Company Registration No. 11371415 (England and Wales)

ELEMENT MATERIALS TECHNOLOGY ENVIRONMENTAL UK LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

ELEMENT MATERIALS TECHNOLOGY ENVIRONMENTAL UK LIMITED

COMPANY INFORMATION

Directors	Gavin Dashwood Samuel Fisher Matthew Hopkinson
Secretary	Neil Maclennan
Company number	11371415
Registered office	10 Lower Grosvenor Place London SW1W 0EN United Kingdom
Auditor	Ernst & Young LLP 1 More London Place London SE1 2AF United Kingdom

ELEMENT MATERIALS TECHNOLOGY ENVIRONMENTAL UK LIMITED

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ELEMENT MATERIALS TECHNOLOGY ENVIRONMENTAL UK LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2019

The directors, in preparing this strategic report, have complied with s414c of the Companies Act 2006.

This strategic report has been prepared for the financial statements of Element Materials Technology Environmental UK Limited.

Review of the business
Element Materials Technology Environmental UK Limited is part of a global network of laboratories with experts specialising in materials testing, product qualification testing and failure analysis. The Company is a wholly owned subsidiary of Exova Group (UK) Limited.

The Company was incorporated on 18 May 2018 and commenced trading on 1 October 2018. The prior period information included in these financial statements covers the initial trading period of the Company, from commencement until 31 December 2018. This period is not equivalent in length to the current financial year.

The principal activity of the Company throughout this financial year and the prior period was to provide specialist environmental testing and analysis.

Key performance indicators
The Board monitors the Company's performance in a number of ways including key performance indicators. The current year and prior period key financial performance indicators were as follows:

	2019*	2018*
	£	£
Revenue	25,754,688	9,050,134
Operating profit	294,842	980,566
Total Shareholders' equity	2,398,347	32,076,176

*Please note that the period to 31 December 2018 was not equivalent in length to the current financial year.

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

- The Company's reputation risk as a leader in testing services: The Company has quality control procedures and operational KPIs in place to mitigate this risk which are under constant review and subject to regular external audit by accreditation bodies and customers.
- Consolidation of customer base, competition and pricing pressure: The Company is improving customer service, creating and expanding focused Strategic Accounts Management and Key Accounts Management programmes and improving operational delivery and regularly monitoring performance against expectations.
- Dependence on key personnel: The Company 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.
- Global economic and market conditions: The strength of our market is an important driver for our growth. Our business is well diversified both geographically and by end user. Our business activities expose us to a wide range of business practices. We have a strong Company culture of integrity and ethical behaviour to ensure a consistent approach regardless of local custom.
- Cyber Security (New): The Company'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 Company's core IT systems. New IT system developments are subject to rigorous penetration testing prior to release. Disaster recovery plans are in place across the network which are tested and improved regularly.
- Liquidity risks: In order to ensure that sufficient funds are available to fund ongoing operations and future developments, management regularly reviews cash flow forecasts and financing arrangements of the business to ensure that there is sufficient funding in place.

- Exchange rate risks: The Company continues to monitor the risks associated with the revaluation of the Statement of profit and loss and Statement of financial position.
- COVID-19 (New): The nature and scale of any potential impact is dependent on the course of the disease, which cannot be predicted accurately at this time. The significant loss of life and impact on people's health is unprecedented. The general economic situation throughout the world is increasingly very challenging and many of our customers are reducing production and other activities. As a Group, Element provide essential testing services to a large number of customers across a range of diverse end markets, most of which have been deemed to be essential industries by the respective government bodies. We remain confident that the Company will continue to operate and be successful in the new environment. We are actively managing our operations, the cost base and our cashflow on a daily basis and following guidance from public health bodies and governments in the territories where we operate.
- Technological disruption/innovation risks (New): The risk that new entrants or new ways of working could seriously disrupt the TIC sector, also presents an opportunity. Digitisation and novel ways of delivery to customers could in the longer term provide growth and position the company well against its competitors.
- Intercompany risks: The directors have identified the operational performance of the companies from which the intercompany debt is due and related uncertainties affecting the underlying investments as the principal risks and uncertainties. Management regularly review the cash flow forecasts and operational performance of the businesses from which the intercompany debt is due and the companies in which the underlying investments are held to ensure that no recoverability issues or indicators of impairment are present.

In accordance with its risk management guidelines, the Company raises awareness of business risks at all operational management levels and encourages all management teams to assess and minimize risk. The Company ensures the appropriate cover of all essential liability and claims risks. The risks are monitored by the Directors on a continual basis.

Corporate Responsibility: Section 172(1) Statement

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

- the likely consequences of any decision in the long term;
- the interests of the Company's employees;
- the need to foster the Company's business relationships with suppliers, customers and others;
- the impact of the Company's operations on the community and the environment;
- the desirability of the Company maintaining a reputation for high standards of business conduct; and
- the need to act fairly as between members of the Company (the "s.172(1) Matters").

The Board also considers s.172(1) Matters where appropriate at Board Meetings as part of decision making. The Directors recognise the responsibility of the Company to a wide range of stakeholders, including customers, related parties, the wider group, and employees. The Company keeps in close contact with its principal stakeholders to understand their views in order to appropriately consider their interests in decision making, together with considering recommendations on how such engagement could be enhanced.

In 2019, the Company continued to invest organically in new technologies and form strategic partnerships with end market customers enabling them to meet new standards and regulations. The Company also continued to recognise the work of our people through the Excellence Awards, and employee engagement was also enhanced through the implementation and adoption of a variety of benefit schemes. As a Company, we look for new strategies and ways of working with our customers to improve our offering on an ongoing basis.

These are examples of how the Directors have had regard to the s.172(1) Matters. Further information on how the Directors have had regard to the s.172(1) Matters can be found within the Directors Report (pages 3-5).

Approved by the Board and signed on its behalf by:

....

Samuel Fisher
Director
Date: 17 December 2020

The Directors present their report and financial statements of Element Materials Technology Environmental UK Limited for the financial year ended 31 December 2019. Prior period relates to 18 May 2018 to 31 December 2018. The Company was incorporated on the 18 May 2018.

Principal activities
The Company's principal activity is to provide specialist environmental testing and analysis.

Dividends
The Directors do not recommend payment of a dividend (2018 £nil).

Directors
The directors who held office during the year and up to the date of signature of the financial statements were as follows:

Samuel Fisher	(Appointed 27 March 2019)
Gavin Dashwood	(Appointed 11 November 2020)
Matthew Hopkinson	(Appointed 11 October 2020)
Niall McCallum	(Appointed 20 December 2019, resigned 9 October 2020)
Charles Noall	(Resigned 20 December 2019)
Matthew White	(Resigned 12 February 2019)
Neil Maclennan	(Resigned 12 February 2019)
Jo Wetz	(Resigned 11 November 2020)

Directors' insurance and indemnities
As permitted by the Companies Act 2006, Element Materials Technology Group Limited purchases and maintains Directors' and Officers' insurance cover against certain legal liabilities and costs incurred by the Directors and Officers of the companies within the Group, 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 the Companies Act 2006.

Going concern
In line with the Financial reporting Council's guidance on going concern issued in April 2016, the Directors have undertaken an exercise to review the appropriateness of the continued use of the going concern basis.

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 going concern assessment has been carried out to 31 December 2021. The Company has, as at 31 December 2019, net assets of £32,398,347 (2018: £32,076,176). The Company has no external loans or borrowings or complex financial instruments as at 31 December 2019. The Company generated a profit after tax of £322,171 in the year ended 31 December 2019 (2018: £1,051,557).

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

Going concern (continued)

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

These actions include but were not limited to:

- Applying for appropriate forms of support from governments on direct and indirect taxes, social charges, and employee relief funds, and assessing their relevance to the Company;
- Reducing planned capital expenditure for the year ending 31 December 2020;
- Implementing a range of cost reduction initiatives.

The Directors believe that preparing the financial statements on the going concern basis is appropriate due to the continued financial support of the ultimate parent company, Element Materials Technology Group Limited (Element). The directors have received confirmation that Element will support the company as necessary and has the ability to do so to 31 December 2021.

This financial support is required as the Company is a participant in the Element Group cash pooling arrangement and therefore as a result, ultimately rely on the liquidity of the Group.

The company's future viability is ultimately dependent on the performance of the wider trading group owned by the company's ultimate holding company, Element Materials Technology Group Limited ("Element"), 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, as a result of the financial support from Element will have adequate resources to continue to trade for the foreseeable future.

The going concern assessment takes into account the Group's cash flow and available undrawn banking facilities. The analysis concluded that even after the downside scenarios modelled, the Group would have sufficient funds to trade and settle its liabilities as they fall due, the going concern assessment has been carried out to 31 December 2021.

In April 2020 in response to the COVID-19 crisis, the Group modelled a variety of downside scenarios over the coming year reflecting activity levels much lower than those which have been experienced to date. These scenarios were prepared to illustrate a sensitised view of the Group. The adverse assumptions are based primarily upon the realisation of two of the key Group principal risks, global and economic market conditions as well as liquidity risks which have the most relevant potential impact on going concern. The adverse assumptions also took account of the potential impact of COVID-19 in the geographical locations in which the Group operates, impact of COVID-19 on its' customers and employees. The key assumption in the sensitivity was revenue. Management developed a number of scenarios which sensitize the potential impact of reduced revenue and also includes cost action taken by the Group in order to mitigate the extent of the impact. Management also considered delays in recoverability of trade receivables in the scenarios.

Based on the actual results to date, the Group has traded above the base and the downside scenarios and has to date exceeded both the base and downside scenarios revenue, EBITDA and cash forecasts. Management have performed further downside scenarios to the end of FY21 where management have sensitised performance significantly below the declines reached during the first phase of COVID-19 lockdown and have concluded that even with no further cost actions, the Group would continue to have available cash resources.

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

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 members of staff becoming disabled every effort is made to ensure that their employment with the Company continues and that appropriate training is arranged. It is the policy of the Company that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

Employee consultation
The Company 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 Company. This is achieved through formal and informal meetings, the Company newsletter, the Group's intranet and internet sites, 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.

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

Given the difficulty in quantifying the impact of COVID-19, it is inherently difficult to quantify the potential impact on the impairment of non-current assets. Management are still evaluating the potential impact of the COVID-19 on fair values; however, their best estimates indicate no material change from the reporting date.

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 that is likely to significantly affect the Company.

Future developments
The directors are not aware, at the date of this report, of any likely major changes in the Company's activities in the next year.

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

- so far as that Director is aware, there is no relevant material audit information of which the Company's auditor is unaware; and
- the Director has taken all the steps that ought to have taken as a director in order to be aware of any relevant audit information and to establish that the Company's auditor is aware of that information. The auditor, Ernst & Young LLP, will be proposed for reappointment in accordance with section 487 of the Companies Act 2006.

Approved by the Board and signed on its behalf by:

....
Samuel Fisher
Director
Date: 17 December 2020

DIRECTORS' RESPONSIBILITIES STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2019

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 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 period.

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

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

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

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF ELEMENT MATERIALS TECHNOLOGY ENVIRONMENTAL UK LIMITED

Opinion
We have audited the financial statements of Element Materials Technology Environmental UK Limited (the 'company') for the year ended 31 December 2019 which comprise the Statement of Profit or Loss, the Statement of Financial Position and Statement of Changes in equity the related notes 1-26, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 'Reduced Disclosure Framework' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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

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

Emphasis of matter
We draw attention to notes 1 and 24 in the financial statements, which describe the economic, operational and social disruption the entity is facing as a result of Covid-19, which is impacting customer demand. Our opinion is not modified in respect of this matter.

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

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

Other information
The other information comprises the information included in the Strategic Report and the Directors' report set out on pages 1-5, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

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

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

Use of our report

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

Ernst & Young LLP

Christine Chua (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London
Date: 17 December 2020

ELEMENT MATERIALS TECHNOLOGY ENVIRONMENTAL UK LIMITED

STATEMENT OF PROFIT OR LOSS

FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	Year ended 31 December 2019 £	Year ended 31 December 2018 £
Revenue	3	25,754,688	9,050,134
Cost of sales		(21,663,768)	(6,527,306)
Gross profit		4,090,920	2,522,828
Administrative expenses		(3,826,482)	(1,495,070)
Other operating income		30,404	22,508
Separately disclosed items	4	-	(69,700)
Operating profit	5	294,842	980,566
Finance costs	8	(95,046)	(22,851)
Profit before taxation		199,796	957,715
Taxation	9	122,375	93,842
Profit for the year		322,171	1,051,557

All results are generated from continuing operations.

There is no Statement of other comprehensive income as all income and expenses for the current period are included in the Statement of profit or loss above.

The Company was incorporated on 18 May 2018 and commenced trading on 1 October 2018. The prior period information included in these financial statements covers the initial trading period of the Company, from commencement until 31 December 2018. This period is not equivalent in length to the current financial year.

The accompanying notes are an integral part of these financial statements.

ELEMENT MATERIALS TECHNOLOGY ENVIRONMENTAL UK LIMITED

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2019

	Notes	2019	Restated (note 1.21) 2018
		£	£
Non-current assets			
Goodwill	10	15,979,359	15,979,359
Other intangible assets	10	4,312,985	5,150,682
Property, plant and equipment	11	4,545,146	5,128,133
Right of use assets	12	1,505,572	775,915
Investments in subsidiaries	13	306	306
		26,343,368	27,034,395
Current assets			
Trade and other receivables	16	13,382,526	11,108,920
Cash and cash equivalents	15	271	187,998
		13,382,797	11,296,918
Current liabilities			
Trade and other payables	17	4,408,357	3,750,795
Lease liabilities	12	438,994	269,192
		4,847,351	4,019,987
Net current assets		8,535,446	7,276,931
Total assets less current liabilities		34,878,814	34,311,326
Non-current liabilities			
Lease liabilities	12	1,074,624	595,228
		1,074,624	595,228
Provisions for liabilities			
Deferred tax liabilities	18	659,353	821,466
Provisions	19	746,490	818,456
		1,405,843	1,639,922
Net assets		32,398,347	32,076,176

ELEMENT MATERIALS TECHNOLOGY ENVIRONMENTAL UK LIMITED

STATEMENT OF FINANCIAL POSITION (CONTINUED)

AS AT 31 DECEMBER 2019

	Notes	2019 £	Restated (note 1.21) 2018 £
Shareholders' equity			
Called up share capital	21	2	2
Share premium account	22	31,024,617	31,024,617
Retained earnings		1,373,728	1,051,557
Total shareholders' equity		32,398,347	32,076,176

The accompanying notes are an integral part of these financial statements.

The financial statements of Element Materials Technology Environmental UK Limited (registered number 11371415) were approved by the Board of Directors and authorised for issue on 17 December 2020 and were signed on its behalf by:

....
Samuel Fisher
Director

Company Registration No. 11371415

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	Share capital £	Share premium account £	Retained earnings £	Total £
Period ended 31 December 2018:					
Issue of shares on incorporation	21	1	-	-	1
Issue of share capital	21	1	31,024,617	-	31,024,618
Profit for the period		-	-	1,051,557	1,051,557
Balance at 31 December 2018		2	31,024,617	1,051,557	32,076,176
Year ended 31 December 2019:					
Profit for the year		-	-	322,171	322,171
Balance at 31 December 2019		2	31,024,617	1,373,728	32,398,347

The Company was incorporated on 18 May 2018 and commenced trading on 1 October 2018. The prior period information included in these financial statements covers the initial trading period of the Company, from commencement until 31 December 2018. This period is not equivalent in length to the current financial year.

On 1 September 2018 the former parent company, Exova (UK) Limited, contributed assets of £31,024,618 at book value in return for one share in the company, creating the share premium account.

1 Accounting policies

Company information
Element Materials Technology Environmental UK Limited is a private limited Company incorporated in England, is domiciled in the UK and its registered office is 10 Lower Grosvenor Place, London, England, United Kingdom, SW1W OEN. The Company was incorporated on 18 May 2018 and commenced trading on 1 October 2018. The prior period information included in these financial statements covers the initial trading period of the Company, from commencement until 31 December 2018. This period is not equivalent in length to the current financial year.

The principal activity of the Company is as detailed in the Director's report on page 3.

1.1 Basis of preparation

The Company meets the definition of a qualifying entity under Financial Reporting Standard 101 Reduced Disclosure (FRS 101) issued by the Financial Reporting Council. These financial statements were prepared in accordance with FRS 101 and the provisions of the Companies Act 2006.

The financial statements have been prepared under the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

As permitted by Section 400 of the Companies Act 2006, consolidated accounts have not been prepared as the Company is a wholly owned subsidiary of Exova Group (UK) Limited. The parent company of the smallest group of which the Company is a member and for which group financial statements are prepared is Element Materials Technology Limited. The group financial statements of Element Materials Technology Limited are available to the public and can be obtained as set out in Note 26.

The accounting policies have been consistently applied throughout the current and prior period.

The financial statements are presented in pounds sterling because that is the currency of the primary economic environment in which the Company operates.

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to:

- the requirements of IFRS 7 Financial Instruments: Disclosures;
- the requirements of paragraphs 10(d), and 134-136 of IAS 1 Presentation of Financial statements;
- the requirement in paragraph 38 of IAS 1 Presentation of Financial Statements to present comparative information in respect of:
- paragraph 79(a)(iv) of IAS 1;
- paragraph 73(e) of IAS 16 Property, Plant and Equipment; and,
- paragraph 118(e) of IAS 38 Intangible Assets.
- the requirement of paragraph 40A of IAS 1 Presentation of Financial Statements
- the requirements of IAS 7 Statement of Cash Flows;
- the requirements of paragraphs 91 - 99 of IFRS 13 Fair Value Measurement;
- the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors in relation to standards not yet effective; and
- the requirements of paragraphs 17 and 18A of IAS 24 Related Party Disclosure, and the requirements of IAS 24 Related Party Disclosure to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member.

Where required, equivalent disclosures are given in the group financial statements of Element Materials Technology Limited.

1 Accounting policies (continued)

1.2 Going concern

In line with the Financial reporting Council's guidance on going concern issued in April 2016, the Directors have undertaken an exercise to review the appropriateness of the continued use of the going concern basis.

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 going concern assessment has been carried out to 31 December 2021. The Company has, as at 31 December 2019, net assets of £32,398,347 (2018: £32,076,176). The Company has no external loans or borrowings or complex financial instruments as at 31 December 2019. The Company generated a profit after tax of £322,171 in the year ended 31 December 2019 (2018: £1,051,557).

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

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

These actions include but were not limited to:

- Applying for appropriate forms of support from governments on direct and indirect taxes, social charges, and employee relief funds, and assessing their relevance to the Company;
- Reducing planned capital expenditure for the year ending 31 December 2020;
- Implementing a range of cost reduction initiatives.

The Directors believe that preparing the financial statements on the going concern basis is appropriate due to the continued financial support of the ultimate parent company, Element Materials Technology Group Limited (Element). The directors have received confirmation that Element will support the company as necessary and has the ability to do so to 31 December 2021.

This financial support is required as the Company is a participant in the Element Group cash pooling arrangement and therefore as a result, ultimately rely on the liquidity of the Group.

The company's future viability is ultimately dependent on the performance of the wider trading group owned by the company's ultimate holding company, Element Materials Technology Group Limited ("Element"), 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, as a result of the financial support from Element will have adequate resources to continue to trade for the foreseeable future.

The going concern assessment takes into account the Group's cash flow and available undrawn banking facilities. The analysis concluded that even after the downside scenarios modelled, the Group would have sufficient funds to trade and settle its liabilities as they fall due, the going concern assessment has been carried out to 31 December 2021.

In April 2020 in response to the COVID-19 crisis, the Group modelled a variety of downside scenarios over the coming year reflecting activity levels much lower than those which have been experienced to date. These scenarios were prepared to illustrate a sensitised view of the Group. The adverse assumptions are based primarily upon the realisation of two of the key Group principal risks, global and economic market conditions as well as liquidity risks which have the most relevant potential impact on going concern. The adverse assumptions also took account of the potential impact of COVID-19 in the geographical locations in which the Group operates, impact of COVID-19 on its' customers and employees. The key assumption in the sensitivity was revenue. Management developed a number of scenarios which sensitize the potential impact of reduced revenue and also includes cost action taken by the Group in order to mitigate the extent of the impact. Management also considered delays in recoverability of trade receivables in the scenarios.

1 Accounting policies (continued)

1.2 Going concern (continued)

Based on the actual results to date, the Group has traded above the base and the downside scenarios and has to date exceeded both the base and downside scenarios revenue, EBITDA and cash forecasts. Management have performed further downside scenarios to the end of FY21 where management have sensitised performance significantly below the declines reached during the first phase of COVID-19 lockdown and have concluded that even with no further cost actions, the Group would continue to have available cash resources.

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

1.3 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.

Goodwill is tested for impairment annually, or more frequently when there is an indication that it may be impaired. Any impairment loss for goodwill is recognised directly in the statement of profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

1.4 Intangible assets

Intangible assets that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses, if applicable. The estimated useful life and amortisation 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 recognised separately from goodwill are initially recognised at their fair value at the acquisition date, together with related deferred tax liability. Amortisation is charged on a straight-line basis to the statement of profit or loss over the expected useful economic lives as follows:

Customer relationships	5 - 20 years
Computer software	1 - 4 years

An intangible asset is derecognised 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 recognised in the statement of profit or loss when the asset is derecognised.

1.5 Property, plant and equipment

Property, plant and equipment is stated at historical cost, less accumulated depreciation and impairment. The cost of property, plant and equipment is the purchase cost, together with any directly attributable costs.
Depreciation is provided on all property, plant and equipment 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 machinery	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.

Property, plant and equipment is derecognised 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 recognised in the Statement of profit or loss.

1 Accounting policies (continued)

1.6 Investments in subsidiaries

Investments in subsidiaries are stated at cost less, where appropriate, provisions for impairment. The Company has determined its investment in each entity as a separate cash-generating unit for impairment testing. Where there are indicators of impairment, the Company performs an impairment test. Recoverable amounts for cash-generating units are based on the higher value in use and fair value less costs of disposal. Fair value is determined by an independent, professional valuer where appropriate.

1.7 Provisions

Provisions are recognised when the Company has a present obligation, legal or constructive, as a result of a past event, it is probable that the Company will be required to settle the obligation ad 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 recognised when the Company 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 Company.

1.8 Separately disclosed items

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

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

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

1.9 Cash and cash equivalents

Cash and cash equivalents are comprised of cash at bank and in hand. The Company considers demand deposits with original maturities at inception of less than three months 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 changes in values) to be cash equivalents. Where relevant temporary bank overdrafts are shown within current liabilities.

1.10 Trade receivables

Trade receivables are recognized initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance. The Company applies IFRS 9 to measure expected credit losses (ECL) which uses a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, trade receivables and contract assets are grouped based on shared credit risk characteristics and the days past due. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same type of contracts. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables represented by trade receivables, other receivables, cash in bank and on hand and are measured at amortised cost, less any impairment.

1 Accounting policies (continued)

1.11 Amounts owed from group undertakings

Amounts owed by group undertakings are carried by the Company and the Group at original invoice amount less any allowance for any non-collectable or impaired amounts if applicable. The Directors consider that the carrying amount of amounts owed by group undertakings is approximately equal to their fair value. Amounts owed by group undertakings falling due after more than one year are loans to Group companies which are interest free and have no fixed repayment date. The entity uses the IFRS 9 ECL model to measure loss allowances at an amount equal to their lifetime expected credit loss.

1.12 Trade payables

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

1.13 Amounts owed to group undertakings

Amounts owed to group undertakings are recognised initially at fair value and subsequently measured at amortised cost where applicable, using the effective interest method. Amounts owed to group undertakings falling due after more than one year are loans from Group companies which are interest free and have no fixed repayment date.

1.14 Taxation

The 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 period. Taxable profit differs from profit as reported in the Statement of profit or loss because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Company's liability for current tax is measured at the effective tax rate.

Deferred tax

Deferred tax is recognised 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 recognised for all taxable temporary differences. Deferred tax assets are generally recognised 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 utilised. Such deferred tax assets and liabilities are not recognised 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 recognised for taxable temporary differences associated with investments in subsidiaries and associates, except where the Company 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 recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the year in which the liability is settled or the asset realised, 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 Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

1 Accounting policies (continued)

Current and deferred tax for the year

Current and deferred tax are recognised in the statement of profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised 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.

1.15 Foreign currency translation

Foreign currency transactions are translated into the functional currency of the Company using the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the rates of exchange ruling at the Statement of Financial Position date. Differences arising on translation are charged or credited to the Statement of profit or loss except when deferred in equity as qualifying cash flow hedges.

1 Accounting policies (continued)

1.16 Lease accounting

The Company holds leases on assets used in the ordinary course of business. The Company recognises 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 Company is the lessee (except for low-value lease arrangements) are recognised in the statement of financial position. A lease liability is recognised based on the present value of the future lease payments, and a corresponding right-of-use asset is recognised. 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 Company depreciates the right-of-use asset from 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 Company are split into two categories: property and vehicles. The Company 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. Vehicles includes all motor vehicles.

Variable lease payments not included in the initial measurement of the lease liability are recognised in the 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 Company comprises:

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

After the commencement date the Company 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.

1 *Accounting policies (continued)*

1.17 Revenue from contracts with customers

The company recognises 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 recognised through the output method of revenue recognition as the performance obligations are satisfied over time. Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for services provided in the normal course of business, VAT and other sales-related taxes.

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

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

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

1.18 Employee benefit plans

Payments to defined contribution retirement benefit plans are recognised 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 Company's obligations under the schemes are equivalent to those arising in a defined contribution retirement benefit scheme.

1.19 Finance costs

Finance costs comprise interest expenses and foreign exchange losses. Finance costs are recognised in profit or loss using the effective interest rate method.

1 Accounting policies (continued)

1.20 Adoption of new and revised accounting standards

Standards and amendments effective for the year

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

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

Standards, amendments and interpretations not yet effective

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

1.21 Prior Year Restatements

The comparative figures in the Statement of financial position have been restated to reflect a re-classification of amounts owed from group entities (£3.3m) and amounts owed to group entities (£0.2m) from non-current to current. This restatement has no impact on the Statement of profit or loss or the Statement of changes in equity.

2 Critical accounting judgements and key sources of estimation

In the application of the Company's accounting policies which are described in note 1 the directors are required to make judgements (other than those involving estimations) that have a significant impact on the amounts recognised 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 recognised 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.

2.1 Critical accounting judgements

The following are the critical judgements that the directors have made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognised in financial statements.

(a) Separately disclosed items

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

(b) Impairment of investments in subsidiaries

Critical judgement is applied when determining whether there are indicators of impairment in relation to investments in subsidiaries. The directors compare the carrying value of the investment with the underlying performance of the subsidiaries to identify any indicators of impairment.

2.2 Key sources of estimation

(a) Impairment of goodwill

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

(b) Taxation

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

The Company recognises 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 18.

3 Revenue

Analysis of revenue by geography:

	2019	2018
	£	£
United Kingdom	21,943,414	7,826,612
Rest of Europe	2,277,795	777,496
Rest of world	1,533,479	446,026
	25,754,688	9,050,134

	2019	2018
	£	£
Amounts included in contract liabilities at the beginning of the year	-	-

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

Set out below is the amount of revenue recognised from:	2019	2018
	£	£
Amounts included in contract assets at the end of the year	1,049,695	730,113

Revenue represents the amounts derived from the provision of goods and services which fall within the company's ordinary activities, stated net of tax.

4 Separately disclosed items

	2019	2018
	£	£
Restructuring costs	-	69,700

Restructuring costs represent staff redundancy costs related to rationalisation and restructuring of certain laboratories and administrative departments.

5 Operating profit

	2019	2018
	£	£
Operating profit for the year is stated after charging:		
Depreciation of property, plant and equipment (note 11)	1,228,809	400,700
Depreciation of right of use assets (note 12)	494,641	110,434
Amortisation of intangible assets (note 10)	850,267	278,413

6 Auditor's remuneration

Fees payable to Ernst & Young LLP for the audit of the Company were born by other companies within the Group and disclosed in the consolidated financial statements of Element Materials Technology Group Limited, the ultimate parent. Fees payable in the prior year were also borne by other companies within the Group.

There were no non-audit services provided to the Company during the year (2018: £ nil).

7 Employees and directors

Employees

The average monthly number of persons (including executive directors) employed by the Company during the period was:

	2019	2018
Production and distribution	327	331
Administration	39	41
	366	372

Their aggregate remuneration comprised:

	2019 £	2018 £
Wages and salaries	11,155,445	3,620,918
Social security costs	1,067,454	364,963
Pension costs	447,465	131,027
	12,670,364	4,116,908

Directors

	2019 £	2018 £
Directors' remuneration		
Aggregate emoluments	163,313	-
Highest paid Director remuneration		
Aggregate emoluments	163,313	-

The employment benefits of directors were:		
Short term employment benefits	-	-

Throughout 2019, the emoluments of 7 (2018: 4) of the Directors were paid by a fellow group undertaking on behalf of the ultimate parent company Element Materials Technology Group Limited, which makes no recharge to the company. Where Directors are also Directors of several other subsidiaries of Element Materials Technology Group Limited *it is not possible to make an accurate apportionment of Directors in* respect of their services to each of the subsidiaries. Accordingly, these financial statements include no emoluments in respect of these Directors.

8 Finance costs

	2019	2018
	£	£
Interest expense on lease liabilities	80,032	17,849
Other interest payable	15,014	5,002
Total finance costs	95,046	22,851

9 Taxation

	2019	2018
	£	£
Deferred tax		
Current year	(166,051)	(109,016)
Prior period	3,938	-
	(162,113)	(109,016)
Withholding tax		
Withholding tax written off	39,738	15,174
	39,738	15,174
Total tax (credit)	(122,375)	(93,842)

The credit for the year can be reconciled to the profit per the statement of profit or loss as follows:

	2019	2018
	£	£
Profit before taxation	199,796	957,715
Expected tax charge based on a corporation tax rate of 19%	37,961	181,966
Adjustment in respect of prior years	3,938	-
Group relief claimed for nil consideration	(258,250)	(314,859)
Deferred tax rate change adjustment	19,535	8,451
Withholding tax written off	39,738	15,174
Expenses not deductible for tax purposes	34,703	15,426
Taxation credit for the year	(122,375)	(93,842)

9 Taxation

At the Statement of financial position date, the Company had an unrecognised deferred tax asset of £nil (2018: £nil).

A UK budget resolution was substantively enacted on 17 March 2020, cancelling the previously enacted UK corporation tax reduction to 17%, which had been due to be introduced on 1 April 2020. Deferred tax balances within the accounts have therefore been calculated using a corporation tax rate of 19%, as this was the relevant rate at 31st December 2019. The impact of the change would be to increase the tax charge by £77,571.

10 Goodwill and Intangible Assets

	Goodwill	Computer software	Customer relationships	Total
	£	£	£	£
Cost				
At 18 May 2018	-	-	-	-
Capital contribution from parent	15,979,359	60,308	5,291,136	21,330,803
Additions	-	77,651	-	77,651
At 31 December 2018	15,979,359	137,959	5,291,136	21,408,454
Additions - purchased	-	12,570	-	12,570
At 31 December 2019	15,979,359	150,529	5,291,136	21,421,024
Amortisation				
At 18 May 2018	-	-	-	-
Charge for the period	-	7,865	270,548	278,413
At 31 December 2018	-	7,865	270,548	278,413
Charge for the year	-	38,623	811,644	850,267
At 31 December 2019	-	46,488	1,082,192	1,128,680
Net book value				
At 31 December 2019	15,979,359	104,041	4,208,944	20,292,344
At 31 December 2018	15,979,359	130,094	5,020,588	21,130,041

The Company tests goodwill annually for impairment, or more frequently if there are indications that it might be impaired.

As at 31 December 2019, the directors of the Company consider there to be no indicators of impairment in relation to the goodwill.

11 Property, plant and equipment

	Leasehold land and buildings	Plant and equipment	Total
	£	£	£
Cost			
At 18 May 2018	-	-	-
Capital contribution from parent	859,853	4,198,568	5,058,421
Additions	8,721	461,691	470,412
At 31 December 2018	868,574	4,660,259	5,528,833
Additions	45,526	600,296	645,822
At 31 December 2019	914,100	5,260,555	6,174,655
Accumulated depreciation			
At 18 May 2018	-	-	-
Charge for the period	53,000	347,700	400,700
At 31 December 2018	53,000	347,700	400,700
Charge for the year	160,249	1,068,560	1,228,809
At 31 December 2019	213,249	1,416,260	1,629,509
Net book value			
At 31 December 2019	700,851	3,844,295	4,545,146
At 31 December 2018	815,574	4,312,599	5,128,133

12 Lease arrangements

Right of use assets

	Property	Vehicles	Total
	£	£	£
Cost			
At 18 May 2018	-	-	-
Transfers	449,191	437,158	886,349
At 31 December 2018	449,191	437,158	886,349
Additions	857,353	336,329	1,193,682
Transfers	34,414	(1,197)	33,217
Expiry	-	(163,412)	(163,412)
At 31 December 2019	1,340,958	608,878	1,949,836
Accumulated depreciation			
At 18 May 2018	-	-	-
Charge for the period	13,509	96,925	110,434
At 31 December 2018	13,509	96,925	110,434
Charge for the year	227,720	266,921	494,641
Expiry	-	(160,811)	(160,811)
At 31 December 2019	241,229	203,035	444,264
Net book value			
At 31 December 2019	1,099,729	405,843	1,505,572
At 31 December 2018	435,682	340,233	775,915

Lease liabilities

Lease liabilities are classified based on the amounts that are expected to be settled within the next 12 months and after more than 12 months from the reporting date, as follows:

	Current		Non-current	
	2019	2018	2019	2018
	£	£	£	£
Property	244,683	49,472	861,168	466,514
Vehicle	194,311	219,720	213,456	128,714
Total	438,994	269,192	1,074,624	595,228

12 Lease arrangements (continued)

	Within 1 year	2-5 years	5+ years	Total
	£	£	£	£
Property	244,683	677,282	183,886	1,105,851
Vehicle	194,311	213,456	-	407,767
Total	438,994	890,738	183,886	1,513,618

Interest expense
Interest expense on the lease liabilities recognised within finance costs was £80,032 (2018: £17,849).

13 Investments in subsidiaries

	2019	2018
	£	£
Shares in group undertakings	306	306
	306	306

As at 31 December 2019, the Directors of the Company consider there to be no indicators of impairment in relation to the investments held. Details of the subsidiaries are set out in note 14.

14 Subsidiaries

A list of the investments in subsidiaries, including the name, registered office, country of incorporation and proportion of ownership interest is given below.

Held directly:

Subsidiary undertakings	Registered office	Country of incorporation	Principal activity	Percentage holding %
Catalyst Environmental Limited	10 Lower Grosvenor Place, London, SW1W 0EN	UK	Dormant	100
Environmental Evaluation Limited	11 Lower Grosvenor Place, London, SW1W 0EN	UK	Dormant	100
Jones Environmental Forensics Limited	12 Lower Grosvenor Place, London, SW1W 0EN	UK	Dormant	100

15 Cash and cash equivalents

	2019	2018
	£	£
Cash at Bank denominated in GBP	-	105,375
Cash at Bank denominated in foreign currency	271	82,623
	271	187,998

The Company participates in a Group cash pooling arrangement, which means that although the cash and cash equivalents position at year-end was low, this was not a reflection of the Company's underlying cash position.

16 Trade and other receivables

	2019	Restated (note 1.21) 2018
	£	£
Trade receivables	4,410,953	4,521,944
Contract assets	1,049,695	730,113
Amounts owed from group undertakings	7,438,552	5,537,440
Prepayments	483,326	319,423
	13,382,526	11,108,920

No trade receivables fall due after more than one year. Amounts owed from group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand. Trade receivables are stated after expected credit loss of £83,759 (2018: £16,681). The total closing trade receivables and contract asset balances relate to contracts with customers.

The Group measures the loss allowance for trade receivables and all amounts receivable from related parties 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.

17 Trade and other payables

	2019	Restated (note 1.21) 2018
	£	£
Trade payables	1,298,676	1,495,922
Amounts owed to group undertakings	1,546,140	8,470
Cash at bank and in hand	25,141	-
Taxation and social security	649,646	1,087,506
Other payables	888,754	1,158,897
	4,408,357	3,750,795

Amounts owed to group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand. The total closing creditors and contract liability balances relate to contracts with customers.

The Company participates in a Group cash pooling arrangement, which means that although the cash at bank and in hand position at year end was temporarily negative, this was not a reflection of the Company's underlying cash position.

18 Deferred taxation

The following are the major deferred tax liabilities and assets recognised by the company and movements thereon during the current and prior reporting period.

	Accelerated capital allowances	Amortisation of intangibles	Total
	£	£	£
Deferred tax asset/(liability) at 31 December 2018	120,504	(941,970)	(821,466)
Deferred tax movements in current year			
Current period movement	28,071	137,980	166,051
Prior period movement	(92,408)	88,470	(3,938)
Deferred tax asset/(liability) at 31 December 2019	56,167	(715,520)	(659,353)

19 Provisions

	2019	2018
	£	£
Dilapidations	630,291	615,283
Restructuring	116,199	203,173
	746,490	818,456

Movements on provisions:	Dilapidations	Restructuring	Total
	£	£	£
At 18 May 2018	-	-	-
Capital contribution from parent	640,411	235,245	875,656
Additional provisions in the year	5,002		5,002
Utilisation of provision	(30,160)	(32,072)	(62,232)
At 31 December 2018	615,283	203,173	818,456
Additional provisions in the year	15,008	9,242	24,250
Utilisation of provision	-	(96,216)	(96,216)
At 31 December 2019	630,291	116,199	746,490

Restructuring provisions relate to onerous lease contracts payable within five years.

Provisions have been recognised for the dilapidation costs associated with exiting operating leases. It is expected that these costs will be incurred within the next five years.

20 Employee benefit plans

Defined contribution plans

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 recognised as an employee benefit expense in the statement of profit or loss as incurred. The Company made £447,465 contribution to defined contribution plans in the year to 31 December 2019 (2018: £131,027).

21 Share capital

	2019	2018
	£	£
Ordinary share capital		
Authorised		
2 Ordinary of £1 each	2	2
Issued and fully paid		
2 Ordinary of £1 each	2	2
	2	2

22 Share premium account

	2019	2018
	£	£
At beginning of period	31,024,617	-
Issue of new shares	-	31,024,617
At end of period	31,024,617	31,024,617

On 1 September 2018 the parent company, Exova (UK) Limited, contributed assets in return for one share in the company creating the share premium account.

23 Commitments

At 31 December 2019 the company had commitments contracted for but not provided of £115,327 (2018: £15,394).

Capital committed in the period is for spend on plant and machinery.

24 Events after the reporting date

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

Given the difficulty in quantifying the impact of COVID-19, it is inherently difficult to quantify the potential impact on the impairment of non-current assets. Management are still evaluating the potential impact of the COVID-19 on fair values; however, their best estimates indicate no material change from the reporting date. Balances carried at their fair values are provided in note 1 of these financial statements and the specific accounts in the financial statements include Amounts owed by group undertakings (note 16) and Trade and other receivables (note 16).

25 Related party transactions

The Company has taken advantage of the exemption contained within paragraph 8(j) and (k) of FRS 101, and has not disclosed transactions entered with wholly owned group companies or key management personnel.

26 Ultimate holding company and controlling party

The Company's immediate parent undertaking is Exova Group (UK) Limited, registered in England and Wales.

The parent company of the smallest group of which the Company is a member, and for which group financial statements are prepared, is Element Materials Technology Limited, a company incorporated in England and Wales.

Copies of the group financial statements of Element Materials Technology Limited can be obtained from Companies House, Crown Way, Cardiff, CF14 3UZ. Element Materials Technology Limited's registered office address is 10 Lower Grosvenor Place, London, England, SW1W 0EN.

The ultimate parent undertaking of the largest Group which includes the Company and for which Group financial statements are prepared is Element Materials Technology Group Limited, a company incorporated in England and Wales. 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 of Element Materials Technology Group Limited are available from Companies House, Crown Way, Cardiff, CF14 3UZ. Element Materials Technology Group Limited's registered office address is 5 Fleet Place, London, England, EC4M 7RD.