>	
Element Reorganization	28	Notes to the Consolidated Financial Statements	79
Americas Region	30	<hr/>	
EMEAA Region	34	<b>Company Financial Statements</b>	<b>127</b>
Our People	38	Notes to the Company Financial Statements	129
Digital Transformation	42	<hr/>	
Innovation	44	<b>Directors and Advisers</b>	<b>141</b>
Acquisitions and Integration	46	<hr/>	

# ELEMENT IN NUMBERS



201  
Laboratories  
Worldwide



Over  
6,000  
Testing  
Experts



Over  
190  
Years of  
Experience



34  
Acquisitions  
since 2010



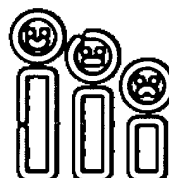
Over  
800  
Accreditations  
& Approvals



80%  
Locations  
Injury Free

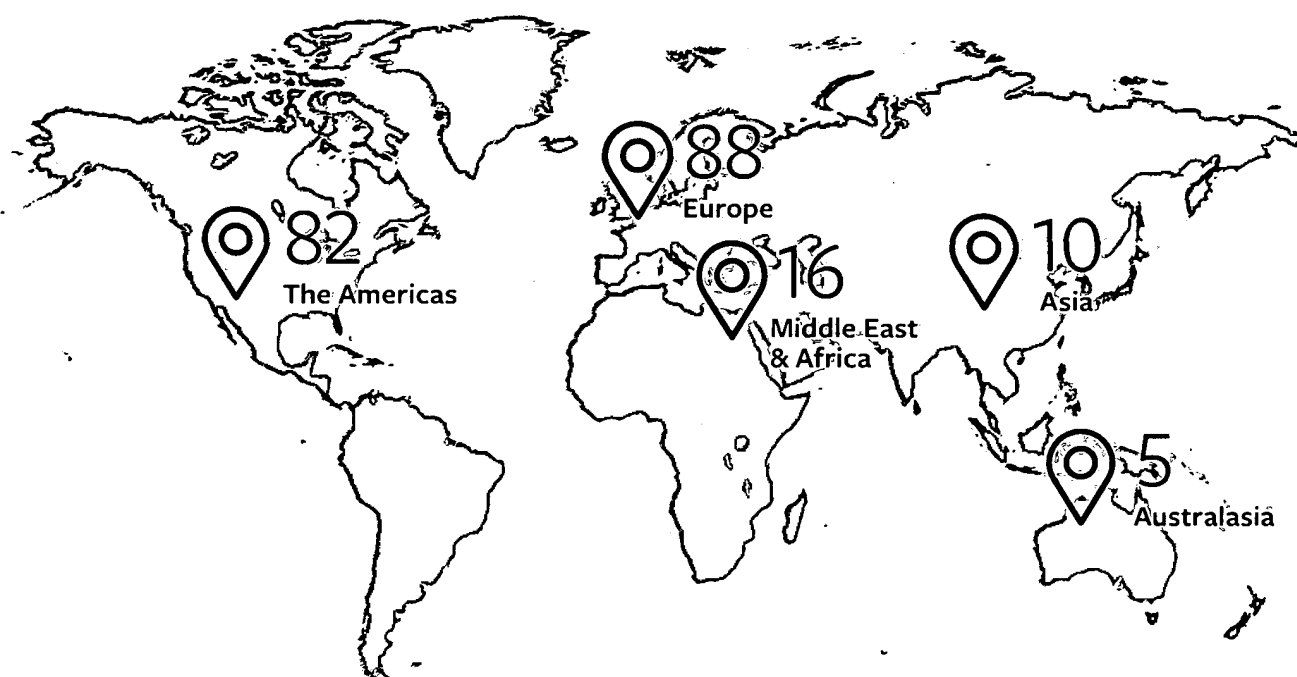


Over  
50,000  
Customers  
Worldwide



+56  
NPS Score

## GLOBAL REACH, LOCAL DELIVERY



## 2020 HIGHLIGHTS



**22.7%**  
Group Revenue CAGR  
(2010 - 2020)



**US \$175 million**  
Adjusted EBITDA  
(US \$178m at Constant Currency)



**1**  
Strategic  
Acquisition



**US \$783 million**  
Revenue  
(US \$807m at Constant Currency)

# CHAIRMAN'S REPORT



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*Element started 2020 with great energy and excitement, armed with three core priorities – customer, people and innovation – under the leadership of new CEO, Jo Wetz. The impact of the Covid-19 pandemic has been felt right across the world, from country and organization, to community and individual, and no one has had the year they had hoped for. It is how organizations, communities and individuals react to such challenges which defines them, and I am very proud of Element's response to these most testing of circumstances.*

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**ALLAN LEIGHTON**  
Non-Executive Chairman

## PANDEMIC RESPONSE

As a global business we soon felt the impact of the virus. The Board quickly agreed two priorities to guide our actions – safeguarding the health and safety of our people, and ensuring the long-term sustainability of the Group.

As soon as it became clear that this was a global challenge, we rapidly established regional structures and governance to assess and manage the evolving situation across our laboratory network. These structures allowed us to focus our efforts on the specific circumstances in each geography and adjust according to evolving requirements. In parallel, we created and implemented Group-wide support where it was right to do so, such as comprehensive business continuity planning guidance for pandemic situations, as well as dedicated support for those colleagues who contracted Covid-19. While almost all of them fully recovered, I would like to offer my condolences to the families and friends of the very small number of colleagues who have passed away from Covid-19.

We contributed directly to the fight against the virus through our testing and analytical expertise, in terms of both the management of its effect, and in the search for a vaccine. At a personal and community level, there were many great examples of Element people going the extra mile in response to the pandemic – some of these are set out in a dedicated section of the strategic report.

## CUSTOMERS

The essential nature of much of what we do meant that business disruption was, on the whole, minimal, and only a handful of our laboratories had to close, and even then, only temporarily. Demand for our services was affected both by the need to comply with local restrictions and by reduced activity levels in some of our end markets, but the severity and duration varied. Some end markets bounced back relatively quickly, and in a couple of business units – Connected Technologies and Life Sciences – we saw good organic growth.

Our M&A program was more limited, with one acquisition in the US, ALG, giving us entry into the infection prevention market, through a 130 strong team of scientists and experts working across three high specification laboratories. ALG has expanded the scope of services and capability in our new Life Sciences business unit (BU), which we believe offers strong growth opportunities across its pharmaceutical and medical device segments.

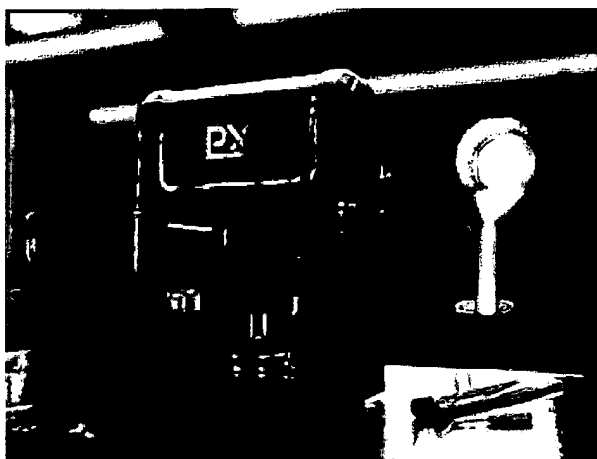
## PEOPLE

Our teams remain the bedrock of the Group and there is no doubt that in 2020 we saw the best of Element people. In turn, we were able to make some real advances in our people agenda. We conducted a company-wide engagement survey and gathered really valuable insight into how people feel about working for Element. Subsequently, we have started or enhanced a number of programs which address areas where colleagues wanted us to do more.

In the second half of the year we reorganized the business, moving to a regional structure, with a smaller number of larger scale, end market-focused business units across two broad geographies – the Americas and EMEA (Europe, Middle East, Asia and Africa). In parallel, we responded to feedback about decision-making and accountability, giving greater ownership to BUs and encouraging greater entrepreneurial drive closer to the customer. We are confident that this reorganization, and the renewed energy that it has brought, are great foundations for Element's future.

## INNOVATION

In understanding how our end markets were evolving, we identified innovation as key to our future success and began to establish some solid foundations during the year. In July, we launched a US \$10 million fund to allow us to invest, both internally and externally, in next generation technologies, and in parallel announced our first strategic investment of US \$1.0 million, taking a stake in Plastometrex, a UK technology start-up, which develops technical and software-led solutions for testing in material science. In early 2021, we launched Element Digital Engineering, a new business focusing on engineering simulation, modelling, data science and artificial intelligence to solve complex industrial challenges for our customers.



## 2021

As we start 2021, it is clear that we will all continue to feel the effects of the pandemic for some considerable time. It is also clear that Element has the attributes to continue flourishing as it enters its second decade. We are well diversified, fully supported by our investors Bridgepoint and Temasek, and have a team of over 6,000 dedicated experts who have continued to show their commitment, adaptability and resilience. I would like to thank each of them for their effort and support during these difficult times.



# CEO REPORT



*2020 has been a year of transition for Element. Given the global pandemic, many organizations will consider the last 12 months as a time of rapid adaptation to almost constant change and Element was no different. As well as successfully navigating the impact of Covid-19, we made encouraging progress against our strategic priorities, and set in place a number of critical foundations which will underpin our continued success as we enter our second decade. It was also a year in which the contributions of our people shone ever more brightly.*

JO WETZ  
CEO



## COVID-19: ADAPTABILITY AND RESILIENCE

With operations in 30 countries, we progressively felt the impact of Covid-19 across the entire Group as the virus spread. In the initial weeks we provided focused and dedicated support to local management and their teams in those countries most immediately affected, particularly China and Italy. When it became apparent that a globally co-ordinated approach was required, we set up an executive leadership group to provide clarity and direction, and created two regional structures to allow the necessary operational focus at country and state level. Our overriding operational objective was to ensure our people were kept safe.

In early March we rapidly created and rolled out dedicated business continuity planning guidance for pandemic situations; the guidance has since been revised several times to reflect our experience, changing external requirements and the emergence of best practise.

We benefited from our strong safety culture in the care and precision with which our teams adapted operations to comply with distancing and hygiene requirements. In June, we issued company-wide guidelines for operating in a Covid-19 world, formalizing our approach to on-site safety, and ensuring a high level of safety which often went beyond local regulations.





Our rigorous approach was reflected in another year of strong safety performance. I am pleased to report that our 12-month rolling recordable injury rate was 0.97 at the end of December (2019: 0.95), and was consistently less than 1.0 across the year, and that the absolute number of recordable injuries fell by 9% to 63 (2019: 69).

In all territories we ensured that we understood the nature of local rules and requirements on distancing, hygiene and isolation. When these changed, as they frequently did, we adjusted our response accordingly. Nevertheless, we did have a number of positive Covid-19 cases across the Group; in each case, the affected colleague and their family were given full support locally. Regrettably, two colleagues passed away as a result of contracting the virus, one in the UAE and at the start of 2021, a colleague in the US.

Where people could deliver their roles by working remotely, they did so, and we produced guidance to support their effectiveness and wellbeing while working from home. We took advantage of digital tools to help ensure people could stay connected, rolling out Microsoft Teams to more than 3,000 of them, and introduced virtual, all colleague town halls on a regular basis to allow a wider connection with teams, while halting physical site visits by senior leaders.

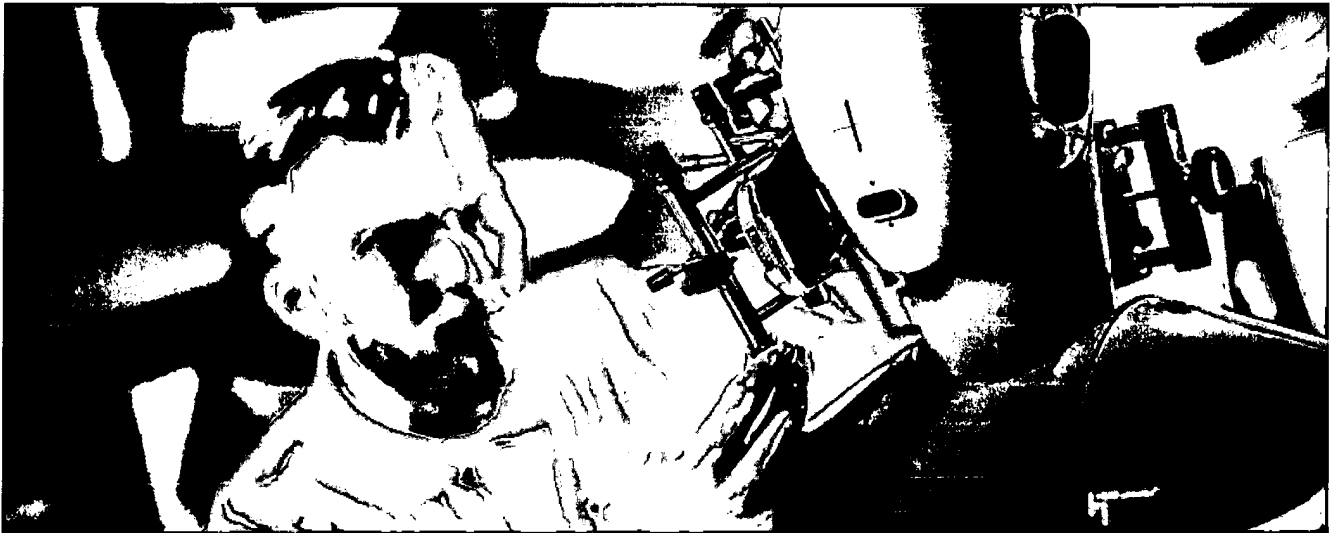
## PERFORMANCE

All our end markets were affected by the pandemic's economic consequences, and this had an impact on Group revenues which were US \$782.6 million (2019: US \$820.6 million). Business units (BUs) like Connected Technologies and Life Sciences had strong years, with double-digit organic growth in the PCTEST business which we acquired at the very end of 2019. Other parts of our portfolio recovered relatively quickly and showed great resilience – in particular, our Fire & Building Products BU and the defense and space parts of our Aerospace & Defense BUs.

This meant we were able to offset, to some degree, the strong headwinds we experienced in the commercial aerospace, transportation and energy end markets. Even so, it was necessary to align our cost base to reduced revenues, and so we delivered a range of cost and working capital actions to maintain margins and preserve cash. The Executive team took a 20% pay cut for part of the year and the management bonus scheme was suspended for 2020. Alongside this, a number of other actions helped us to retain as many roles as possible.

Where it was clear that there were permanent changes in end markets, we implemented appropriate headcount reductions; where we felt changes were likely to be temporary, we used





**+56**  
NPS SCORE

government and state support schemes to allow us to retain roles until there was more certainty. We ended the year with over 6,000 colleagues in the Group.

Our further expansion into a number of technology driven markets such as connected technologies and life sciences – boosted by the acquisition of ALG in July – offers us attractive growth opportunities, which will balance out the slower recoveries that we expect to see in the commercial aerospace market. In the meantime, we continue to evolve our suite of services so that we stay aligned with our customers' own responses to technological disruption, climate change and the impact of the pandemic.

## CUSTOMERS

Our customers had their own complex challenges throughout the year, and in adjusting the way we operated, we focused on serving our loyal client base to the best of our abilities. Many of the end markets that we serve were deemed essential services by national or regional governments, and as a result our 200-strong laboratory network remained open for business. Where temporary laboratory closures did happen, we ensured that both the closure process and the subsequent reopening were carefully managed to protect our teams and our locations. All our facilities were open again by the end of June.

Element contributed directly to the fight against the virus in a number of ways – testing ventilators for electromagnetic safety in the UK; testing vaccine components in our pharmaceutical laboratories in the US; and testing face shields being produced by a large US-based automobile manufacturer. Significant local efforts were also made in volunteer mask and shield production for communities; the loan of specialist equipment to a regional hospital in Canada; and food bank drives in the UK, US and Singapore. Full details of the Group's response to the pandemic can be found on pages 18 to 21.

## PEOPLE

Our progress in relation to our people was centred on two things – listening and empowerment. I am passionate about the importance of listening to our people and in 2020, we established several programs in support of this. In February, we undertook a company-wide engagement survey, under the banner of Your Voice, to better understand how our colleagues felt about Element. The survey was available in multiple languages and we achieved an excellent 80% participation rate. The results delivered important insights that we are now using to launch or improve a range of programs, including employee assistance, diversity and inclusion, and wellbeing.

I also ran regular 'Coffee with Jo' sessions where a small group of us come together, virtually, to discuss current issues. When it is possible again to visit our locations, I will hold similar discussions face to face with colleagues. In November, we held listening sessions on diversity and inclusion for the first time, an area which we have focused too little attention on historically, and these gave us more valuable insight for planning initiatives in 2021 and beyond.

In September, we announced a reorganization of the business, effective 1 October. The changing nature of both the Group and some of our end markets, compounded by feedback from the Your Voice survey, made it clear that we needed to simplify our operational structure, empower decision-making and move accountability closer to the customer and frontline colleagues. In moving to two regions, with nine end market focused BUs, we have achieved this and aligned governance and controls accordingly. In parallel, we moved ultimate responsibility for many of the key enabling functions into the two regions – safety, quality, operational excellence and marketing.

In order to ensure that international customers can continue to be served effectively and that we do not lose the benefits of our global laboratory network, we also created global end market teams in a number of places – aerospace, connected technologies, energy and environmental. Group-wide oversight remains across policies, procedures, standards, budgets and reporting, and the Element brand, values and purpose remain as unifying forces for the organization.

At Operating Board level, we welcomed Ruth Prior in June as Chief Financial Officer. We now have a high caliber Operating Board, with diversity of experience, addressing the great many opportunities and challenges that the Group faces.

We are already starting to see the benefits of the reorganization in terms of greater clarity of purpose and renewed energy and I am confident that the new structure will allow more focus on customers, service and the development of our people.

## INNOVATION

Innovation is central to the next stage of Element's journey and during the year we made clear our commitment through the creation of a US \$10 million "Element Innovates" fund to make a number of technology-led investments.

With technical leadership in materials science at the heart of our business, the first of these strategic partnerships was with Plastometrex, a UK-based start-up which is pioneering alternative techniques to conventional mechanical testing methods that utilize advanced numerical modelling, optimization algorithms and machine learning. The investment gives us access to cutting-edge testing capability, which will be attractive to our global customer network as well as supporting increased operational efficiency internally.

In January 2021, we launched Element Digital Engineering, which marked a significant step on our journey to becoming a leader in engineering simulation, modelling, data science and artificial intelligence to solve complex industrial challenges for our customers. The new business builds on our existing capability in areas such as finite element analysis and engineering critical assessment, and was accelerated by use of the innovation fund to acquire Double Precision Consultancy, a leading engineering and modelling simulation company based in Cambridge, UK.

During the year we also made progress on our digital transformation with the development of our first digital strategy. We initiated several digital projects, such as robotic process automation and we launched renewed remote witnessing services, better allowing clients to effectively observe and monitor their testing programs virtually, and a great example of our ability to drive value through internal transformation by leveraging data, automation, AI, and practical IoT to enhance the customer experience.

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## 2021

My first year as CEO has undoubtedly been a challenging one, but it has only reinforced why I am so proud to lead such a talented, resourceful and resilient group of engineers, scientists, technologists and functional specialists. We found a path through the impact of the pandemic and our experience stands us in good stead for 2021. I look forward to building on the solid progress that we made on our core priorities – customer, people and innovation – and continuing to deliver on our strategy as we embark on our second decade.

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# CFO REPORT



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***Our response to the unprecedented challenges of Covid-19 is a fitting testament to Element's forward planning, resilience and adaptability. In a time of profound global disruption, we have prioritized keeping our people safe and protecting our operations while continuing to progress well with our strategic objectives.***

**RUTH PRIOR**  
Group CFO

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Our model has enabled us to continue to serve all our customers in all our geographies. Throughout the year our focus has been on our people, our customers, our communities and our investors, in particular:

- ensuring the health and safety of our team members;
- continuing to serve the needs of our customers and communities, including supporting government and private sector responses to the pandemic; and
- taking steps to optimize cash flow, reduce operating costs and strengthen further our liquidity position during a period of suppressed activity.

Notwithstanding the impact of Covid-19, we continue to invest across the business in order to meet evolving customer demand and deliver on our service commitments to customers across the globe.

## GROUP OVERVIEW

Element reported consolidated group revenue of US \$782.6 million for FY2020 (FY2019: US \$820.6 million). At constant currency, revenue declined by 4.8%. Adjusted EBITDA of US \$175.3 million was achieved in FY2020 compared with US \$236.0 million in FY2019. Element's performance in the first half of FY2020 was dominated by the sudden and unexpected impact of the pandemic-related decline in demand which started towards the end of the first quarter. In the second half of the year, revenues on a like-for-like basis were 6.3% below in comparison with FY2019.

On the statement of financial position, Element ended the financial year with net debt (excluding lease liabilities) of US \$3,181.0 million (FY2019: US \$2,916.2 million). The Group has achieved excellent free cash flow\* generation of US \$77.9 million (FY2019: Outflow US \$22.2 million), demonstrating the Group's strong cash position and its ability to generate liquidity.

The Group made good progress on developing a stronger commercial and growth focused organization despite a heavy focus on responding to the impact of Covid-19 in FY2020, and implemented a series of cost reduction initiatives.

In addition, a comprehensive site and capacity review was completed as part of the strategic planning process and a restructuring program initiated in the third quarter of FY2020. As a result, the organizational structure was simplified into nine (ten at the statement of financial position date) end market focused business units (BUs) to align and empower local teams split into two geographic regions.

\*Free cash flow is defined as: Net increase/(decrease) in cash and cash equivalents

Right sizing of the organization resulted in a reduction of over 1,300 full time employees in the year. In response to Covid-19, the Group received US \$8.5 million government support in various jurisdictions related to salaries and wages. In addition to these actions, the Group carried out footprint consolidations whereby laboratories in certain low margin locations are consolidated to optimize equipment utilization and margin efficiency. In addition, the Group reduced discretionary spending significantly.

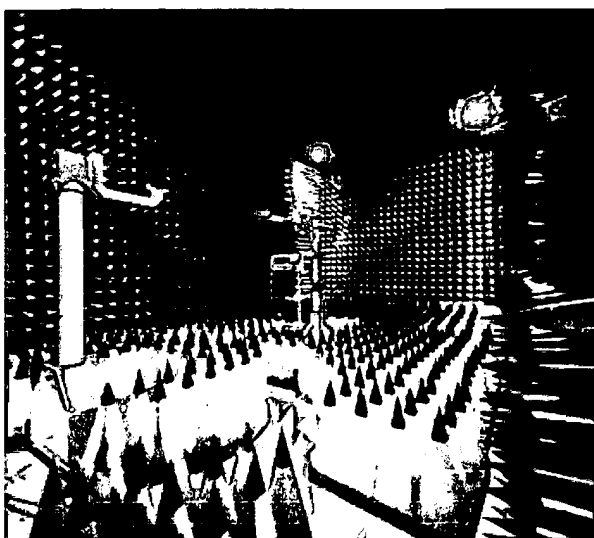
The organizational restructuring that was announced in the third quarter has been accelerated and expanded.

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### **ACQUISITION OF ANALYTICAL LAB GROUP LLC (“ALG”)**

In July 2020 Element completed the US \$90.0 million acquisition of ALG and its affiliated companies, adding three new US locations to its network of laboratories (San Francisco, Boston and Minneapolis) in the Americas region. ALG provides testing solutions for pharmaceutical, antimicrobial, medical device and healthcare clients.

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## GROUP TRADING PERFORMANCE OVERVIEW

The Group reported revenues of US \$782.6 million (FY2019: US \$820.6 million). This is a decline of 4.8% on a constant currency basis and 4.6% on a reported basis. Within this overall result there were examples of good progress but also some underperformances, most notably in the aerospace market where initial cost actions were successfully implemented from Q2 onwards. Further actions have been identified to ensure that the cost base is aligned with customer demand.

In 2020, the Group revenues were heavily impacted by the end market headwinds as a result of Covid-19, particularly in aerospace. We focused on repositioning our marketing efforts on driving more growth from life sciences and connected technologies. The impact of this revenue reduction on Adjusted EBITDA has been partly mitigated by effective management of variable and discretionary costs in addition to a reduction in certain costs as a direct result of Covid-19. Adjusted EBITDA was US \$175.3 million (FY2019: US \$236.0 million) which represents an Adjusted EBITDA margin of 22.4% (FY2019: 28.8%).

	Revenue		EBITDA		EBITDA %	
	2020	2019	2020	2019	2020	2019
Americas	425.0	415.4	147.7	162.1	34.8%	39.0%
EMEA	357.6	405.2	100.5	135.1	28.1%	33.3%
<b>Regional trading performance</b>	<b>782.6</b>	<b>820.6</b>	<b>248.2</b>	<b>297.2</b>	<b>31.7%</b>	<b>36.2%</b>
Group operating costs			(72.9)	(61.2)		
<b>Total Group Adjusted EBITDA</b>			<b>175.3</b>	<b>236.0</b>		
Separately disclosed items			(33.2)	(36.7)		
Net financing costs			(335.1)	(215.7)		
Amortization			(84.9)	(69.8)		
Depreciation			(71.8)	(59.6)		
Impairment of goodwill			(275.8)	-		
Impairment of assets			(5.2)	(3.0)		
Loss on disposal of property, plant & equipment			(4.9)	(1.3)		
<b>Loss before tax</b>			<b>(635.6)</b>	<b>(150.1)</b>		
Tax credit/(charge)			33.8	(11.3)		
<b>Loss for the year</b>			<b>(601.8)</b>	<b>(161.4)</b>		

Recent acquisitions of ALG and PCTEST show our commitment to repositioning our portfolio as well as continued revenue generation from broad based and longstanding customer relationships. The customers we serve are geographically diverse and often multi-national across a range of sectors.

The Group recorded an impairment charge of US \$275.8 million in relation to the carrying value of Goodwill in its business units serving Aerospace end markets. This impairment charge is attributable to the increased economic uncertainty as a result of reduction in customer demand, especially in the commercial aerospace sector, mainly driven by Covid-19, which has led to an increase in the pre-tax discount rate and expected continued disruption to commercial activity and timing pressure on contract renewals.

## AMERICAS

Revenue for FY2020 was US \$425.0 million, up 2.3% on the prior year. These results include five months of revenue and Adjusted EBITDA from ALG. Adjusted EBITDA was US \$147.7 million compared with US \$162.1 million in FY2019. FY2020 includes full year results of PCTEST Inc, which forms the majority of the Connected Technologies BU in the Americas. PCTEST was acquired in December 2019 and we have made excellent progress integrating its capability into the Group, reducing operating costs and improving EBITDA margins.

We are confident that the reorganization in FY2020, effective from the start of Q4, will deliver improved productivity and expect to see the full impact of this during 2021. Priority for each business unit in FY2021 is delivering organic growth through greater focus on service, more targeted marketing efforts and focus on improving productivity through automation and digitization of manual processes and implementing best practises.

The strength of the US dollar, which is the primary sales currency, versus many emerging market currencies where we operate, has also helped margins during the period.

We continue to focus on quality which delivers benefits to our bottom line. Much of the improvement is delivered through re-engineering our processes as well as investing in equipment to deliver exceptional consistency and high throughput.

US \$'000	2020	2019
Revenue	425.0	415.4
Operating costs (net of separately disclosed items)	(277.3)	(253.2)
Adjusted EBITDA	147.7	162.1
Adjusted EBITDA margin	34.8%	39.0%



## EMEA

Revenue for FY2020 was US \$357.6 million, down 11.7% on the prior year. Adjusted EBITDA was US \$100.5 million compared with US \$135.1 million in FY2019. Adjusted EBITDA margins have reduced by 5.2%. In FY2019 we acquired Aerotech and EMV Testhaus. Both businesses integrated well into the organization and their performance has been in line with acquisition cases. We also launched simulation and modeling capability initiatives to complement the traditional testing capabilities of Element.

US \$'000	2020	2019
Revenue	357.6	405.2
Operating costs (net of separately disclosed items)	(257.1)	(270.2)
Adjusted EBITDA	100.5	135.1
Adjusted EBITDA margin	28.1%	33.3%

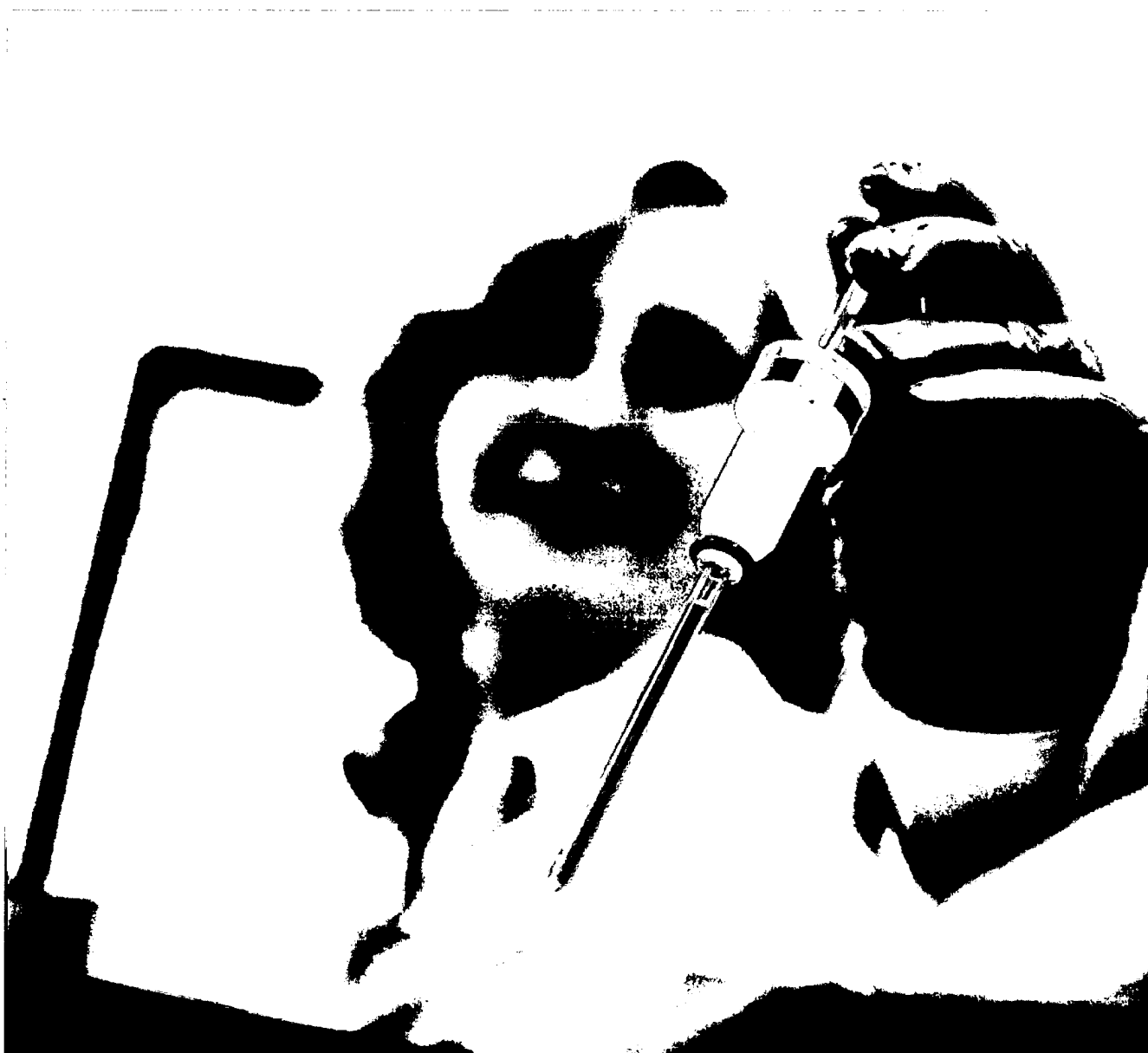
Revenues in the first half were lower in comparison with the same period in the previous year. Although Element laboratories were largely open and fully operational during the first half of the year, some customers experienced disruption to services which reduced demand in the two Energy and Environmental BUs. This was largely compensated by strong performance in the Fire and Building Products BU.

Most sales are in US dollars, but a proportion of the cost base is in the local currency relevant to the testing location. The strength of the dollar has helped improve margins, as have lower costs for certain operating costs, once translated, such as payroll and rental expenses.

## GROUP SEPARATELY DISCLOSED ITEMS

Separately disclosed items totalled US \$33.2 million in the year (FY2019: US \$36.7 million). These costs are made up of US \$15.4 million restructuring expenses as part of a multi-year restructuring program initiated in FY2020, US \$8.6 million (FY2019: US \$9.8 million) of acquisition costs and new business setup costs and US \$4.0 million (FY2019: US \$2.6 million) of share-based payments expense. Share-based payments include awards made to incentivize senior management as well as awards granted to the management teams within acquired companies. Remaining items are US \$1.4 million relating to the final phases of the Exova plc integration since its acquisition in 2017 and US \$3.8 million of other costs which are deemed by their size or nature to be separately disclosed.

The Group also recognized US \$275.8 million impairment charge in relation to Goodwill in the business units serving the aerospace end markets such as: Aerospace & Defense East, Aerospace & Defense West, Aerospace & Connected Technologies - Europe and Calibration and Testing - Nordics. For further information on the impairment charges refer to note 13. A further US \$5.2 million impairment charge with respect to under-performing assets has also been recognized during the year.



## GROUP TAXATION

The Group recognized a tax credit of US \$33.8 million (FY2019: tax charge of US \$11.3 million), representing an effective tax rate of 5.3% (FY2019: -7.5%). Tax credit before separately disclosed items of US \$26.8 million (FY2019: tax charge of US \$20.1m) represents an effective tax rate of 8.4% (FY2019: -19.1%).

A deferred tax credit of US \$24.3 million (FY2019: credit of US \$5.8 million) arose due to an increase in the deferred tax asset recognized on trading losses and short-term timing differences due to the utilization based on future forecast taxable profits in certain regions. As at the reporting date the Group has recognized deferred tax liabilities of US \$144.9 million (FY2019: deferred tax liabilities of US \$169.1 million).

## CAPITAL EXPENDITURE

In response to Covid-19, the Group's capital expenditure programs were significantly reduced and as business performance stabilized in Q3, investment projects recommenced. Maintenance investments were impacted by lockdown restrictions during the first half and management decided to postpone or reduce all non-critical and non-committed capital investment programs. Capital expenditure for FY2020 was US \$57.5 million and US \$55.8 million net of disposal proceeds (FY2019: US \$63.0 million gross and US \$62.6 million net). The Group continues to make ongoing investments in its asset base and during the year approved major multi-year upgrade and expansion projects in high growth regions such as the Americas and South Asia.



## GROUP NET DEBT AND CASH FLOWS

The Group generated strong cash inflows from operating activities in FY2020, with a total cash inflow of US \$77.9 million (FY2019: outflow of US \$22.2 million). The increase principally reflects a disciplined approach to working capital management driving an improvement to net cash generated from operations, partially offset by increased interest payments on the expanded debt portfolio.

The Group has a strong focus on cash flow discipline. We also use various methods to manage liquidity through the business' cash generation cycle. The Group has access to a US \$100 million revolving credit facility, and US \$200 million acquisition/CAPEX facility both of which can be used to manage low points in the cash cycle. Refer to note 2.3 which provides further information on the available undrawn facilities. We actively optimise our working capital position by managing payables, receivables and work in progress to ensure that the working capital committed is closely aligned with operational requirements.

The Group has increased its debt capacity by an additional US \$200 million in Q1 of FY2020. This additional credit facility is incremental to the existing First and Second Lien credit facilities and has the same terms and conditions. The incremental facility will give the Group more flexibility to undertake future acquisitions as well as providing additional headroom and further scope to make value-accretive investments to grow our business.

In addition, in Q3 the Group raised US \$60.6 million additional capital which is a testament to the confidence of our shareholders and management in the business.

Working capital\* was US \$68.7 million (FY2019: US \$119.7 million), a decrease of US \$51.0 million in the year. As a percentage of revenue, working capital decreased by 39.8% to 8.8% at 31 December 2020. The improvement reflects our continued focus on management of work in progress and trade debtor levels as well as supplier management.

The Group generated a net operating cash inflow after capital expenditure and tax, but before the cost of acquisitions, of US \$118.0 million (FY2019: US \$80.7 million), an increase of 46% on prior year. This included a net cash inflow from operating activities of US \$173.8 million (FY2019: US \$143.3 million) representing a 21% increase from 2019. This is inclusive of a working capital cash inflow of US \$36.8 million (FY2019: outflow US \$39.5 million) and taxes paid of US \$9.6 million (FY2019: US \$19.5 million). A full reconciliation of the Group's borrowings in the period is provided in note 22 to the consolidated financial statements.

\*Working capital is defined as:  
Trade and other receivables plus contract assets less trade and other payables

## RISKS AND UNCERTAINTIES

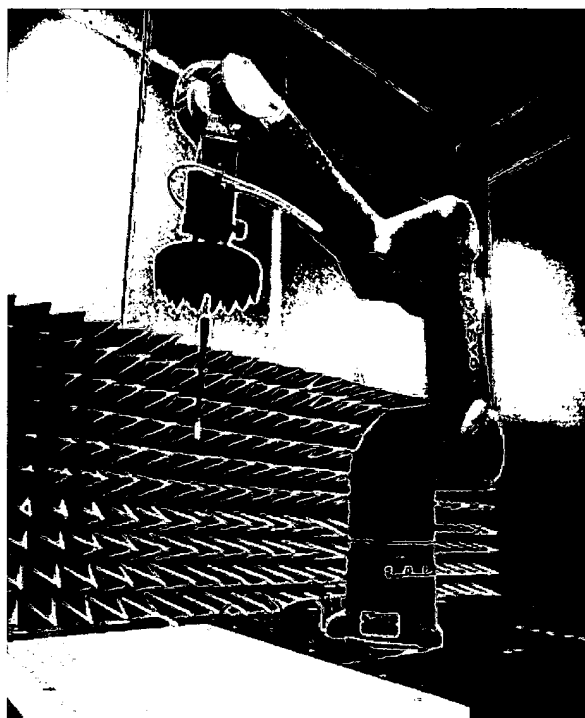
Risks to Element are anticipated and regularly assessed, and internal controls are enhanced where necessary to ensure that such risks are appropriately mitigated. There are a number of potential risks that could have a material impact on the Group's financial performance. The principal risks and uncertainties include competitive threats, legal and regulatory issues, cyber-attacks, dependency on key customers, movements in interest rates or exchange rates, and quality issues. These risks and relevant risk-mitigation activities are set out in detail on pages 62 to 65.

## OUTLOOK

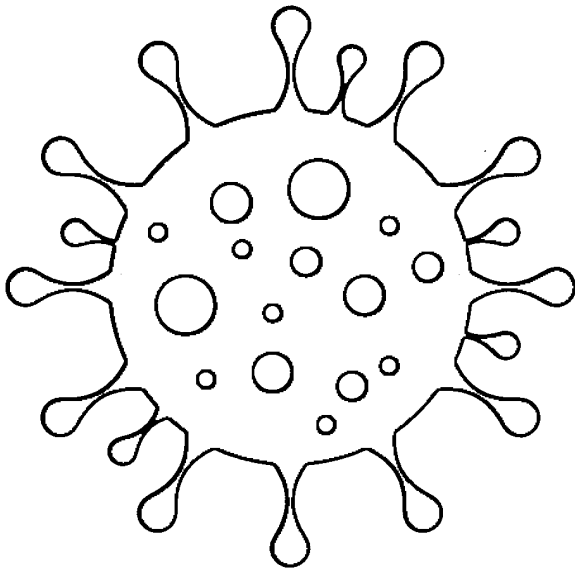
We remain closely focused on ensuring our employees' welfare and are planning for a range of possible outcomes in relation to the ongoing Covid-19 pandemic.

The longer-term prospects for our business remain strong and we continue to invest in increasing capacity in our key facilities to meet customer demand, acquiring the talent we need, and improving customer service in all the geographies that we operate in.

Our continuous focus on operational and process improvements gives us sufficient confidence in delivering our long-term strategy.



# COVID-19 RESPONSE



*2020 was a year in which the spread of the Covid-19 virus sent shockwaves across the world. Responding to the pandemic was very clearly a global challenge and for an international organization like Element, it reached into all corners of our world. Although government, state and regional measures in the geographies where Element operates were complex and fluid, our teams demonstrated a huge amount of resilience in their response to a constantly evolving situation that was bringing uncertainty to the way in which we lived and worked.*

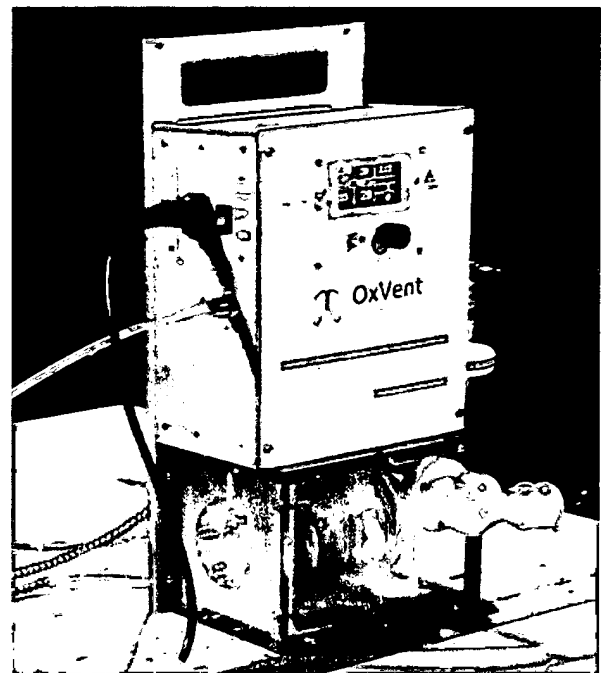
*Colleagues around the world rapidly adapted to new circumstances and ways of supporting each other and our customers in extremely challenging times, even creating short films on YouTube and LinkedIn to share how they had been supporting national efforts, businesses, and local communities since the crisis began.*

## SUPPORTING NATIONAL EFFORTS

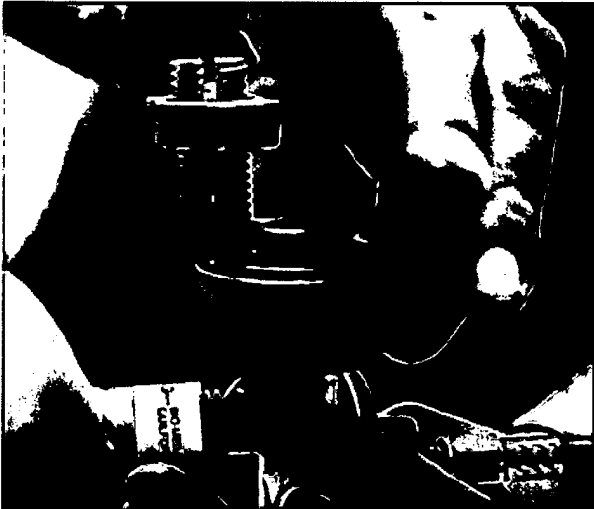
Element's laboratories contributed directly to the fight against coronavirus, and in the UK and the US, we provided our expertise, free of charge, to manufacturers and the government to test rapidly manufactured ventilators to ensure their safety for use in hospitals.

Following the urgent demand for the National Health Service (NHS) to treat Covid-19 patients in the UK, we developed an electromagnetic compatibility and safety requirements testing regime for a ventilator system prototype being developed by a number of manufacturers. These tests helped to ensure that the ventilators could perform safely and without causing electromagnetic interference with other equipment in the hospital environment.

In the US, we supported the Oregon Health & Science University (OHSU) teaching hospital by offering free temperature and humidity testing of an innovative 3D printed ventilator they had developed in response to the national shortage.



Automotive colleagues in the US and aerospace colleagues in Spain produced face masks for local hospitals, each using their own 3D printers at home. In the UK, a FIRA service technician cut more than 2,000 meters of material to help make scrubs for the NHS. FIRA International also supported the UK's NHS Nightingale hospitals by providing free flammability testing for a client who supplied material for medical mattresses.



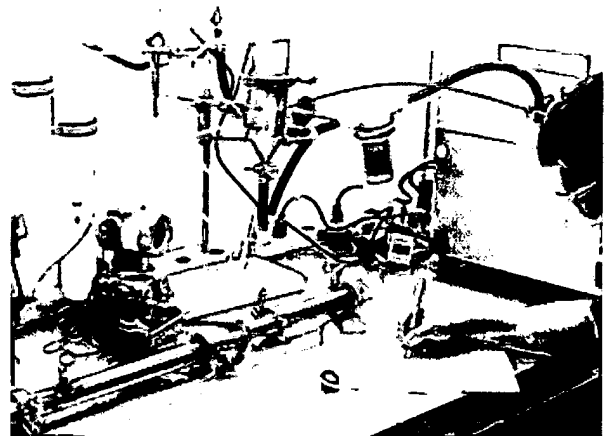
In the Middle East, the Warringtonfire team provided fire safety consulting for the establishment of a temporary field medical facility in readiness to treat patients affected by the pandemic. Our advice covered occupancy, compartmentation, protected corridors, means of egress, exits, opening protectants and product/system/material compliance.

Our Life Sciences business also worked on the testing of components of potential vaccines; drugs to combat side effects in patients who had been ventilated; and feasibility work on hydrogen peroxide sterilized face masks so that they could be reused and not thrown away.

## SUPPORTING CUSTOMERS

In conjunction with our IT and digitalization teams, Element's energy experts rapidly developed capability for customers to conduct remote witnessing of tests – particularly powerful given lockdown restrictions had constrained site visits. Our global Warringtonfire laboratories also continued to develop their ability to offer remote witnessing of sample preparation, installation and live tests.

In the UK, our occupational hygiene experts developed an independent assurance scheme – CV19 Secure – to give reassurance to our customers' stakeholders that their pandemic measures could be verified and were compliant with UK government guidance and best practise measures.



# COVID-19 RESPONSE



When a major technology customer's own facilities were on lockdown, preventing them from performing lung simulation testing internally on their new ventilator design, Element Cincinnati in the US transferred the customer's testing program to the laboratory. This enabled the client to provide the testing necessary to evaluate functional performance and submit to the FDA for Emergency Use Authorization.

During one of the toughest lockdown restriction periods, a UK-based colleague based himself at a client's facility to complete a lengthy program of work that could only be performed on-site. His accommodation consisted of a room above a closed pub and, with no access to restaurants or public transport, he cycled home to collect an electric pressure cooker and even canceled holidays, all to ensure we could deliver this program of work for the customer. In the US, a colleague drove 1,600 miles from his home laboratory in Minnesota to support an EMI testing program at our Melbourne, Florida location in order to help meet a customer's rapid turnaround requirements.

## INSPIRING COMMUNITIES

In a number of locations across our global network, colleagues – often supported by family members – produced face masks and face shields, using their own 3D printers and sewing materials, for use in local hospitals and for distribution to colleagues at their own and other Element facilities. Other colleagues donated to foodbanks and delivered essential groceries and medicines to vulnerable people in their local communities.



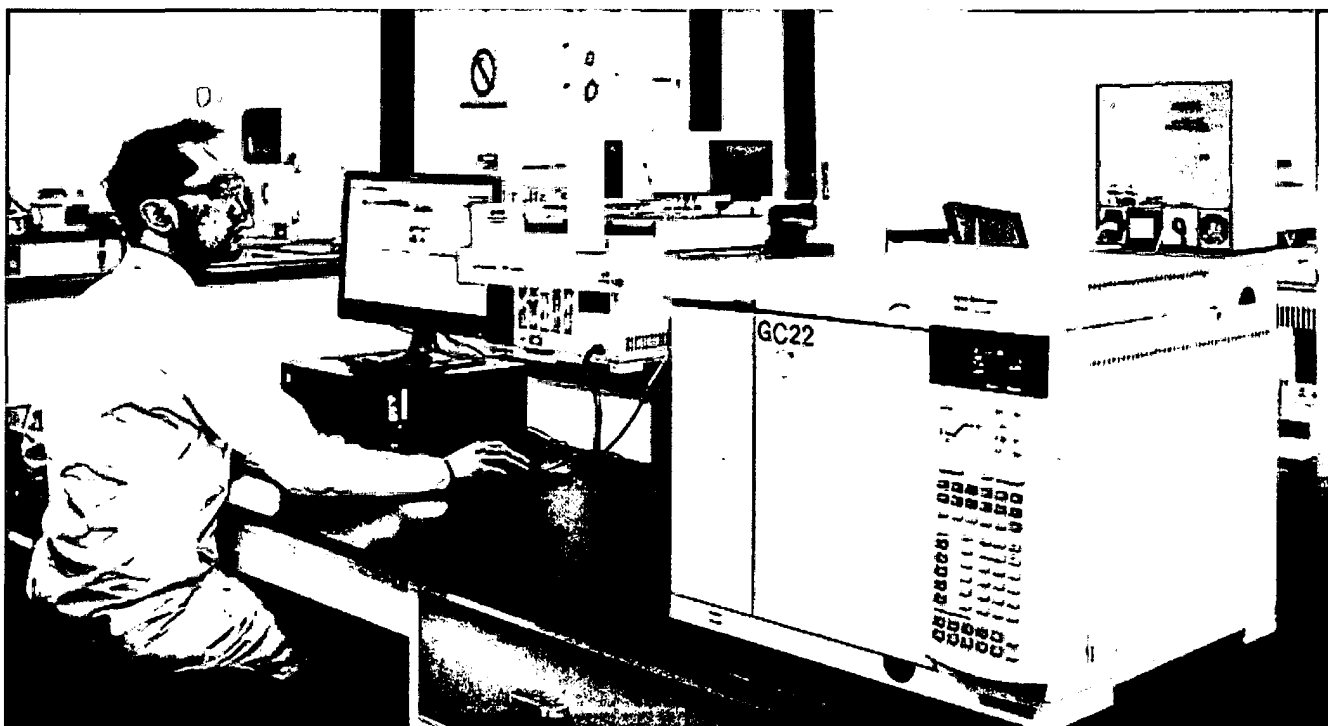
When all overseas workers were in total lockdown in Singapore, the HR team at our Admaterials laboratory quickly arranged and delivered regular daily meals, masks and care packages for the 30+ affected team members, as well as making sure these colleagues were able to keep in regular contact with their families back at home. The laboratory general manager was also active in his local community, supporting mask distribution to residents.

Element Edmonton in Canada, which performs environmental, agricultural and oil & gas testing, loaned healthcare equipment to a local health services provider to enable them to carry out Covid-19 virus testing. Alberta Health Services were very grateful to Element for the generous offer, which allowed them to significantly ramp up their testing volumes.

A US-based colleague who contracted the virus, and thankfully made a full recovery and returned to work, selflessly made a plasma donation that provided much needed antibodies for other patients fighting the virus in local hospitals - another example of the selfless actions Element colleagues have made to help others during unprecedented times.

Element's people truly lived the company values throughout the pandemic, showing their commitment to safety, innovative thinking, considerable resilience and a great amount of compassion to customers, communities and each other.





## CORPORATE RESPONSIBILITY

*Element has continued to evolve its approach to corporate responsibility and in 2020 the Group laid some additional foundations for its long-term journey to becoming a truly sustainable and responsible business.*

*While the impact of the pandemic restricted some planned activities, the experience enabled us to deepen involvement in our local communities; work in a less environmentally-impactful way; and take better advantage of technology.*

*Our approach to business continues to focus on identifying and addressing appropriate environmental, social and governance (ESG) issues, progressively building them into the way we operate.*

### ENVIRONMENTAL

With locations from Sydney to Singapore, and Shanghai to San Francisco, Element's footprint spans five continents and a high variation in operating environments. We are very conscious of the impact that our operations have on those environments and the need to protect them. Delivering regulatory compliance is our minimum start point, and will increasingly be complemented by business-driven actions and behavioural change initiatives so that all colleagues contribute to being impact positive.

Two of the Group's UK companies meet the qualifying criteria for compliance with Streamlined Energy and Carbon Reporting (SECR) and Element is therefore required to disclose their respective electricity, gas and transport energy consumption and associated emissions. Data on electricity and natural gas consumption, and on emissions has been compiled by third parties, in accordance with DEFRA's Environmental Reporting Guidelines (2019).

## SECR REPORTING

### Summary

Element's greenhouse gas emissions, reportable under SECR in 2019/20 were 2,839.2 tonnes CO<sub>2</sub>e. The figures represent the emissions for two of the Group's UK companies which meet the qualifying criteria for compliance with SECR.

The gross greenhouse gas (GHG) emissions for the two qualifying UK entities are 2,839.2 tonnes of carbon dioxide equivalent (tCO<sub>2</sub>e) for the period 1 January 2020 to 31 December 2020.

The gross GHG emissions figure includes all material Scope 1, 2 and 3 required to be disclosed by the legislation; that is the emissions associated with the combustion of gas and other fossil fuels used for testing purposes, the purchase of electricity and the consumption of fuel for the purposes of transport.

### Greenhouse Gas Emissions

Emissions Source	2020 (tCO <sub>2</sub> e)	Share %
Fuel Combustion: Natural Gas	1,143.6	40.3%
Fuel Combustion: Fossil Fuels for Testing	16.9	0.6%
Fuel Combustion: Transportation	918.3	32.3%
Consumed Electricity	760.4	26.8%
Total Emissions (tCO <sub>2</sub> e)	2,839.2	100%
Revenue (\$m)	79.6	
Intensity: (tCO <sub>2</sub> e per \$m of revenue)	35.7	

Figure 1 Greenhouse gas emissions by year (tonnes CO<sub>2</sub>e)

Emissions Source	Scope 1 (tCO <sub>2</sub> e)	Scope 2 (tCO <sub>2</sub> e)	Scope 3 (tCO <sub>2</sub> e)	Total (tCO <sub>2</sub> e)
Fuel Combustion: Natural Gas	1,143.6	0	0	1,143.6
Fuel Combustion: Fossil Fuels for Testing	16.9	0	0	16.9
Fuel Combustion: Transportation	820.7	0	97.6	918.3
Consumed Electricity	0	700.2	60.2	760.4
Total	1,981.2	700.2	157.8	2,839.2
Share of Total	70%	25%	6%	100%

Figure 2 Greenhouse gas emissions by scope (tonnes CO<sub>2</sub>e)

Scope 1: Natural gas, testing fuels and company-operated transport. Scope 2: Electricity. Scope 3: Losses from electricity distribution and transmission, private vehicles used for business travel. This only includes emissions reportable under SECR and does not reflect the entire carbon footprint of the organization.

### Energy Consumption

Emissions Source	2020 (kWh)	Share %
Fuel Combustion: Natural Gas	6,219,441	47.3%
Fuel Combustion: Fossil Fuels for Testing	78,405	0.6%
Fuel Combustion: Transportation	3,849,733	29.3%
Consumed Electricity	3,003,093	22.8%
Total	13,150,673	100%

Figure 3 Energy consumption by year (kWh)

### Boundary, Methodology and Exclusions

An 'operational control' approach has been used to define the Greenhouse Gas emissions boundary<sup>1</sup>. This approach captures emissions associated with the operation of all buildings such as testing sites and offices, plus company-owned and leased transport. This report covers UK operations only, as required by SECR for Non-Quoted Large Companies.

This information was collected and reported in line with the methodology set out in the UK Government's Environmental Reporting Guidelines, 2019.

Emissions have been calculated using the latest conversion factors provided by the UK Government. There are no material omissions from the mandatory reporting scope.

The reporting period is 1 January 2020 to 31 December 2020, as per the financial accounts.

### Energy Efficiency Initiatives

We are committed to conducting our activities in an environmentally sustainable way, and strive to do this in all aspects of our business.

The unforeseen circumstances of 2020, the restrictions imposed country-wide and the impact on our operations as a result, limited our activity in energy efficiency and savings initiatives. However, we have continued project delivery with focus on energy efficiency where this has been possible. One notable success has been the refurbishment of the fast acting roller at Warrington (UK).

Element also falls within the scope of the UK's Energy Savings Opportunity Scheme (ESOS), a scheme requiring companies to report their energy consumption and the actions to help reduce energy use. Element complied with the ESOS Phase II requirements at the end of 2019. The energy reduction actions that were identified in our ESOS report continue to be rolled out across the five facilities that were the focus of the analysis, as well as other Element locations.

Work has continued to consolidate waste services into single suppliers for all UK and for all US sites, and has delivered substantial reductions in spend at individual locations, as well as access to valuable insight on the profile of our overall spend.

<sup>1</sup> An operational control approach to GHG emissions boundary is defined as: "Your organization has operational control over an operation if it, or one of its subsidiaries, has the full authority to introduce and implement its operating policies at the operation".



## SOCIAL

People are at the heart of the Element business and in 2020 we made strong progress in delivering on our ambition to be the employer of choice in testing, inspection and certification. In the People (pages 38 to 41) and Covid-19 response (pages 18 to 21) sections of the strategic report, we set out in detail how we responded to the pandemic, how we supported our teams, and how Element colleagues around the world contributed to managing the impact of Covid-19 on their communities.

As noted there, keeping our people safe remained our No. 1 priority, and we responded fully and quickly to the need to operate differently within the range of constraints that coronavirus brought. At our locations, we introduced revised principles for operating safely, supported by fresh signage and communications to reinforce requirements. For the several hundred colleagues who switched to working from home, we developed and rolled out appropriate guidelines to support their continued safety and wellbeing.

In terms of strategic people objectives, we delivered our first all colleague 'Your Voice' engagement survey in February (see pages 40 to 41 for details), which gave us valuable feedback on where to focus our efforts and resources. This insight underpinned many of the people actions that we took during the year.

In the first instance, we rolled out Employee Assistance Programs (EAPs) to all those countries which did not already have one, resulting in every Element colleague having easy access to a range

of support and services, 24 hours a day, seven days a week, in their local language. All the EAPs are delivered by reputable third-party providers and of course are entirely free.

Alongside this service, we communicated much more extensively about mental, physical and emotional wellbeing, offering colleagues regular tips, links to resources and promoting local colleague-led efforts. Informal feedback indicated that this was appreciated by colleagues, particularly through the various lockdown periods that were in place in many of the countries in which we operate. In a number of geographies, we improved benefits such as maternity leave provision and we promoted a cycle-to-work scheme in the UK.

Secondly, we were able to respond to specific feedback regarding operational responsibility and delegations of authority in the way that we approached the organizational restructure. We are confident that the new decentralized approach, with greater authority and responsibility closer to the customer, will help drive performance and engagement from our teams (see pages 28 to 29 for more details).

The Your Voice survey, which is a core component of our listening strategy, will run annually and be supplemented by regular pulse surveys which allow us to measure shorter-term progress against the programs we are implementing. The first Your Voice pulse survey was held in December 2020.

We continued to ensure that colleagues had opportunities for learning and development, although there was an inevitable



reduction in face-to-face training as the year progressed, with many courses moving to online delivery via webinar or completed via self-guided studying. As part of the wider reorganization, a dedicated development program for the BU Vice Presidents was created and launched, and the initial steps were taken to create a development program for our critical general manager cohort; this will be rolled out in 2021. As part of our ongoing commitment to developing rewarding careers, a new organization-wide learning management platform will be launched in 2021.

In early February, and before restrictions were being felt across most of the world, we held One Element Week, our annual celebration of our teams and their successes, and an opportunity to recognize the contributions of many of our people in the previous 12 months. Events to mark the week were held at all locations, with Element Excellence and CEO Awards made, alongside a brief review of 2019, and confirmation of priorities for 2020. Locations are encouraged to have team activities as part of their local event, and as in previous years, a rich mixture of charity engagement, games challenges and barbecues allowed colleagues to feel a strong sense of community. At least one senior leader attended each event.

Following One Element Week, our colleague communications program pivoted to allow us to continue engaging with our people, while operating safely in the face of hygiene and distancing requirements. We continued to drive a culture of regular all-hands meetings at sites, built around the SQDC (Safety, Quality, Delivery and Cost) model, which supports operational delivery but also allows general and departmental managers to update teams on key messages, business wins and recognize local successes.

These were supplemented by the introduction of all-colleague virtual town hall meetings. We delivered three of these during the year, holding two events each time to allow colleagues to attend from across our multiple time zones. Following the reorganization, we formalized this and now hold an EMEAA one and an Americas one, allowing more localized and relevant content for each. An online platform allows colleagues to submit questions in advance and a key part of the event is the panel of speakers answering as many of the questions as possible. We have been encouraged by the level of attendance at and engagement in these town halls.

With a more diverse audience than ever (the PCTEST acquisition bringing teams in Japan and South Korea) and our maturing position as an international business, we have improved our approach to local language provision, with more of our communications available in our most frequently used languages, for example, the Your Voice survey, the Code of Conduct and compliance program policy, as well as sub-titles in ten languages available during virtual town halls.

We maintained a regular cadence of effective communications to leadership and all-colleague audiences, significantly increasing the frequency of CEO updates during the most challenging period

of the year. Accompanied by business updates, recognition of Covid-19 heroes and key customer wins, these messages helped to facilitate a strong sense of community and collective responsibility during a year where the usual level of human contact across the Group was often severely restricted. We produced two short films, based entirely on colleague content, that showcased everyone's efforts and senior leaders increasingly took to using short video messages to stay connected. These efforts were well-received and there was positive employee feedback regarding the degree of transparency and honesty offered about the situation facing the Group.

We continued our program of regular sector-specific newsletters, evolving the approach to regional newsletters post the reorganization, as well as our email alert service. These central communications were complemented by regular communications via Microsoft Teams from the two regional crisis management teams, direct to operational and business continuity managers, which focused on responding to the evolving situation, the practical actions required and up-to-the-minute guidance.

As in previous years, colleagues were encouraged to share Element successes via their social media accounts, while being reminded of our social media guidelines and media policy at all locations. These guidelines offer clear and practical advice on how employees can help enhance Element's reputation with its stakeholders.

This approach helped to ensure that our people were kept informed and engaged in a meaningful way. In 2021, we will be able to improve the colleague experience through greater deployment of digital tools, particularly through HR self-service, the learning management system, a refreshed intranet and a new recognition platform.



## GOVERNANCE

With operations in more than 200 locations across 30 countries, and a diverse, global customer base, it is critical that Element conducts its business activities with integrity, such that compliance with all relevant international laws and regulations can be achieved. A range of widely communicated policies and procedures reflect our continuing commitment to operating to the highest possible standards and conducting business with honesty and integrity wherever we operate. Policies are reinforced through targeted programs and training, as required, to ensure they are understood and adopted. These policies range from anti-bribery and corruption to trade compliance and whistleblowing.

During 2020 the key policies, procedures and guidelines were brought together in the Group's first Code of Conduct, which was launched in early 2021. Available in the 12 most widely-used languages across the Group, the Code of Conduct is a clear and straightforward framework for every Element colleague to follow, irrespective of role, geography or culture. As well as outlining what every employee must do to ensure compliance with local laws and regulations, the Code also reflects the

requirements of the Compliance Code of the TIC Council, an internationally recognized association which represents independent testing, inspection and certification companies.

Element was accepted as a global board member of the TIC Council with effect from 1 October 2020. Element's compliance program allows it to meet the obligations laid down by the TIC Council and reflects the requirements of the TIC Council Compliance Code (First edition):

- **Integrity** – to act in a professional, independent and impartial manner in all activities
- **Conflicts of Interest** – to avoid actual, potential or perceived conflicts of interest
- **Confidentiality and data protection** – to respect the confidentiality and privacy of client information
- **Anti-bribery** – a zero tolerance approach to bribery and corruption in all business dealings and relationships
- **Competition and Fair Business Conduct** – to comply with all rules relating to fair competition, anti-trust and tendering
- **Health and Safety** – to protect the health and safety of colleagues, customers and third parties
- **Fair Labour** – a zero tolerance approach to abuse, bullying or harassment in the workplace. Equal opportunities in the workplace, compliance with minimum wage legislation and prohibition of forced and compulsory labour.

To support the development of Element's compliance program, a Compliance Committee was established during the year and met twice. Our CEO attends meetings together with senior representation from operations, HR, legal and communications. The committee assists the Board of Directors in fulfilling its overall responsibilities by:

- providing oversight and periodically reviewing the implementation and effectiveness of the program; and policies, procedures, processes and controls for compliance with laws and the prevention of unethical business practices including anti-bribery, data protection, conflicts of interest, business ethics and fair labour;
- providing the Board with policy guidance on its risk strategy and overseeing and advising the Board on current and potential future risk exposures, as they relate to compliance with laws and the prevention of unethical business practises; and
- performing any other duties as may be delegated by the Board from time to time which are in line with the purpose of the committee.

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. As part of this oversight, the Group operates a trade compliance program to ensure that Element meets requirements in the US, EU and other territories. The program includes a sanctioned territory approval process; an ITAR compliance

program for relevant laboratories in the USA; and appropriate due diligence of M&A targets. A data privacy compliance program is also in place, under a dedicated data privacy and protection manager, to ensure that we meet data privacy laws and respect personal information.

The company also operates a confidential whistleblowing service, managed by a specialist third party. More details of the service and a summary of the reports received and action taken, can be found in the Corporate Governance Report on pages 58 to 61.

The specific challenges of the pandemic led us to applying temporary changes to our operational governance model to allow us to manage the Group effectively. A crisis management team, led by the CEO, was established and two regional crisis teams were set up, one for the Americas, and one for all other territories. These teams drove the day-to-day response to the changing situation, agreeing and driving through the key actions required to deliver on the two objectives that we established – keeping our people safe and ensuring the long-term viability of the business.

## SUMMARY

A number of important steps were taken in our corporate responsibility journey during the year, particularly in respect of environmental reporting, compliance matters and community involvement. The impact of the pandemic resulted in slower progress in some areas but the circumstances facilitated a move to global virtual town halls, a stronger wellbeing offer to our employees and, for many locations, greater connectedness with their local community. We will build on these steps during 2021 as we further develop Element as a truly responsible business.

## 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 customers, suppliers 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 Board also considers s.172(1) Matters where appropriate at Board Meetings as part of decision making.

The Directors recognise 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.

The response to the Covid-19 pandemic, an internal structural reorganization and the acquisition of Analytical Lab Group, LLC in the USA were among the material matters considered by the Directors during 2020.

Throughout the year, the Directors considered the impact of the Covid-19 pandemic on the Company's stakeholders. The Directors' priorities were first and foremost to: safeguard the health and safety of the company's employees; and ensure appropriate measures and actions were taken to ensure business continuity. Restrictions were put in place in respect of business travel, extensive processes were put in place to mitigate the risk of the spread of Covid-19 at our sites and the Group enhanced processes such as remote witnessing to ensure continued support to its customers.

Like many other businesses, the Group saw demand for its services reduced at times throughout the year as many customers struggled with the impact of the pandemic, particularly during Government lockdowns in the spring and early summer of 2020. The Directors considered the impact of this reduction of business on its stakeholders and took significant actions to keep costs down and manage cashflow. This included redundancy programs after consulting with impacted employees and others.

With effect from October 2020, the Group simplified its structure by moving from five sectors and 19 divisions to two regions and 10 business units with the goal of simplifying the organization and empowering the teams who are closest to the needs of our customers. The Board considered s.172 (1) Matters and the impact on the Company's stakeholders before approving the restructuring.

The acquisition of Analytical Lab Group, LLC (ALG) is another example of how the Directors have had regard to the s.172(1) Matters in 2020. The Board considered a range of factors including the long term impact on the Group, financing requirements, ALG's customers and suppliers and their expectations before approving this acquisition. ALG increased the Group's service offering in the pharmaceutical testing sector in North America. ALG operates laboratories in San Francisco, Minneapolis and Boston in the US, offering comprehensive testing solutions in the molecular cell biology and virology testing, antimicrobial, pharmaceutical, medical device, biotech and healthcare industries.

Further information on how the Directors have had regard to the s.172(1) Matters can be found on pages 38 to 41, (Our People), on pages 46 to 49, (Acquisitions and Integration) and on pages 58 to 69 (Corporate Governance Report and Directors' Report).

# REORGANIZING TO EMPOWER AND GROW

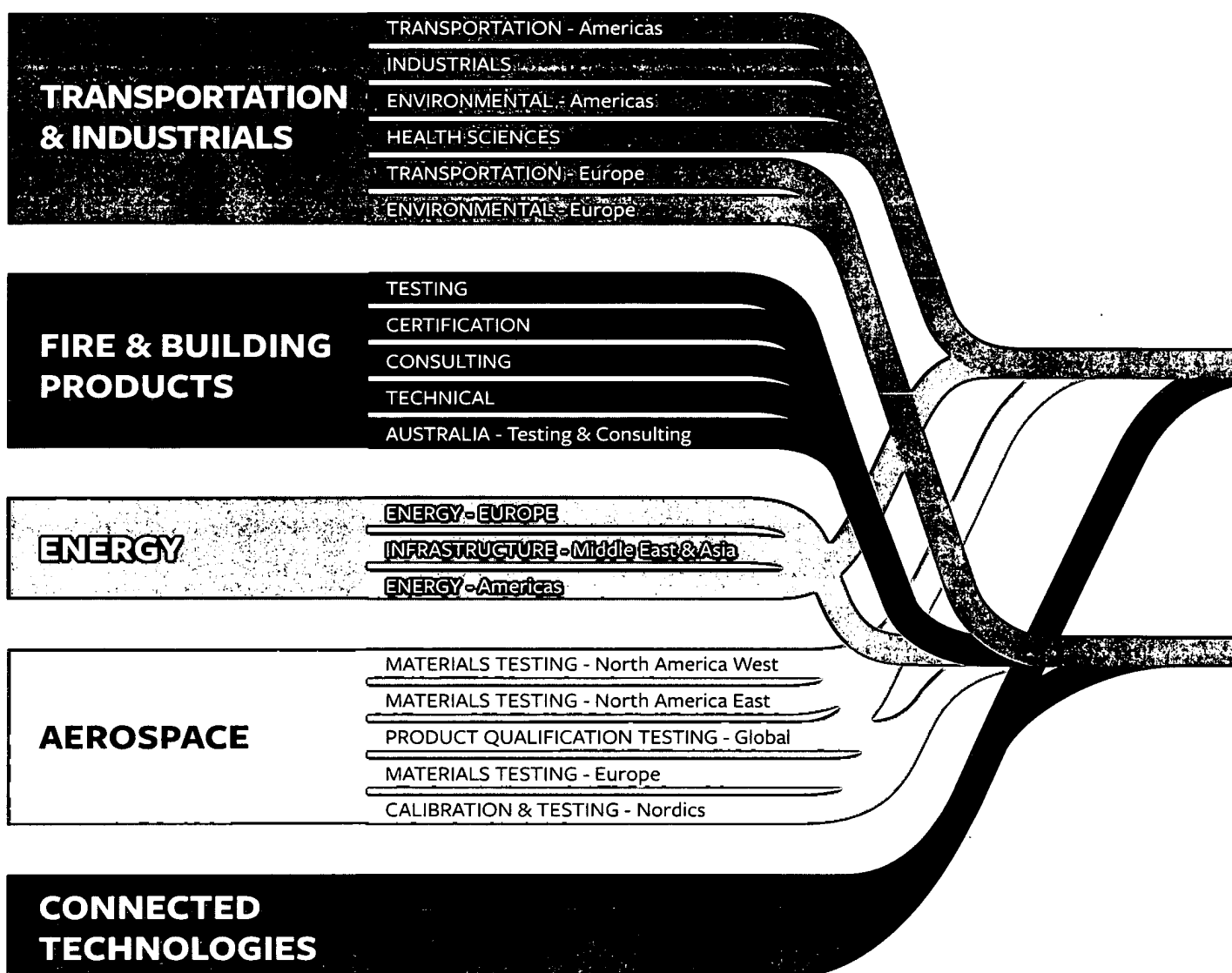
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*This reorganization has simplified the way we operate, empowered those colleagues who are closest to our customers, and better enables all our teams to focus even more closely on meeting our customers' needs, using innovative and digital solutions.*

”

JO WETZ  
CEO

## 5 SECTORS - 19 DIVISIONS



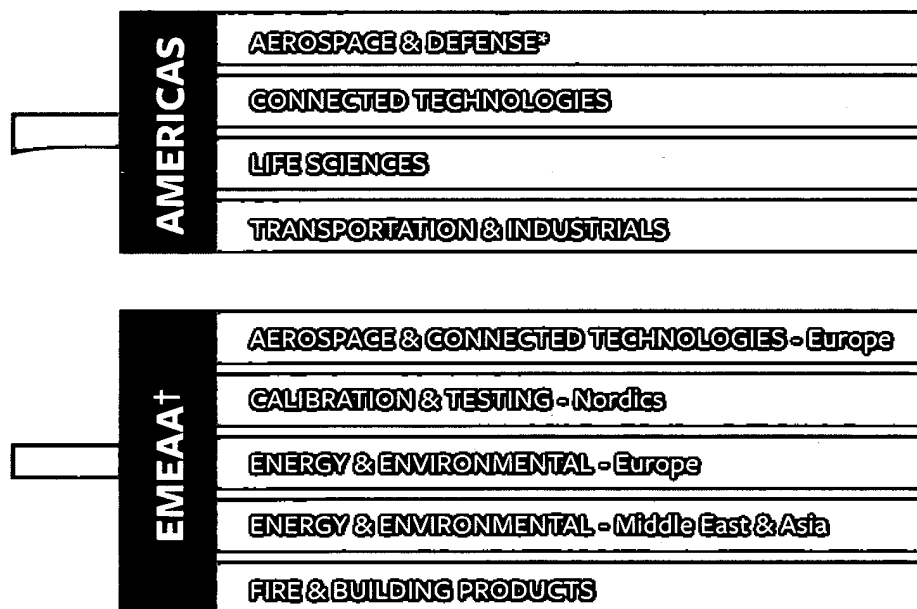
†All existing operations in China (covering Aerospace; PQT; Calibration; and Fire & Building Products) were brought together under single country leadership, reporting directly to the EMEA regional EVP.

Following a thorough review of our operations and internal structures; understanding how our end markets were evolving; and using insight from the Your Voice colleague survey conducted in February, we designed a new organizational structure and operating framework for the Group. In doing so, we applied a number of key principles – the new structure had to be end-market focused; it had to devolve decision-making responsibility towards those who look after our customers day-to-day; and it had to be as simple as possible. At the same time it was important that a number of foundation components could continue to operate across the whole organization – policies and procedures, standards, budgets and reporting, as well as brand, purpose and values.

The new structure, which was socialized via a series of briefings in late summer to the executive, leadership and all colleague communities, went live on October 1. The Group moved to two operational regions – the Americas and Europe, Middle East, Asia and Africa (EMEAA). Across these two regions, nine business units (BU) were created out of the prior divisional structure, each one being end-market oriented and of sufficient scale. Governance and controls changes have given the BU Vice Presidents (VPs) true P&L responsibility and greater autonomy to run their businesses more effectively, in parallel with full accountability for performance.

Each region is led by an Executive Vice President (EVP), who is supported by a focused regional leadership team, covering key functions such as finance, HR, IT, marketing, operational excellence, quality and safety. For control and consistency purposes, the regional finance and HR leaders retain a functional reporting line into the CFO and Chief People Officer respectively.

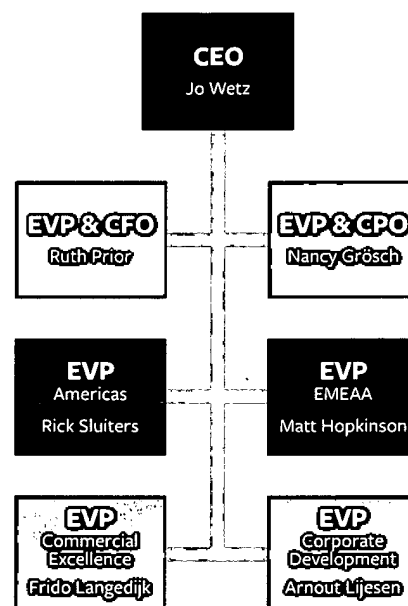
## 2 REGIONS - 9 BUSINESS UNITS\*



\*Effective January 2021 Aerospace & Defense East and Aerospace & Defense West were combined into one business unit.

In implementing a more localized approach it was also important that we retained the ability to fully support international customers and take advantage of our global laboratory footprint. For those markets which are truly global – aerospace, connected technologies, energy and environmental – we established cross-regional end market teams, drawn from the leadership of the relevant BUs, to ensure appropriate co-ordination across geographies.

## OPERATING BOARD



At Group level, a lean Operating Board is responsible for implementing strategy, digital transformation, M&A, culture and values, and compliance, and is complemented by an extended Executive Team of the 34 most senior leaders in the Group, including all BU vice presidents, regional management and functional directors as well as the Operating Board. Lean specialist teams in communications, corporate development, finance, HR and legal provide Group-wide corporate support.

We have been encouraged by the first few months operating under the new structure, with renewed energy and focus from the new business units which have each been developing their long-term strategies. We anticipate reaping the full benefits of the reorganization through 2021 and beyond.

# AMERICAS REGION

*2020 began as a promising year for the Americas region, however, it was adversely impacted by events such as the Covid-19 pandemic and the grounding of the Boeing 737 Max. In October, Element made a strategic decision to transform its Americas operations into four distinct business units (BUs) to address evolving customer demands, deliver productivity gains, and accelerate organic growth through process automation and significant investment in new technology.*



It was a year of contrasts for the region, with our Connected Technologies BU seeing double-digit growth and a strong year for the Life Sciences BU within which we carried out our sole acquisition of 2020. Our historically strong “engine room” of aerospace was impacted significantly with a substantial slowdown in demand resulting in a deferral of customer projects.

The Americas region swiftly adapted to the new trading realities by right-sizing laboratories based on demand, expanding the share of revenue wallet (where possible), investing in growth opportunities, improving customer experience, and continuing to deliver essential testing services despite the pandemic. The team was primarily focused on the safety of our colleagues by following strict protocols in the laboratories while expanding the boundaries of innovation in service delivery.

## LIFE SCIENCES

The Life Sciences BU provides a broad spectrum of specialist testing services across the core end markets of pharmaceutical, antimicrobial, food and medical device, as well as boasting a proud track record of high-level scientific expertise, positioning us at the forefront of the industry.

The team comprises of around 400 colleagues operating from 12 locations across the US and Canada. In 2020, the BU continued to enhance its offering through the acquisition of ALG, significantly strengthening Element’s market position in pharmaceutical testing in North America with the addition of microbiology and antimicrobial capabilities and taking another important step in growing our Life Sciences segment.

In addition to growth in extractables and leachables, we saw rapid growth of the antimicrobial market as a direct result of the Covid-19 pandemic and the subsequent rise in demand for sanitizing services, as well as incremental revenue in ALG. Although demand for medical device testing did experience a temporary decline due to the postponement of elective surgeries, strong growth is expected in 2021.

Overall, we saw strong operational improvements across the BU in our On-Time Delivery and First Time Right KPIs - and the ability to manage our EBITDA margin.

In 2021, we will continue to focus on process improvement and integration. With the February acquisition of Avumeen, we have expanded our scope of services to include formulation development, pre-clinical manufacturing and consumer product testing. The acquisition also gives us immediate expansion in extractables and leachables capacity, as well as greater overall capacity in pharmaceutical testing. Investment in a Laboratory Information Management System (LIMS) will be a key objective for the BU and will provide digitalization of our internal processes as well as our customer platform. We will also continue to rapidly add capacity to manage the large influx of work in the antimicrobial testing market. Medical device testing is experiencing a rebound in demand and geographical consolidation of our locations and service offerings are underway in order to simplify the engagement process for our clients. We will continue to standardize and optimize methods and service offerings in food testing.

## CONNECTED TECHNOLOGIES

The Connected Technologies BU operates from nine laboratories across the US, Korea and Japan, and comprises of a team of around 280 experts in this highly specialized field. The team provides a broad range of testing and certification services including electromagnetic compatibility, radio frequency exposure and specific absorption rate, advanced battery performance and safety, hearing aid compatibility, protocol testing, LTE and 5G carrier conformance assessments and over-the-air radiated antenna performance testing to the cellular and connected medical device end markets.

In 2020, we continued with the integration of PCTEST into Element, introducing and establishing our commercial, finance, HR and compliance processes to the business. Although the business rebranding and integration of the team was impacted by Covid-19, this will resume through to completion in 2021.

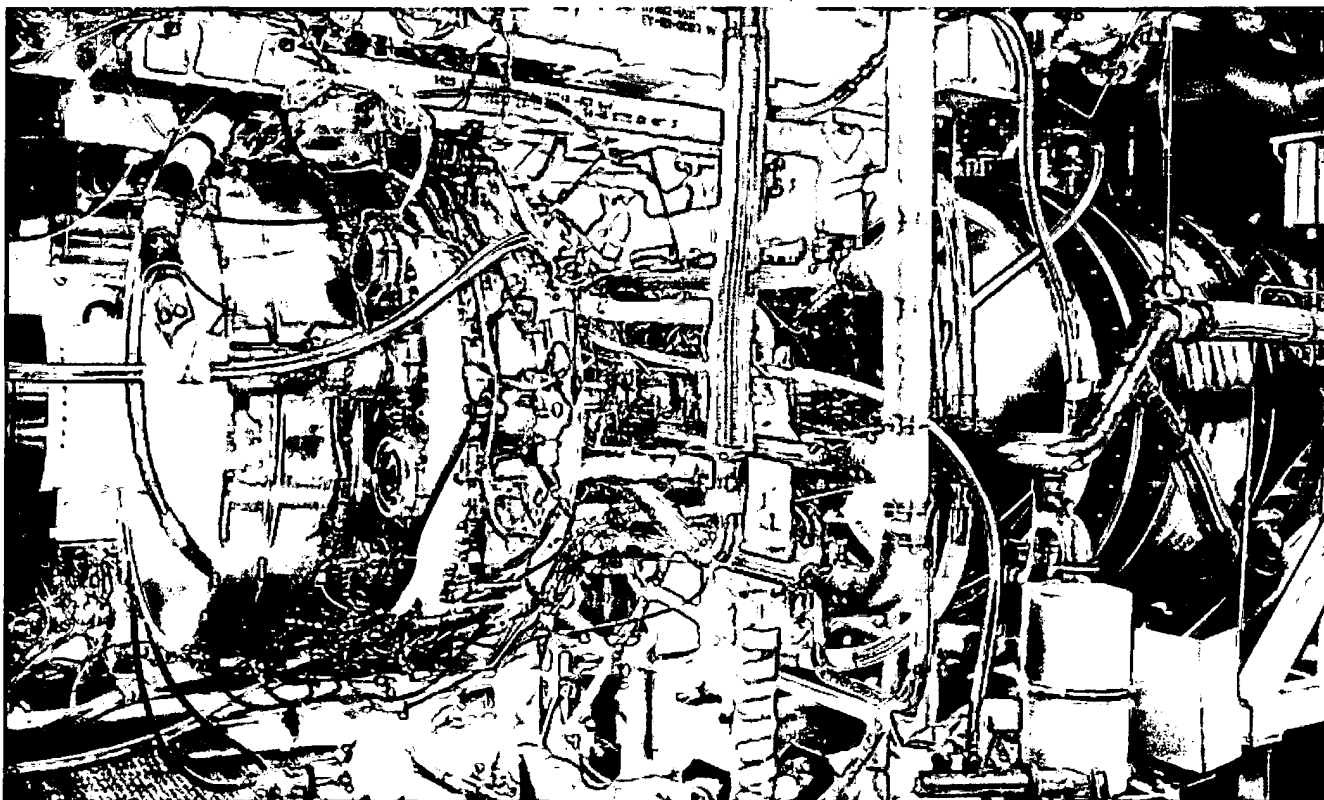
PCTEST continued to deliver for our key customers at a time of global crisis in line with its business acquisition case. This was driven by strong performance in California, Maryland and Korea as PCTEST ramped up people and capacity and delivered an unprecedented volume of projects for its main customers despite the global pandemic. As new technologies are introduced, customer devices increase in complexity and PCTEST was successful in delivering more efficient and innovative ways to meet customer deadlines. PEMC (our business resulting from the acquisition of Northwest EMC) had a disappointing overall performance in 2020, although performance did stabilize in Q4, exceeding sales order, revenue and EBITDA targets for that quarter. Connected Technologies received excellent customer feedback for delivering summer peak volumes, with the PEMC business achieving the highest NPS score across Element.

Significant investments were made in the BU's people, recruiting operational and thought leaders to support the EMC business, adjusting its entire summer intern program due to Covid-19 restrictions, and switching to virtual career and recruitment fairs to ramp up resourcing. The employee training program was revised, reducing the time taken for new employees to be successfully onboarded and productive by 50%. Around 35 new colleagues were hired in just four months and a career ladder developed to ensure a clear career progression path for all colleagues.

Connected Technologies gained a market leadership position in the testing of 5G wireless devices for the US market through investment and deployment of the latest 5G testing technologies. Three significant capacity expansion project investments were made by adding footprint in California – completed and capacity online in 2020 – as well as in Maryland and Suwon, Korea, due for completion in H1 2021.

Looking forward to 2021, the BU will complete the integration of PCTEST and operate as a single business unit. Directly linked to this is the introduction of new systems to help drive efficiency through automation as well as operational excellence, helping to increase overall capacity and utilization of the laboratories, driven by new and deeper customer relationships. Continued investment in people and equipment will help deliver for existing customers as well as open up opportunities for new ones, as a result of our focus on commercial excellence.





## AEROSPACE & DEFENSE

The Aerospace & Defense team is comprised of approximately 900 employees operating in 22 locations across the US, Canada and Mexico. These locations provide a range of services to the commercial aerospace, defense and space end markets, solidifying our place as an aerospace testing leader in North America.

Current commercial aircraft production levels are 50% lower than they were in 2019, and in response the BU successfully reorganized to align with these levels. This does not mean we halted our improvement initiatives, as we continued to invest in new technologies across several laboratories. One such investment was a cutting-edge dynamic test system at our Jupiter, Florida laboratory. This acquisition of a 44,000 pound-force electrodynamic shaker represents the largest in Element's fleet of shakers worldwide and allows the business to accommodate bigger and heavier loads, including whole rocket engines or entire aircraft cabin systems. Using a specially designed environmental chamber we are also able to achieve a combined thermal and dynamics environment.

Our ongoing focus on employee safety resulted in a 35% reduction in the total number of injuries across the Americas in 2020 with a 43% reduction in lost workdays as only four lost workdays were recorded in the year.

In 2021, we anticipate a slight recovery in our aerospace markets by the end of the year as commercial aircraft production levels are expected to remain at or close to current levels. Over the

next three to five years we anticipate a full recovery to 2019 levels as the aerospace market recovers, and will continue to focus on the continued growth of our presence in the defense and space end markets.

## TRANSPORTATION & INDUSTRIALS

With more than 600 colleagues operating across 30 locations, the Transportation & Industrials (T&I) BU provides a broad service portfolio across materials and product testing services to the transportation, energy and environmental end markets.

Customer satisfaction was at an all-time high with the BU achieving an NPS score of +59.6, higher than the Americas or Group figures for 2020. In western Canada, our customers regularly communicated that delivery and service are vital to them and we have seen a significant uptick in the number of those clients who work with multiple laboratories choosing to work with Element.

Although 2020 was a very challenging year for the business, the last four months exceeded forecast and cost controls have us positioned for continued growth with margin improvement in 2021. We rationalized the BU footprint through the shutdown of our Wausau, Burlington, Centerline, and Drayton Valley facilities to allow for better focus of resources and market alignment, and in the commoditized testing areas we successfully secured master and long-term service agreements with key customers.



Following the reorganization, the T&I BU proceeded well with the team coming together to collaborate and build trust. We carried out further reorganization activity focused on locations servicing the transportation end market, which has been very effective in addressing pulse survey feedback, creating much greater visibility of the business and ensuring that the colleague experience in the team continues to move in a positive direction.

Our investment in Bowling Green for Corvette engine testing has seen a significant delay in the ramp-up of the engine dyno testing component of the work, however we continued to work closely with the customer and focused on investment recovery to keep the business case on track.

Looking ahead to 2021, the transportation market is recovering quicker than the environmental and energy markets, so we are expecting a measured recovery throughout the year, outpacing the 2021 budget.

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## SUMMARY/OUTLOOK

The aerospace & defense and transportation & industrials end markets are expected to show slow but steady recovery in the second half of 2021. The connected technologies and life sciences end markets are expected to continue their current growth trajectory in 2021. The acquisition of Avomeen in early 2021 will bring additional capabilities and a diverse customer base to the Life Sciences BU.

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### Case studies:

#### ELEMENT FURTHER ESTABLISHES PROMINENCE AS AN ADDITIVE MANUFACTURING PARTNER

In May, Element signed a three-year contract with a leading aerospace additive design and manufacturing business, Morf3D Inc, to provide testing centered at our Huntington Beach, California laboratory. This work included a full range of cutting-edge materials testing: powder characterization; chemistry; metallurgical; mechanical; and fatigue testing. The team also performed non-destructive testing from our Rancho Dominguez, California laboratory using digital and traditional radiography.

The contract came on the back of a long partnership between the two businesses, demonstrating Morf3D's recognition of the benefits of working with Element as a testing partner due to our strength in service standards, technical expertise and convenient location.

Earlier in the year, Huntington Beach, which has been providing materials testing and consulting for customers worldwide since 1982, made a significant new investment in a full suite of powder characterization technology for the additive design and manufacturing supply chain. With over 250 highly technical experts and state-of-the-art equipment, the laboratory supports a diverse range of quality requirements, from routine

high-volume testing to complex materials analysis and failure investigations.

The laboratory's Nadcap-accredited testing capabilities supply the foundation for quality control and product improvement for many industries along the North American west coast, including aerospace, defense, nuclear, and medical manufacturing.

This long-term partnership with a highly innovative and technically demanding customer like Morf3D is testament to the expertise and the high levels of customer service from the Element team in California. Collaborative communication and faster than industry standard delivery puts us ahead of the game in testing for the aerospace supply chain. Additionally, our extensive testing capacity, preferential pricing and delivery standards offer customers a fully integrated suite of services for technically advanced testing for the additive manufacturing industry.

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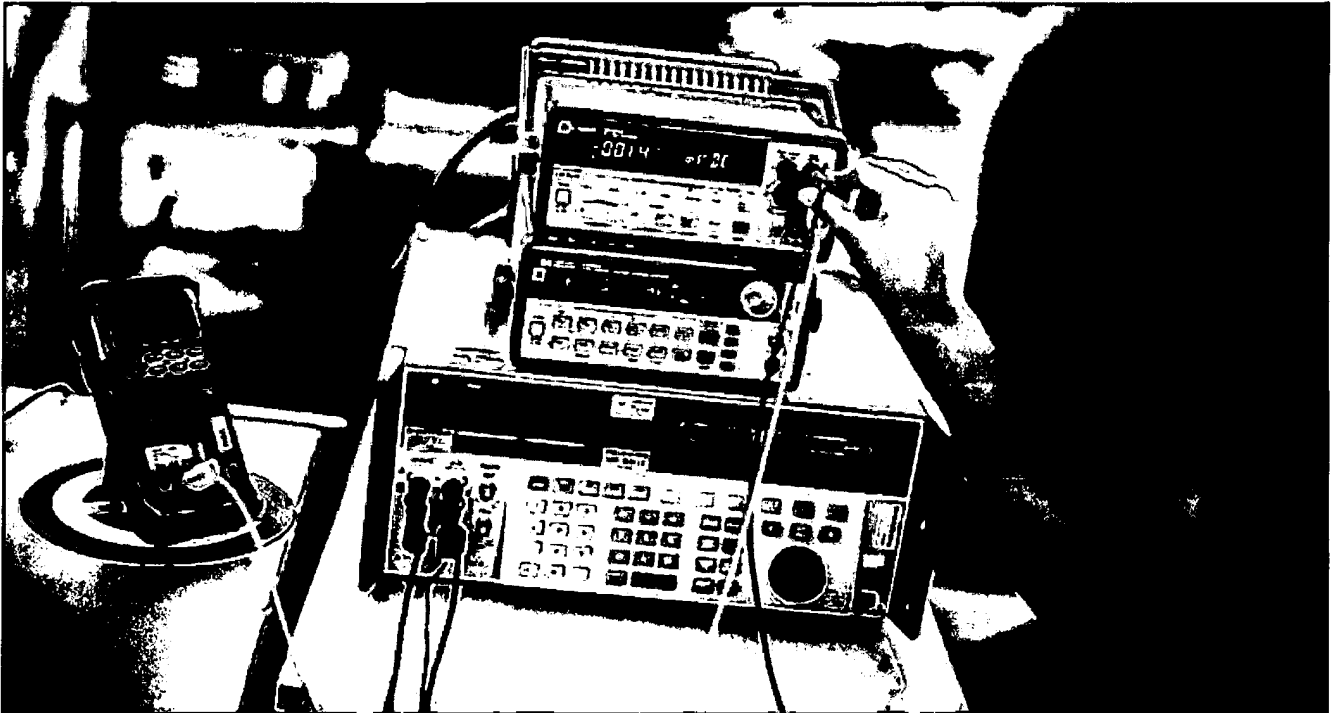
## A 50-YEAR RELATIONSHIP FURTHER CEMENTED BY PQT PARTNERSHIP

2020 saw the signing of an agreement between Element and GE Aviation to provide our customers with access to GE's comprehensive product qualification testing (PQT) capabilities. Building on a 50-year relationship between the two groups, we expanded our existing capabilities to provide PQT customers with a broader range of testing in GE Aviation's 40+ global testing facilities. GE Aviation's unparalleled capabilities include testing at temperatures above 1400°F and pressures up to 1000 psia to simulate the extreme conditions that exist inside today's advanced engines. Combining the capabilities of GE Aviation's test services with Element's PQT capabilities gives customers access to one of the most comprehensive arrays of product qualification testing available globally.

GE Aviation, an operating unit of GE (NYSE: GE), is a world-leading provider of jet and turboprop engines, avionics and electrical power systems for commercial, military, business and general aviation aircraft and has a global service network to support these offerings. The partnership means that GE Aviation is able to provide the same high quality testing capabilities and service to Element customers that GE Aviation uses every day to test GE Aviation's engines, materials and components.

Element has a proud history of supporting GE's core businesses – aviation, power, renewable energy and healthcare – and the unique partnership further cemented our relationship. Combining Element's access to customers with GE's testing strength was a real win-win for both companies, as well as for aerospace PQT customers across the world.

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## EMEAA REGION

*2020 was a transformational year for Element across Europe, Middle East, Asia and Australia as we structured our organization into five business units (BUs) with increased scale and end market focus, further aligning Element in EMEAA to growth and resilient markets.*

Our strategy of driving technical differentiation combined with industry leading customer service is a consistent theme across all of our BUs. We made great strides in 2020, despite significant operational and market challenges caused by Covid-19, which particularly impacted our Aerospace business.

Colleagues around the world rapidly adapted to new circumstances and ways of supporting each other and our customers in extremely challenging times, successfully transitioning our locations into Covid-secure environments for colleagues and visiting customers.

We have continued to invest in leading technical solutions across all BUs such as spin testing in the UK, in-situ fracture mechanics in the UK and Holland, expanded testing capabilities in fire testing in Australia, and dioxins and furans capability in environmental testing.

In 2020, we have also driven our digital agenda through development of platforms such as e-Mission for environmental compliance and MIO for calibration.

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### CALIBRATION & TESTING NORDICS

The Calibration & Testing Nordics team comprises of over 500 employees operating in 27 locations and seven countries across Sweden, Finland, Denmark, Germany, the Czech Republic, Hungary and China. The BU provides a broad service portfolio across calibration and testing services with market leading positions for calibration in the Nordic region and independent pipe testing globally. In 2020, the business was largely stable with growth in our largest Swedish market offsetting a slight organic decline in Denmark, however strong cost control across the business enabled year on year profit growth.

The BU continued to enhance its digital offering through the strengthening of the Metech Instrument Organizer (MIO) customer platform, the continued focus on automation and operational efficiency through robot process automation (RPA), and the development of 5S and SQDC activities at our locations.

We have maintained our market leading positions in Sweden and Denmark and seen significant development within our core end markets across defense, energy, medical, construction and infrastructure. In 2020, we extended our partnership with Saab AB at a value of up to US \$100 million of revenue.

Looking forward to 2021, we remain committed to scaling our customer experience platform and growing our technical leadership position through recruitment, retention and development of our experts. We will strive to maintain and expand our market leading positions in our core end markets and supplement our capabilities with cross border accreditations. We will also continue to drive efficiency and quality improvements through the business with automation and robotics.

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## **FIRE & BUILDING PRODUCTS**

With more than 600 colleagues operating in 20 locations and seven countries, the Fire & Building Products BU operates across the full value chain from testing, inspection, certification and consultancy with best in class technical competency.

In 2020, we saw significant development in our end markets with sustained demand for all services resulting in growth for both our Australia consulting and product and installer certification businesses. We experienced some disruption from the Covid-19 global pandemic primarily affecting our testing business, though customer demand for these services recovered strongly in the second half of the year.

We secured recognition as a Notified Body in the Netherlands enabling us to seamlessly service our customers post-Brexit in both the UK and Europe, mitigating further operational disruption. We continued to invest in our people further strengthening our technical depth and competency, and have progressed local planning and approvals to add significant capacity to our operations in Europe through our Warrington site.

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## **ENERGY & ENVIRONMENTAL MIDDLE EAST AND ASIA-PACIFIC**

The Energy & Environmental Middle East and Asia Pacific BU comprises of over 700 employees, operating in eight main laboratories across Dubai, Abu Dhabi, Qatar, Oman, Saudi Arabia, India and Singapore. Our Middle East locations are multi-disciplinary providing metallurgy, construction, chemistry and environmental services, while our locations in Asia focus primarily on construction services.

In 2020, the BU faced market challenges including volatile oil prices resulting in the delay or cancellation of major oil and gas

projects and market headwinds in the Middle East construction industry. These were further compounded by the disruption caused by the Covid-19 global pandemic with lockdowns in several countries affecting financial performance. Despite these challenges, we saw strong performance across our Qatar operations, and Q4 recovery in Singapore, Saudi Arabia and the UAE.

We continued to invest in our people and capabilities focusing on service development in non-discretionary testing segments, made significant strides in efficiency improvements through our operational excellence program, and refocused activities as our traditional energy end markets transition to new platforms.

In 2021, we will continue to improve our digital offering through development of market leading digital solutions. We will look to strengthen our end market focus by expanding our presence in emerging and high growth markets supported by strong sales and site leadership. We remain well positioned to capitalize on improving market conditions driven by recovering oil prices and tightening of environmental regulations.

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## **ENERGY & ENVIRONMENTAL EUROPE**

The Energy & Environmental Europe BU provides a range of laboratory, field and consulting services across core end markets of oil and gas, power generation, transportation and manufacturing. More than 950 colleagues operate from 42 locations across seven countries - Germany, the Netherlands, Italy, Belgium, Ireland, South Africa and the UK.

In 2020, the business faced challenging market conditions with high volatility in commodity prices, coupled with severe disruption from the Covid-19 global pandemic leading to reduced activity. Automotive testing services in Germany were most acutely impacted through the year. In Q4, environmental activities recovered well to show growth compared with 2019, and the pipeline of oil and gas contracts began to recover over Q2 and Q3.

We continued to invest in the business through the enhancement of capabilities and capacity including expansion of in-situ fracture testing and additive manufacturing services. Further to this, we have seen promising market conditions for our environmental business with increased regulations driving demand and an increased focus on customers' sustainability strategies creating new opportunities for growth.

We enter 2021 committed to helping our customers realise their energy transition goals and developing a best-in-class sustainability offering. We remain focused on improving the customer experience with an end-to-end digital solution and maintaining our leadership position in traditional energy markets while expanding our capabilities in adjacent high growth markets and geographies.

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## AEROSPACE & CONNECTED TECHNOLOGIES

The Aerospace & Connected Technologies BU operates across the UK, France, Germany, the Czech Republic and Spain, with over 600 colleagues in 20 locations. Our market leading aerospace locations provide a range of destructive and non-destructive testing, as well as composite testing services. Our Connected Technologies business provides radio, electromagnetic compatibility, safety and product qualification testing services.

2020 was a challenging year for the Aerospace business with significant disruption in production volumes within the commercial aerospace supply chain due to restrictions on global travel caused by Covid-19. We continued to deliver operationally, and drove increased share of wallet from major customers, as well as supporting commercial volumes with more defense-based contract wins.

In Connected Technologies, we had good growth driven through ongoing demand for wireless and safety testing. We also established certification services in the Netherlands to continue to service customers post-Brexit in the UK and Europe.

We strengthened our operational and site leadership across both parts of the BU continuing the investment in our people and capabilities, and boosted our sales and quality management procedures to align with high-growth markets. We also completed the integration of Aerotech and EMV Testhaus and formally welcomed their teams to the BU.

## SUMMARY / OUTLOOK

In 2021, we remain focused on expanding our market leading positions, driving growth in adjacent end markets and enhancing the customer experience through improved digital offerings and the continued deployment of our deep technical expertise, supplemented by the optimization of our customer experience through digital solutions and driving improvements in reach, efficiency and quality from our operational excellence program. We anticipate the return of growth to EMEAA as end markets recover, although we are prepared for ongoing challenges in the Aerospace market throughout the year. We will continue to invest in our technical and digital leadership positions in our chosen end markets and deliver on our BU strategic priorities.

### Case studies:

#### LONG-STANDING PARTNERSHIPS – ENABLING GREATER EFFICIENCIES AND VALUE FOR OUR CLIENTS

In October, Element signed a framework agreement with Saab AB, with an estimated revenue value of more than US \$100 million, to deliver calibration and materials expertise and testing services over six years, with a six-year extension option.

Saab AB is a long-standing client of Element and the agreement sees us carrying out calibration, inspection and consultancy work at their onsite facilities, working closely and integrating

with their operations. We also provide the client with a wide range of consultancy services as well as mechanical, analytical and non-destructive testing from our laboratory in Linköping, Sweden. The work is being performed according to the specialist requirements of Saab AB, which require extensive approvals and exceptionally high levels of service.

Element's calibration experts support Saab AB in maintaining reliable and quality compliant measuring operations with uniform procedures across locations, with the common goal to reduce the life cycle costs of measuring equipment. Our materials testing, inspection and advisory services are ensuring structural integrity of materials, processes, products and systems, as well as supporting Saab AB's R&D and production units and end market maintenance service units.

This extension of our relationship with Saab AB is strong confirmation of Element's position as one of the leading providers of technically demanding services to the aerospace and defense industries. The contract builds on our long-standing track record with Saab AB, allowing us to continuously improve our delivery program and facilitate greater efficiency and value for one of our most valued customers.

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## REPAIR METHOD DEVELOPMENT FOR PREMIER ELECTRIC PERFORMANCE HYBRID BRAND

With the increase in demand for lightweight structures using carbon fiber composites in the automotive and transportation sectors, there is consequently increased demand for repair instructions to maintain the structural integrity and surface properties of the product in case of damage. Element Linköping was commissioned by leading automotive brand Polestar to develop repair procedure methods and a repair training program in the case of collision or damage to the Polestar 1 vehicle.

The composite team in Linköping has extensive experience in composite repair methods for aircraft and marine vessels. This expertise was applied to the development of these methods for the electric performance hybrid whose upper body is made of carbon fiber panels integrated with steel flooring. The repair methods define how to repair the body in a cost efficient way, while keeping stringent quality requirements in restoring original strength and design properties.

Light repair methods for surface damages such as scratches, as well as advanced repair for edge damage or damage through laminate were developed by Element, then validated and approved by Polestar. These repair instructions have been implemented into VIDA (Volvo Cars Information and Diagnostics for the Aftermarket) and are now used in technical training.

The first carbon repair training program was delivered to Polestar's Swedish technicians in January 2020 with the objective of enabling someone with no prior experience of carbon fiber repair to reach a competency level capable of carrying out refinishing, advanced structural repairs, and replacement of parts of the carbon and steel combined bodywork.

These Element-developed methods are now used by experienced body technicians from selected Volvo dealers, with the next successful training program for Polestar's Chinese and American technicians planned to be delivered remotely in 2021.

This partnership demonstrates Element's ability to diversify our capability reach into growing markets, and confirms the trust in our expertise and method developments by high technology brands.



# OUR PEOPLE



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*Nothing demonstrated more strongly the value and impact of Element people than our colleagues' response to the global pandemic. As we set out earlier in this report, in helping one another, in supporting our customers, and in contributing to the communities in which we operate, colleagues right across the Group showed their resilience and adaptability. As Element's Chief People Officer, I continue to take immense pride in these efforts, and note also the organizational learning that we have taken from this experience. I am certain that this will be invaluable through 2021 and beyond.*

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**NANCY GRÖSCH**  
Chief People Officer

## COVID-19: COLLEAGUE HEALTH, SAFETY AND MENTAL WELLBEING

The ongoing health and safety of our people remains our primary commitment, and we took a range of steps as the pandemic spread to ensure that commitment was not compromised. In all countries and regions we complied fully with local requirements around distancing and hygiene, and adapted our approach as and when those requirements changed.

In the middle of the year we rolled out a set of principles for operating safely in a coronavirus world, together with supporting signage and posters. Much of the guidance was developed directly from how we adapted to our changed circumstances – in effect, it was designed by our teams and their direct experiences.

We also implemented employee assistance programs (EAPs) across remaining geographies so that all our colleagues now have access to the same set of services, wherever in the world they work. In each country, support is available 24 hours a day, 7 days a week, in local language. Through the EAP, colleagues are offered counseling sessions, work-life balance programs, stress-reduction programs, crisis support, and many other services, all delivered through third party providers. I have been pleased to note good take up of the service and we regularly remind colleagues of its availability through our global town hall meetings, location posters and on our intranet.

The promotion of the EAP was complemented by regular reminders to colleagues about the importance of mental, physical and emotional wellbeing, with access to a wide range of resources for support. We featured colleague-nominated resources and recognized those teams and individuals who were running local initiatives at their laboratories. At the start of 2021 we launched focused webinars on understanding stress, building resilience and the importance of cultivating wellbeing.

## COVID-19: WORKFORCE ACTIONS

The economic impact of Covid-19 resulted in the Group having to take a series of workforce-related actions to help ensure Element's long-term future. Our approach was grounded in the likely short and medium-term impact on our end markets, and with the objective of retaining as many roles as possible. In some geographies, where we believed that disruptions in demand were likely to be temporary, we used government support schemes, but only after careful internal consideration and legal analysis of their merits. Where we did use a scheme, we topped up state provisions for our colleagues for several months.

Where more structural and/or permanent changes in an end market were clear, we permanently reduced the size of some teams in order to bring our cost base in line with our view of future revenues. In all cases we fully followed local employment laws with regards to consultation and redundancy processes, managing exits in a timely, respectful, and sensitive manner. We encouraged all those who left the Group to register with our Element Alumni & Employee Group on LinkedIn, where we continue to post regular updates and open positions.





***All colleagues had the opportunity to confidentially share their views over a three week period in their local languages.***

## **COLLEAGUE LISTENING**

A core component of our people strategy is making sure that Element is an organization that listens to its people, understands the wide range of perspectives and experiences which colleagues have, and takes appropriate actions to build a company where everyone can succeed and have a positive and enjoyable work experience. We took a major step forward in 2020 by running our first all colleague engagement survey – Your Voice – in February. All colleagues had the opportunity to confidentially share their views over a three week period in their local languages.

We were delighted with the outcome – an 80% participation rate and almost 9,000 separate colleague comments. The impact of Covid-19 meant that we had to postpone disseminating the results and beginning action-planning across the wider Group, but we reignited this in November, with a cascade process into each business unit so that local insights were clear and actioned. In the meantime, at the enterprise level, we began to address some of the universal themes that had come out of the results.

In December we undertook a Your Voice pulse survey, an important check-in given the unique circumstances in which the year had unfolded. In this shorter survey, all colleagues were once again encouraged to participate, and 4,112 of them gave us their views (69%).

We had identified diversity and inclusion as an important topic for colleagues, and this was matched by the Your Voice survey feedback. In the autumn, we held a series of independently facilitated listening sessions that allowed colleagues, on a first-come, first-serve basis to share their experience and outlook on diversity and inclusion. In addition to results from the Pulse survey this valuable exercise has informed our baseline for actions, so that we start moving towards the organization fully reflecting the communities and customers it serves.



REORGANIZATION

One of the strongest messages from the Your Voice survey were concerns about decision-making and authority to act, and the impact that this was having on Element’s ability to succeed. Taking this feedback on board and responding to the changing nature of some of our end markets, we undertook a review of organizational effectiveness and concluded that a simpler, leaner structure with greater ownership and accountability closer to the customer would best underpin the next phase of the Group’s development.

On October 1, we moved from five sectors and 19 divisions to two regions and ten business units (BUs) (effective from January 2021 nine BUs), designed around our end markets. At the same time, we simplified central support functions and devolved responsibility for areas such as safety, quality, operational excellence, sales and marketing into the two regions. This was matched by changes in governance, with greater autonomy in key decisions around resourcing, capital allocation, and go to market strategies.

We have invested increased authority and empowerment in the vice presidents who lead each of the nine business units and created a dedicated leadership development program to ensure they have the tools to lead their part of the Group as effectively as possible. Fundamentally, they and their leadership teams are each fully accountable for the performance of their respective business unit.

Notwithstanding their new status, each of the BUs know that they are part of a larger group and that there are some non-negotiables – brand, values, policies and standards. A small number of group functions (communications, finance, HR, IT and legal) continue to support the regions where organization-wide development, planning, budgeting, controls and reporting are required. Pages 28 to 29 set out in detail the new structure of the organization.

RECOGNITION & REWARD

In 2019 we had established our Excellence Award program and in 2020 it went from strength to strength. In February, during One Element Week, 150 colleagues across our locations received local, functional and global Excellence Awards in front of their peers and were recognized for their efforts to go above and beyond during the previous year. Special CEO awards were also granted, celebrating the best in pan-organization collaboration. By the end of 2020, 650 colleagues had received an Excellence Award, with many naturally being recognized for their contribution to efforts to combat the impact of Covid-19.

The Excellence Awards were joined by our Long Service Award program, which formalized a number of local schemes that had existed historically and extended the scope to all colleagues in all territories. Awards are made when key milestones are reached, with a certificate, pin badge and monetary rewards. For those that have been with Element the longest, additional holiday entitlement is also awarded. We granted 768 long service awards in 2020, with several given to colleagues with 40 years or more of service, with Element and predecessor organizations.

SUMMARY

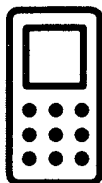
We have made very encouraging progress over the last 12 months on our people agenda and 2021 will see us take further steps to improve the overall colleague experience as we strive to become the global employer of choice in the TIC sector. With a group-wide people process simplification and digitalization project, we are implementing a global HR information system, new performance management process, global learning & development strategy and platform; and a recognition platform. In addition, a range of people initiatives are planned in response to Your Voice survey feedback. Finally, with the global launch of a refreshed vision, values and purpose, we are progressively creating an organization where more than 6,000 engaged and passionate experts can flourish, build stimulating and rewarding careers in a fast-paced, intellectually stimulating, inclusive and supportive environment.



FEBRUARY  
2020



54  
OPINION  
ITEMS



2 FREE  
TEXT  
QUESTIONS



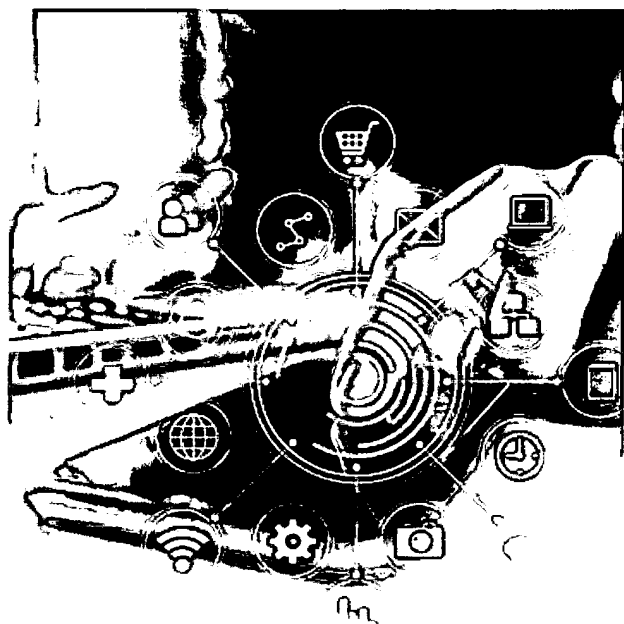
TRANSLATED  
INTO 14  
LANGUAGES



5,179  
RESPONSES  
(80%)



8,781  
COMMENTS



# DIGITAL TRANSFORMATION

*2020 saw Element make a strong start to its digital transformation journey, setting out its strategy and rapidly adopting digital technologies to make it easier for our customers to access our services.*

At the heart of this transformation program is a desire to drive customer experience and add value to our customer's businesses. In doing so we also need to transform the way we work and service our customers – with the assistance of technology. The opportunity to deliver fast outcomes is made possible with digital technologies such as Internet of Things (IoT), big data analytics, artificial intelligence (AI) and robotic process automation (RPA).

Element's approach has been to leverage best in class technologies, align with experienced digital partners, and grow our own digital skills. Our strong foundation in technology gave us a good start, and in 2020 we took a number of significant steps on our digitalization journey:

- Defining a strategy and roadmap
- Agreeing priority focus areas
- Developing proof of value and minimum viable products
- Implementing agile ways of working
- Enabling digital citizens

The main aim of Element's digital strategy is to significantly improve customer experience to make it easier for them to do business with us, to grow their market share as well as to reduce cost and improve efficiencies. Analysis of the opportunities for digitalization, where the benefits of digitalization existed and where it was more difficult to achieve helped us to prioritize these opportunities to make the most impact for our customers and for ourselves. As a result, 2020 saw Element make decisions to invest and make a fast start in the following four focus areas: improved customer experience, new digital services, increased efficiency and quality, and improved colleague experience.

## IMPROVED CUSTOMER EXPERIENCE

This focus area prioritizes the provision of a frictionless digital engagement platform that delivers a consistent experience for our customers no matter where they interact with us, and facilitates easy access to our experts, services and results. In 2020, through research and customer engagement, we developed the client insight to enable us to scope out and start building this platform which will be delivered in 2021.

## NEW DIGITAL SERVICES

In a highly digital world, we recognize our customers are requiring more services or service components that are more digitally enabled. We have started to assess and rapidly deploy where new services are of value to our customers.

A great example of rapid deployment of a new digital service in 2020 is remote witnessing. Accelerated by the Covid-19 pandemic and the need to provide uninterrupted witnessing services to our customers, we rapidly conducted research with them and rolled out remote witnessing to our laboratories. A review of our remote witnessing value proposition was carried out with a group of customers, testing the acceptance and value of our service offering. We have deployed remote witnessing across our locations and have received very positive feedback from our customers who are using the service to enable business continuity and thereby keep their own employees safe. We have enabled a new way of working with our customers which has the potential to significantly reduce their operating costs using remote witnessing.

## INCREASED EFFICIENCY AND QUALITY

In 2020, we introduced more automated processes in our laboratories to improve accuracy, speed and effort, releasing colleagues to do more value-adding and fulfilling work.

We successfully conducted a proof of value in deploying robotic process automation (RPA) at our Element Sheffield facility in the core process of data acquisition. The automated processes were executed with an 85% reduction in cycle time taken, with the added benefit of increasing accuracy. RPA is a great example of using our existing strong technology skills base to encourage "citizen developers". Supported by the RPA Centre of Excellence, we trained the first team of citizen developers. These colleagues have a strong understanding of local processes, rapidly develop robots and add robotic modules to the central library for reuse and standardization across our global operations. We have identified a strong funnel of opportunities for further deployment of robots across our operations in 2021.

We also started a connected machines program. We have identified critical equipment and successfully conducted pilots in our Charlotte, Daleville and Morgan Hill laboratories in the US to monitor equipment utilization and machine status. Equipment utilization visibility not only delivers efficiencies to our operations, it improves our ability to serve more customers, and visibility of machine status helps us to attend to the machines when needed to minimize unplanned downtime. We are ready to deploy this further in 2021.

## IMPROVED COLLEAGUE EXPERIENCE

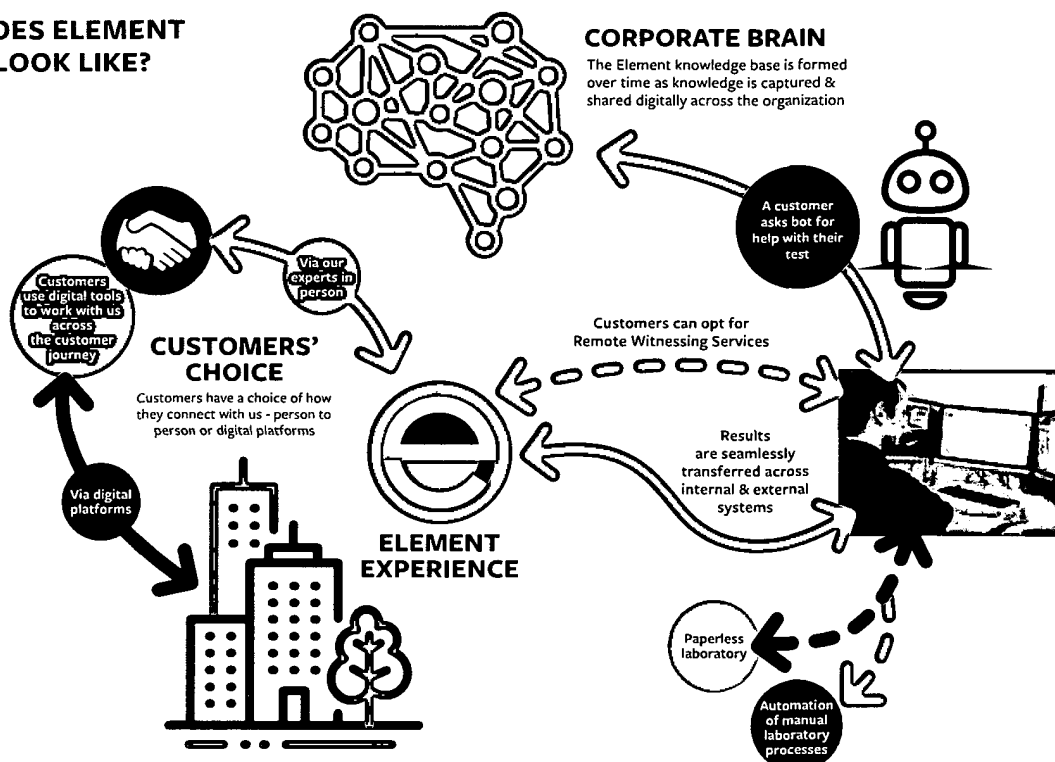
Knowledge sharing is critical to improving our expertise. We have identified opportunities to increase information flow internally to help our colleagues respond to customer enquiries more quickly, resolve problems using the best experience across our expert teams globally, and innovate faster.

In 2020, we started the internal knowledge sharing journey by developing an AI enabled chatbot, to make it faster and easier for colleagues to find the right service for our customers. This chatbot is integrated with our capability matrix - a database of laboratories, products and services and has been developed as a Minimum Viable Product, which will be launched to our sales teams early in H1 2021. This will help cross business unit lead generation in addition to being able to respond to our customer queries faster.

## 2021

Last year we built a strong vision and clear set of priorities for our digital transformation journey. In 2021 our focus will be building on these great foundations, growing our digital capabilities with the rollout of more initiatives across the Group, providing training to more of Element's digital citizens, and starting to realize the benefits of digitalization. Increasingly, customers will have a choice in how they connect with us - either person to person or using digital platforms. By 2022, digital channels and ways of working will be embedded into our company culture and represent business as usual across the customer lifecycle.

## WHAT DOES ELEMENT DIGITAL LOOK LIKE?

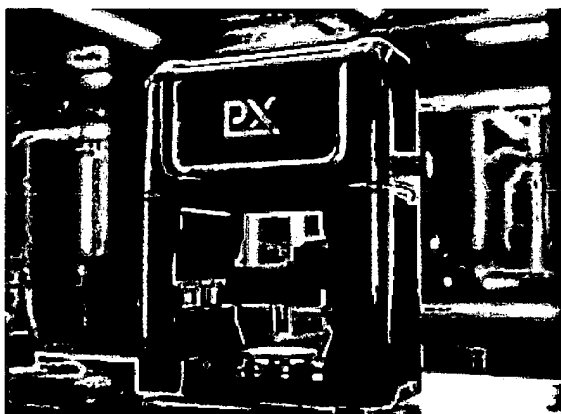


# INNOVATION



***We identified innovation as one of Element's three core priorities for the next phase of our development and were able to make encouraging progress during 2020.***

***We created a US \$10 million Innovation Fund and made our first external investment in Plastometrex, and we started to establish relationships with a number of research institutes. We launched a digital engineering business in early 2021 while internally we created a framework to encourage innovation from within the organization.***



“

***Dr James Dean, co-founder and CEO of Plastometrex: “We are a young business and partnering with Element allows us to rapidly accelerate our development. Access to Element's global customer network and their long-standing expertise in traditional materials testing helps us to build out our technical platform and refine our offering to customers.”***

”

Element's ambition is to be recognized as a highly innovative technical services company, which supports its customers to solve their most challenging problems. To achieve this, we identified three principal objectives:-

- Developing and commercializing 'next-generation' testing capabilities, particularly in materials science;
- Improving Element's internal efficiency through innovation; and
- Becoming a recognized leader in materials science innovation.

Sitting across these objectives is a desire to foster an organization-wide culture of innovation. Internally, we created a global engineering team for the first time to harness and spread new engineering ideas and, more generally, ideation is being encouraged through a framework that gives any colleague the opportunity to pitch and present their potential innovation to a regional panel which can approve investment and provide appropriate support. Externally, we are building links with innovation and R&D hubs, universities, research organizations and disruptive start-up businesses, to deepen our knowledge and become thought leaders in the latest advancements around materials science.

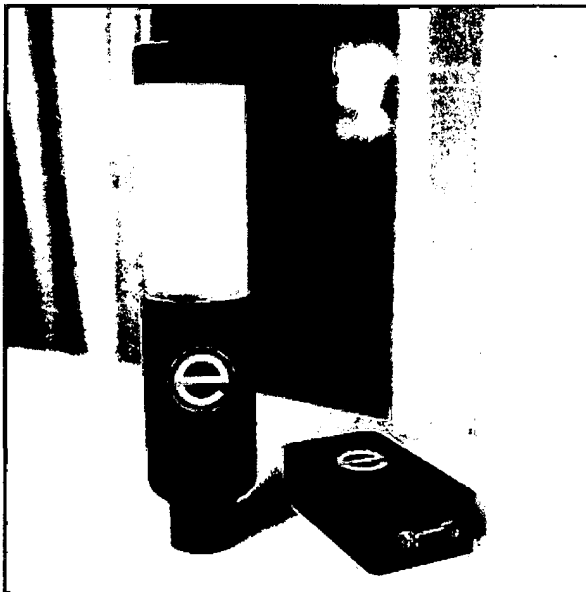
## STRATEGIC INVESTMENT IN PLASTOMETREX

In July we announced a strategic investment in Plastometrex, a Cambridge-based technology start-up, which develops technical and software-led solutions for testing in materials science. Founded in 2018 by a team of expert material scientists (all formerly of Cambridge University), Plastometrex is developing new techniques that bypass traditional mechanical testing methods through advanced numerical modelling, optimization algorithms and machine learning to accurately predict plasticity, residual stresses and creep parameters from indentation test data. The software-driven approach complements conventional destructive testing methods, providing faster, highly automated, non-destructive and more cost-effective supply chain assurance across a range of end markets.

Our customer network will benefit from this state-of-the-art testing capability, which will also deliver a range of efficiency improvements to our own operations. Plastometrex will be able to further refine their disruptive technology using Element's network of technical experts, capability and extensive bank of testing data, with the knowledge that they can now reach a far wider market. With some of the foremost experts in indentation plastometry, Plastometrex's thought leadership in materials science will further enhance the deep technical expertise that underpins our service offering.

## BUSINESS UNIT INNOVATION

In the Americas regional review, we have noted the success of the Connected Technologies BU, and particularly the PCTEST business, in its market leadership in 5G testing for a range of mobile devices and wearables. The Calibration and Nordics Testing BU has been supporting testing for Polestar, the electric performance car brand, and several BUs enhanced their remote witnessing capability with new technology deployments, allowing customers to continue having oversight of their testing programs without the need to travel (see Covid-19 response on pages 18 to 21 for further information).



In the US, we implemented upgrades to our cryogenics capability to accommodate LCF testing for space customers (where temperatures can be as low as -195C), with reduced LN2 usage for both LCF and HCF tests, and split cube furnace upgrades, utilizing molybdenum disilicide heating elements and special power controls. Teams have adapted positively to new working arrangements, using virtual whiteboarding to enable remote brainstorming, virtual value stream sessions and in a few cases, virtual Kaizen activities.

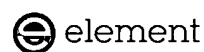
## GLOBAL ENGINEERING TEAM

In Q2 we established a global engineering team for the first time, bringing together many decades of expertise to support ongoing innovation. With collaboration principally online due to pandemic travel restrictions, the group made a number of encouraging advances. In Cincinnati a team designed and built the first Element IoT stacklight and shield for linked column frames, a device agent which interacts with other types of equipment, creating inter-connectivity across operational, maintenance and testing systems, providing much improved insight on utilization. Another group designed and built a low-cost fatigue controller (SCOR controller), delivering a 66% cost saving compared with the OEM product traditionally used. There are now five in operation, with plans to deploy widely across the laboratory network.

## ELEMENT DIGITAL ENGINEERING

At the start of 2021 we were delighted to announce the launch of a new business – Element Digital Engineering. The business is centred on engineering simulation, modelling, data science and artificial intelligence to solve the complex industrial challenges our customers typically face. The Digital Engineering team will work with all our end markets and have a primary focus on the global medical device, energy transition, aerospace, consumer goods and mining markets. They offer capabilities not readily available in the current testing market, including digital twinning, machine learning, and mathematical optimization.

This new business builds on Element's capability in engineering critical assessment and finite element analysis and will complement our existing testing services portfolio. The launch was underpinned by the acquisition of Double Precision Consultancy Limited, an expert engineering and modeling simulation company based in Cambridge, UK, and is a natural extension of our commitment to develop specialist technical and digital services for our customers who are working at the cutting edge of their industries.



# Digital Engineering

MODELLING | SIMULATION | DATA SCIENCE

## DEVELOPING AN INNOVATION CULTURE INTERNALLY

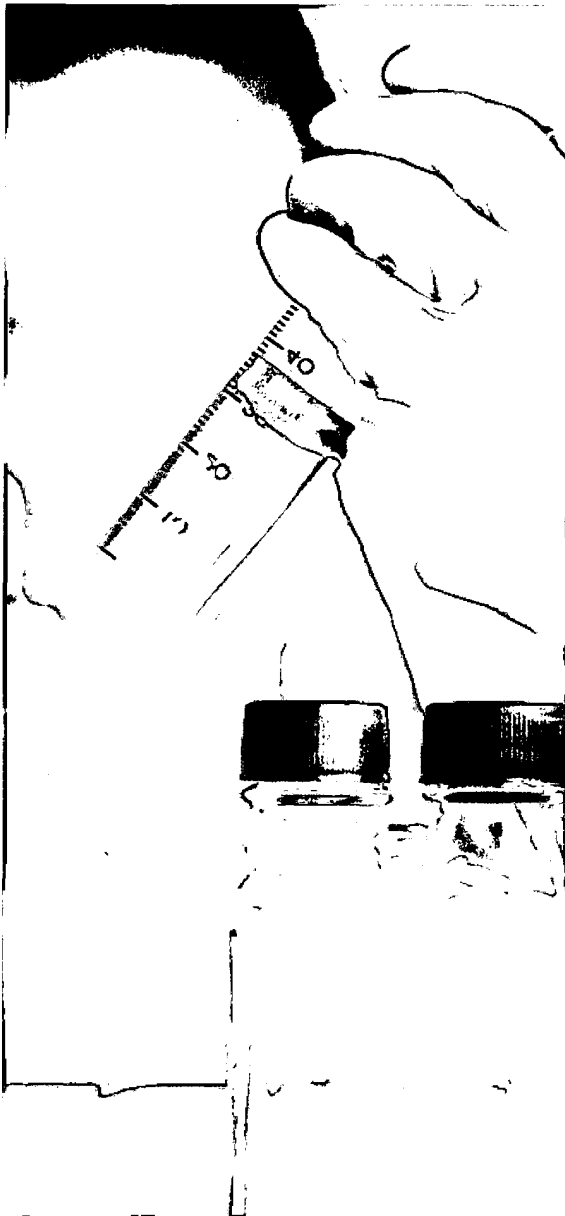
Early in 2021 we formally launched the Innovation Fund internally. Open to all Element colleagues, the fund framework encourages the submission of ideas that solve existing or future customer or colleague problems and can be turned into a minimum workable solution in under 12 months. Colleagues whose ideas are shortlisted present to an Innovation Panel, which can award funding of up to US \$100k per idea and will provide project management and finance support for those proposals that are taken forward to exploitation.

## OUTLOOK

We are confident of building further on this promising start during 2021, with deeper connections to research institutes and sponsorship of PhD programs; continued investment in laboratory automation; further development of new testing capabilities; and an accelerated development program for our emerging technical leaders. Element Digital Engineering's impact will be increasingly felt across the Group and we anticipate a number of exciting collaborations with customers to deliver increased value as we offer advanced technical and digital solutions to solve their most difficult challenges.

# ACQUISITIONS AND INTEGRATION

*Inorganic growth has always been a fundamental part of Element's success and in 2020, despite the impact of the pandemic limiting the Group's overall mergers and acquisitions activity, we still made important progress, pivoting our focus to align with the evolving end market strategy.*



## LIFE SCIENCES EXPANSION

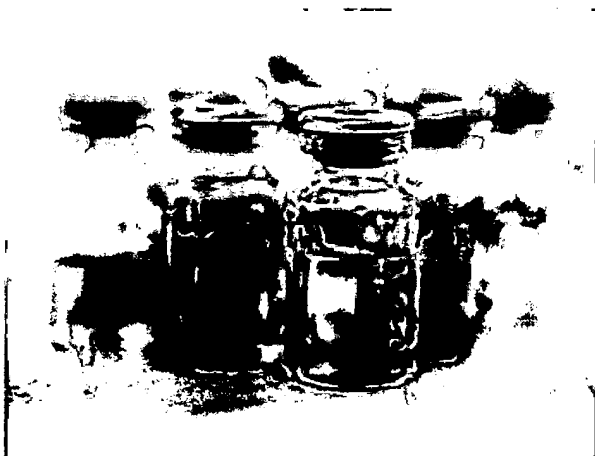
The Group made one acquisition during the year, buying industry leading pharmaceutical testing business, Analytical Lab Group (ALG) from Thompson Street Capital Partners in July. This added three new U.S. locations (San Francisco, Boston, and Minneapolis) to the existing network of pharmaceutical laboratories in the Americas. ALG provides testing solutions for pharmaceutical, antimicrobial, medical device and healthcare clients and offers attractive sustainable organic growth opportunities, due to strong end markets, together with FDA and EPA regulation drivers.



With a team of 130 scientists and experts, ALG has built a strong reputation in the infection prevention market. ALG offers a comprehensive suite of testing services in the molecular and cell biology, and virology disciplines across a spectrum of industries. Throughout 2020, ALG contributed to the global Covid-19 response by offering anti-microbial and anti-viral testing services to its customers across the healthcare, pharmaceutical, consumer products and medical device markets. In the light of strong market demand, we rapidly invested to scale up capability in anti-microbial services in the second half.

The ALG laboratories joined the Life Sciences business unit (BU) which was created as part of the organizational restructure. Their addition to the BU forms a core part of Element's pharmaceutical testing portfolio and gives us an important presence in the infection prevention market. This service extension supports our broader strategy to be a full-service solutions provider in the life sciences market.

We built on this ambition in early 2021 with the announcement of the acquisition of Avomeen, a leader in analytical testing services for key life sciences end markets, with a specific focus



on pharmaceutical testing, biotechnology and FDA regulated consumer products. Avomeen deepens Element's bench strength and technical breadth across a wide range of scientific disciplines and key growth areas, including formulation chemistry, product manufacturing, extractables & leachables, and large molecule testing.

Avomeen's service offerings and diverse customer base that spans the consumer life sciences product end market, complements Element's current pharmaceutical services and customers. The business demonstrated great resilience during the worst of the pandemic, achieving record revenue growth of 23% in 2020. Avomeen leveraged its capabilities and expertise to support the Covid-19 response, providing development and testing services to a range of customers, from those offering virus diagnostics and therapies, to those manufacturing hand sanitizer.

Avomeen operates from a single, well-invested 25,000 sq.ft facility in Ann Arbor, MI, where they maintain an FDA registration, DEA license, and ISO accreditation. They bring to the Life Sciences BU a highly talented and experienced team of over 80 chemists, engineers, and scientists, with 75% holding bachelor's and master's degrees, and 20% holding PhDs. The Avomeen team will be fully integrated into Element during 2021.

## INTEGRATION PROGRAM

We made strong progress in the integration of those businesses acquired during 2019 – PCTEST, Aerotech and EMV Testhaus. While the impact of the pandemic resulted in the projects moving at a necessarily slower pace, our proven methodology and the experience across the wider team served us well. We completed the Aerotech and EMV Testhaus programs, and worked closely with the PCTEST team across their seven locations to deliver the first phases of their integration.

## PCTEST

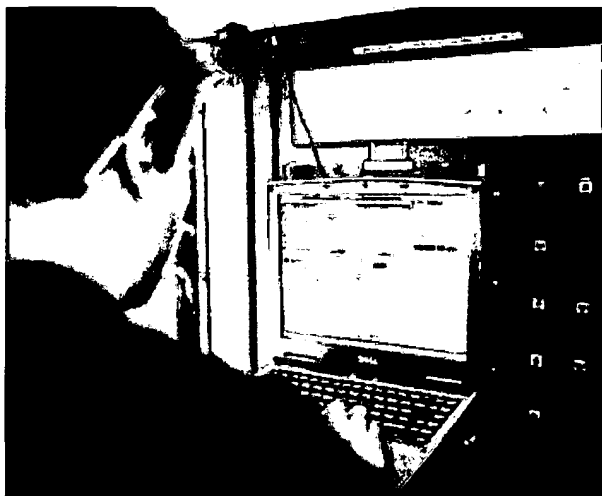
The PCTEST acquisition, completed at the very end of 2019, significantly strengthened Element's position in network connectivity, regulatory and compliance testing and certification services within the mobile device and wearables segments. The first part of 2020 was spent planning and executing on the core tenets of the integration. A double-digit uptick in customer demand, the pandemic, and PCTEST's operating cycle, which follows some of the major technology companies' product development and release cycles, provided only limited windows for integration activity. We therefore moved carefully to ensure there were no disruptions to operations and we continued to deliver for customers.



Along with completing core integration milestones, we focused on investing for growth, including a US \$4 million capex to expand the operation in Suwon, South Korea and, directly after the acquisition, significant equipment investments in PCTEST's US locations in Columbia, Maryland and Silicon Valley, California to increase 5G capabilities and capacities. In 2021 we will remain considered in our approach to integrating PCTEST, ensuring we can achieve another year of double-digit growth. We will have PCTEST fully integrated into the Group by the end of 2021, which will culminate with the full branding of PCTEST to Element in December.

## EMV TESTHAUS AND AEROTECH

EMV Testhaus, which was acquired to strengthen our position in connected technologies markets in Germany, Austria, and Eastern Europe, was fully integrated into the Group in the first half of the year. Both the Straubing laboratory and the branch office in Taiwan, where we offer electromagnetic compatibility (EMC), wireless, product and safety testing under a DAkkS (German Accreditation Body) accreditation to the modular and cellular device, automotive, and IoT, medical device and



consumer products markets, were fully rebranded and joined the European Aerospace and Connected Technologies BU. Our network of 19 connected technologies laboratories now stretches across seven countries in the US, Europe and Asia.

In the second half of the year, Aerotech Inspection and NDT Ltd (Aerotech), a UK-based non-destructive testing (NDT) business providing radiography services to the aerospace industry was also successfully integrated into the European Aerospace and Connected Technologies BU, with the rebranding of the Cradley Heath, West Midlands location and two embedded customer facilities.

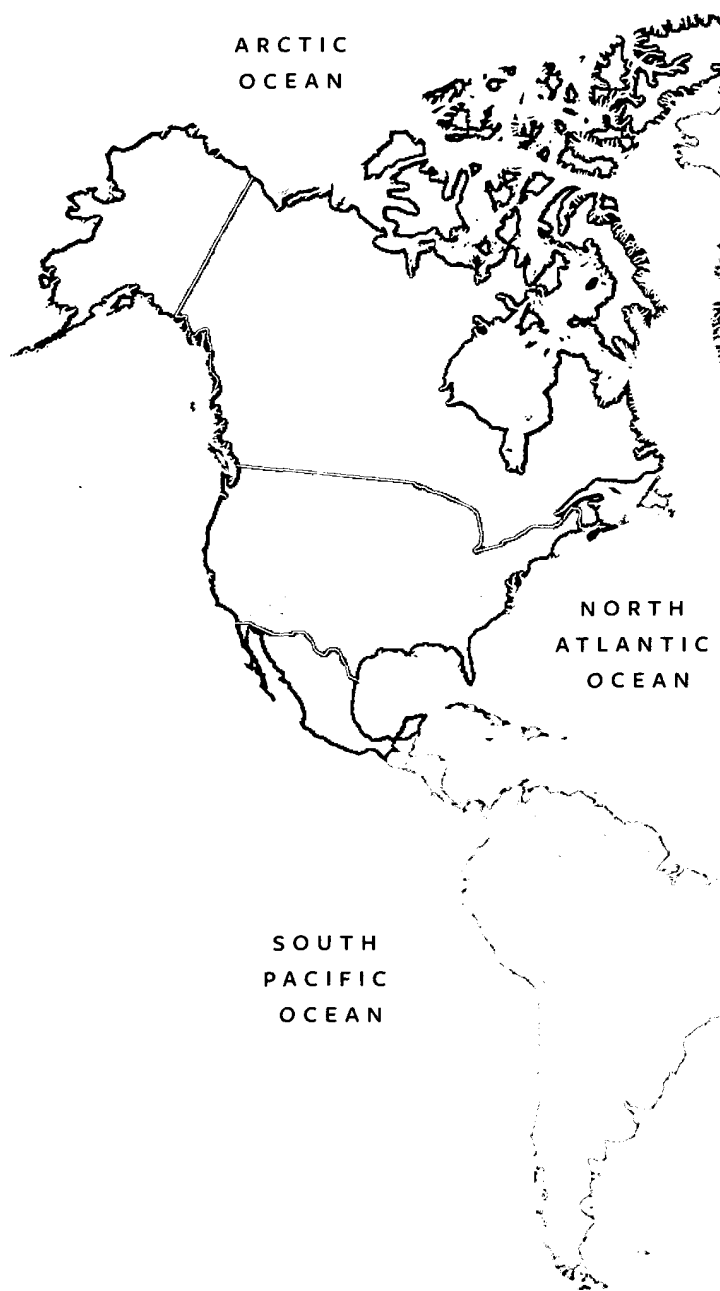
## OUTLOOK






The Group is confident in the strength of its pipeline for further acquisitions during 2021. Focus will be on those markets where growth opportunities are strongest – Connected Technologies, Life Sciences, Environmental – and in addition to the Avomeen acquisition, we completed the acquisition of UK business EnviroDat in early 2021.

A UKAS and MCERTS accredited environmental testing provider, EnviroDat specializes in air quality monitoring for environmental and occupational hygiene applications, and mainly services the “energy from waste” sector. As a bolt-on to our market leading emissions testing business, EnviroDat operates in an adjacent part of the emissions market to Element’s existing footprint. With its focus on landfill engines and biogas analysis, customers will benefit from improved access to air quality and emissions compliance expertise, helping them achieve regulatory compliance and reducing time to market.

EnviroDat will be integrated into the European Energy and Environmental business unit.

For details of all acquisitions which have occurred in 2021 please refer to note 31 Events after the reporting date.



2011	2012	2013
	 	 





2014	2015	2016	2017	2018	2019	2020	2021 (YTD)
		*Divisional acquisition		*Divisional acquisition			*Divisional acquisition

## 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.*



**JO WETZ,**  
CEO

Jo was appointed CEO of the Element Group in 2019 and is responsible for the overall strategic direction and growth of the Group. Prior to becoming CEO, he was the Group CFO from 2012 and has been a Board member of the Group since the buyout from Stork in 2010. Before Element, he built a career in private equity and led the investment in a number of global testing businesses in both Europe and the US, including the buyout of Element in 2010.

Jo has been instrumental in growing Element from 20 locations in five countries at the time of the buyout in 2010 into a global business with over 200 locations in 30 countries and more than 6,000 colleagues, through a combination of strong organic growth and the integration of more than 30 acquisitions. Over the last ten years at Element, he has led the buyouts with 3i and Bridgepoint, the take-private of Exova as well as the significant minority investment in Element by Temasek.

**RUTH PRIOR,**  
CFO

Ruth was appointed as Chief Financial Officer (CFO), joining Element's Executive Team on 1 June 2020 and the Board on 25 June 2020 and reporting to Jo Wetz, CEO. She is responsible for all the finance, procurement, legal, tax and IT activities within the business, and brings significant financial control, M&A, change management, strategy and business planning expertise to the Group.

Ruth spent two and a half years as CFO at William Hill Plc, leading its finance, assurance, legal and procurement functions, as well as playing a critical role in driving company strategy and business transformation. She was also instrumental in the IPO of payments processing business Worldpay in 2015 – the largest ever private equity backed IPO in the UK at the time.

Ruth is a qualified accountant with a degree in Biochemistry and spent nearly a decade in private equity, working across a variety of sectors including waste, renewables, music, publishing and retail.





**CHRIS BUSBY,**  
NON EXECUTIVE DIRECTOR

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.

**RAOUL HUGHES,**  
NON EXECUTIVE DIRECTOR

Raoul Hughes is Group Vice Chairman of Bridgepoint, based in London. He is Chairman of Bridgepoint Development Capital, President of Bridgepoint USA and responsible for Bridgepoint's business development. Additionally, he chairs the BDC Investment Advisory Committee.

Raoul joined Bridgepoint in 1988 and has worked extensively on investments across Europe. He has a degree in Business Administration from the University of Bath where he also supports a number of PhD programs.





**RANJIT DANDEKAR,**  
NON EXECUTIVE DIRECTOR

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

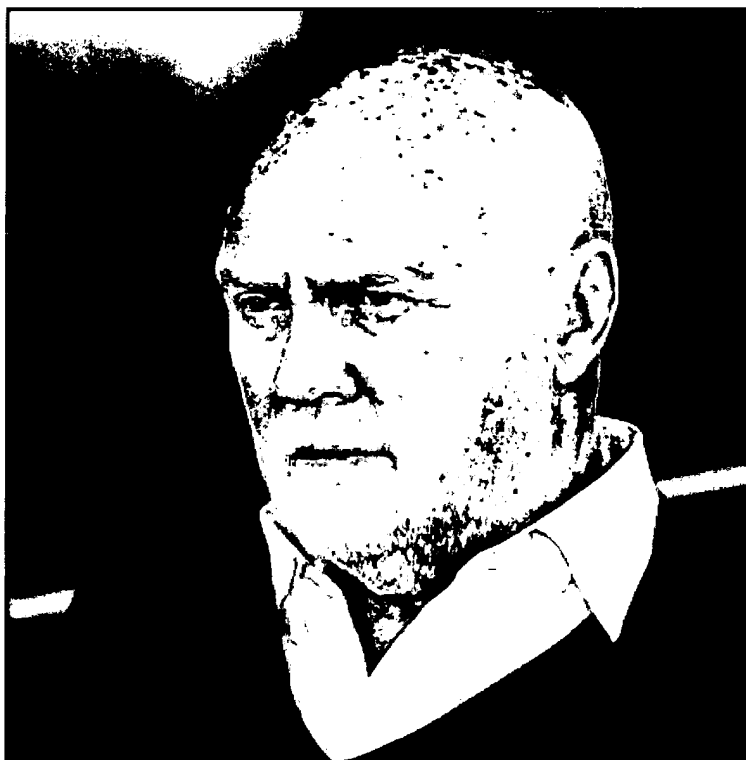
Ranjit joined Temasek in 2004. He spent 12 years in Singapore focusing on Temasek's investments in Natural Resources and has been based in London since 2016. He also sits on the board of Magris Resources Inc., a Canadian mining company.

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.

**ALLAN LEIGHTON,**  
NON-EXECUTIVE CHAIRMAN

Allan is a non-executive member of the Element 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 those of Chief Executive of Asda and Pandora; Non-Executive Chair of the Co-operative Group; and Non-Executive Chairman of the Royal Mail, Entertainment One plc, and Wagamama Ltd.

Allan holds an honorary degree from Cranfield University, an honorary fellowship from the University of Central Lancashire, and an honorary Doctor of Letters from York St. John University.





**CHARLES NOALL,**  
NON-EXECUTIVE DIRECTOR

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 7,000 engaged experts in nearly 200 laboratories. Under his leadership, the Group's revenues grew from US \$60 million to US \$850 million as Element dramatically expanded its testing operations to cover five end markets across 30 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.

# OPERATING BOARD

*The Operating Board is responsible for implementing strategy, digital transformation, M&A, culture and values, and compliance, and is complemented by an extended Executive Team of the 34 most senior leaders in the Group, including all BU vice presidents, regional management and functional directors. Lean specialist teams in communications, corporate development, finance, HR and legal provide Group-wide corporate support.*



**RUTH PRIOR,**  
CFO

Ruth was appointed as Chief Financial Officer (CFO), joining Element's Executive Team on 1 June 2020 and the Board on 25 June 2020 and reporting to Jo Wetz, CEO. She is responsible for all the finance, procurement, legal, tax and IT activities within the business, and brings significant financial control, M&A, change management, strategy and business planning expertise to the Group.

Ruth spent two and a half years as CFO at William Hill Plc, leading its finance, assurance, legal and procurement functions, as well as playing a critical role in driving company strategy and business transformation. She was also instrumental in the IPO of payments processing business Worldpay in 2015 – the largest ever private equity backed IPO in the UK at the time.

Ruth is a qualified accountant with a degree in Biochemistry and spent nearly a decade in private equity, working across a variety of sectors including waste, renewables, music, publishing and retail.

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Jo was appointed CEO of the Element Group in 2019 and is responsible for the overall strategic direction and growth of the Group. Prior to becoming CEO, he was the Group CFO since 2012 and a Board member of the Group since the buyout from Stork in 2010. Before Element, he built a career in private equity and led the investment in a number of global testing businesses in both Europe and the US, including the buyout of Element in 2010.

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**MATT HOPKINSON,**  
EVP EMEAA

Matt joined Element in December 2018, bringing a wealth of testing experience and leadership to lead the global Energy sector. In October 2020, Matt was appointed EVP for the EMEAA region, with responsibility for five business units covering testing, certification and inspection in the aerospace, connected technologies, construction, energy and environmental end markets across four continents. In addition, Matt is responsible for Element's China strategy.

Prior to joining Element, Matt held several operational and commercial leadership roles managing global laboratory networks in the Americas and Europe, as well as managing global teams focused on account management, technical governance, systems development and new growth initiatives. Most recently, Matt was a member of the Group Executive Leadership Team at Bureau Veritas, and Senior Vice President for Commodities Europe.

**RICK SLUITERS,**  
EVP AMERICAS

Rick joined Element in 2004, originally as a Business Development Manager responsible for integrating newly acquired laboratories into the organization. He has held General Manager positions for Element's laboratories in Los Angeles, Detroit and Amsterdam and led several US laboratories through a lean process transformation.

In 2011 Rick took the position of Vice President of European Operations and formally joined the Element Executive Team. Rick became the Executive Vice President (EVP) of Aerospace in 2014. Under his leadership the global aerospace sector has more than tripled in size and successfully integrated over 10 acquisitions, adding capabilities, capacity and footprint to become the number one provider of aerospace testing services in the world. In October 2020 Rick was appointed EVP, Americas, with responsibility for all of Element's operations in the USA, Canada and Mexico, covering 82 laboratories across the aerospace, connected technologies, defence, life sciences and transportation end markets.





**NANCY GRÖSCH,**  
CHIEF PEOPLE OFFICER

Nancy leads the Group HR function across all of Element's geographies, responsible for setting and executing the company's global people strategy. Nancy joined Element in September 2019. With over 20 years' global experience in HR, she brings deep expertise in linking culture, engagement and performance, as well as implementing large-scale change initiatives. Prior to joining Element, she worked in senior HR roles for global organizations such as Airbus and General Electric and was most recently Senior Vice President, Head of Global HR & Ethics Officer at Jet Aviation.

**ARNOUT LIJESSEN,**  
EVP CORPORATE DEVELOPMENT

Arnout joined Element in early 2004, and is responsible for the Group's strategy and highly successful global mergers and acquisition program. Under his leadership the Group has successfully originated, acquired, and integrated over 30 market leading businesses in North America, Europe and Asia.

Arnout has led various strategy assignments over the years including the original rebranding from Stork to Element; the Group's entry into China; multiple outsourcing projects and various corporate strategy exercises.

Since the carve-out in 2010, Arnout has focused on leading Element's highly successful mergers and acquisition program. Prior to joining Element, Arnout worked for Unilever Group, Unichema and the management consultant firm Arthur D. Little.







**FRIDO LANGEDIJK,**  
EVP COMMERCIAL EXCELLENCE

Frido joined Element in January 2017 and is responsible for the design and delivery of commercial best practises, processes, tools and systems that maximize profitable revenue across the Group while enhancing the customer experience.

Together with his team and working as business partners to support the wider commercial organization, Frido is responsible for driving growth through a set of group-wide commercial excellence programs, including key account management, which are focused on consistently improving sales force effectiveness and establishing a high performing, proactive commercial culture.

# 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 2020. The Corporate Governance Report includes the Directors' Report on pages 66 to 69 which contains certain statutory disclosures.*

*The Strategic Report on pages 6 to 49 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 6,000 colleagues working from 201 facilities in 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 2020.

## 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 67.

## 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 53.

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 those of Chief Executive of Asda and Chairman of the Royal Mail.

Jo Wetz is the Chief Executive Officer. He succeeded Charles Noall on 31 December 2019. Jo previously served as the group CFO.

Charles Noall remains as a Non-Executive Director allowing the Group to benefit from his extensive industry knowledge and sector experience.

On 1 June 2020, Ruth Prior was appointed as the Group Chief Financial Officer and Niall McCallum stepped down as the Interim Chief Financial Officer. Ruth is responsible for all financial, tax, procurement and IT activities across the Group. Prior to this role, Ruth was CFO at William Hill Plc.

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.

Ranjit Dandekar (a Non-Executive Director) 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 2020, 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

### The Accountability

The Board has established and maintains corporate practises 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 and meets at least twice per year. If the need should arise, the Board may set up additional committees as appropriate.

# 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.*

## 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.

## 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 pages 62 to 65 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.

## RESPONSIBILITIES

The Group has put in place a range of operating rules, processes, best practises 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 practise, 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. We strive to make decisions which are made free from bias and 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 location visits;
- formal and informal meetings;
- regular Group-wide town hall meetings;
- regular initiatives such as One Element Week;
- 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 Our People section on pages 38 to 41 and Directors' Report on pages 66 to 69.

### Our Customers

Customers are at the heart of everything we do.

#### How we listen and engage:

- Key Account 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 customer surveys)

### Our Investors / Shareholders

#### How we listen and engage:

- investor meetings;
- ongoing dialogue with the Company's major shareholders through a program of meetings;

- shareholder communications;
- 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. In 2020 corporate responsibility played a central role in ensuring we met 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 22 to 27.

### Whistleblowing Hotline

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 practises, modern slavery, tax evasion, breach of competition laws, health, safety and quality matters and environmental concerns. Any whistleblowing reports are reviewed and investigated appropriately.

During 2020, Element received 15 whistleblowing reports through the external whistleblowing service. Most reports were of an HR nature but the hotline was also used to report quality and other issues. All reports were reviewed and investigated: 5 allegations were substantiated, 4 allegations were partially substantiated, 6 allegations were unsubstantiated. The results of the investigations were reported to the Audit Committee.

# PRINCIPAL RISKS AND UNCERTAINTIES

*Details of the principal risks and uncertainties which could have a material impact on the Group's business model, strategy, future performance or reputation are set out below. The principal risks are identified based on the likelihood of occurrence and the potential impact on the Group as a whole. The section below identifies the risk and mitigation actions associated with each risk.*

*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 the following:*

## ENVIRONMENT, HEALTH AND SAFETY RISKS

### WORKPLACE HEALTH AND SAFETY

#### Risk

The Group's operations involve working with materials and chemicals that by their nature have inherent safety risks.

Incidents may occur which could result in harm to employees, the temporary shutdown of facilities or other disruption to processes.

The Group may be exposed to financial loss, regulatory action and potential liabilities for workplace injuries and fatalities.

#### Mitigating factors

Safety is one of the core values of Element Group. The Group puts continued emphasis on the promotion of a culture which puts safety first and encourages employees to take personal responsibility for their actions.

Health and safety guidelines are issued to all employees Group wide.

The Group has also increased capital investment in legacy facilities to improve health and safety conditions.

### NATURAL DISASTERS AND THE IMPACT OF PANDEMICS

#### Risk

Major incident or site closure resulting from factors including pandemics, natural disasters, or flood risks could cause a temporary closure of the Group's laboratories and result in a reduction in revenue.

#### Mitigating factors

Internal monitoring for all health and safety policies are in place at all sites as well as business continuity plans. Where applicable, environmental insurances are also in place.

In addition, the Group's geographical diversity and physical distance between the laboratories helps to limit the impact of pandemics, natural and environmental disasters.

## STRATEGIC RISKS

### GLOBAL ECONOMIC RECOVERY AND MARKET CONDITIONS

#### Risk

Unmitigated delays in the receipt of orders or cancellation of existing contracts could affect the Group's financial performance. If the Group's businesses are unable to continue trading profitably during periods of lower order intake, financial performance will deteriorate, and assets may be impaired.

#### Mitigating factors

The strength of our end market is an important driver for our growth. Our business is well diversified both geographically and by end customer.

We actively monitor lead economic indicators in the market. Given the nature of the business and its high variable cost base, this allows Management to control costs and limit the impact of any global downturn on our profitability.

### BUSINESS CONTINUITY

#### Risk

The Group's laboratories are exposed to business continuity risk arising from natural disasters as well as potential terror attacks impacting one or more laboratories. This could cause short to medium term disruption to the Group's operations and could result in revenue loss.

#### Mitigating factors

This is mitigated by the Group's diverse geographical presence and customer base. None of our laboratories individually generates more than 10% of Group revenue. Equally, none of our customers constitutes more than 10% of the Group's revenue. Therefore, any potential operational disruption and consequent revenue loss caused by a natural disaster or terror event will be isolated to that geographical location.

### INNOVATION AND DIGITIZATION

#### Risk

The risk that new entrants or new ways of working could seriously disrupt the testing and certification sector.

#### Mitigating factors

Digitization and novel ways of delivery to customers in the longer term provide growth and position the Group well against its competitors.

The business has established a new leadership role, EVP Digital Transformation, to develop digital transformation strategies both externally and internally.

In line with the digitization strategy, the Group has invested in businesses in innovation and digital markets to stay ahead of the competition. Recent investments in Plastometrex, OpenBuilt and DPC are aligned with Management's commitment to grow through innovation and diversify into new markets and services.

## OPERATIONAL RISKS

### PROLONGED PANDEMIC IMPACT

#### Risk

Prolonged impact and loss of revenue from slow to recover end markets risks the Group's ability to return to pre Covid-19 profitability levels in the short to medium term.

#### Mitigating factors

The Group has a global and diversified customer base which operates in a number of high growth markets and a roster of financially secure customers. The Group has carried out a robust assessment of its financial position and in the event revenues fail to recover to pre Covid-19 levels, the Group has sufficient liquidity to operate as a going concern.

## OPERATIONAL RISKS (CONTINUED)

### LOSS OF REPUTATION DUE TO NON-COMPLIANCE

#### Risk

The Group is exposed to potential liabilities arising from quality issues in the provision of services and associated warranty claims.

The Group requires a significant number of permits, licenses and approvals to operate its business, which may be subject to non-renewal or revocation.

Loss of key operating permits and approvals could result in temporary or permanent site closures, and loss of revenue.

#### Mitigating factors

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.

Strict quality control measures as well as deployment of experienced quality control expertise enables the Group to maintain standard operating procedures.

### CONSOLIDATION OF CUSTOMER BASE, COMPETITION, AND PRICING PRESSURE

#### Risk

Market consolidations and reduced customer base could lead to pressure in pricing.

#### Mitigating factors

The Group is improving its customer service, creating and expanding focused Strategic Accounts Management and Key Accounts Management programs and improving operational delivery and regularly monitoring performance against expectations.

The Group continues to pursue a successful diversification strategy and maintain a diversified customer profile.

## FINANCIAL RISKS

### LIQUIDITY AND CASH FLOW RISK

#### Risk

The Group is exposed to a range of financial risks, both internally and externally driven, such as an unexpected movement in interest rates or fluctuation in foreign exchange rates.

As a result of past events, the Group is exposed to a number of potential liabilities in the ordinary course of business. These potential liabilities may or may not result in future cash outflows. Where a cash outflow is considered probable, based on its best estimate of likely outcome for each material past event, the Group calculates and records a provision. Any potential future cash outflows could result in financial loss and adversely impact the Group's ability to compete for future contracts.

Further details of the financial risks to which the Group is potentially exposed, and details of mitigating factors are set out in note 24 of the Group financial statements.

#### Mitigating factors

The Group has committed facilities in place until June 2024.

In order to ensure that sufficient funds are available to fund ongoing operations and future developments, Management regularly reviews the cash flow forecasts and financing arrangements of the business to ensure that there is sufficient funding in place.

In the near to medium term, due to the likely weak global economic environment and relatively low interest rates, Management anticipates reduced interest rate risk.

The Group closely monitors the exchange rate risks associated with servicing its debt and the potential impact on its statement of financial position.

## COMPLIANCE AND REGULATORY RISKS

### ETHICS AND RISK OF NON-COMPLIANCE

#### Risk

Non-compliance with Element values and legislation, both within the Group and with trading partners, including non-adherence to legal competition requirements.

#### Mitigating factors

The executive management regularly holds town hall meetings and communicates the Group's values and ethical policies.

Specific competition law matters and any changes to competition law are also communicated by the Group legal team.



## PEOPLE RISK

### BUSINESS CONTINUITY

#### Risk

Failure to recruit or retain qualified personnel in key areas of the business may result in the Group failing to achieve its future growth aspirations.

#### Mitigating factors

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.

In addition the Group performs background checks of potential employees joining Element to ensure people with appropriate and relevant skill sets are recruited.

Retention of team members is a key deliverable for Management. A range of programs are being delivered to help reduce employee turnover, including leader development programs; succession planning for senior leaders; formal employee feedback opportunities; employee assistance programs; and investments to support improved communications and engagement.

## INFORMATION TECHNOLOGY AND SECURITY RISKS

### CYBER SECURITY RISK

#### Risk

Cyber-security and related risks are key emergent areas of critical importance for all businesses.

Cyber threats can emanate from a wide variety of sources and could target various systems for a wide range of purposes, making response particularly difficult.

In addition to business interruption and financial loss, the Group may suffer reputational damage.

#### Mitigating factors

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.

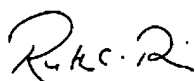
New IT system developments are subject to rigorous penetration testing prior to release. Disaster recovery plans are in place across the network which are tested and improved regularly.

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 79 to 92.

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

By order of the Board



**RUTH PRIOR**

CFO

5 May 2021

# DIRECTORS' REPORT

*The Directors present their report and the financial statements for the year ended 31 December 2020. 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 6 to 49 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 accounting standards in conformity with the requirements of the Companies Act 2006. The Parent Company financial statements have been prepared 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
- Charles Noall
- Christopher Busby
- Jo Wetz
- Niall McCallum – resigned on 25 June 2020
- Ranjit Dandekar
- Raoul Hughes
- Ruth Prior – appointed on 25 June 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 53.

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.

### Chief Executive Officer

Joseph Wetz was the Chief Executive Officer of the Group during the financial year ended 31 December 2020. 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 Operating Board in the day-to-day management of the Group;
- identifying and executing strategic opportunities for 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.

# DIRECTORS' REPORT

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## ELEMENT OPERATING BOARD

Element is led by a dynamic group of individuals with many years of experience in their respective leadership and management fields. The Operating Board meets every month to review the overall performance of the business and also to implement Group-wide strategies and priorities.

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## DISABLED EMPLOYEES

Applications for employment by disabled persons are always fully considered, bearing in mind the abilities of the applicant concerned. In the event of a team member 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 persons should, as far as possible, be identical to that of other employees.

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## 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 performance of the Group and the Company. This is achieved through formal and informal meetings, the Company newsletter, the Company's intranet 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.

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## PROPOSED DIVIDEND

The Directors do not recommend the payment of a dividend. The Group paid US \$7.2 million of dividends in the prior year.

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## POLITICAL CONTRIBUTIONS

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

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## STREAMLINED ENERGY AND CARBON REPORTING (SECR)

The Group understands the importance of responsible energy usage. The Group remains committed to presenting data appertaining to energy usage and carbon footprint. For two UK qualifying entities, details of their greenhouse gas emissions, energy consumption and energy efficiency improvement activities are set out in the Corporate Responsibility section on pages 22 to 27.

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## 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 62.

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 24 to the consolidated financial statements.

## GOING CONCERN

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 22 and 24 include details of the Group's treasury activities, long-term funding arrangements, financial instruments, and financial risk management activities.

The Group has sufficient financial resources which, together with internally generated cash flows, will continue to provide sufficient sources of liquidity to fund its current operations, including its contractual and commercial commitments as set out in note 24. The directors assess forecasts and make financing and liquidity reviews on a regular basis.

The directors have, at the time of approving the financial statements, a reasonable expectation that the Group and the Company have adequate resources to continue to adopt the going concern basis of accounting in preparing these financial statements. Further detail is contained in the statement on going concern on page 80 (note 2.3).

## FUTURE DEVELOPMENTS AND EVENTS AFTER THE BALANCE SHEET DATE

Details of future developments are discussed in the Chairman's, CEO and CFO Reports; after the reporting date can be found in note 31 of the notes accompanying the financial statements.

## 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.

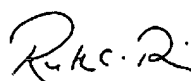
## DISCLOSURE OF INFORMATION TO AUDITORS

**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 5 May 2021 and signed on its behalf.



**RUTH PRIOR**  
CFO

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

## Opinion

We have audited the financial statements of Element Materials Technology Group Limited ('the parent company') and its subsidiaries (the 'group') for the year ended 31 December 2020 which comprise the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated statement of financial position, the consolidated statement of cash flows and the related notes 1 to 33, including a summary of significant accounting policies, the company statement of financial position, the company statement of changes in equity and the related notes a to j, including a summary of significant accounting policies. The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and International Accounting Standards in conformity with the requirements of the Companies Act 2006. 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 parent company's affairs as at 31 December 2020 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006;
- the parent company financial statements have been properly prepared in accordance with 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. We are independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

## Conclusions relating to going concern

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

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group and parent company's ability to continue as a going concern over a period to 31 October 2022 from the date of approval of the financial statements.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the group's ability to continue as a going concern.

## Other information

The other information comprises the information included in the annual report set out on pages 2 to 69, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

## Opinions on other matters prescribed by the Companies Act 2006

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

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

# INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ELEMENT MATERIALS TECHNOLOGY GROUP LIMITED (continued)

## Matters on which we are required to report by exception

In the 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 statement of directors' responsibilities set out on page 66, 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.

## Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Group and determined that the most significant are those that relate to the reporting framework (IFRS, FRS 101 and the Companies Act 2006) and the relevant tax compliance regulations in the jurisdictions in which the Group operates. In addition, we concluded that there are certain significant laws and regulations relation to health and safety, employee matters, environmental matters and anti-bribery and corruptions practices across the various jurisdictions in which the Group operates. This year the Group has also participated in government support schemes arising due to the COVID-19 pandemic and therefore is required to comply with the rules of these schemes;
- We understood how the Group is complying with those frameworks by making enquiries of management including those responsible for legal and compliance procedures and the Company Secretary. We corroborated our enquiries through our review of papers provided to the Board and Audit Committee, and consideration of the results of our audit procedures across the Group;
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures included a review of board minutes to identify any non-compliance with laws and regulations; a review of the reporting to the Audit Committee on compliance with regulations; and enquiries of general counsel, those charged with governance and management.
- We assessed the susceptibility of the Group's financial statements to material misstatement, including how fraud might occur by: meeting with management from various parts of the business to understand where it considered there was susceptibility to fraud; discussing the matter with the Audit Committee; reviewing documentation of the Group's policies and procedures including the Group Code of Conduct; and assessing whistleblowing incidences for those with a potential financial reporting impact. We also considered performance targets and whether they might influence management to manipulate revenue and/or adjusted EBITDA. As a result we identified fraud risks relating to manipulation of accrued income, classification of Separately Disclosed Items (SDIs) and possible management override of controls in relation to provisions recorded during acquisition accounting. We considered the controls that the Group has established to address the risks identified, or that otherwise prevent, deter or detect fraud; and how senior management monitors those controls; and

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ELEMENT MATERIALS TECHNOLOGY GROUP LIMITED (continued)

- We designed our audit procedures to respond to the identified risks. For all components for which accrued revenue was in scope our procedures included challenging and understanding any judgments made about stage of completion of projects and obtaining support for a sample of projects, as well as performing analytical review over the balances. In relation to SDIs, our procedures included obtaining third party support for the nature and amounts of a sample of SDIs and assessing whether the classification as SDIs is in line with the accounting policy and appropriate between categories and challenging management where required in relation to the classification. For provisions our procedures included understanding the basis of estimates made, considering the historic accuracy of management's estimates compared to the eventual cash outflows and where available corroborating inputs to the provision calculations to third party evidence.

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

7 May 2021



# CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2020

Continuing Operations	Note	Adjusted Results US \$million	Separately disclosed items (note 4, 12) US \$million	Total 2020 US \$million	Adjusted Results US \$million	Separately disclosed items (note 4, 12) US \$million	Total 2019 US \$million
<b>Revenue</b>	5	782.6	-	782.6	820.6	-	820.6
Operating expenses	6,12	(764.0)	(33.2)	(797.2)	(714.0)	(36.7)	(750.7)
Impairment of goodwill	13	-	(275.8)	(275.8)	-	-	-
Impairment of assets	6	-	(5.2)	(5.2)	-	(3.0)	(3.0)
Loss on disposal of property, plant and equipment		-	(4.9)	(4.9)	-	(1.3)	(1.3)
<b>Operating (loss)/profit</b>	6	<b>18.6</b>	<b>(319.1)</b>	<b>(300.5)</b>	<b>106.6</b>	<b>(41.0)</b>	<b>65.6</b>
Finance income	8	0.4	2.0	2.4	12.4	1.5	13.9
Finance costs	9	(337.5)	-	(337.5)	(224.3)	(5.3)	(229.6)
<b>Loss before tax</b>		<b>(318.5)</b>	<b>(317.1)</b>	<b>(635.6)</b>	<b>(105.3)</b>	<b>(44.8)</b>	<b>(150.1)</b>
Tax credit/(charge)	11	26.9	6.9	33.8	(20.1)	8.8	(11.3)
<b>Loss for the year</b>		<b>(291.6)</b>	<b>(310.2)</b>	<b>(601.8)</b>	<b>(125.4)</b>	<b>(36.0)</b>	<b>(161.4)</b>
<b>Attributable to:</b>							
Equity holders of the Parent		(292.2)	(310.2)	(602.4)	(127.9)	(36.0)	(163.9)
Non-controlling interest		0.6	-	0.6	2.5	-	2.5
<b>Loss for the year</b>		<b>(291.6)</b>	<b>(310.2)</b>	<b>(601.8)</b>	<b>(125.4)</b>	<b>(36.0)</b>	<b>(161.4)</b>

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2020

	Note	2020 US \$million	2019 US \$million
<b>Loss for the year</b>		<b>(601.8)</b>	<b>(161.4)</b>
<b>Items that will not be reclassified to profit or loss:</b>			
Actuarial gain/(loss) on defined benefit pension schemes	26	0.6	(4.6)
Incremental liability on defined benefit pension obligation in foreign jurisdictions		(1.5)	-
Deferred tax credit/(charge) on items recognized in other comprehensive income	11	0.2	(0.9)
<b>Total items that will not be reclassified to profit or loss</b>		<b>(0.7)</b>	<b>(5.5)</b>
<b>Items that may be reclassified subsequently to profit or loss:</b>			
Current taxation items recognized in other comprehensive income	11	(4.4)	2.4
Foreign exchange translation difference of foreign operations		51.2	8.0
Foreign exchange translation difference of non-controlling interests		(0.3)	-
<b>Total items that may be reclassified subsequently to profit or loss</b>		<b>46.5</b>	<b>10.4</b>
<b>Total comprehensive loss for the year</b>		<b>(556.0)</b>	<b>(156.5)</b>
<b>Attributable to:</b>			
Equity holders of the Parent		(556.3)	(159.0)
Non-controlling interest		0.3	2.5
<b>Total comprehensive loss for the year</b>		<b>(556.0)</b>	<b>(156.5)</b>

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2020

	Share Capital	Share Premium	Treasury Shares	Translation reserve	Share based payment reserve	Accumulated losses	Non- controlling interests	Total US \$million
<b>As at 1 January 2019</b>	-	1.2	-	14.0	3.8	(370.5)	16.7	(334.8)
(Loss) / profit 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 paid	-	-	-	-	-	-	(7.2)	(7.2)
Issue of shares	-	8.1	-	-	-	-	-	8.1
Movement in treasury share reserve	-	-	(0.4)	-	-	-	-	(0.4)
<b>As at 31 December 2019</b>	-	9.3	(0.4)	22.0	6.4	(537.5)	12.0	(488.2)
<b>As at 1 January 2020</b>	-	9.3	(0.4)	22.0	6.4	(537.5)	12.0	(488.2)
(Loss) / profit for the year	-	-	-	-	-	(602.4)	0.6	(601.8)
Other comprehensive profit / loss	-	-	-	51.2	-	(5.1)	(0.3)	45.8
Share based payment reserve	-	-	-	-	4.0	-	-	4.0
Issue of shares	-	61.3	-	-	-	-	-	61.3
Movement in treasury share reserve	-	-	(3.2)	-	-	-	-	(3.2)
<b>As at 31 December 2020</b>	-	70.6	(3.6)	73.2	10.4	(1,145.0)	12.3	(982.1)

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

	Note	2020 US \$million	Restated (note 2.29) 2019 US \$million
<b>Non-current assets</b>			
Goodwill	13	1,184.3	1,364.8
Other intangible assets	14	794.5	831.2
Property, plant and equipment	15	326.9	332.2
Right of use asset	27	106.2	71.9
Investments	16	1.0	-
Government grants	17	5.3	5.6
		<b>2,418.2</b>	<b>2,605.7</b>
<b>Current assets</b>			
Trade and other receivables	18	170.3	196.8
Contract assets		18.9	33.1
Current tax asset	11	16.7	2.4
Cash and cash equivalents	19	141.1	66.5
		<b>347.0</b>	<b>298.8</b>
<b>Current liabilities</b>			
Trade payables		(24.3)	(32.7)
Other payables	20	(96.2)	(77.8)
Lease liabilities	27	(21.6)	(20.0)
Tax liabilities	11	(4.3)	(7.2)
Provisions	21	(9.6)	(9.7)
Derivative financial Instruments	24	-	(1.3)
Government grants	17	(1.4)	(1.4)
Deferred and contingent consideration	23	(9.2)	(2.3)
Interest bearing loans and borrowings	22	(86.5)	(170.3)
		<b>(253.1)</b>	<b>(322.7)</b>
<b>Net current assets/(liabilities)</b>		<b>93.9</b>	<b>(23.9)</b>
<b>Non-current liabilities</b>			
Interest bearing loans and borrowings	22	(2,301.2)	(1,964.0)
Priority shares	22	(903.6)	(813.1)
Retirement benefit obligation	26	(9.1)	(11.6)
Provisions	21	(32.8)	(17.0)
Lease liabilities	27	(89.9)	(76.5)
Deferred and contingent consideration	23	-	(8.2)
Deferred tax liabilities	11	(144.9)	(169.1)
Non-current tax liabilities	11	(4.9)	(2.7)
Other payables	20	(7.8)	(7.8)
		<b>(3,494.2)</b>	<b>(3,070.0)</b>
<b>Net liabilities</b>		<b>(982.1)</b>	<b>(488.2)</b>

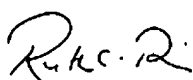
# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(continued)

As at 31 December 2020

	Note	2020 US \$million	Restated (note 2.29) 2019 US \$million
<b>Equity</b>			
Share capital	29	-	-
Share premium	29	70.6	9.3
Treasury shares	29	(3.6)	(0.4)
Translation reserve		73.2	22.0
Share based payment reserve	29	10.4	6.4
Accumulated losses		(1,145.0)	(537.5)
<b>Equity attributable to equity holders of the Parent</b>		<b>(994.4)</b>	<b>(500.2)</b>
Non-controlling interests	30	12.3	12.0
<b>Total shareholders' equity</b>		<b>(982.1)</b>	<b>(488.2)</b>

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 5 May 2021. They were signed on its behalf by:



**RUTH PRIOR**

CFO

5 May 2021

# CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2020

	Note	2020 US \$million	2019 US \$million
<b>Cash flows from operating activities</b>			
Net loss for the year		(601.8)	(161.4)
<b>Adjustments for:</b>			
Income tax charge/(credit) recognized in profit and loss	11	(33.8)	11.3
Finance income	8	(2.4)	(13.9)
Finance costs	9	337.5	229.6
Loss on disposal of property, plant and equipment	6	4.9	1.3
Depreciation of property, plant and equipment	15	52.0	42.0
Depreciation of right of use assets	27	19.8	17.6
Right of use assets impairment (reversal)/charge (net)	27	(0.1)	3.0
Impairment of property, plant and equipment	15	4.5	-
Impairment of intangible assets	14	0.5	-
Impairment of goodwill	13	275.8	-
Impairment of other assets		0.3	-
Amortization of other intangible assets	14	84.9	69.8
Share based payment charge	29	4.0	2.6
Non-cash movement in defined benefit pension obligations	26	0.5	0.4
		<b>146.6</b>	<b>202.3</b>
<b>Movements in working capital:</b>			
Increase/(decrease) in trade and other receivables		46.8	(4.7)
Decrease in trade and other payables		(10.0)	(34.8)
<b>Cash generated from operations</b>		<b>183.4</b>	<b>162.8</b>
Income taxes paid		(9.6)	(19.5)
<b>Net cash generated by operating activities</b>		<b>173.8</b>	<b>143.3</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	15	(55.5)	(54.7)
Proceeds from disposal of property, plant and equipment		1.7	0.4
Purchase of intangible assets	14	(2.0)	(8.3)
Funds received from/(paid into) escrow	25	9.5	(9.5)
Cash outflow on settlement of business acquisition consideration		(0.1)	(1.9)
Cash outflow on business acquisitions (net of cash acquired)	25	(90.8)	(190.9)
Cash outflow on deferred and contingent consideration	23	(1.7)	(12.3)
<b>Net cash used in investing activities</b>		<b>(138.9)</b>	<b>(277.2)</b>
<b>Cash flows from financing activities</b>			
Borrowings	22	310.9	207.4
Repayment of borrowings	22	(203.7)	(7.7)
Repayment of loan notes	22	-	(20.9)
Interest paid	9	(94.3)	(95.2)
Payment of lease liabilities		(29.1)	(27.3)
Payment for debt issue costs	22	(2.7)	(3.0)
Settlement of derivative financial instrument		-	3.3
Proceeds from issue of shares	29	61.2	0.8
Purchase of own shares		-	(0.4)
Issue of priority shares	22	0.7	0.9
Issue of loan notes	22	-	61.0
Dividends paid to non-controlling interests	30	-	(7.2)
<b>Net cash generated by financing activities</b>		<b>43.0</b>	<b>111.7</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>77.9</b>	<b>(22.2)</b>
<b>Cash and cash equivalents at the beginning of the year</b>		<b>66.5</b>	<b>87.7</b>
Effects of exchange rates on cash and cash equivalents		(3.3)	1.0
<b>Cash and cash equivalents at the end of the year</b>	<b>19</b>	<b>141.1</b>	<b>66.5</b>

# 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 accounting standards in conformity with the requirements of the Companies Act 2006.

The accounting policies under international accounting standards 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 Appendix 1.

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 5 May 2021.

## 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.

### 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.

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.

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’ share 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 controlling power over these companies to affect the amount of the company returns, these investments are accounted for as subsidiaries.

The Group’s subsidiaries and associated companies which are included in the consolidated financial statements are listed in Appendix 1.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(continued)

## 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 24 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 22 and 24 include details of the Group's treasury activities, long-term funding arrangements, financial instruments and financial risk management activities.

During the 2020 financial year the Group incurred a loss of US \$601.8 million (2019: US \$161.4 million) which is mainly driven by finance costs of US \$337.5 million (2019: US \$229.6 million) and non-cash items such as depreciation of US \$71.8 million (2019: US \$59.6 million), amortization of US \$84.9 million (2019: US \$69.8 million) and the impairment of goodwill \$275.8 million (2019: US \$nil). Management's key focus is the adjusted EBITDA which has reduced since prior year to US \$175.3 million (2019: US \$236.0 million). The operating loss for the year was US \$300.5 million (2019: operating profit US \$65.6 million).

The net current asset position as at 31 December 2020 was US \$93.9 million (2019: net current liability US \$23.9 million) and overall net debt was US \$3,181.0 million (2019: US \$2,916.2 million). Net cash generated through operating activities was US \$173.8 million (2019: US \$143.3 million) with closing cash of US \$141.1 million in 2020 (2019: US \$66.5 million).

As highlighted in note 24 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 2020, the Group had credit facilities of US \$2,063.8 million (2019: US \$1,824.6 million), of which US \$1,861.8 million (2019: US \$1,705.7 million) had been drawn down leaving US \$202.0 million (2019: US \$118.9 million) undrawn facility available under the Senior Facilities Agreement (SFA). At the date of signing these accounts the undrawn facility available has reduced to US \$101.0 million as a result of further drawdowns of US \$61.0 million and US \$40.0 million from the capex/acquisition facilities. The drawdowns were made to fund the acquisitions of Avomeen LLC and Aircom International Inc., respectively (refer to note 31). The Group has cash and cash equivalents of US \$138.7 million as at 31 March 2021.

The Directors believe that the Group is well placed to manage its business risks successfully, despite the current uncertain economic outlook. The Group's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Group should be able to operate within the level of its current committed facilities. As part of a regular assessment of the Group's working capital and financing position, the directors have prepared a detailed bottom-up trading budget and cash flow forecast for the period through to 31 October 2022, being at least eighteen months after the date of approval of the financial statements.

The directors have chosen an eighteen-month period to assess going concern to reflect the characteristics of the Group's end markets and their contracting arrangements. These range from multi-year customer contracts to shorter-term orders. In considering going concern status, the directors have considered the principal risks and uncertainties discussed in the strategic report and assessed the impact. The impact of Covid-19 on viability is clearly a consideration for all companies at this time. All our businesses remain open with business continuity plans in place at every location.

In assessing the going concern status, the Directors have considered:

- trading risks presented by the current economic conditions in the testing and certification market;
- the impact of macro-economic factors, particularly ability of key customers to continue trading;
- the status of the Group's existing credit arrangements;
- ability of the Group in developing and implementing cost reduction programs and operational improvements;
- the availability of mitigating actions should business activities fall behind current expectations, including the deferral of discretionary overheads, capital expenditure and restricting cash flows; and
- the long-term nature of the Group's business which, taken together with the Group's long-standing relationship with its customers, provides a satisfactory level of confidence to the Board in respect of trading.

In addition, the Group secured unrestricted access to its capex and acquisition ("ACF") facility in 2020 with no covenants, to draw down for general corporate purposes to October 2021, as well as continued use for capital expenditures and permitted acquisitions. The ACF facility is still then available from this date to June 2024 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 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. At the date of signing these financial statements, the Group has access to US \$88.0 million undrawn ACF funds.

The going concern assessment takes into account the Group's cash flow and available undrawn credit facilities. Based on the going concern assessment performed over an eighteen month period to 31 October 2022, the Directors have a reasonable expectation that the Group will be able to continue in operation, adequate liquidity to trade, settle its liabilities as they fall due, and remain compliant with banking facilities.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(continued)

## 2.3 Going concern (continued)

Additional detailed sensitivity analysis has been performed on the forecasts to consider the impact of severe, but plausible, reasonable worst-case scenarios on the headroom on cash and available credit facilities. These scenarios, which sensitized the forecasts for specific identified risks, modelled the reduction in anticipated levels of underlying EBITDA and the associated increase in net debt. These scenarios included a loss of revenue from slow to recover end markets as a result of a prolonged Covid-19 impact.

In addition to the above, the Directors continue to monitor developments in, and the potential impact of, Covid-19 in the short and medium-term, and are, in particular, focused on the key risks of delays by delays in customer projects which ultimately has an impact on testing and certification services, disruption to global production capacity and efficiency as a result of government guidance on social distancing measures, and the impact of potential disruption to global supply chain. The Directors have modelled a severe but plausible downside scenario for Covid-19, whereby the Group experiences a 15% reduction in revenue for a 12-month period in FY2021 against original budget. The assumption was chosen as a reasonable basis on which to perform sensitivity as a similar percentage of revenue reduction was experienced during the first half of FY2020. Beyond FY2021, the model assumes a further 5% reduction against forecast revenue in FY2022.

Throughout this severe but plausible downside scenario, the Group continues to have significant liquidity headroom on its existing facilities and against the revolving credit facility covenant.

Sensitivity analyses were run to model the financial and operational impact of plausible downside scenarios of these risk events occurring individually or in combination. These included the impacts of a further deterioration in the macro-economic environment, including how Covid-19 may impact the economy and future government policy and spending, underperformance in executing the Group's strategy, failure to deliver operational improvements and material movements in foreign exchange rates. Consideration was also given to the plausibility of the occurrence of other individual events that in their own right could have a material impact on the Group's going concern status.

Based on the consolidated financial impact of the sensitivity analyses, including the Covid-19 scenario referred to above, and associated mitigating internal controls and risk management actions that are either now in place or could be implemented, the Directors have been able to conclude that the Group will be able to maintain sufficient cash and banking facilities to meet its funding needs to 31 October 2022. 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 international accounting standards and interpretations issued 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:

- Amendment to IFRS 16 Leases Covid 19-Related Rent Concessions
- Amendments to IFRS 3 Business Combinations
- Amendments to IFRS 9, IAS 39 and IFRS7: Interest Rate Benchmark Reform
- Amendments to IAS 1 and IAS 8: Definition of Material
- Amendments to References to the Conceptual Framework in IFRS Standards

### Standards, amendments and interpretations not yet effective

At the date of authorization of the financial statements, the following standards and interpretations that are potentially relevant to the Group and which have not yet been applied in these reported results were in issue but not yet effective (and in some cases had not yet been adopted by the UK Endorsement Board):

- Amendments to IFRS 3 Business Combinations
- Amendments to IAS 16 Property, Plant and Equipment
- Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets
- Annual Improvements to IFRSs 2018-2020 cycle
- Amendments to IAS 1 Presentation of Financial Statements
- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform – Phase 2

## 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, net of VAT and other sales-related taxes.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(continued)

## 2.5 Revenue from contracts with customers (continued)

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 have a duration of less than two months.

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 two 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 is 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.

## 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(continued)

## 2.7 Goodwill and Intangibles (continued)

Goodwill which has been allocated to a cash-generating unit is tested for impairment annually, or more frequently when there is an indication that the goodwill may be impaired. If the recoverable amount of the goodwill 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.

## 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(continued)

## 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.

## 2.10 Financial instruments – derivatives

The Group does not hold or issue derivative financial instruments for trading purposes. The Group enters into derivative financial instruments to manage its exposure to interest rate risk.

Derivative financial instruments are recognized initially at fair value. Subsequent to initial recognition, derivative financial instruments are stated at fair value at each statement of financial position date.

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

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.

## 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(continued)

## 2.11 Financial liabilities and equity instruments (continued)

### 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.

### 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, cancelled or have expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in the statement of profit or loss.

## 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(continued)

## 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.

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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(continued)

## 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, the 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 of actuarial gains and losses, and the return on scheme assets (excluding interest) are recognized immediately in the statement of financial position 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 current and past service costs are presented within operating expenses in the 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.

## 2.16 Share based payments

As described in note 29, 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 and 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.

## 2.17 Short term employee benefits

The Group accrues for all short-term accumulating compensated balances such as holiday entitlement earned but not taken at the statement of financial position date.

## 2.18 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(continued)

## 2.19 Government grants

IAS 20 sets out the principle for the recognition, measurement, presentation and disclosure of government grants. Government grants that are not related to assets are credited to the consolidated profit or loss statement as a deduction of the related expenses. Government grants are recognized when there is a 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.

## 2.20 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.

## 2.21 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.

## 2.22 Trade payables

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

## 2.23 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.

## 2.24 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 it excludes 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 calculated using tax rates that have been enacted or subsequently enacted at the statement of financial position date.

### 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.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(continued)

## 2.24 Taxation (continued)

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 reflect 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.

## 2.25 Joint ventures and interest in associates

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.

An associate is an entity over which the group is in a position to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those decisions.

The Group's investments in joint ventures and associates are accounted for using the equity method. Under the equity method, the investment in a joint venture or associate 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 or associate since the acquisition date. Goodwill relating to the joint venture or associate 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 or associate. 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 or associate, 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 or associate are eliminated to the extent of the interest in the joint venture or associate. The aggregate of the Group's share of profit or loss of a joint venture or associate is shown on the face of the statement of profit or loss, where material.

## 2.26 Dividend income

Dividend income from investments is recognized when the shareholder's right to receive payment has been established.

## 2.27 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. Where material, 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 statement of financial position date contingent consideration comprises the remaining contingent consideration valued at acquisition plus interest calculated on such amounts from acquisition to the statement of financial position date.

Any changes to the fair value of the contingent consideration is recognized in the statement of profit or loss with the exception of business combinations where the change in fair value occurs during the "measurement period" (further details are given in note 2.6).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(continued)

## 2.28 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 size and/or nature, 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 units.

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/or 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 and share based payment charges are excluded from adjusted operating profit to provide useful information regarding the underlying performance of the Group's operations. Other costs include items that, in the Directors' opinions, should be excluded from adjusted EBITDA. These are mainly related to board management fees, consultancy fees incurred on strategic projects and non-recurring tax expenses.

The Directors define separately disclosed items as those expense and income items which fall into one or both of the 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 that is so material in size and/or 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)

APMs 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 test 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.

## 2.29 Prior year restatement

On 30 December 2019, the Group acquired 100% of the voting share capital of PC TEST Engineering Laboratory Inc. The net assets recognized in the 31 December 2019 financial statements were based on a provisional assessment of their fair value while the Group sought an independent valuation of the intangible assets and property, plant and equipment (PPE). The valuation had not been completed by the date the 2019 financial statements were approved for issue by the Board of Directors.

In 2020, the valuation was completed, and 2019 financial statements have been restated to reflect the fair value adjustments to the acquired statement of financial position. Refer to note 25 for further information on the financial statement impact.

## 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(continued)

## 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 size and/or nature, 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 business units.

Further detail provided in note 12.

### b) Goodwill and other intangible assets

When the Group makes an acquisition, management determines initially whether any intangibles 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 29.

## 3.2 Key sources of estimation

The key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting period, that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

### a) Impairment of goodwill

Goodwill is tested annually for impairment or more frequently when there is an indication that the goodwill allocated to a group of CGUs may be impaired. Determining whether goodwill is impaired requires an estimation of the value in use. The value in use calculation requires estimation of future cash flows as well as the assumptions about growth rates expected to arise from the group of cash-generating units and a suitable discount rate in order to calculate present value. The outbreak of the Covid-19 pandemic has increased the level of estimation uncertainty in relation to assumptions used in impairment assessments (e.g. cash flow projections, long-term growth, discount rates). The Group performed sensitivity analysis to identify risk associated with goodwill impairment. Note 13 provides further details of the key assumptions used for the impairment assessment and sensitivity analysis.

### 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 statement of financial position 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 depends 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.

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 26.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(continued)

## 3.2 Key sources of estimation (continued)

### d) Contingent consideration

Contingent consideration is tied to future performance of acquired entities. The fair value of the contingent consideration determined at 31 December 2020 is the present value of expected future cash flows based on the latest forecasts of future performance. 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 23.

Contingent consideration can also be based on managements' 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.

### d) Dilapidation provision

Provisions for dilapidation liabilities are made when there is a present obligation and where it is probable that expenditure on restoration work will be required and a reliable estimate can be made of the cost.

In estimating the dilapidation liability, Management uses their best estimate regarding cost of restoring operating sites to their original condition in accordance with the terms of the lease contracts where relevant. These estimates are reviewed annually, and the amount expected to be paid on termination or expiry of the leased property is recognized as a dilapidation provision as at year end. There are significant uncertainties with regards to the timing and final amounts of any future payments. These uncertainties can also result in the reversal of previously established provisions once final settlement is reached with the third party. Given the nature of the provision, it is not possible to estimate the exact timing of cash flows.

## 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	2020 US \$million	2019 US \$million
Operating (Loss)/Profit		(300.5)	65.6
Add: Separately disclosed items	12	33.2	36.7
Add: Depreciation of property, plant and equipment	15	52.0	42.0
Add: Depreciation of right of use assets	27	19.8	17.6
Add: Amortization of intangible assets	14	84.9	69.8
Add: Impairment of property, plant and equipment	15	4.5	-
Add: Impairment of goodwill	13	275.8	-
Add: Impairment of intangible assets	14	0.5	-
Add: Impairment of other assets		0.3	-
Add: Right of use assets impairment (reversal)/charge (net)	27	(0.1)	3.0
Add: Loss on disposal of property, plant and equipment		4.9	1.3
<b>Adjusted EBITDA</b> (Alternative performance measure as defined in note 2.28)		<b>175.3</b>	<b>236.0</b>
<b>Adjusted EBITDA margin</b>		<b>22.4%</b>	<b>28.8%</b>

# 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:

	2020 US \$million	2019 US \$million
<b>Revenue from services rendered</b>	<b>782.6</b>	<b>820.6</b>
Geographic analysis		
United States and Canada	415.2	402.3
United Kingdom	130.4	151.4
Europe	150.5	152.9
Rest of world	86.5	114.0
<b>Total</b>	<b>782.6</b>	<b>820.6</b>

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

	2020 US \$million	2019* US \$million
Americas	425.0	415.4
EMEA	357.6	405.2
<b>Total</b>	<b>782.6</b>	<b>820.6</b>

\*The presentation of the 2019 disaggregated revenue has been updated to reflect the most up to date operational structure. Refer to note 13 for further information on the Group's reorganization which took place during 2020.

Set out below is the amount of revenue recognized from:

	2020 US \$million	2019 US \$million
Amounts included in contract liabilities at the beginning of the year	10.4	9.0

## 6. Operating (loss)/profit

Operating (loss)/profit is stated after charging/(crediting):

	Note	2020 US \$million	2019 US \$million
Net foreign exchange (gain)/loss		(0.3)	0.2
Depreciation of property, plant and equipment	15	52.0	42.0
Depreciation of right of use assets	27	19.8	17.6
Amortization of intangible assets	14	84.9	69.8
Right of use assets impairment (reversal)/charge	27	(0.1)	3.0
Impairment of property, plant and equipment	15	4.5	-
Impairment of goodwill	13	275.8	-
Impairment of intangible assets	14	0.5	-
Impairment of other assets		0.3	-
Separately disclosed items	12	33.2	36.7
Staff costs	10	407.5	391.9
Rental income on right of use assets	27	(1.2)	(1.0)
Government grant income	17	(8.8)	(1.6)
Loss on disposal of property, plant and equipment		4.9	1.3

## 7. Auditor remuneration

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

	2020 US \$million	2019 US \$million
Audit fees	1.7	1.4
<b>Fees paid for audit services provided to Group</b>	<b>1.7</b>	<b>1.4</b>
Tax advisory fees	0.3	0.4
Transaction advisory and due diligence fees	0.5	2.2
<b>Fees paid for non-audit services provided to Group</b>	<b>0.8</b>	<b>2.6</b>
<b>Total</b>	<b>2.5</b>	<b>4.0</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(continued)

## 8. Finance income

	Adjusted Results US \$million	Separately disclosed items US \$million	Total 2020 US \$million
Interest income	0.4	-	0.4
Gain on re-measurement and disposal of right of use assets	-	0.6	0.6
Gain on derivative instruments at fair value through profit or loss	-	1.4	1.4
<b>Total</b>	<b>0.4</b>	<b>2.0</b>	<b>2.4</b>

	Adjusted Results US \$million	Separately disclosed items US \$million	Total 2019 US \$million
Interest income	0.4	-	0.4
Foreign exchange gain	12.0	-	12.0
Gain on re-measurement and disposal of right of use assets	-	1.5	1.5
<b>Total</b>	<b>12.4</b>	<b>1.5</b>	<b>13.9</b>

Gain on re-measurement and disposal of right of use assets represents gains and losses resulting from changes in terms and conditions of lease contracts. The Directors' consider these items material by nature and should be presented separately from adjusted results. Further, the Group have recognized unrealized gains from derivative instruments recognized at fair value through profit or loss separately from adjusted results on the basis they are material by nature.

## 9. Finance costs

	Adjusted Results US \$million	Separately disclosed items US \$million	Total 2020 US \$million
Bank loan interest	93.6	-	93.6
Priority share interest	89.8	-	89.8
Loan notes interest	44.0	-	44.0
Amortization of deferred finance costs	7.2	-	7.2
Interest on defined benefit obligation	0.2	-	0.2
Interest expense on lease liabilities	7.4	-	7.4
Other finance costs	0.5	-	0.5
Unwind of provision discount	0.1	-	0.1
Foreign exchange loss	94.7	-	94.7
<b>Total</b>	<b>337.5</b>	<b>-</b>	<b>337.5</b>

	Adjusted Results US \$million	Separately disclosed items US \$million	Total 2019 US \$million
Bank loan interest	94.4	-	94.4
Priority share interest	79.8	-	79.8
Loan notes interest	35.2	-	35.2
Amortization of deferred finance costs	6.1	-	6.1
Interest on defined benefit obligation	0.9	-	0.9
Interest expense on lease liabilities	7.8	-	7.8
Loss on derivative instruments at fair value through profit or loss	-	5.3	5.3
Unwind of provision discount	0.1	-	0.1
<b>Total</b>	<b>224.3</b>	<b>5.3</b>	<b>229.6</b>

In the year the Group recognized US \$94.3 million (2019: US \$95.2 million) cash outflow in relation to interest payments.

The Group have recognized unrealized losses from derivative instruments recognized at fair value through profit or loss separately from adjusted results on the basis they are material by nature.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(continued)

## 10. Staff costs

Group employee expenses	2020 US \$million	2019 US \$million
Wages and salary expenses*	362.1	344.0
Social security expenses	32.2	34.3
Pension cost – defined contribution plans	12.7	13.2
Pension cost – defined benefit plans	0.5	0.4
<b>Total</b>	<b>407.5</b>	<b>391.9</b>

\* The 2020 wages and salary expense is shown net of the US \$8.5 million received as Covid-19 support for employee costs

Group employee numbers	2020	2019
United States and Canada	2,284	2,803
United Kingdom	1,543	1,330
Europe	1,275	1,497
Rest of the world	1,009	1,058
<b>Total</b>	<b>6,111</b>	<b>6,688</b>
<b>Average</b>	<b>6,511</b>	<b>6,483</b>

Directors' remuneration	2020 US \$million	2019 US \$million
Fees paid to non-Executive Directors	0.7	0.7
Aggregate emoluments	1.6	0.7
	2.3	1.4
<b>Highest paid Director remuneration</b>		
Aggregate emoluments	0.7	0.4
	0.7	0.4

During the year the Group issued US \$2.1 million unsecured redeemable loan notes to a non-executive director (note 22). At 31 December 2020 US \$2.2 million is outstanding with the movement in the year due to interest accrued of US \$0.1 million.

There are no retirement benefits accruing to Directors under pension schemes as at 31 December 2020 (2019: nil). The employment benefits other than salary of directors and other members of key management were:

	2020 US \$million	2019 US \$million
Short term employment benefits	0.2	0.1
	0.2	0.1

A total of four directors were remunerated by the Group during the year (2019: two directors), the remaining Directors were remunerated for their services by companies outside the group to which the group made payments for these services.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(continued)

## 11. Income taxes

Income tax recognized in the statement of profit or loss	2020 US \$million	2019 US \$million
<b>Current tax</b>		
Tax charge	1.2	11.6
Current tax (credit)/charge in respect of unrealized foreign exchange movements	(4.4)	2.4
Current tax (credit)/charge in respect of the prior period	(6.8)	2.6
Withholding tax written off	0.5	0.5
	<b>(9.5)</b>	<b>17.1</b>
<b>Deferred tax</b>		
Deferred tax credit recognized in the year	(20.9)	(21.5)
Adjustments to deferred tax attributable to changes in tax rates and laws	(6.3)	15.6
Deferred tax expense in respect of prior period	2.9	0.1
	<b>(24.3)</b>	<b>(5.8)</b>
<b>Total tax (credit)/charge recognized in the year</b>	<b>(33.7)</b>	<b>11.3</b>
<b>The income tax (credit)/charge for the year can be reconciled to the accounting loss as follows:</b>		
Loss before tax from continuing operations	(635.6)	(150.1)
Income tax credit calculated at 19.0% (2019: 19.0%)	(120.8)	(28.5)
Effects of expenses that are not deductible in interest expense	25.3	-
Effects of expenses that are not deductible for tax purposes	57.1	3.7
Effects of unused tax losses and tax offsets not recognized as deferred tax assets	20.9	23.5
Effects of different tax rates on subsidiaries operating in other jurisdictions	(6.2)	(5.0)
Effect of change in tax rate in deferred tax balances	(6.3)	15.6
Overseas withholding tax	0.4	0.5
Effect of non-taxable income	(0.4)	(0.6)
Prior year adjustment – current tax	(6.8)	2.6
Prior year adjustment – deferred tax	2.9	0.1
Other	0.1	(0.6)
	<b>(33.8)</b>	<b>11.3</b>
<b>Income tax recognized directly in equity</b>		
<b>Current tax</b>		
Local tax charge / (credit) on unrealized foreign exchange movements	4.4	(2.4)
	<b>4.4</b>	<b>(2.4)</b>
<b>Deferred tax</b>		
Defined benefit pensions obligation	(0.2)	0.9
	<b>(0.2)</b>	<b>0.9</b>

The effective rate of tax in the United States (US) is a combination of the federal rate (21%) and a blended state rate. The blended state rate varies each year depending on where profits are earned in the US and variations in tax rules between different states. The 2020 blended state rate was 3.7% (2019 7.0%). This leads to a re-measurement of US deferred taxes at the balance sheet date and is the major factor giving rise to “effect of change in tax rate in deferred tax balances” being an approximate US \$6.3 million credit in 2020 (2019 \$15.6 million charge).

	2020 US \$million	2019 US \$million
<b>Current tax assets</b>		
Income tax receivable	16.7	2.4
<b>Current tax liabilities</b>		
Income tax payable	(4.3)	(7.2)
<b>Non-Current tax liabilities</b>		
Corporation tax payable	(4.9)	(2.7)



# 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:

	2020 US \$million	Restated (note 2.29) 2019 US \$million
Deferred tax balances		
Deferred tax liabilities	(144.9)	(169.1)
<b>Total</b>	<b>(144.9)</b>	<b>(169.1)</b>

US \$million	Restated (note 2.29) As at 31 December 2019	Acquisitions	Tax rate change	Current year (charge) / credit	Prior year (charge) / credit	Recognized in OCI	Foreign exchange	At 31 December 2020
Net operating loss	6.0	0.8	-	9.9	1.1	-	(0.1)	17.7
Accrued expenses	2.4	-	(0.5)	(0.1)	1.3	-	-	3.1
Prepaid expenses	(0.9)	-	0.1	(0.1)	0.5	-	-	(0.4)
Property, plant and equipment	(20.4)	(0.5)	1.3	(0.7)	(1.7)	-	0.2	(21.8)
Intangible assets	(190.5)	3.9	7.8	14.7	-	-	(5.1)	(169.2)
Research and development	(1.8)	-	-	0.1	-	-	-	(1.7)
Provisions / accruals	4.0	-	(0.1)	(0.7)	(2.3)	0.3	0.1	1.3
Retirement benefit obligations	2.6	-	0.2	(0.8)	-	(0.1)	0.2	2.1
Other	29.5	-	(2.5)	(1.4)	(1.8)	-	0.2	24.0
<b>Total</b>	<b>(169.1)</b>	<b>4.2</b>	<b>6.3</b>	<b>20.9</b>	<b>(2.9)</b>	<b>0.2</b>	<b>(4.5)</b>	<b>(144.9)</b>

### 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 \$39.1 million (2019: US \$37.3 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 \$13.7 million relating to UK tax losses, US \$10.0 million relating to Dutch tax losses (which will expire by 2025), US \$9.5 million relating to Swedish tax losses and US \$1.7 million relating to German tax losses.

The Group also has an unrecognized deferred tax asset of US \$30.1 million (2019: US \$13.4 million) relating to interest carried forward, arising in the UK as a result of the corporate interest restriction provisions and US \$2.2 million (2019: US \$2.2 million) 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 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 \$6.5 million (2019: US \$5.0 million) with the gross timing difference being US \$129.7 million (2019: US \$99.8 million).

A UK budget resolution was announced on 3 March 2021 increasing the UK corporation tax rate to 25%, effective from 1st April 2023. While the rate increase has not yet been substantively enacted into UK law, the expectation is that this will happen over the coming months.

UK deferred tax balances within the accounts have been calculated using a corporation tax rate of 19%. The impact of this change would be to increase the net deferred tax liability in the UK by US \$2.4 million.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(continued)

## 12. Separately disclosed items

	2020 US \$million	2019 US \$million
Strategic projects, restructuring and reorganization of the Group	15.4	4.8
Acquisition and new business setup costs	8.6	9.8
Share based payment charge	4.0	2.6
Reorganization and integration costs related to the acquisition of Exova plc	1.4	14.1
Other	3.8	5.4
<b>Total</b>	<b>33.2</b>	<b>36.7</b>

Separately disclosed items are items which by their size and/or nature, 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.

### Strategic projects, restructuring and reorganization of the Group

In September 2020, management announced a substantial strategic reorganization program to transform the operations for the future. With a new leadership team in place, a strategic review was launched, which will consider how the Group will further develop existing service offerings as well as rationalizing the Group's global footprint. The scale of the changes and costs incurred up to 31 December 2020 are material. The program of activity will continue into 2021 and is expected to take several months to fully execute, with costs expected to occur across a number of geographical locations.

Over the life of the strategic transformation program, the costs are significant in value and, given the level of change, they are material in nature. Therefore, the Group considers them separately disclosed items. Total costs incurred for the year ended 31 December 2020 in connection with permanent headcount reduction totaled US \$7.5 million. The costs include severance payments in relation to permanent reduction in headcount, associated legal and professional fees incurred during the consultation process, site closure costs and relocation expenses.

In addition to the above in the year, the Group has incurred further costs as a result of relocating laboratories across the business and undertaking restructuring activities in response to Covid-19. Total costs incurred in respect of these programs were US \$7.0 million (2019: US \$4.8 million). Included in this cost is US \$6.7 million relating to severance payments and US \$0.3 million of associated legal and professional fees.

The Group also incurred US \$0.9 million of costs relating to strategic relocation projects and the alignment of testing certifications with the requirements of foreign accreditation bodies in response to one-off regulatory changes in the market.

### Acquisition and new business setup costs

These costs relate to directly attributable transaction fees linked to successful and ongoing active acquisitions. The Group completed one strategic acquisition in 2020 (note 25) and incurred transaction costs of US \$1.3 million. Furthermore, ongoing integration costs were incurred relating to the four acquisitions completed in 2019 totaling US \$4.1 million and residual costs of integrating previous business combinations of US \$0.3 million were incurred.

The Group also incurred US \$1.3 million of ongoing due diligence and professional fees associated with potential future acquisitions.

In addition to acquisition costs, the Group continued with setting up new greenfield sites in 2020. Set up costs for these sites have been treated as separately disclosed until they become fully operational. The Directors consider a new site to be fully operational when the sites are substantially accredited with the necessary regulatory approvals. The Directors 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 \$1.6 million set up costs in 2020 relating to projects which started in 2019 (2019: US \$4.2 million).

### Share based payment charge

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

The Group recognized US \$4.0 million (2019: US \$2.6 million) of share-based payment charge (note 29) related to share-based payment transactions made during the financial year.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(continued)

## 12. Separately disclosed items (continued)

### Reorganization and integration costs in relation to the acquisition of Exova plc

The corporate restructuring program which commenced following the acquisition of Exova plc in 2017 has completed in 2020. The program included the reorganization, functional alignment and integration of Exova plc into the enlarged Group. The Directors consider these costs to be non-recurring activities and therefore should be separately disclosed. The costs incurred in connection with the reorganization and integration activities in relation to Exova plc were US \$1.4 million (2019: US \$14.1 million). These costs relate to the functional alignment of the business, in the areas of Communications and Branding, Finance and Information Technology including dual running costs relating to IT infrastructure.

### Other

#### 1) Transaction fees and costs related to the refinancing of the business

On 23 January 2020, the Group completed an interim refinancing of its existing debt facilities whereby all amounts outstanding on the Capex and Revolving Credit facilities were repaid. This included the drawdown of an additional US \$100.0 million and EUR 90.0 million Term B Loan (US \$99.9 million). As a result of the refinancing the Group incurred legal and professional fees associated to the funding totaling US \$1.5 million. The Directors do not consider these costs to be in the ordinary course of business and therefore are presented separately.

#### 2) COVID-19 related health and safety spend

In response to Covid-19, additional health and safety measures were implemented across all laboratories and office areas. The Group incurred initial setup costs in relation to the implementation of necessary health and safety measures in accordance with Covid-19 guidance issued by the respective country governments. Such costs totaled US \$0.7 million for the year ended 31 December 2020. These are considered material by virtue of their nature and therefore separately disclosed.

#### 3) Dilapidation provision release

On Management's review of the dilapidation provision a release of US \$3.0 million has been recognized in the year. Management considers this item to be separately disclosed on the basis the release is triggered by a change to management's estimate and is not related to the business performance of the Group.

#### 4) Other costs

Other costs include board management fees (US \$1.1 million) with respect to non-executive directorship fees and monitoring fees, which the Directors consider to be related to the structure of the business and separately disclosed.

Included in other costs are US \$2.6 million of legal expenses which are considered material by virtue of their nature and based on management's assessment of the subject matter the Group consider such items are not in the ordinary course of business and, therefore presented as separately disclosed items. Included within the \$2.6 million are US \$1.4 million legal costs relating to employee relationship and corporate matters which were one off in nature. The other expenses within this category were US \$1.2 million legal costs incurred in relation to providing support and input into a multi-party regulatory matter which is one-off in nature. In addition, there are various professional fees, contractor costs and legal expenses included in the other category which management considered as separately disclosed (US \$0.9 million).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(continued)

13. Goodwill	Goodwill US \$million	Aquisition Intangible Assets (note 14) US \$million	Restated (note 2.29) Total US \$million
<b>As at 1 January 2019</b>	<b>1,264.3</b>	<b>808.5</b>	<b>2,072.8</b>
Acquisitions	172.8	8.6	181.4
Amortization charge	-	(65.5)	(65.5)
Exchange movements	4.4	2.6	7.0
<b>As at 31 December 2019</b>	<b>1,441.5</b>	<b>754.2</b>	<b>2,195.7</b>
Acquisition of a subsidiary (restated*)	(76.7)	62.9	(13.8)
<b>As at 1 January 2020</b>	<b>1,364.8</b>	<b>817.1</b>	<b>2,181.9</b>
Acquisitions (note 25)	67.4	14.3	81.7
Disposals	(0.2)	(0.1)	(0.3)
Impairment charge	(275.8)	-	(275.8)
Amortization charge	-	(75.6)	(75.6)
Exchange movements	28.1	23.8	51.9
<b>As at 31 December 2020</b>	<b>1,184.3</b>	<b>779.5</b>	<b>1,963.8</b>

\* The 2019 goodwill is restated to reflect an adjustment to the final valuation of the acquisition of PC TEST Laboratories Inc completed on 30 December 2019, as detailed in note 25.

Typically, acquisitions are integrated into existing business units and goodwill acquired in a business combination is allocated, to the cash generating units (CGUs) or group of units that are expected to benefit from the synergies of that business combination. Goodwill arising on the business combination of a foreign operation and any fair value adjustments to the carrying amount of assets and liabilities arising on the acquisition of that foreign operation are treated as assets and liabilities of the foreign operation. Accordingly, they are expressed in the functional currency of the individual CGUs and translated at the foreign exchange rates as at the statement of financial position date. Goodwill is allocated to CGUs based on the enterprise value of the acquired business determined at the date of acquisition and held in the functional currency of the acquired business.

As detailed in page 28 of the Strategic Report, the Group announced a strategic restructuring of the business in the third quarter of FY2020. The strategic restructuring has fundamentally changed the operating structure of the business. Previous CGU groups presented as at 31 December 2019 represented the five operating sectors of the Group: Aerospace, Energy, Transportation & Industrials, Fire & Building Products and Connected Technologies. These sectors have been repositioned to align with the new regional management structure as presented on pages 28 to 29. As at 31 December 2020, the Group had ten business units ("group of CGUs") in total, five within each region: Americas and EMEA.

For the purposes of impairment testing, the Group allocated the goodwill, which was previously allocated to the five sectors, to the ten new business units using appropriate methods in accordance with the requirements of IAS 36 "Impairment of assets" and IAS 21 "Effect of Changes in Foreign Exchange Rates".

The Group tests goodwill annually for impairment, or more frequently if there are indications that it might be impaired. The Group performed an impairment assessment of goodwill and other intangible asset balances for each group of CGUs in accordance with the requirements of IAS 36 "Impairment of Assets" by comparing the carrying values against a "value-in use" in perpetuity.

The recoverable amounts of the groups of CGUs are determined from value in use calculations based on discounted cash flow forecasts prepared in accordance with IAS 36.

## Key assumptions used in determining the value-in-use:

- The Directors determined the ten business units (operating under the new two regional management structures) as the appropriate level at which the impairment assessment should be performed;
- The Directors have prepared a calculation of the present value of expected future cash flows based on the Board approved 2021 budget and a 5-year forecast plan for 2021 -2025 including where appropriate cash flows discounted to perpetuity;
- The key assumptions within the forecast growth in the cash flows over a forecast period of up to five years are revenue growth, operating profit margin and cash conversion. Revenue growth and operating profit margin forecasts for each group of CGUs are derived from past results adjusted by Directors based on salient current and future considerations. The average revenue growth rates applied range 3.9% - 11.6% (2019: 0.6% to 11.4%).
- A long-term growth rate of 2% for the business units in the EMEA region (2019: 2.5%) and 3% for business units in the Americas region (2019: 2.5%) adjusted for terminal growth rate to perpetuity.
- Cash conversion rates for each group of CGUs are based on historical cash conversion rates. 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 Group operates adjusted for future expectations taking account of the current economic climate;

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(continued)

## 13. Goodwill (continued)

- Pre-tax rates reflect current market assessments of the time value of money and the risks specific to the Group as a whole. The pre-tax discount rates used are based on the Group's weighted average cost of capital, adjusted to reflect a risk premium specific to each group of CGUs. The Group's weighted average cost of capital is derived from a risk-free rate, a market risk premium, a risk adjustment (beta) and a cost of debt adjustment.
- The pre-tax discount rates used for the business units that have impairment charges are 13.0% for Aerospace & Defense West and East business units, 9.0% for Calibration & Testing – Nordics, 11.5% for Aerospace & Connected Technologies - Europe.
- The pre-tax discount rates used for the business units that have no impairment charges range between 11% to 13.5% (2019: 10% to 11%).

### Impairment charges

Due to decline in customer demand, the Group's business units serving Aerospace end markets have suffered adversely and this had a material impact on the forecasted revenue and EBITDA and an increase in the discount rate, due to changes in market uncertainty. As a result, the Group recognized an impairment charge of US \$275.8 million with respect to the following business units:

Impairment charges of US \$113.4 million and US \$70.8 million have been recognized in our Aerospace & Defense West and East business units, respectively, in the Americas region. The carrying value of goodwill after recognizing the impairment charges for Aerospace & Defense West and East are US \$129.8 million and US \$169.6 million as at 31 December 2020, respectively. Similarly, an impairment charge of US \$87.0 million has been recognized in our Aerospace & Connected Technologies - Europe business unit in the EMEA region. The carrying value of goodwill remaining at 31 December 2020 is US \$111.9 million. These impairment charges were recognized as a result of the global downturn and ongoing economic uncertainty in the Aerospace industry.

In addition to above an impairment charge of US \$4.6 million has been recognized in our Calibration & Testing - Nordics business unit in the EMEA region following the organizational restructuring of the Group's operations in FY20. Our Calibration & Testing business serves the Aerospace end market which has been adversely impacted by the Covid-19 pandemic as explained above. The residual carrying value of goodwill at 31 December 2020 is US \$45.5 million.

These impairment charges have been recorded in a separate line in the consolidated statement of profit or loss.

### Sensitivity to changes in assumptions

The Directors have conducted a sensitivity analysis against the cash flow projections which indicate that changes in key assumptions would reduce the calculated value in use to such a level that an additional charge could arise.

As a consequence of recognizing an impairment charge of US \$275.8 million, sensitivity analyses were conducted using the following key assumptions:

- Decreasing/increasing the long-term growth rate by 50 bps
- Increasing/decreasing the discount rate assumption by 50 bps
- Decreasing/increasing the revenue growth rate assumption by 50 bps

Applying the above long-term growth rate sensitivities in isolation to the cash flow forecasts would increase/(decrease) the impairment charge by US \$42.0 million/US \$(44.6) million. The impact of the decrease/increase in the long-term growth rate by business units is provided below:

- US \$11.0 million increase and US \$(13.0) million decrease in Aerospace & Defense West business unit in the Americas region
- US \$13.0 million increase and US \$(15.0) million decrease in Aerospace & Defense East business unit in the Americas region
- US \$11.0 million increase and US \$(12.0) million decrease in Aerospace & Connected Technologies - Europe business unit in EMEA region
- US \$7.0 million increase and no impairment charge recognized in Calibration & Testing – Nordics business unit in EMEA region

Applying the above discount rate sensitivities in isolation to the cash flow forecasts would increase/(decrease) the impairment charge by US \$57.0 million/US \$(58.6) million. The impact of the increase/decrease in the discount rate by business units is provided below:

- US \$15.0 million increase and US \$(17.0) million decrease in Aerospace & Defense West business unit in the Americas region
- US \$18.0 million increase and US \$(21.0) million decrease in Aerospace & Defense East business unit in the Americas region
- US \$15.0 million increase and US \$(16.0) million decrease in Aerospace & Connected Technologies - Europe business unit in EMEA region
- US \$9.0 million increase and no impairment charge recognized in Calibration & Testing – Nordics business unit in EMEA region

Applying the above revenue growth rate sensitivities in isolation to the cash flow forecasts would increase/(decrease) the impairment charge by US \$21.0 million/US \$(23.0) million. The impact of the increase/decrease in the discount rate by business units is provided below:

- US \$6.0 million increase and US \$(7.0) million decrease in Aerospace & Defense West business unit in the Americas region
- US \$7.0 million increase and US \$(7.0) million decrease in Aerospace & Defense East business unit in the Americas region
- US \$6.0 million increase and US \$(6.0) million decrease in Aerospace & Connected Technologies - Europe business unit in EMEA region
- US \$2.0 million increase and US \$(3.0) million decrease in Calibration & Testing – Nordics business unit in EMEA region

No impairment arises from a reasonable possible change in the key assumptions underlying the goodwill impairment review for the other business units. The carrying value of goodwill as at 31 December 2020 of the other business units are as follows: Life Sciences US \$187.2 million, Connected Technologies US \$118.7 million and Transportation & Industrials US \$115.2 million within the Americas region. Energy & Environmental – Europe US \$116.6 million, Fire & Building Products US \$151.6 million and Energy & Environmental – Middle East & Asia US \$38.2 million in the EMEA region.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(continued)

## 14. Other intangible assets

Cost	Customer relationships	Customer contracts	Technology know how & process	Trade names	Other	Total Acquisition Intangibles	Software & Computer licenses	Total US \$million
<b>As at 1 January 2019</b>	<b>716.7</b>	<b>9.2</b>	<b>184.9</b>	<b>20.6</b>	<b>0.8</b>	<b>932.2</b>	<b>12.8</b>	<b>945.0</b>
Acquisitions	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
<b>As at 31 December 2019</b>	<b>726.8</b>	<b>9.4</b>	<b>185.7</b>	<b>20.6</b>	<b>1.6</b>	<b>944.1</b>	<b>29.3</b>	<b>973.4</b>
Acquisition of a subsidiary (restated*)	47.8	-	12.7	0.4	2.0	62.9	1.4	64.3
<b>As at 1 January 2020</b>	<b>774.6</b>	<b>9.4</b>	<b>198.4</b>	<b>21.0</b>	<b>3.6</b>	<b>1,007.0</b>	<b>30.7</b>	<b>1,037.7</b>
Acquisitions (note 25)	10.0	0.1	3.4	0.1	0.7	14.3	-	14.3
Additions	-	-	-	-	-	-	1.8	1.8
Transfers from assets under construction	-	-	-	-	-	-	8.5	8.5
Disposals	(0.1)	-	-	-	-	(0.1)	(0.3)	(0.4)
Exchange movements	22.8	0.9	4.8	0.3	-	28.8	1.5	30.3
<b>As at 31 December 2020</b>	<b>807.3</b>	<b>10.4</b>	<b>206.6</b>	<b>21.4</b>	<b>4.3</b>	<b>1,050.0</b>	<b>42.2</b>	<b>1,092.2</b>
<b>Accumulated Amortization</b>								
<b>As at 1 January 2019</b>	<b>79.5</b>	<b>0.5</b>	<b>37.7</b>	<b>5.5</b>	<b>0.5</b>	<b>123.7</b>	<b>5.7</b>	<b>129.4</b>
Charge for the year	43.7	0.9	18.7	2.0	0.2	65.5	4.3	69.8
Disposals	-	-	-	-	-	-	(0.1)	(0.1)
Exchange movements	0.5	-	0.2	-	-	0.7	6.7	7.4
<b>As at 31 December 2019</b>	<b>123.7</b>	<b>1.4</b>	<b>56.6</b>	<b>7.5</b>	<b>0.7</b>	<b>189.9</b>	<b>16.6</b>	<b>206.5</b>
Charge for the year	50.4	1.1	20.7	2.5	0.9	75.6	9.3	84.9
Impairment charge	-	-	-	-	-	-	0.5	0.5
Disposals	-	-	-	-	-	-	(0.3)	(0.3)
Exchange movements	3.4	0.1	1.4	0.1	-	5.0	1.1	6.1
<b>As at 31 December 2020</b>	<b>177.5</b>	<b>2.6</b>	<b>78.7</b>	<b>10.1</b>	<b>1.6</b>	<b>270.5</b>	<b>27.2</b>	<b>297.7</b>
<b>Net book value</b>								
<b>As at 31 December 2019</b>	<b>650.9</b>	<b>8.0</b>	<b>141.8</b>	<b>13.5</b>	<b>2.9</b>	<b>817.1</b>	<b>14.1</b>	<b>831.2</b>
<b>As at 31 December 2020</b>	<b>629.8</b>	<b>7.8</b>	<b>127.9</b>	<b>11.3</b>	<b>2.7</b>	<b>779.5</b>	<b>15.0</b>	<b>794.5</b>

\* The 2019 intangibles is restated to reflect an adjustment to the final valuation of the acquisition of PC TEST Laboratories Inc completed on 30 December 2019, as detailed in note 25.

Amortization policy for each asset class is disclosed in note 2.7 and the impairment of assets policy is disclosed in note 2.8.

In the year the Group has determined US \$0.5 million (2019: nil) of software costs have no future economic benefit and on that basis were written off and disclosed as a separately disclosed item (note 4).

# 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
<b>As at 1 January 2019</b>	<b>52.4</b>	<b>32.4</b>	<b>238.0</b>	<b>25.5</b>	<b>348.3</b>
Acquisitions	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
<b>As at 31 December 2019</b>	<b>59.2</b>	<b>41.1</b>	<b>303.1</b>	<b>32.7</b>	<b>436.1</b>
Acquisition of a subsidiary (restated*)	9.1	(3.3)	5.2	-	11.0
<b>As at 1 January 2020</b>	<b>68.3</b>	<b>37.8</b>	<b>308.3</b>	<b>32.7</b>	<b>447.1</b>
Acquisitions (note 25)	-	1.2	3.1	-	4.3
Additions	1.2	3.9	25.7	24.9	55.7
Transfers	0.4	8.6	22.0	(31.0)	-
Transfers to intangible assets	-	-	-	(8.5)	(8.5)
Disposals	(0.9)	(0.9)	(10.1)	(4.5)	(16.4)
Exchange movements	2.2	1.3	13.6	0.3	17.4
<b>As at 31 December 2020</b>	<b>71.2</b>	<b>51.9</b>	<b>362.6</b>	<b>13.9</b>	<b>499.6</b>
<b>Accumulated Depreciation</b>					
<b>As at 1 January 2019</b>	<b>2.0</b>	<b>6.7</b>	<b>65.2</b>	<b>-</b>	<b>73.9</b>
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
<b>As at 31 December 2019</b>	<b>5.6</b>	<b>8.9</b>	<b>100.4</b>	<b>-</b>	<b>114.9</b>
Charge for the year	1.6	5.7	44.7	-	52.0
Disposals	(0.7)	(0.6)	(8.3)	-	(9.6)
Impairment charge	-	-	4.5	-	4.5
Exchange movements	0.9	0.7	9.3	-	10.9
<b>As at 31 December 2020</b>	<b>7.4</b>	<b>14.7</b>	<b>150.6</b>	<b>-</b>	<b>172.7</b>
<b>Net book value</b>					
<b>As at 31 December 2019</b>	<b>62.7</b>	<b>28.9</b>	<b>207.9</b>	<b>32.7</b>	<b>332.2</b>
<b>As at 31 December 2020</b>	<b>63.8</b>	<b>37.2</b>	<b>212.0</b>	<b>13.9</b>	<b>326.9</b>

\* The 2019 property, plant and equipment is restated to reflect an adjustment to the final valuation of the acquisition of PC TEST Laboratories Inc completed on 30 December 2019, as detailed in note 25.

The depreciation policy for each asset class is disclosed in note 2.12 and the impairment of assets policy is disclosed in note 2.8.

In response to a triggering event the Group performed an analysis of future cash flows associated with a machinery and equipment located in one of its laboratories based in the US and potential impairment of it. The circumstances indicating impairment of the equipment is related to hardware damage sustained during the installation as well as issues related to software configuration. These factors impacted the expected cash flows associated with the equipment which have been included in the analysis of the recoverable value (calculated on a value in use basis). As at 31 December 2020, the estimated value in use of the machinery and equipment was nil which resulted in the Group recording an impairment charge of US \$4.5 million (2019: nil). The impairment charge was expensed as a separately disclosed item (note 4) for the year ended 31 December 2020.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(continued)

## 16. Investments

	Total US \$million
<b>At 1 January 2020</b>	-
Additions	1.0
Exchange movements	-
<b>As at 31 December 2020</b>	<b>1.0</b>

During the year the Group acquired a 20% shareholding in Plastometrex Limited, a company incorporated in the United Kingdom. At 31 December 2020, \$0.3 million is outstanding and was paid subsequent to year end in January 2021. The investment is accounted for as an interest in associate using the equity method and has a carrying value of US \$1.0 million.

The Group has the option to acquire a further 10% of the ordinary shares of Plastometrex Limited. The option period ends in January 2022. At the date of signing these financial statements no amounts have been recognized as a financial asset or liability with respect to the option.

## 17. Government grants

	2020 US \$million	2019 US \$million
<b>At 1 January</b>	<b>4.2</b>	<b>3.9</b>
Amount earned in the year	0.3	1.6
Utilized during the year	(0.6)	(1.5)
Exchange movements	-	0.2
<b>As at 31 December</b>	<b>3.9</b>	<b>4.2</b>
<b>Included in:</b>		
Current liabilities	(1.4)	(1.4)
Non-current assets	5.3	5.6
<b>As at 31 December</b>	<b>3.9</b>	<b>4.2</b>

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.

The Group has applied for government subsidies in certain countries for which a scheme has been put in place to subsidize employment costs due to the Covid-19 pandemic. This government grant income recognized for the year amount to US \$8.8 million (2019: nil), of which US \$8.5 million is presented as a deduction of salaries and wages expenses. Conditions attached to the grants differ from one country to another and the Group recognizes the grant income only when those conditions are met.

Covid-19 government grants receivable recognized in the statement of financial position is US \$0.5 million (2019: nil) and represent amounts due from various country governments in 2021. These are classified within other receivables.

## 18. Trade receivables and other receivables

	2020 US \$million	2019 US \$million
Trade receivables	147.3	163.5
Prepayments	19.1	18.6
Other receivables	3.9	14.7
<b>As at 31 December</b>	<b>170.3</b>	<b>196.8</b>

The Group measures the loss allowance for trade receivables 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.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(continued)

## 18. Trade receivables and other receivables (continued)

The aging of trade receivables not impaired is as follows:	2020 US \$million	2019 US \$million
Not past due	94.5	93.3
Past due 0-30 days	25.6	37.2
Past due 31-60 days	12.1	14.8
Past due 61-90 days	6.3	6.6
Past due 90 days	11.8	14.2
Less: expected credit loss	(3.0)	(2.6)
<b>Total</b>	<b>147.3</b>	<b>163.5</b>

Receivables split by currency is as follows:	2020 US \$million	2019 US \$million
U.S. Dollar	66.6	80.4
Pound Sterling	25.0	25.4
Euro	18.2	18.1
Canadian Dollars	7.2	8.5
Swedish Krona	9.4	7.8
Other currencies	20.9	23.3
<b>Total</b>	<b>147.3</b>	<b>163.5</b>

Movements in the expected credit loss	2020 US \$million	2019 US \$million
<b>At 1 January</b>	<b>2.6</b>	<b>3.3</b>
Reversal of expected credit losses during the year	(0.8)	(0.9)
Increase in expected credit loss during the year	3.2	0.5
Acquisitions	0.3	-
Receivables written off during the year as uncollectable	(2.3)	(0.3)
<b>Total</b>	<b>3.0</b>	<b>2.6</b>

## 19. Cash and cash equivalents

	2020 US \$million	2019 US \$million
U.S. Dollar	87.4	22.1
Euro	11.9	10.9
Pound Sterling	11.4	9.1
Saudi Arabian Riyal	5.0	4.8
Other currencies	25.4	19.6
<b>Total</b>	<b>141.1</b>	<b>66.5</b>

## 20. Other payables

Current	2020 US \$million	2019 Restated (note 2.29) US \$million
Accrued bonuses, wages and personnel costs	31.5	28.6
Other accrued liabilities	45.2	37.4
Contract liabilities	14.0	10.0
Customer deposits	5.5	1.8
<b>Total</b>	<b>96.2</b>	<b>77.8</b>

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

Non-Current	2020 US \$million	2019 US \$million
Other liabilities	7.8	7.8
<b>Total</b>	<b>7.8</b>	<b>7.8</b>

US \$6.4 million (2019: US \$7.2 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)

## 21. Provisions

	Dilapidation provisions	Other Provisions	Total US \$million
<b>As at 1 January 2019</b>	<b>22.6</b>	<b>5.5</b>	<b>28.1</b>
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
<b>As at 31 December 2019</b>	<b>20.5</b>	<b>5.5</b>	<b>26.0</b>
Acquisition of a subsidiary (restated*)	0.5	0.2	0.7
<b>As at 1 January 2020</b>	<b>21.0</b>	<b>5.7</b>	<b>26.7</b>
Acquisitions (note 25)	0.4	-	0.4
Additions	14.6	4.7	19.3
Utilized during the year	(2.9)	(1.6)	(4.5)
Exchange movements	0.5	-	0.5
<b>As at 31 December 2020</b>	<b>33.6</b>	<b>8.8</b>	<b>42.4</b>
<b>Included in:</b>			
Current liabilities	5.6	4.1	9.7
Non-current liabilities	15.4	1.6	17.0
<b>As at 31 December 2019</b>	<b>21.0</b>	<b>5.7</b>	<b>26.7</b>
<b>Included in:</b>			
Current liabilities	3.7	5.9	9.6
Non-current liabilities	29.9	2.9	32.8
<b>As at 31 December 2020</b>	<b>33.6</b>	<b>8.8</b>	<b>42.4</b>

\* The 2019 provisions are restated to reflect an adjustment to the final valuation of the acquisition of PC TEST Laboratories Inc completed on 30 December 2019, as detailed in note 25.

### Dilapidation provision

The dilapidation provisions represent management's best estimate of restoration costs with respect to leased properties for which a present obligation exists and a reliable estimate can be made. As at 31 December 2020, the dilapidation provisions increased to US \$33.6 million (2019: US \$21.0 million). The additional liability recognized in the year is partly due to new leases including those acquired during the year as described in Note 25 and foreign exchange movements. There is also an increase as a result of a general increase in management's best estimate of which leases will lead to restoration expenditure and the market rates in the countries the Group currently operates in which have been used to estimate the eventual cash outflows. Given the nature of the provision, it is not possible to estimate the exact timing of cash flows but the lease liability maturity analysis in note 27 is indicative of the likely approximate timing of utilization of the dilapidations provision.

### Other provisions

Included in other provisions, US \$4.0 million (2019: US \$2.5 million) relates to restructuring provision, US \$3.1 million (2019 US \$1.6 million) relates to legal provisions and the remaining US \$1.7 million (2019: 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 layering 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 of the statement of financial position date.

### 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)

## 22. Interest bearing loans and borrowings

Type	2020			2019		
	Current	Non-Current	Total US \$million	Current	Non-Current	Total US \$million
Term B loan	8.7	1,509.1	1,517.8	7.7	1,270.0	1,277.7
Loan notes	-	556.7	556.7	-	463.9	463.9
Second lien loan	-	259.0	259.0	-	259.0	259.0
Capex/acquisition and revolving credit facility	85.0	-	85.0	169.0	-	169.0
Deferred financing costs	(7.2)	(23.6)	(30.8)	(6.4)	(28.9)	(35.3)
<b>Interest bearing loans and borrowings</b>	<b>86.5</b>	<b>2,301.2</b>	<b>2,387.7</b>	<b>170.3</b>	<b>1,964.0</b>	<b>2,134.3</b>
Priority A shares	-	606.8	606.8	-	546.6	546.6
Priority B shares	-	296.8	296.8	-	266.5	266.5
<b>Priority shares</b>	<b>-</b>	<b>903.6</b>	<b>903.6</b>	<b>-</b>	<b>813.1</b>	<b>813.1</b>
<b>Total</b>	<b>86.5</b>	<b>3,204.8</b>	<b>3,291.3</b>	<b>170.3</b>	<b>2,777.1</b>	<b>2,947.4</b>

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

### Bank loans

#### 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 repayment of 1% of the original principal 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 2020 is US \$746.9 million (2019: US \$754.6 million).
- A further US \$100 million was raised on 23 January 2020 and was an extension to the original draw down with the interest and repayment terms remaining unchanged. The outstanding principal as at 31 December 2020 is US \$99.0 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 2020, the outstanding GBP loan is US \$215.1 million (2019: US \$208.0 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 EUR €70.2m and EUR €90.0 million were raised on 14 December 2019 and 23 January 2020, respectively. The additional funding were extensions to the original draw down with the interest and repayment terms remaining unchanged.
- As at 31 December 2020, the total amount outstanding on EUR loan is US \$456.8 million (2019: US \$315.1 million). The residual movement year on year is due to foreign exchange.

#### 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%.
- A further US \$39.0 million was raised on 24 December 2019 and was an extension to the original draw down with the interest and repayment terms remaining unchanged.
- As at 31 December 2020, the total amount outstanding on the Second lien loan is US \$259.0 million (2019: US \$259.0 million).

#### Capex/acquisition and revolving credit facilities

The Group successfully completed a refinancing of its existing debt structure in January 2020. As a result, the Group repaid all amounts on the capex/acquisition and revolving credit facilities which were outstanding on 23 January 2020. The amounts repaid were as follows:

#### Capex/acquisition:

- GBP £9.0 million drawn on 23 May 2019 was repaid for US \$11.7 million
- US \$10.0 million drawn on 19 July 2019 was repaid for US \$10.0 million
- US \$15.0 million drawn on 30 September 2019 was repaid for US \$15.0 million
- US \$100.0 million drawn on 24 December 2019 was repaid for US \$100.0 million

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(continued)

## 22. Interest bearing loans and borrowings (continued)

### Revolving credit facility:

- US \$10.0 million drawn on 28 June 2019 was repaid for US \$10.0 million
- GBP £20 million drawn on 30 September 2019 was repaid for US \$2.6 million
- EUR €2.3 million drawn on 30 September 2019 was repaid for US \$2.5 million
- EUR €8.2 million drawn on 28 November 2019 was repaid for US \$9.1 million
- GBP £6.2 million drawn on 3 December 2019 was repaid for US \$8.1 million

Further to the repayments, a series of drawdowns were made on the capex/acquisition and revolving credit facilities during 2020 which in part remain unpaid as at 31 December 2020. 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:

- US \$5.0 million was drawn on 20 March 2020. At 31 December 2020, the outstanding amount is US \$5.0 million
- US \$72.0 million was drawn on 23 July 2020. At 31 December 2020, the outstanding amount is US \$46.0 million after the repayment of US \$26.0 million in September 2020

### Revolving credit facility:

- US \$34.0 million was drawn on 20 March 2020. At 31 December 2020, the outstanding amount is US \$34.0 million

### Loan notes

The US \$220.0 million unsecured redeemable loan notes 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 interest of 11 per cent per annum. The loan notes were listed on The International Stock Exchange (TISE) on 20 March 2017. Of the US \$220.0 million loan notes that were originally issued total principal of US \$194.1 million has been repaid in 2018 and 2019 in addition to the accrued interest owed at the point of repayment. At 31 December 2020 US \$25.9 million principal (2019: \$25.9 million) is outstanding with total accrued interest of US \$16.8 million (2019: US \$12.5 million).

The Group issued US \$2.1 million unsecured redeemable loan notes on 6 April 2020 at an issue price of US \$1 per note which are redeemable on 2 January 2022 at par value plus all rolled up interest of 8 per cent annum. The loans were issued for non-cash consideration and were in exchange for the buyback of shares. At 31 December 2020 US \$2.2 million is outstanding with the movement in the year due to interest accrued of US \$0.1 million.

The Group issued US \$1.1 million unsecured redeemable loan notes on 13 November 2020 at an issue price of US \$1 per note which are redeemable on 13 November 2030 at par value plus all rolled-up interest of 5 per cent annum. The loans were issued for non-cash consideration and were in exchange for the buyback of shares. At 31 December 2020 US \$1.1 million is outstanding with the movement in the year.

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. Total amount outstanding as at 31 December 2020 was US \$510.8 million (2019: US \$425.5 million). The change in the year relates to interest accrued of US \$39.7 million and the residual is due to foreign exchange movements.

### 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 2020 was US \$238.6 million (2019: US \$178.4 million). 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. On 30 January 2020 priority B shares of US \$0.7 million were issued. Total proceeds from share issuances in the year were US \$0.7 million.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(continued)

## 22. Interest bearing loans and borrowings (continued)

The shares carry 11 per cent interest per annum and are redeemable on 22 March 2026. Total interest accrued to 31 December 2020 was US \$88.6 million (2019: US \$59.0 million). The priority B shares do not carry voting rights.

### Analysis of debt movement

	At 1 January 2020	Cash movements	Non-cash movements	At 31 December 2020
Term B loan	1,277.7	191.2	48.9	1,517.8
Loan notes	463.9	-	92.8	556.7
Second lien loan	259.0	-	-	259.0
Capex/acquisition and revolving credit facilities	169.0	(84.0)	-	85.0
Deferred financing costs	(35.3)	-	4.5	(30.8)
<b>Interest bearing loans and borrowings</b>	<b>2,134.3</b>	<b>107.2</b>	<b>146.2</b>	<b>2,387.7</b>
Priority A shares	546.6	-	60.2	606.8
Priority B shares	266.5	0.7	29.6	296.8
<b>Priority shares</b>	<b>813.1</b>	<b>0.7</b>	<b>89.8</b>	<b>903.6</b>
<b>Total</b>	<b>2,947.4</b>	<b>107.9</b>	<b>236.0</b>	<b>3,291.3</b>

### Analysis of borrowings by currency:

	GBP	EUR	USD	Total US \$million
Redeemable cumulative priority shares	-	-	903.6	903.6
Second lien loan (net of deferred financing costs)	-	-	254.3	254.3
Term B loan (net of deferred financing costs)	213.1	452.9	836.5	1,502.5
Loan notes (net of deferred financing costs)	-	500.0	45.9	545.9
Capex/acquisition and revolving credit facility	-	-	85.0	85.0
<b>As at 31 December 2020</b>	<b>213.1</b>	<b>952.9</b>	<b>2,125.3</b>	<b>3,291.3</b>

	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
<b>As at 31 December 2019</b>	<b>227.8</b>	<b>735.3</b>	<b>1,984.4</b>	<b>2,947.5</b>

### Analysis of undrawn borrowings under the Senior Facilities Agreement (SFA):

	2020 US \$million	2019 US \$million
Capex/acquisition	149.0	63.8
Revolving credit facility	53.0	55.1
<b>Total</b>	<b>202.0</b>	<b>118.9</b>

The available undrawn facilities are multi-currency.

At 31 December 2020, the Group has a US \$13.0 million (2019: US \$13.0 million) letter of credit outstanding (refer to note 33).

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

	2020 %	2019 %
Priority shares	11.0	11.0
Loans notes	11.2	9.1
Bank loans	5.4	6.4

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(continued)

## 23. Deferred and contingent consideration

	Total US \$million
<b>As at 1 January 2019</b>	<b>15.0</b>
Acquisitions	15.3
Fair value re-measurement	(0.6)
Payment of deferred and contingent consideration	(12.3)
Exchange movements	(0.1)
<b>As at 31 December 2019</b>	<b>17.3</b>
Acquisition of a subsidiary (restated*)	(6.8)
<b>As at 1 January 2020</b>	<b>10.5</b>
Acquisitions (notes 16, 25)	0.3
Payment of deferred and contingent consideration	(1.7)
Exchange movements	0.1
<b>As at 31 December 2020</b>	<b>9.2</b>
<b>Included in:</b>	<b>US \$million</b>
Current liabilities	2.3
Non-current liabilities	8.2
<b>As at 31 December 2019 (restated note 2.29)</b>	<b>10.5</b>
Current liabilities	9.2
Non-current liabilities	-
<b>As at 31 December 2020</b>	<b>9.2</b>

\* The 2019 deferred and contingent consideration is restated to reflect an adjustment to the final purchase price of the acquisition of PC TEST Laboratories Inc completed on 30 December 2019, as detailed in note 25.

The fair value of the contingent consideration determined at 31 December 2020 is the present value of expected future cash flows based on the latest forecasts of future performance. Changes to the original present value of the expected future cash flows are recognized in the consolidated statement of profit or loss.

Included within deferred consideration as at 31 December 2019 which was paid in 2020 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 was paid in September 2020 and settled at US \$0.8 million.

The consideration to acquire the assets of Midwest Testing Laboratories Inc included contingent consideration of US \$0.3 million which was paid in full in January 2020.

Included within deferred consideration as remaining as at 31 December 2020 is the following:

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 fair value of the contingent consideration was US \$0.7 million as at 31 December 2020 (2019: US \$1.3 million). During the year US \$0.6 million contingent consideration was paid. The Group renegotiated the timing of the remaining consideration which is payable in 2021.

The consideration to acquire PC TEST 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 fair value of the contingent consideration is US \$8.2 million (2019 restated: US \$8.2 million). The amount was paid in full subsequent to year end in April 2021.

US \$0.3 million of the US \$1.0 million consideration to acquire a minority shareholding in Plastometrex Limited remained outstanding as at 31 December 2020. The outstanding deferred consideration has been paid in January 2021.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(continued)

## 24. 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 global 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

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.

The following tables present the Group's assets and liabilities that are measured at fair value:

Financial assets / (Financial liabilities)	Fair value hierarchy	Fair value as at 31 December		Carrying amount as at 31 December	
		31 December 2020	Restated (note 2.29) 31 December 2019	31 December 2020	Restated (note 2.29) 31 December 2019
Contingent consideration in a business combination	Level 3	(9.2)	(10.5)	(9.2)	(10.5)
Interest rate caps	Level 2	-	(1.3)	-	(1.3)

At 31 December 2020 and 31 December 2019, 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 2020, 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 2020 and 31 December 2019, 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 – discounting the expected future cash flows at prevailing interest rates.

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:

### Credit risk

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)

## 24. 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. The Group actively monitors concentration of credit risk whereby no customer represents greater than 10% of total trade receivables throughout the year. The Group's exposure and the credit ratings of its counterparties 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 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 Group are deemed immaterial.

Group rating	Gross exposure US \$million	Loss allowance US \$million	Net Exposure US \$million
1	94.5	-	94.5
2	25.6	-	25.6
3	12.1	-	12.1
4	6.3	-	6.3
5	11.8	(3.0)	8.8
<b>Total</b>	<b>150.3</b>	<b>(3.0)</b>	<b>147.3</b>

## 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 2020, the Group had credit facilities of US \$2,063.8 million (2019: US \$1,824.6 million), of which US \$1,861.8 million (2019: US \$1,705.7 million) had been drawn down leaving US \$202.0 million (2019: US \$118.9 million) undrawn facility available under the Senior Facilities Agreement (SFA). The Group held cash of US \$141.1 million (2019: US \$66.5 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.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(continued)

## 24. Financial instruments (continued)

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 statement of financial position 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	8.7	8.7	8.7	1,750.7	-	1,776.8
Capex/acquisition and revolving credit facility	85.0	-	-	-	-	85.0
Trade payables	24.3	-	-	-	-	24.3
Other payables	96.2	-	-	-	7.8	104.0
Loan notes	-	3.3	-	-	553.4	556.7
Priority shares	-	-	-	-	903.6	903.6
Lease liabilities	28.6	22.0	17.1	25.8	51.9	145.4
<b>As at 31 December 2020</b>	<b>242.8</b>	<b>34.0</b>	<b>25.8</b>	<b>1,776.5</b>	<b>1,516.7</b>	<b>3,595.8</b>
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	77.8	-	-	-	7.8	85.6
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
<b>As at 31 December 2019 (restated note 2.29)</b>	<b>314.2</b>	<b>30.5</b>	<b>25.3</b>	<b>1,537.2</b>	<b>1,320.0</b>	<b>3,227.2</b>

## 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.

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

## Interest rate risk

The Group is exposed to interest rate risks on its secured bank loans (note 22). Management closely monitors the market changes in interest rates and any potential impact the changes have on its ability to service its debt facility.

In addition to the available cash and cash from operations, the Group uses short and long-term debt to finance business activities. Interest rates on bank borrowings range between 3.09% and 8.92% (2019: 0.67% - 9.82%). The Group is exposed to interest rate risk on its debt obligations.

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

	2020 US \$million	2019 US \$million
<b>Asset</b>		
Asset (U.S. Dollar interest rate cap)	-	-
<b>Liability</b>		
Liability (GBP interest rate cap)	-	(0.2)
Liability (USD interest rate cap)	-	(1.0)
Liability (EUR interest rate cap)	-	(0.1)
<b>Total</b>	<b>-</b>	<b>(1.3)</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(continued)

### 24. Financial instruments (continued)

The interest rate caps fixed the net interest rate payable and matured on 30 September 2020. The Group did not designate these derivatives as hedging instruments. Therefore, the change in the fair value of the derivatives is recognized in consolidated statement of profit or loss.

#### Foreign currency risk

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 over 30 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 Group.

#### Capital 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 balances. The Group's overall strategy remains unchanged.

The capital structure of the Group consists of net debt (borrowings disclosed in note 22 after deducting cash and bank cash equivalents) 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. As part of this review, the Group consider the cost of capital and the risks associated with each class of capital.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(continued)

## 25. Business Combinations

The primary strategic reasons for the following acquisitions and key benefits to the Group are set out on pages 46 to 49.

### Analytical Laboratory Group Inc

On 24 July 2020, the Group acquired 100% of the voting share capital of Analytical Laboratory Group Inc in the United States. Total consideration was US \$90.0 million consisting of US \$92.5 million paid in cash, net of cash acquired of US \$2.5 million.

Acquisition expenses of US \$1.2 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.

	Book value US \$million	Fair value US \$million
<b>Analytical Laboratory Group Inc</b>		
Intangible assets	-	14.1
Property, plant and equipment	4.4	4.3
Right of use asset	2.5	2.5
Trade and other receivables	5.5	5.2
Trade and other payables	(7.7)	(8.2)
Deferred tax	2.3	4.7
<b>Net assets acquired</b>	<b>7.0</b>	<b>22.6</b>
Goodwill		67.4
		<b>90.0</b>
Satisfied by:		
Cash paid		92.5
Cash acquired		(2.5)
<b>Total consideration</b>		<b>90.0</b>

From the date of acquisition to 31 December 2020, Analytical Laboratory Group Inc contributed US \$15.7 million to revenue and US \$6.5 million to profit before tax. If the acquisition had been made at the beginning of the financial year, the business would have contributed US \$29.8 million to revenue, US \$4.6 million to profit before tax and US \$10.4 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 acquired intangible assets and associated deferred tax liability. 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. There is no tax-deductible goodwill on this acquisition.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(continued)

## 25. Business Combinations (continued)

### PC Test Engineering Laboratory Inc

On 30 December 2019, the Group acquired 100% of the voting share capital of PC Test Engineering Laboratory Inc in the United States. Total consideration was US \$198.1 million consisting of US \$177.0 million paid in cash, US \$8.2 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 \$5.3 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	65.8
Property, plant and equipment	28.0	39.0
Right of use asset	1.5	1.5
Trade and other receivables	4.8	4.7
Contract assets	7.2	7.2
Trade and other payables	(5.4)	(6.5)
Deferred tax	-	(4.0)
<b>Net assets acquired</b>	<b>37.6</b>	<b>107.7</b>
Goodwill		90.4
		<b>198.1</b>
Satisfied by:		
Cash paid (net of US \$9.5 million escrow funds)		177.0
Shares issued		15.0
Contingent consideration		8.2
Cash acquired		(2.1)
<b>Total consideration</b>		<b>198.1</b>

The net assets recognized in the 31 December 2019 financial statements were based on a provisional assessment of their fair value while the Group sought an independent valuation of the intangible assets and property, plant and equipment (PPE). The valuation had not been completed by the date the 2019 financial statements were approved for issue by the Board of Directors.

In 2020, the valuation was completed, and the acquisition date fair value of the property, plant and equipment was US \$39.0 million, an increase of US \$11.2 million over the provisional value. The 2020 valuation also identified acquired intangible assets with a fair value of US \$65.8 million, an increase of US \$64.3 million from book value. As a result, a deferred tax liability of US \$4.0 million has been recognized. Further, the fair value of consideration payable has reduced by US \$6.7 million bringing the total consideration to US \$198.1 million (provisional: US \$204.7 million).

A corresponding reduction in the goodwill of US \$76.7 million has been recognized as a result of the above fair value adjustments. The final total goodwill arising on acquisition after the valuation is US \$90.4 million versus the 2019 provisional goodwill of US \$167.1 million.

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. Tax-deductible goodwill on this acquisition is US \$74.0 million. The 2019 comparative information has been restated to reflect the adjustment to the provisional amounts.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(continued)

## 26. 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 and Germany, 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 when employees have rendered service entitling them to the contributions. The total employee benefit expense recognized in 2020 was US \$13.2 million (2019: US \$13.6 million). The Group made US \$12.7 million (note 10) payment to defined contribution plans in 2020 (2019: US \$13.2 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. 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 Scheme is subject to a full actuarial valuation every three years using assumptions agreed between the Trustee and the Group management. The purpose of this valuation is to design a funding plan to ensure that the pension scheme has sufficient funds available to meet future benefit payments. The most recent valuation was carried out by an independent professionally qualified actuary as at 31 December 2016 and revealed a funding deficit of GBP £22.6 million (US \$30.0 million). The Group agreed to pay monthly contributions of GBP £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 2020, the Group made contributions of US \$2.3 million to the UK scheme (2019: US \$7.5 million). The Group expects to make contributions of US \$2.9 million in 2021.

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 triennial actuarial valuation as at 31 December 2019 is currently in progress and expected to be completed during 2021. The Group and the Trustees have agreed the actuarial assumptions in principle and the outcome is expected to show an improvement compared to the 2016 actuarial valuation. These actuarial valuations are carried out in accordance with the requirements the Pensions Act 2004 and so include deliberate margins of prudence. This contrasts with these accounting disclosures, of which are determined using best estimate assumptions.

As part of the ongoing triennial actuarial valuation of the scheme, underlying membership data has been updated as at 31 December 2020. Pension commitments recognized in these financial statements have been calculated based on that updated membership data.

The liabilities of the Scheme are based on the current value of expected benefit payment cashflows to members of the Scheme. On the chosen IAS 19 assumptions the average duration of the liabilities to the beneficiaries at 31 December 2020 is approximately 19 years (31 December 2019: 19 years).

During 2020 the defined benefit pension scheme in the Netherlands has been closed with all outstanding liabilities settled as at 31 December 2020. No further amounts are to be accrued related to this scheme with final settlement amounts paid to its members. No gain or loss was recognized on closure of the scheme.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(continued)

## 26. Retirement benefit obligations (continued)

### Total pension cost

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

	2020 US \$million	2019 US \$million
<b>Defined benefit schemes</b>		
Defined benefit scheme – current service cost	0.4	0.4
Defined benefit scheme – past service cost (GMP equalization cost)	0.1	-
Net pension interest cost	0.2	0.3
<b>Total pension cost</b>	<b>0.7</b>	<b>0.7</b>

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

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

	2020 US \$million	2019 US \$million
Cumulative losses at 1 January	(5.2)	(0.5)
Recognized gain/(loss) in the year	0.6	(4.6)
<b>Cumulative loss as at 31 December</b>	<b>(4.6)</b>	<b>(5.1)</b>

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

	2020 US \$million	2019 US \$million
Net remeasurement – financial	5.7	10.6
Net remeasurement – demographic	0.3	(0.5)
Net remeasurement – experience	(1.1)	0.2
Return on assets – excluding interest income	(5.5)	(5.7)
<b>Total remeasurement of the net defined liability shown in the group statement of other comprehensive income</b>	<b>(0.6)</b>	<b>4.6</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(continued)

## 26. Retirement benefit obligation (continued)

### Employer contributions

In 2020, the Group made contributions of US \$2.9 million (2019: US \$7.5 million) to the UK pension scheme of which US \$2.3 million relates to the UK scheme. The triennial actuarial valuation as at 31 December 2019 is currently in progress and therefore contributions in 2021 have not been agreed yet.

### Pension liability for defined benefit schemes

The amounts recognized in the statement of financial position for defined benefit schemes were as follows:

	2020 US \$million	2019 US \$million
Fair value of scheme assets	81.0	71.5
Present value of funded defined benefit obligations	(90.1)	(83.1)
<b>Net liability in the statement of financial position</b>	<b>(9.1)</b>	<b>(11.6)</b>

The fair value changes in the schemes are shown below:

	Fair value of plan assets 2020	Defined benefit obligation 2020	Total US \$million
<b>As at 1 January 2020</b>	<b>71.5</b>	<b>(83.1)</b>	<b>(11.6)</b>
Current service cost	-	(0.4)	(0.4)
Past service cost	-	(0.1)	(0.1)
Net interest cost	1.4	(1.5)	(0.1)
Actuarial gains / (losses)	5.4	(4.8)	0.6
Contributions by the employer	2.9	-	2.9
Benefits paid	(3.4)	3.4	-
Closure of foreign jurisdiction scheme	-	0.3	0.3
Effect of exchange rate changes	3.2	(3.9)	(0.7)
<b>As at 31 December 2020</b>	<b>81.0</b>	<b>(90.1)</b>	<b>(9.1)</b>

	Fair value of plan assets 2019	Defined benefit obligation 2019	Total US \$million
<b>As at 1 January 2019</b>	<b>58.5</b>	<b>(72.6)</b>	<b>(14.1)</b>
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
<b>As at 31 December 2019</b>	<b>71.5</b>	<b>(83.1)</b>	<b>(11.6)</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(continued)

## 26. Retirement benefit obligation (continued)

Composition of scheme assets in each category:

	UK scheme 2020 US \$million	Sweden scheme 2020 US \$million
Equities	36.3	1.7
Bonds	9.0	3.7
Property	12.0	-
LDI	17.6	-
Structured products	-	0.5
Cash	0.1	0.1
	<b>75.0</b>	<b>6.0</b>

	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	-
	<b>67.0</b>	<b>4.5</b>

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

The actual return on scheme assets was as follows:

	UK scheme 2020 US \$million	Sweden scheme 2020 US \$million
Actual return	(5.3)	(0.1)

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

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

	UK schemes 2020 US \$million	Sweden scheme 2020 US \$million	Germany scheme 2020 US \$million
Present value of funded defined benefit obligations	(76.5)	(12.6)	(0.5)
Present value of unfunded defined benefit obligations	-	-	(0.5)
Fair value of scheme assets	75.0	6.0	-
<b>Net defined benefit obligation</b>	<b>(1.5)</b>	<b>(6.6)</b>	<b>(1.0)</b>

	UK schemes 2019 US \$million	Sweden scheme 2019 US \$million	Germany 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	-
<b>Net defined benefit obligation</b>	<b>(4.1)</b>	<b>(6.1)</b>	<b>(1.4)</b>



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(continued)

## 26. Retirement benefit obligation (continued)

Principal actuarial assumptions:

	UK schemes 2020 US \$million	Sweden scheme 2020 US \$million	Germany scheme 2020 US \$million
Discount rate	1.5%	1.1%	1.0%
Inflation rate	2.8%	1.5%	2.0%
Rate of salary increases	0.0%	1.7%	2.0%
Life expectancy for pensioners at the age of 65 (years):			
Male	21.7	22.0	20.3
Female	23.7	24.0	23.8

	UK schemes 2019 US \$million	Sweden scheme 2019 US \$million	Germany 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

Changes in significant assumptions and the impact on the defined benefit obligations at 31 December 2020 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
<b>Assumptions</b>				
Inflation rate	(2.0)	2.0	(0.9)	0.8
Discount rate	3.0	(3.0)	1.1	(1.2)
Rate of salary increase	n/a	n/a	0.4	(0.3)
	<b>Increase by one year US \$million</b>	<b>Decrease by one year US \$million</b>	<b>Increase by one year US \$million</b>	<b>Decrease by one year US \$million</b>
Assumed life expectancy at age 65	2.7	n/a	0.5	(0.5)

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
<b>Assumptions</b>				
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)
	<b>Increase by one year US \$million</b>	<b>Decrease by one year US \$million</b>	<b>Increase by one year US \$million</b>	<b>Decrease by one year US \$million</b>
Assumed life expectancy at age 65	2.5	n/a	0.4	(0.4)

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)

## 27. Lease arrangements

Right of use asset	Property	Non-property	Total US \$million
<b>Cost</b>			
<b>As at 1 January 2019</b>	<b>109.1</b>	<b>10.5</b>	<b>119.6</b>
Acquisitions	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)
<b>As at 31 December 2019</b>	<b>120.5</b>	<b>11.2</b>	<b>131.7</b>
Acquisitions (note 25)	2.2	0.3	2.5
Additions	48.6	2.2	50.8
Expiry	(6.6)	(3.4)	(10.0)
Exchange movements	5.6	0.4	6.0
<b>As at 31 December 2020</b>	<b>170.3</b>	<b>10.7</b>	<b>181.0</b>
<b>Accumulated Depreciation</b>			
<b>As at 1 January 2019</b>	<b>41.7</b>	<b>4.6</b>	<b>46.3</b>
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
<b>As at 31 December 2019</b>	<b>54.6</b>	<b>5.2</b>	<b>59.8</b>
Charge for the year	16.4	3.4	19.8
Expiry	(3.5)	(3.4)	(6.9)
Exchange movements	2.0	0.2	2.2
Impairment	0.5	-	0.5
Impairment reversal	(0.6)	-	(0.6)
<b>As at 31 December 2020</b>	<b>69.4</b>	<b>5.4</b>	<b>74.8</b>
<b>Net book value</b>			
<b>As at 31 December 2019</b>	<b>65.9</b>	<b>6.0</b>	<b>71.9</b>
<b>As at 31 December 2020</b>	<b>100.9</b>	<b>5.3</b>	<b>106.2</b>
<b>Lease Liabilities</b>		<b>2020 US \$million</b>	<b>2019 US \$million</b>
<b>Current</b>			
Property		19.1	17.3
Non-property		2.5	2.7
		<b>21.6</b>	<b>20.0</b>
<b>Non-current</b>			
Property		87.6	73.6
Non-property		2.3	2.9
		<b>89.9</b>	<b>76.5</b>
<b>Total</b>			
Property		106.7	90.9
Non-property		4.8	5.6
		<b>111.5</b>	<b>96.5</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(continued)

## 27. Lease arrangements (continued)

Lease Liabilities	Within 1 year	2 - 5 years	5+ years	Total US \$million
Property	19.1	46.2	41.4	106.7
Non-property	2.5	2.3	-	4.8
<b>31 December 2020</b>	<b>21.6</b>	<b>48.5</b>	<b>41.4</b>	<b>111.5</b>

Interest expense on the lease liabilities recognized within finance costs was US \$7.4 million (2019: US \$7.8 million). As at 31 December 2020, there were no leases which the Group was committed to with future cash flows (2019: US \$2.0 million discounted to present value) which have not been accounted for.

There are five properties that are vacant and are actively being marketed as at 31 December 2020. As these properties were vacant as at 31 December 2020 and not expected to generate any future revenue, management have recognized a US \$0.5 million impairment charge (2019: US \$3.0 million).

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	2020 US \$million	2019 US \$million
Income recognized in relation to lease receivables	1.2	1.0
<b>Total</b>	<b>1.2</b>	<b>1.0</b>

## 28. 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.

	2020 US \$million	2019 US \$million
<b>Total contracted revenue</b>	<b>40.4</b>	<b>43.4</b>

The total contracted revenue with customers as at 31 December 2020 with local currency amounts converted at the applicable spot rate for US dollars on 31 December 2020 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
<b>Total 2020 contracted revenue</b>	<b>39.7</b>	<b>0.7</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(continued)

## 29. Share capital and reserves

### Share capital

Type	Nominal Value	2020 Issued number	2020 Total US \$	2019 Issued number	2019 Total US \$
A1 Ordinary shares	0.0001	784,208	78	784,208	78
A1A Ordinary shares	0.03	5,161	155	5,161	155
A2 Ordinary shares	0.0001	50,925	5	49,988	5
A3 Ordinary shares	0.03	20,110	603	20,110	603
A4 Ordinary shares	0.000001	259,068	-	259,068	-
B Ordinary shares	0.0001	1,460,713	146	1,460,713	146
B1 Ordinary shares	0.0001	64,924	6	64,924	6
B2 Ordinary shares	0.0001	64,656	6	64,656	6
B3 Ordinary shares	0.0001	64,656	6	59,399	6
C Ordinary shares	250	4	1,000	4	1,000
M Ordinary shares	0.0001	100	-	100	-
D Ordinary shares	0.0001	60,588,333	6,059	-	-
<b>As at 31 December</b>		<b>63,362,858</b>	<b>8,064</b>	<b>2,768,331</b>	<b>2,005</b>
			<b>2020</b>		<b>2019</b>
			<b>\$'000</b>		<b>\$'000</b>
Authorized, issued and fully paid, as at 31 December			8	2	2

937 A2 ordinary shares were issued during 2020 at US \$672.99 per share inclusive of share premium. The total share premium from the shares issued in the year was US \$630,591.

5,257 B3 ordinary shares were issued during 2020. The 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 \$5,256.

60,588,333 ordinary D shares were issued during 2020 at US \$1 per share inclusive of share premium. The total share premium from the shares issued in the year was US \$60,582,274. Pursuant to the terms set out in the Articles of Association, the pay-out for these D shares is based on a calculation dependent on the enterprise exit value of the Group and are subject to meeting certain hurdle rates. A pay-out is required if a right of capital return is triggered in accordance with the terms set out in the Articles of Association.

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
- B3 ordinary shares have no voting entitlement
- C ordinary shares have no voting entitlement
- M ordinary shares have no voting entitlement
- D 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 2020 the number of shares held by the Employee Benefit Trust was 318,307 (2019: 103,998). 158,165 Shares re-purchased during 2020 were acquired for non-cash consideration. Consideration was paid by way of issue of loan notes of US \$3.2 million. Refer to note 22 for further information.

### 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(continued)

## 29. Share capital and reserves (continued)

### Share premium

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 1.7 million B shares has been issued as at 31 December 2020 (including 5,257 shares issued during 2020). 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 \$58.5 per share, B2 Ordinary shares US \$10.9 per share and B3 Ordinary shares US \$47.8 per share.

Based on the above, the Group recognized a share-based payment expense of US \$4.0 million in the year ended 31 December 2020 (2019: US \$2.6 million).

## 30. 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%

During 2020, no dividends have been approved or paid.

In 2019 the following entities approved and paid dividends: Element Doha LLC US \$0.7 million, Al Futtaim Elements Material Technology Dubai LLC US \$6.3 million and Admaterials Technologies Private Limited paid a US \$0.2 million dividend to its non-controlling interest.

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

## 31. Events after the reporting date

### Acquisition of Double Precision Consultancy Limited ("DPC")

On 20 January 2021, the Group acquired 100% issued capital of DPC for consideration of US \$2.0 million (GPB £1.6 million) paid on the completion day.

DPC is a consultancy business that specializes in the provision of advanced mathematical modelling services to industries mainly in the UK. The team of consultants and associates are primarily from the University of Cambridge and most have held (or continue to hold) University research and/or teaching positions. DPC also has an established relationship with Cambridge Enterprise, the innovation arm of the University, which facilitates rapid access to world-leading academics.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(continued)

## 31. Events after the reporting date (continued)

### Acquisition of Envirodatt Limited

On 29 January 2021, the Group acquired 100% issued capital of Envirodatt Limited. The purchase price for the acquisition comprised an initial consideration of US \$3.2 million (GB £2.4 million) paid on the completion day and a deferred consideration of US \$0.4 million (GB £0.3 million) to be paid on the first and second anniversary of the completion day in equal amounts.

Envirodatt is a stack emission testing business that specializes in air quality monitoring for environmental and occupational hygiene applications.

### Acquisition of Avomeen LLC

On 2 February 2021, the Group acquired 100% issued capital of Avomeen LLC for a cash consideration of US \$61.0 million. Avomeen is a FDA registered analytical testing business, with specific focus on pharmaceutical and biotechnology. This acquisition was funded by a drawdown of US \$61.0 million on the Acquisition and Capex Facility on 1 February 2021.

### Acquisition of KDK Kalibrierdienst Kopp GmbH ("KDK Kopp")

On 26 March 2021, the Group acquired 100% capital of KDK Kopp for a consideration of US \$6.0 million (€ 5.1 million) which was paid on the completion day in full.

KDK Kopp is a calibration and measurement services provider based in Germany.

### Trade and asset purchase of OrthoKinetics

On 1 April 2021, the Group acquired the trade and assets of OrthoKinetic Technologies, LLC and OrthoKinetic Testing Technologies, LLC (collectively "Orthokinetics") for a total cash consideration of US \$1.5 million of which US \$1.0 million was paid on completion. Orthokinetics operates a business providing consulting services, failure analyses for orthopedic, dental and neurological medical devices as well as providing medical device and tissue testing, and validation and verification services.

### Acquisition of Aircom International Inc. ("Aircom")

On 30 April 2021, the Group acquired 100% capital of Aircom for an initial consideration of US \$37.1 million which was paid on the completion day. The purchase consideration includes a further US \$2.3 million hold back amount to be paid in FY21 and US\$ 9.8 million which is contingent on Aircom meeting certain performance criteria. This acquisition was funded by a drawdown of US \$40.0 million on the Acquisition and Capex Facility on 29 April 2021. Aircom provides industry validated testing methodology to measure device performance on live operator network and maintains industry certifications across all relevant test areas.

As at the date of signing of these financial statements the purchase price allocation exercise of the above acquisitions is in progress and accordingly no provisional fair value has been allocated to identifiable assets of the acquired businesses.

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.

## 32. 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 and Temasek International (Europe) Limited provides certain administrative services for the Group in return for a monitoring fee. Total monitoring fees of US \$0.5 million (2019: US \$0.4 million) were incurred in the year.

Remuneration to key management personnel is disclosed in note 10. The key management personnel are directors and non-executive directors of the Company. The remuneration of non-executive directors comprises fees for services, and benefits primarily related to their directorships. Other than those disclosed in note 10, no loans, advances or guarantees have been provided on behalf of any Director.

## 33. 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 across the Group, 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.

At 31 December 2020, the Group has a US \$13.0 million letter of credit outstanding (2019: US \$13.0 million).

The Group is involved in a small number of claims incidental to the ordinary course of its business, including disputes regarding services provided by the Group and disputes with employees and former employees. The Group is not currently party to any legal proceedings other than those incidental to the ordinary course of its business. Therefore, the Group has contingent liabilities in respect of these matters as an outflow of cash is possible, although any potential liability cannot be quantified at this time. If such a liability materialized the Group carries appropriate insurance coverage and expects that insurance cover in place will mitigate the impact of any significant claims.

Capital commitments of the Group as at 31 December 2020 is US \$5.9 million (31 December 2019: US \$9.0 million).

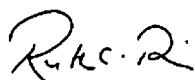
# COMPANY STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

	Note	2020 US \$million	2019 US \$million
<b>Non-current assets</b>			
Investments	e	621.6	575.6
		<b>621.6</b>	<b>575.6</b>
<b>Current assets</b>			
Amounts receivable from Group companies	f	25.3	9.3
		<b>25.3</b>	<b>9.3</b>
<b>Non-current liabilities</b>			
Priority shares	g	(903.6)	(813.1)
		<b>(903.6)</b>	<b>(813.1)</b>
<b>Net liabilities</b>			
		<b>(256.7)</b>	<b>(228.2)</b>
<b>Equity</b>			
Share capital	h	-	-
Share premium	h	70.6	9.3
Treasury shares		(0.4)	(0.4)
Retained earnings		(337.3)	(243.5)
Share based payment reserve	h	10.4	6.4
<b>Total shareholders' equity</b>		<b>(256.7)</b>	<b>(228.2)</b>

The Company's loss after tax for the year ended 31 December 2020 was US \$93.8 million (2019: US \$82.0 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 5 May 2021. They were signed on its behalf by:



**RUTH PRIOR**

CFO

5 May 2021

## COMPANY STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2020

	Share capital	Share premium	Treasury shares	Accumulated Loss	Share based payment	Total US \$million
<b>As at 1 January 2019</b>	-	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
<b>As at 31 December 2019</b>	-	9.3	(0.4)	(243.5)	6.4	(228.2)
Total comprehensive loss	-	-	-	(93.8)	-	(93.8)
Issue of shares	-	61.3	-	-	-	61.3
Share based payment reserve	-	-	-	-	4.0	4.0
<b>As at 31 December 2020</b>	-	70.6	(0.4)	(337.3)	10.4	(256.7)

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 statement of profit or loss, a statement of cash-flow, 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 22 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 \$256.7 million driven by priority share liabilities of US \$903.6 million.

The Directors considered the 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, Directors are satisfied that the Company is a going concern for the period from the date of signing these accounts to 31 October 2022.

### (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 from investments is recognized when the shareholder's right to receive payment has been established.

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.

## 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.

# NOTES TO THE COMPANY FINANCIAL STATEMENTS

(continued)

## c) Related parties

For details of related party transactions please refer to note 32 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 (2019: £nil).

## e) Investments

	2020 US \$million	2019 US \$million
Investments	621.6	575.6
	<b>621.6</b>	<b>575.6</b>

The investment relates to direct holdings in EMT Holdings Limited. Details of the subsidiaries directly and indirectly held by the Company are included in Appendix 1. The increase of US \$46.0 million since prior year is driven by the acquisition of Analytical Laboratory Group Inc. made in the year as shown in note 25 to the Consolidated Financial Statements.

## f) Amounts receivable from Group Companies

	2020 US \$million	2019 US \$million
Herculean Testing Group B.V. Employee Benefit Trust	0.4	0.4
EMT Finance 1 Ltd	1.7	0.3
Element Materials Technology Holding UK Ltd	0.5	0.5
EMT Holdings Ltd	14.6	-
Element Materials Technology Group Holdings CC2 Ltd	1.2	1.2
Greenrock Midco Limited	1.9	1.9
Element Materials Technology Holdings USA Inc	5.0	5.0
	<b>25.3</b>	<b>9.3</b>

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

## g) Priority shares

The priority shares are unsecured borrowings of the Company. 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 2020 was US \$238.6 million (2019: US \$178.4 million). 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. On 30 January 2020 priority B shares of US \$0.7 million were issued. Total proceeds from share issuances in the year were US \$0.7 million.

The shares carry 11 per cent interest per annum and are redeemable on 22 March 2026. Total interest accrued to 31 December 2020 was US \$88.6 million (2019: US \$59.0 million). The priority B shares do not carry voting rights.

# NOTES TO THE COMPANY FINANCIAL STATEMENTS

(continued)

## h) Share capital and share premium

### Share capital

Type	Nominal Value	2020 Issued number	2020 Total US \$	2019 Issued number	2019 Total US \$
A1 Ordinary shares	0.0001	784,208	78	784,208	78
A1A Ordinary shares	0.03	5,161	155	5,161	155
A2 Ordinary shares	0.0001	50,925	5	49,988	5
A3 Ordinary shares	0.03	20,110	603	20,110	603
A4 Ordinary shares	0.000001	259,068	-	259,068	-
B Ordinary shares	0.0001	1,460,713	146	1,460,713	146
B1 Ordinary shares	0.0001	64,924	6	64,924	6
B2 Ordinary shares	0.0001	64,656	6	64,656	6
B3 Ordinary shares	0.0001	64,656	6	59,399	6
C Ordinary shares	250	4	1,000	4	1,000
M Ordinary shares	0.0001	100	-	100	-
D Ordinary shares	0.0001	60,588,333	6,059	-	-
<b>As at 31 December</b>		<b>63,362,858</b>	<b>8,064</b>	<b>2,768,331</b>	<b>2,005</b>
			<b>2020</b>		<b>2019</b>
			<b>\$'000</b>		<b>\$'000</b>
Authorized, issued and fully paid, as at 31 December			<b>8</b>		<b>2</b>

937 A2 ordinary shares were issued during 2020 at US \$672.99 per share inclusive of share premium. The total share premium from the shares issued in the year was US \$630,591.

5,257 B3 ordinary shares were issued during 2020. The 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 \$5,256.

60,588,333 ordinary D shares were issued during 2020 at US \$1 per share inclusive of share premium. The total share premium from the shares issued in the year was US \$60,582,274. Pursuant to the terms set out in the Articles of Association, the pay-out for these D shares is based on a calculation dependent on the enterprise exit value of the Group and are subject to meeting certain hurdle rates. A pay-out is required if a right of capital return is triggered in accordance with the terms set out in the Articles of Association.

### 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
- B3 ordinary shares have no voting entitlement
- C ordinary shares have no voting entitlement
- M ordinary shares have no voting entitlement
- D ordinary shares have no voting entitlement

# NOTES TO THE COMPANY FINANCIAL STATEMENTS

(continued)

## h) Share capital and share premium (continued)

### Share premium

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

### B Treasury shares

As at 31 December 2020 the number of shares held by Employee Benefit Trust were 103,998 (2019: 103,998 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 1.7 million B shares has been issued as at 31 December 2020 (including 5,257 shares issued during 2020). 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 \$58.5 per share, B2 Ordinary shares US \$10.9 per share and B3 Ordinary shares US \$47.8 per share.

Based on the above, the Company recognized a share-based payment expense of US \$4.0 million (2019: US \$2.6 million).

## i) Events after the reporting date

No significant events have occurred after 31 December 2020 other than those disclosed in the consolidated group financial statements.

## j) Ultimate holding company and controlling party

Element Materials Technology Group Limited is the largest and smallest group for which consolidated financial statements are prepared which includes the company. The ultimate controlling party of Element Materials Technology Group Limited is Bridgepoint Europe V Fund, which is in turn managed by Bridgepoint Advisers Limited, a company incorporated in England. Copies of the Group financial statements including the company are available from Companies House, Crown Way, Cardiff CF14 3UZ.

# NOTES TO THE COMPANY FINANCIAL STATEMENTS

(continued)

## Appendix 1. Subsidiaries and associated companies

The Group's and Company's subsidiaries are listed below. All of these subsidiary undertakings are controlled by Element Materials Technology Group Limited and were consolidated at 31 December 2020 in the Group accounts.

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.	USA	100%	Testing and inspection operations	4400 Easton Commons Way, Suite 125, Columbus, Ohio, 43219

# NOTES TO THE COMPANY FINANCIAL STATEMENTS

(continued)

## Appendix 1. 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 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
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 Xinxu Road, High-tech Industrial Park, Nanshan, Shenzhen, 518000
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	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
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, Höchst, Geb. C369, am Main, 65926, Frankfurt
Element Metech GmbH	Germany	100%	Testing	Hans-Böckler-Ring 9, D-22851 Norderstedt
Element Materials Technology Aalen GmbH (formerly Vohtec Qualitätssicherung GmbH)	Germany	100%	Testing	Carl-Zeiss-Str. 17, Aalen, 73431
WFRGent NV	Belgium	100%	Testing	Ottergemsesteenweg-Zuid 711, Ghent, Flemish Region 9000

# NOTES TO THE COMPANY FINANCIAL STATEMENTS

(continued)

## Appendix 1. 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-Saltito 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*	Qatar	49%	Testing	P.O. Box 24863, Doha
Element Materials Technology Singapore Pte Ltd.	Singapore	100%	Testing	106 Tuas South Avenue 2, West Point Bizhub, 637158
Warringtonfire Singapore Pte. Ltd.	Singapore	100%	Testing	106 Tuas South Avenue 2, West Point Bizhub, 637158
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 COMPANY FINANCIAL STATEMENTS

(continued)

## Appendix 1. 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%	Dormant	PO Box 309, Ugland House, Grand Cayman, KY1-1104
Element Materials Technology South Africa Proprietary Limited*	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.U	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	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	10 Lower Grosvenor Place, London, England, United Kingdom, SW1W 0EN
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 COMPANY FINANCIAL STATEMENTS

(continued)

## Appendix 1. Subsidiaries and associated companies (continued)

Name Continuing businesses	Country of incorporation or registration	Proportion Held	Activity	Registered Address
EMT Finance Inc	USA	100%	Dormant	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%	Dormant	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 COMPANY FINANCIAL STATEMENTS

(continued)

## Appendix 1. 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%	Holding Company	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, England, 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, England, 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 COMPANY FINANCIAL STATEMENTS

(continued)

## Appendix 1. 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
Materials Engineering Research Laboratory Limited**	United Kingdom	100%	Dormant	10 Lower Grosvenor Place, London, England, United Kingdom, SW1W 0EN
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	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 COMPANY FINANCIAL STATEMENTS

(continued)

## Appendix 1. 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
Element Materials Technology Straubing GmbH (formerly EMV Testhaus GmbH)	Germany	100%	Testing	Gustav-Hertz-Strasse. 35, 94315, Straubing, Bavaria
EMV Test House Taiwan Ltd.	Taiwan	100%	Testing	No.13, Lane 19, Wensansan Street, Guishan District, Taoyuan City, 33381
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
PCTEST Holdings, Inc.	USA	100%	Holding Company	1209 Orange Street, Wilmington DE 19801
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
Accuratus Lab Services, Inc.	USA	100%	Testing	1209 Orange Street, Wilmington, DE 19801
Analytical Lab Group, LLC	USA	100%	Holding Company	1209 Orange Street, Wilmington, DE 19801
Microbiology & Quality Associates, Inc.	USA	100%	Testing	1285 Corporate Center Drive, Suite 110, Eagan MN 55121
Microbiology Research Associates, Inc.	USA	100%	Testing	155 Federal Street, Suite 700 Boston MA 02110
MRA Acquisition Corp.	USA	100%	Holding Company	1209 Orange Street, Wilmington, DE 19801

\* 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 2020 this subsidiary of the Group was entitled to exemption from audit under s480 of the Companies Act 2006 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.

# DIRECTORS AND ADVISERS

## DIRECTORS

Allan Leighton  
Charles Noall  
Christopher Busby  
Jo Wetz  
Ranjit Dandekar  
Raoul Hughes  
Ruth Prior (appointed 25 June 2020)

## REGISTERED OFFICE

5 Fleet Place  
London  
EC4M 7RD  
England

## COMPANY REGISTRATION NUMBER

09915743

## AUDITOR

Ernst and Young LLP  
1 More London Place  
London  
SE1 2AF  
England

## SOLICITORS TO THE GROUP

Allen & Overy LLP  
One Bishop Square  
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EC1 6AD  
England

## PRINCIPAL BANKERS

ING Bank N.V.  
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8-10 Moorgate  
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England