Company Registration No. 11371449 (England and Wales)

ELEMENT MATERIALS TECHNOLOGY OIL & GAS UK LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

ELEMENT MATERIALS TECHNOLOGY OIL & GAS UK LIMITED

COMPANY INFORMATION

Directors	Matthew Hopkinson Gavin Dashwood Michiel Graswinckel
Secretary	Neil MacLennan
Company number	11371449
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 OIL & GAS UK LIMITED

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ELEMENT MATERIALS TECHNOLOGY OIL & GAS 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 Oil & Gas UK Limited.

Review of the business

Element Materials Technology Oil & Gas 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 specialist oil and gas 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	6,606,276	2,168,186
Operating profit/(loss)	1,787,074	(705,828)
Net Assets	6,447,889	4,830,410

*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.
- Liquidity risks: In order to ensure that sufficient funds are available to fund ongoing operations and future developments, management regularly reviews cash flow forecasts and financing arrangements of the business to ensure that there is sufficient funding in place.
- Exchange and interest rate risks: The Company continues to monitor the risks associated with funding and with the revaluation of the Statement of profit and loss and Statement of financial position.
- Intercompany risks: The directors have identified the operational performance of the companies from which the intercompany debt is due 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 to ensure that no recoverability issues are present.

- 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.
- 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 minimisze 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
- 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.

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 minimise 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.

Approved by the Board and signed on its behalf by:

....
Gavin Dashwood
Director
Date: 18 December 2020

ELEMENT MATERIALS TECHNOLOGY OIL & GAS UK LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2019

The Directors present their report and financial statements of Element Materials Technology Oil & Gas 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 18 May 2018.

Principal activities

The Company's principal activity is to provide specialist oil & gas testing and analysis.

Directors

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

Gavin Dashwood	(Appointed 11 November 2020)
Michiel Graswinckel	(Appointed 11 November 2020)
Matthew Hopkinson	(Appointed 12 February 2019)
Niall McCallum	(Appointed 17 December 2019, resigned 9 October 2020)
Jo Wetz	(Resigned 11 November 2020)
Neil MacLennan	(Resigned 12 February 2019)
Charles Noall	(Resigned 17 December 2019)
Matthew White	(Resigned 12 February 2019)

Dividends

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

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 Company has, as at 31 December 2019, net assets of £6,447,889 (2018: £4,830,410). The Company has no external loans or borrowings or complex financial instruments as at 31 December 2019 (2018: £nil). The Company generated a profit after tax of £1,617,479 in the period ended 31 December 2019 (2018: loss after tax of £660,765).

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.

At the time of signing these accounts, the majority of 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).

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 sensitise 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.

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.

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 14) and Trade and other receivables (note 14).

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.

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.

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.

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.

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 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:

....

Gavin Dashwood

Director

Date: 18 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). 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 judgements 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 OIL & GAS UK LIMITED

Opinion

We have audited the financial statements of Element Materials Technology Oil & Gas UK Limited (the 'company') for the year ended 31 December 2019 which comprise the statement of profit or loss, the statement of financial position, the statement of changes in equity and notes to the financial statements, 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. 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 22 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 and Directors' reports, 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 directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In 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

21 December 2020

ELEMENT MATERIALS TECHNOLOGY OIL & GAS UK LIMITED

STATEMENT OF PROFIT OR LOSS

FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	Year ended 31 December 2019 £	Period ended 31 December 2018 £
Revenue	3	6,606,276	2,168,186
Cost of sales		(4,187,745)	(1,451,495)
Gross profit		2,418,531	716,691
Administrative expenses		(702,502)	(298,822)
Other income		71,045	24,128
Separately disclosed items	4	-	(1,147,825)
Operating profit/(loss)	5	1,787,074	(705,828)
Finance costs	8	(19,053)	(3,932)
Profit/(loss) before taxation		1,768,021	(709,760)
Taxation	9	(150,542)	48,995
Profit/(loss) for the year		1,617,479	(660,765)

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 OIL & GAS UK LIMITED

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2019

	Notes	2019 £	Restated (note 1.19) 018 £
Non-current assets			
Intangible assets	10	15,511	11,324
Property, plant and equipment	11	2,546,214	2,918,171
Right of use assets	12	440,317	18,266
Deferred tax asset	16	430,394	525,777
		3,432,436	3,473,538
Current assets			
Trade and other receivables	14	6,542,384	4,022,631
Cash and cash equivalents	13	1,790	132,706
		6,544,174	4,155,337
Current liabilities			
Trade and other payables	15	2,009,063	1,405,504
Lease liabilities	12	123,924	7,195
Provisions	17	282,254	383,035
		2,415,241	1,795,734
Net current assets		4,029,933	2,359,603
Total assets less current liabilities		7,561,369	5,833,141
Non-current liabilities			
Lease liabilities	12	300,057	10,897
Provisions	17	813,423	991,834
		1,113,480	1,002,731
Net assets		6,447,889	4,830,410

ELEMENT MATERIALS TECHNOLOGY OIL & GAS UK LIMITED

STATEMENT OF FINANCIAL POSITION (CONTINUED)

AS AT 31 DECEMBER 2019

	Notes	2019 £	Restated (note 1.19) 2018 £
Shareholders' equity			
Called up share capital	19	2	2
Share premium account	20	5,491,173	5,491,173
Retained earnings		956,714	(660,765)
Total shareholders' equity		6,447,889	4,830,410

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

The financial statements of Element Materials Technology Oil & Gas UK Limited (registered number 11371449) were approved by the Board of Directors and authorised for issue on 18 December 2020 and were signed on its behalf by

....
Gavin Dashwood
Director

Company Registration No. 11371449

ELEMENT MATERIALS TECHNOLOGY OIL & GAS UK LIMITED

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	**19**	1	-	-	-
Capital contribution received	**19**	1	5,491,173	-	5,491,174
Loss for the period		-	-	(660,765)	(660,765)
Balance at 31 December 2018		2	5,491,173	(660,765)	4,830,410
Year ended 31 December 2019:					
Profit for the year		-	-	1,617,479	1,617,479
Balance at 31 December 2019		2	5,491,173	956,714	6,447,889

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 October 2018 the former parent company, Exova (UK) Limited, contributed assets of £5,491,174 at book value in return for one share in the company, creating the share premium account.

1 Accounting policies

Company information

Element Materials Technology Oil & Gas 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 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 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. The group financial statements of Element Materials Technology Limited are available to the public and can be obtained as set out in Note 24.

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.

1 Accounting policies (continued)

1.2 Going concern (continued)

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, as at 31 December 2019, net assets of £6,447,889 (2018: £4,830,410). The Company has no external loans or borrowings or complex financial instruments as at 31 December 2019 (2018: £nil). The Company generated a profit after tax of £1,617,479 in the period ended 31 December 2019 (2018: loss after tax of £660,765).

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.

At the time of signing these accounts, the majority of 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).

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 sensitise 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 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

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:

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 Accounting policies (continued)

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%
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.

1.6 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.

1.7 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 Accounting policies (continued)

1.8 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.

1.9 Trade receivables

Trade receivables are recognised 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.

1.10 Amounts owed by 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.

1.11 Trade payables

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

1.12 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.

1.13 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 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.

1 Accounting policies (continued)

1.13 Taxation (continued)

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.

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.

1.14 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)

1.15 Leases

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 non-property. 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. 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 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)

1.16 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

1.17 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.

1.18 *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.

1.19 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 (£1.7m) and amounts owed to group entities (£0.1m) 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.

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

2.2 Key sources of estimation

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 16.

3 Revenue

	2019	2018
	£	£
Revenue analysed by geographical market		
UK	4,275,610	1,167,765
Rest of Europe	644,445	459,578
Rest of World	1,686,221	540,843
	6,606,276	2,168,186

Set out below is the amount of revenue recognised from:	2019	2018
	£	£
Amounts included in contract liabilities at the beginning of the year/period	92,787	-

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.

	2019	2018
	£	£
Amounts included in contract assets at the end of the year/period	289,820	305,966

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	-	1,147,825

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

5 Operating profit/(loss)

	2019	2018
	£	£
Operating profit/(loss) for the year is stated after charging:		
Depreciation of property, plant and equipment (note 11)	543,471	179,203
Depreciation of right of use assets (note 12)	18,820	2,000
Amortisation of intangible assets (note 10)	10,006	3,307

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 directors) employed by the company during the year was:

	2019	2018
Production and distribution	60	75
Administration	14	15
	74	90

Their aggregate remuneration comprised:

	2019	2018
	£	£
Wages and salaries	1,751,758	668,282
Social security costs	202,727	71,153
Pension costs	98,145	33,559
	2,052,630	772,994

7 Employees and directors

Directors
The Directors received no remuneration in respect of their services to the Company (2018: £nil).

The emoluments of the Directors are 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 (2018: £nil).

The Directors are also Directors of several other subsidiaries of Element Materials Technology Group Limited therefore 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 the Directors (2018: £nil).

8 Finance costs

	2019	2018
	£	£
Other interest payable	15,565	3,699
Interest expense on lease liabilities	3,488	233
	19,053	3,932

9 Taxation

	2019	2018
	£	£
Withholding tax written off	34,648	-
Deferred tax		
Current period movement	(81,113)	(48,995)
Prior period movement	197,007	-
	115,894	(48,995)
Tax charge/(credit) in the Statement of profit or loss	150,542	(48,995)

9 Taxation (continued)

The tax assessed for the period differs from the standard rate of corporation tax in the UK of 19% (2018: 19%). The differences are explained below:

	2019	2018
	£	£
Profit/(loss) before taxation	1,768,021	(709,760)
Expected tax charge/(credit) based on a corporation tax rate of 19%	335,924	(134,854)
Effect of expenses not deductible in determining taxable profit	14,073	29,182
Group relief (claimed) / surrendered	(440,653)	50,913
Withholding tax written off	34,648	-
Deferred tax prior period adjustment	197,007	-
Difference in rate on deferred tax	9,543	5,764
Taxation charge/(credit) for the year	150,542	(48,995)

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 17%, as this was the relevant rate at 31st December 2019. The impact of the change would be to decrease the tax charge by £50,635.

10 Intangible assets

	Computer software
	£
Cost	
At 18 May 2018	-
Capital contribution from Parent	22,392
Disposals	(8,428)
At 31 December 2018	13,964
Additions	14,193
At 31 December 2019	28,157
Depreciation	
At 18 May 2018	-
Charge for the period	3,307
Disposals	(667)
At 31 December 2018	2,640
Charge for the year	10,006
At 31 December 2019	12,646
Net book value	
At 31 December 2019	15,511
At 31 December 2018	11,324

11 Property, plant and equipment

	Land and buildings	Plant and machinery	Total
	£	£	£
Cost			
At 18 May 2018	-	-	-
Capital contribution from parent	466,295	2,820,546	3,286,841
Additions	-	65,391	65,391
Disposals	(129,558)	(146,029)	(275,587)
At 31 December 2018	336,737	2,739,908	3,076,645
Additions	218,065	477,238	695,303
Disposals	-	(587,801)	(587,801)
At 31 December 2019	554,802	2,629,345	3,184,147
Accumulated depreciation			
At 18 May 2018	-	-	-
Charge for the period	27,067	152,136	179,203
Disposals	(10,768)	(9,961)	(20,729)
At 31 December 2018	16,299	142,175	158,474
Charge for the year	66,337	477,134	543,471
Disposals	-	(64,013)	(64,013)
At 31 December 2019	82,636	555,297	637,933
Net book value			
At 31 December 2019	472,166	2,074,048	2,546,214
At 31 December 2018	320,438	2,597,733	2,918,171

12 Lease arrangements

Right of use assets

	Property	Vehicles	Total
	£	£	£
Cost			
At 18 May 2018	-	-	-
Transfers	-	20,266	20,266
At 31 December 2018	-	20,266	20,266
Additions	437,219	3,652	440,871
Expiry	-	(360)	(360)
At 31 December 2019	437,219	23,558	460,777
Accumulated depreciation			
At 18 May 2018	-	-	-
Charge for the period	-	2,000	2,000
At 31 December 2018	-	2,000	2,000
Charge for the year	14,945	3,875	18,820
Expiry	-	(360)	(360)
At 31 December 2019	14,945	5,515	20,460
Net book value			
At 31 December 2019	422,274	18,043	440,317
At 31 December 2018	-	18,266	18,266

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	117,206	-	288,535	-
Vehicles	6,718	7,195	11,522	10,897
	123,924	7,195	300,057	10,897

12 Lease arrangements (continued)

	Within 1	2-5 years	5+ years	Total
Property	117,206	288,535	-	
Vehicles	6,718	11,522	-	
At 31 December 2019	123,924	300,057	-	423,981

Interest expense

Interest expense on the lease liabilities recognised within finance costs was £3,488 (2018: £233).

13 Cash and cash equivalents

	2019	2018
	£	£
Cash at Bank denominated in GBP	1,710	103,737
Cash at Bank denominated in foreign currency	80	28,969
	1,790	132,706

14 Trade and other receivables

	2019	Restated (note 1.19) 2018
	£	£
Trade receivables	1,024,650	1,408,131
Contract assets	289,820	305,966
Amounts owed by group undertakings	5,024,323	2,088,990
Prepayments	203,591	219,544
	6,542,384	4,022,631

No trade receivables fall due after more than one year. Amounts owed by 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 £1,217 (2018: £15,633). The total closing trade receivables and contract asset balances relate to contracts with customers.

The Company 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 Company 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.

15 Trade and other payables

	2019	Restated (note 1.19) 2018
	£	£
Trade payables	319,807	223,988
Contract liabilities	85,070	92,787
Amounts owed to group undertakings	1,026,755	446,645
Accruals	334,653	414,867
Taxation and social security	242,778	227,217
	2,009,063	1,406,224

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

16 Deferred taxation

The provision for deferred tax consists of the following deferred tax assets:

	2019	2018
	£	£
Accelerated capital allowances		
Opening balance	525,777	-
Capital contribution from parent	-	476,782
Transfer in from related party	20,511	-
Prior period movement	81,113	-
Current period movement	(197,007)	48,995
Deferred tax asset	430,394	525,777

17 Provisions

	Dilapidations	Restructuring	Total
	£	£	£
At 18 May 2018	-	-	-
Capital contribution from Parent	600,982	104,333	705,315
Additional provisions in the year	3,687	690,337	694,024
Utilisation of provision	-	(24,470)	(24,470)
At 31 December 2018	604,669	770,200	1,374,869
Additional provisions in the year	14,748	15,577	30,325
Utilisation of provision	-	(309,517)	(309,517)
At 31 December 2019	619,417	476,260	1,095,677
Current	-	282,253	282,253
Non-current	619,417	194,007	813,424
	619,417	476,260	1,095,677

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.

18 Employee benefit plans

Defined contribution 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 recognised as an employee benefit expense in the statement of profit or loss as incurred. The Company made £98,145 contribution to defined contribution plans in the period to 31 December 2019 (2018: £33,559).

19 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

20 Share premium account

	2019	2018
	£	£
At beginning of period	5,491,173	-
Issue of new shares	-	5,491,173
At end of period	5,491,173	5,491,173

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

21 Capital commitments

	2019	2018
	£	£
At 31 December 2019 the company had capital commitments as follows:		
Contracted for but not provided in the financial statements:	54,433	-

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

22 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 balance sheet 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 14) and Trade and other receivables (note 14).

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.

23 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. There were no other related party transactions in the year.

24 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.