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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 2021

ELEMENT MATERIALS TECHNOLOGY OIL & GAS UK LIMITED

COMPANY INFORMATION

Directors	Matthew Hopkinson Gavin Dashwood Mark Heaven
Company number	11371449
Registered office	3rd Floor Davidson Building 5 Southampton Street London WC2E 7HA 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 2021

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

Review of the business

Element Materials Technology Oil & Gas UK Limited (the "Company") 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 2021 results continue to be impacted by reduced demand for material qualification related testing due to global Oil & Gas exploration projects being out on hold, as well as lower R&D related testing, with clients minimising spend in this area. Cost control remains a focus for the business to mitigate the impact of the downturn in business.

The principal activity of the Company throughout this financial year and the prior year 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 key financial performance indicators for the period to 31 December 2021 are as follows:

	2021	**2020**
	£	**£**
Revenue	5,043,148	5,099,577
Operating profit	292,370	813,740
Net Assets	7,676,544	7,374,580

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 are:

Risk	**Mitigating factor**
Workplace health and safety: The Company's operations involve working with materials and chemicals that by their nature have inherent safety risks. Incidents may occur which could result in harm to employees, the temporary shutdown of facilities or other disruption to processes. The Company may be exposed to financial loss, regulatory action and potential liabilities for workplace injuries and fatalities.	Safety is one of the core values of the Company. The Company puts continued emphasis on the promotion of a culture which puts safety first and encourages employees to take personal responsibility for their actions. Health and safety guidelines are issued to all employees Company wide.
Business continuity: Major incident or site closure resulting from factors including pandemics, natural disasters, or flood risks could cause a temporary closure of the Company's facilities and result in a reduction in revenue.	Internal monitoring for all health and safety policies is in place at all sites as well as business continuity plans.
Global economic recovery and market conditions: Unmitigated delays in the receipt of orders or cancellation of existing contracts could affect the Company's financial performance. If the Company is unable to continue trading profitably during periods of lower order intake, financial performance will deteriorate, and assets may be impaired.	The strength of our end market is an important driver for our growth. We actively monitor lead economic indicators in the market. Given the nature of the business, this allows Management to control costs and limit the impact of any global downturn on our profitability.

ELEMENT MATERIALS TECHNOLOGY OIL & GAS UK LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

Principal risks and uncertainties (continued)

Risk	Mitigating factor
Innovation and digitisation: The risk that new entrants or new ways of working could seriously disrupt the testing and certification sector.	Digitisation and novel ways of delivery to customers could in the longer term provide growth and position the Company well against its competitors. The Group (the "Group" being the whole group of companies, headed by EM Topco Limited) has established new ways of working, to develop digital transformation strategies both externally and internally.
Overall margin pressure due to significant cost inflation: In many geographies, there may be abnormal cost inflation due to which the Company's margin may come under pressure.	During 2021 and 2022, the Company has effected a number of price increases, coupled with this the Company continues to focus on cost control and efficiency programs to limit the impact of any abnormal cost inflation in the future.
Loss of reputation due to quality issues: The Company is exposed to potential liabilities arising from quality issues in the provision of 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. Strict quality control measures as well as deployment of experienced quality control expertise enables the Company to maintain standard operating procedures.
Consolidation of customer base, competition and pricing pressure: Market consolidations and reduced customer base could lead to pressure in pricing.	The Company is improving its customer service, creating and expanding focused Key Accounts Management programmes and improving operational delivery and regularly monitoring performance against expectations.
Liquidity and cashflow: The Company is exposed to a range of financial risks, both internally and externally driven, such as trade and intercompany non-repayment of debt or fluctuation in foreign exchange rates.	In order to ensure that sufficient funds are available to fund ongoing operations and future developments, Management regularly reviews the cash flow forecasts and financing arrangements of the business to ensure that there is sufficient funding in place. This includes reviews of the cash flow forecasts and operational performance of the entities from which the intercompany debt is due to monitor recoverability issues or the presence of indicators of impairment.
Recruitment and retention of key personnel: Failure to recruit or retain qualified personnel in key areas of the business may result in the Company failing to achieve its future growth aspirations.	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. In addition, the Group performs background checks of potential employees joining Element to ensure people with appropriate and relevant skill sets are recruited. Retention of team members is a key deliverable for Management. A range of programmes are being delivered to help reduce employee turnover, including leader development programmes; succession planning for senior leaders; formal employee feedback opportunities; employee assistance programs; and investments to support improved communications and engagement.

Risk	Mitigating factor
Cyber security: Cyber-security and related risks are key emergent areas of critical importance for all businesses. Cyber threats can emanate from a wide variety of sources and could target various systems for a wide range of purposes, making response particularly difficult. In addition to business interruption and financial loss, the Company may suffer reputational damage.	The Group's IT teams continually monitor cyber security developments as a business-as-usual activity. Working with a number of specialist and industry leading technical partners, multiple layers of business protection have been created through the use of advanced intrusion detection and protection systems, web access firewalls and advanced content filtering to combat denial of service attacks.
Exposure to liabilities: The Company is exposed to a number of potential liabilities in the ordinary course of business. These potential liabilities may or may not result in future cash outflows.	Where a cash outflow is considered probable, based on its best estimate of likely outcome for each material past event, the Company calculates and records a provision.

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's intermediate holding company, EM Topco Limited, ensures that appropriate insurance cover is in place for the Company and its subsidiaries in respect of customarily insured liabilities and claims. The risks are monitored by the Directors on a continual basis.

Corporate Responsibility: Section 172(1) Statement
The Companies (Miscellaneous Reporting) Regulations 2018 '2018 MRR') require Directors to explain how they considered the interests of key stakeholders and the broader matters set out in section 172(1) (A) to (F) of the Companies Act 2006 ('S172') when performing their duty to promote the success of the Company under S172. This includes considering the interest of other stakeholders which will have an impact on the long-term success of the Company.

This S172 statement, explains how the Company's Directors:

- have engaged with employees, suppliers and group company affiliates
- have had regard for employee interests, the need to foster the Company's business relationships with suppliers and group company affiliates
- have taken the above into consideration when making principal decisions taken by the Company during the financial year

The S172 statement focuses on matters of strategic importance to the Company, and the level of information disclosed is consistent with the size and complexity of the business.

S172(1) (A) – The likely consequences of any decision in the long term

The Company considers its long-term opportunities to create and preserve value on an ongoing basis. The Company's key objectives include driving strong organic growth across the business; attracting, retaining and developing technical talent; and investing and growing the business through targeted capital expenditure investment. The Board promotes these activities in line with the overall Group's aim of making Element the best and most trusted testing partner in the world.

S172(1) (B) – The interests of the Company's employees

The Company is defined by its people and we are committed to supporting all colleagues through programmes which keep them safe, healthy, engaged, recognised and rewarded. 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 Group and the Company. How we listen and engage:

- Senior management location visits;
- formal and informal meetings;
- regular Group-wide town hall meetings;
- regular informal team building events such as One Element Week;
- regular Group communications and newsletters;
- the Company's intranet site;
- presentations for employees of the financial and operational performance of the Group; and
- employee representatives are consulted regularly on a wide range of matters affecting their current and future interests.

Corporate Responsibility: Section 172(1) Statement (continued)

S172(1) (C) – The need to foster the Company's business relationships with suppliers

We are developing long-term, collaborative supply chain partnerships and aim to work responsibly with our suppliers. We listen and engage primarily by utilising tender processes and supplier pre-qualification questionnaires to ensure responsible procurement, and through active supply chain review.

S172(1) (D) – The impact of the Company's operations on the community and the environment

The Company's approach to corporate responsibility is founded on Element's values: Integrity, Care and Progress. In 2021 corporate responsibility played a central role in ensuring we met stakeholder expectations and our commitment to conduct business responsibly and ethically to protect the health and safety of our team members, visitors and the communities in which we operate.

S172(1) (E) – The desirability of the Company maintaining a reputation for high standards of business conduct

During 2020 the key policies, procedures and guidelines relevant for the Company were brought together in the Group's first Code of Conduct, which was launched in early 2021. Available in the 12 most widely used languages across the Group, the Code of Conduct is a clear and straightforward framework for every Element colleague to follow, irrespective of role, geography or culture. As well as outlining what every employee must do to ensure compliance with local laws and regulations, the Code also reflects the requirements of the Compliance Code of the TIC Council, an internationally recognized association which represents independent testing, inspection and certification companies. Element was accepted as a global board member of the TIC Council with effect from 1 October 2020.

Element's compliance programme allows the Group and the Company to meet the obligations laid down by the TIC Council and reflects the requirements of the TIC Council Compliance Code (First edition):

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

S172(1) (F) – The need to act fairly as between members of the Company

As all Company shares are owned by a single shareholder, the Directors have no material concerns related to the need to act fairly between the Company's members.

The Company also considers S172 matters where appropriate as part of decision making.

Principal decisions

In the table below are outlined the principal decisions made by the Directors during the year. Principal decisions are defined as those decisions that are of a strategic nature and that are significant to any of our key stakeholder groups which are employees, suppliers and group affiliates. The table below explains how the Directors have engaged with, or in relation to, the different key stakeholder groups and how stakeholder interest were considered in the course of decision making.

We describe how regard was given to likely long-term consequences of the decision, including how stakeholders were considered during the decision-making process.

Corporate Responsibility: Section 172(1) Statement (continued)

Key Stakeholders	**Principal decision**	**Impact on the business**	**Stakeholder considerations**	**Outcomes and actions**
Employees, customers	How to manage changes in demand driven by Covid-19	Demand reduction, and changing customer needs	Requirement to adapt workforce to meet changing customer needs	Cost reduction and cashflow management, and after consulting with impacted employees and others, redundancy programmes.
Employees, customers	Maintaining the health and safety of Company employees, and ensuring business continuity when Covid rates are high	Interrupted supply and employee team operating at reduced capacity	Prioritising health and mitigating risk of the spread of Covid-19 while continuing to support customers	Enhanced processes (such as remote working), restrictions put in place in respect of business travel, additional safety measures put in place to protect staff and customers.

These are examples of how the Directors have had regard to the S172(1) Matters.

Approved by the Board and signed on its behalf by:

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Gavin Dashwood
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Gavin Dashwood
Director
Date: 31 March 2023

ELEMENT MATERIALS TECHNOLOGY OIL & GAS UK LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2021

The Directors present their report and financial statements of Element Materials Technology Oil & Gas UK Limited for the financial year ended 31 December 2021.

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	
Michiel Graswinckel	(Resigned 10 March 2022)
Matthew Hopkinson	
Mark Heaven	(Appointed 10 March 2022)

Dividends
The Directors do not recommend payment of a dividend (2020 £nil).

Financial risks
The Directors have chosen to include information on financial risks in the Strategic Report.

Political contributions
The Company made no political donations and incurred no political expenditure during the year (2020: £nil).

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.

Going concern
The Company's business activities, together with factors likely to affect its future development, performance and position are considered by the Directors on an annual basis.

The Directors believe that preparing the financial statements on the going concern basis is appropriate due to the continued financial support of the intermediate parent company, EM Topco Limited ("Element"). The Directors have received confirmation that Element will support the company as necessary, and has the ability to do so, until the end of the period considered by the Directors in their going concern assessment, being the period from the date of approval of the Annual report and Financial Statements until 31 March 2024.

This financial support is required because the Company is a participant in the Element Group cash pooling arrangement and therefore as a result, ultimately relies on the liquidity of the Group. The Group (the "Group") being the whole group of companies, headed by EM Topco Limited.

The Directors have, at the time of approving the financial statements, a reasonable expectation that the Group and the Company have adequate resources for the Company to continue to adopt the going concern basis of accounting in preparing these financial statements. Further detail is contained in the statement on going concern within note 1.2 to the financial statements.

Events after the reporting date

On 6th July 2022, the Company's ultimate parent undertaking, Element Materials Technology Group Limited was acquired by EM Bidco Limited. Following the acquisition, the ultimate parent undertaking changed to Temasek Holdings (Private) Limited, a company incorporated in Singapore. The completion of the acquisition resulted in the extinguishment of the Group's old debt facilities and establishment of new facilities. The Company ceased to be a guarantor for the Group's debt facilities from this date and was not required to provide guarantees for the new facilities.

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

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.

Directors insurance and indemnities

As permitted by the Companies Act 2006, the Group 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.

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 audit information of which the Company's auditor is unaware; and
- the Director has taken all the steps that they 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.

Auditor reappointment

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:

DocuSigned by:

Gavin Dashwood

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Gavin Dashwood

Director

Date: 31 March 2023

ELEMENT MATERIALS TECHNOLOGY OIL & GAS UK LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2021

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 2021 which comprise the statement of profit or loss, the statement of financial position, the statement of changes in equity and the related notes 1 to 24, 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 2021 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.

Conclusions relating to going concern

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

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern over a period to 31 March 2024.

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

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

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

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic report and Directors' report has 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 8, 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.

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

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

Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the most significant are those that relate to the reporting framework (FRS 101 and the Companies Act 2006) and the relevant tax compliance regulations. In addition, we concluded that there are certain significant laws and regulations relating to health and safety, employee matters, environmental matters and anti-bribery and corruption practices of relevance to the company. In 2020 the company has also participated in government support schemes arising due to the COVID-19 pandemic and therefore is required to comply with the rules of these schemes;

- We understood how the company is complying with those frameworks by making enquiries of management including those responsible for legal and compliance procedures and the Company Secretary. We corroborated our enquiries through our review of minutes of board meetings and consideration of the results of our audit procedures for the Company;
- We designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved a review of legal expenses and board minutes to identify any non-compliance with laws and regulations and enquiries of general counsel, those charged with governance and management;
- We assessed the susceptibility of the company's financial statements to material misstatement, including how fraud might occur by meeting with management to understand where it considered there was susceptibility to fraud, reviewing documentation of the company's policies and procedures including the Code of Conduct and assessing whistleblowing incidences for those with a potential financial reporting impact. We also considered performance targets and whether they might influence management to override controls to manipulate revenue. As a result, we identified a fraud risk relating to manipulation of accrued income. We considered the controls that the company has established to address the risks identified, or that otherwise prevent, defer or detect fraud; and how senior management monitors those controls; and

- We designed our audit procedures to respond to the identified risk relating to manipulation of accrued income. The procedures included understanding the revenue recognition process including calculations related to accrued income and challenging and understanding any judgments made about stage of completion of projects. We selected samples from the accrued income listing and reviewed underlying documentary evidence supporting the revenue recognition. We performed analytical review of accrued income comparing the balance year on year and considering the ageing profile. Through enquiry of management we obtained explanations and supporting evidence for significant changes in accrued income and significantly aged accrued income balances. We also, as part of the overall response to the risk of fraud, performed journal entry testing.

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

Judith Smith (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London
Date 31 March 2023

ELEMENT MATERIALS TECHNOLOGY OIL & GAS UK LIMITED

STATEMENT OF PROFIT OR LOSS

FOR THE YEAR ENDED 31 DECEMBER 2021

	Notes	2021 £	Restated Note 1.20 2020 £
Revenue	3	5,043,148	5,099,577
Cost of sales		(4,273,683)	(4,147,658)
Gross profit		769,465	951,919
Administrative expenses		(524,132)	(310,176)
Other operating income	4	47,037	171,997
Operating profit	5	292,370	813,740
Finance costs	8	(47,045)	(66,880)
Profit before taxation		245,325	746,860
Taxation credit	9	56,639	179,858
Profit for the financial year		301,964	962,718

All results are generated from continuing operations.

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

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 2021

	Notes	2021 £	2020 £
Non-current assets			
Intangible assets	10	13,517	18,166
Property, plant and equipment	11	2,184,004	2,307,678
Right of use assets	12	1,016,088	1,418,705
Deferred tax asset	16	702,892	633,925
		3,916,501	4,378,474
Current assets			
Trade and other receivables	13	6,667,829	5,817,007
Cash and cash equivalents	14	141,228	147,138
		6,809,057	5,964,145
Current liabilities			
Trade and other payables	15	1,367,744	1,186,360
Lease liabilities	12	98,541	95,706
Provisions	17	345,453	144,033
		1,811,738	1,426,099
Net current assets		4,997,319	4,538,046
Total assets less current liabilities		8,913,820	8,916,520
Non-current liabilities			
Lease liabilities	12	756,092	854,633
Provisions	17	481,184	687,307
		1,237,276	1,541,940
Net assets		7,676,544	7,374,580

ELEMENT MATERIALS TECHNOLOGY OIL & GAS UK LIMITED

STATEMENT OF FINANCIAL POSITION (CONTINUED)

AS AT 31 DECEMBER 2021

	Notes	2021 £	2020 £
Shareholder's equity			
Share capital	**19**	2	2
Share premium account	**20**	5,491,146	5,491,146
Retained earnings		2,185,396	1,883,432
Total Shareholder's equity		7,676,544	7,374,580

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 31 March 2023 and were signed on its behalf by:

DocuSigned by:
Gavin Dashwood
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Gavin Dashwood
Director
Date: 31 March 2023

Company Registration No. 11371449

ELEMENT MATERIALS TECHNOLOGY OIL & GAS UK LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2021

	Share capital	Share premium account	Retained earnings	Total
	£	£	£	£
Balance at 1 January 2020	2	5,491,173	956,714	6,447,889
Profit for the year	-	-	926,718	926,718
Share premium adjustment	-	(27)	-	(27)
Balance at 31 December 2020	2	5,491,146	1,883,432	7,374,580
Profit for the year	-	-	301,964	301,964
Balance at 31 December 2021	2	5,491,146	2,185,396	7,676,544

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

ELEMENT MATERIALS TECHNOLOGY OIL & GAS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

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1 Accounting policies

Company information

Element Materials Technology Oil & Gas UK Limited is a private limited company incorporated in England and Wales, is domiciled in the UK and its registered office is 3rd Floor Davidson Building, 5 Southampton Street, London, England, United Kingdom, WC2E 7HA.

The principal activity of the Company throughout this financial year and the prior year was specialist oil and gas testing and analysis.

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 24.

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

The financial statements have been prepared on a going concern basis. The reasons for this are outlined in Note 1.2. The financial statements are presented in pounds sterling which is also the functional currency of the Company

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 62, B64(d), B64(e), B64(g), B64(h), B64(j) to B64(m), B64(n)(ii), B64(o)(ii), B64(p), B64(q)(ii), B66 and B67 of IFRS 3 Business Combinations
- The requirements of IFRS 7 Financial Instruments: Disclosures
- The requirements of paragraphs 91 to 99 of IFRS 13 Fair Value Measurement
- The requirements of the second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129 of IFRS 15 Revenue from Contracts with Customers
- The requirements of paragraph 52, the second sentence of paragraph 89, and paragraphs 90, 91 and 93 of IFRS 16 Leases
- The requirements of paragraph 58 of IFRS 16
- The requirement in paragraph 38 of IAS 1 Presentation of Financial Statements to present comparative information in respect of:
  i. paragraph 79(a)(iv) of IAS 1;
  ii. *paragraph 73(e) of IAS 16 Property, Plant and Equipment;*
  iii. paragraph 118(e) of IAS 38 Intangible Assets.
- The requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D, 111 and 134 to 136 of IAS 1 Presentation of Financial Statements
- The requirements of IAS 7 Statement of Cash Flows
- The requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors
- The requirements of paragraphs 17 and 18A of IAS 24 Related Party Disclosures
- The requirements in IAS 24 Related Party Disclosures 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
- The requirements of paragraphs 130(f)(ii), 130(f)(iii), 134(d) to 134(f) and 135(c) to 135(e) of IAS 36 Impairment of Assets

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

ELEMENT MATERIALS TECHNOLOGY OIL & GAS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

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1 Accounting policies (continued)

1.2 Going concern

In line with the Financial Reporting Council's guidance on going concern issued in April 2016 and the requirements of the Companies Act 2006, the Directors have undertaken an exercise to review the appropriateness of the continued used of the going concern basis. The financial statements of the Company have been prepared on a going concern basis, as the Directors have concluded that the going concern basis continues to be appropriate.

The Company has, as at 31 December 2021, net assets of £7,749,476 (2020: net assets of £7,374,580). The Company has no external loans or borrowings or complex financial instruments as at 31 December 2021. The Company generated a profit after tax of £374,896 in the year ended 31 December 2021 (2020: Profit after tax of £926,718).

The company's future viability is ultimately dependent on the performance of the wider trading group owned by the company's intermediate holding company, EM Topco Limited ("Element"), and group management's decisions on the flow of capital. The financial support is required as the Company is a participant in the Element Group cash pooling arrangement and therefore as a result, ultimately relies on the liquidity of the Group. The Group (the "Group") being the whole group of companies, headed by EM Topco Limited.

The Directors have received confirmation that Element will support the company as necessary, and has the ability to do so, until the end of the period considered by the Directors in their going concern assessment, being the period from the date of approval of the Annual Report and Financial Statements until 31 March 2024.

The going concern assessment, which has been performed for the period up to 31 March 2024, 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 Directors believe that the Group is well placed to manage its business risks successfully, despite the current uncertain economic outlook. The Group's forecasts and projections, taking account of reasonably possible changes in trading performance, inflation and interest rates, show that the Group would be able to operate within the level of its current committed facilities. As part of a regular assessment of the Group's working capital and financing position, the Directors have prepared a detailed bottom-up trading budget and cash flow forecast for the period through 31 March 2024.

The Directors have chosen the period to 31 March 2024 to assess the going concern because this is the end of the date of the period used for the going concern assessment of the Group headed by EM Topco Limited, the intermediate parent, upon whose continued financial support the Company relies. In considering the going concern status, the Directors of the Group have considered the principal risks and uncertainties discussed in the strategic report and assessed the impact.

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

- Global economic downturn impacting underlying end–markets
- Susceptibility to inflation and interest rate movements
- The status of the Group's existing and future credit arrangements
- Technological disruption due to simulation and software potentially reducing traditional testing and/or outsourcing of testing activities
- Difficulties in recruiting/retaining technical talent to support organic growth, and
- Overall margin pressure due to significant cost inflation and the availability of mitigating actions including price increases and managing capital expenditure
- Potential impacts of the conflict in Ukraine on our business

The Directors have considered the potential impacts of the conflict in Ukraine on our business, assessing possible supply chain disruptions and evaluating risks to future earnings. At this stage we do not anticipate a material impact to the Group's performance. However, if the Group is impacted, we are confident that mitigating actions and cost management plans within management's control could be implemented to alleviate risk.

1 Accounting policies (continued)

1.2 Going concern (continued)

On the 6th of July 2022, Temasek acquired a controlling interest in the Group. As a result of this transaction, the Group entered into a new debt facility agreement and this debt is now due for repayment in 2029. The total value of the facility at 28 February 2023 was US $3,408 million, of which $3,145 million has been drawn.

The going concern assessment takes into account the Group's cash flow and available undrawn credit facilities.

Sensitivity analyses have been performed on the forecasts to consider the impact of severe, but plausible, reasonable worst-case scenarios on the headroom on cash and available credit facilities. These scenarios, which sensitized the forecasts for specific identified risks, modelled the reduction in anticipated levels of underlying EBITDA and the associated increase in net debt. This scenario is the sustained decline in Group performance due to a variety of macroeconomic issues including, but not limited to, global economic conditions and high inflation and is modelled on a 16% reduction in EBITDA in 2023 and to 31 March 2024. Sensitivity analyses have also been performed on cost inflation, as well as increasing interest rates 0.5% above current forward curves. In performing the assessment consideration was given to the risk of below forecast performance in relation to recently acquisitions - the sensitivity scenarios above include these acquisitions and are considered sufficient to consider the impact of sever but plausible possible downside in the performance of the acquired entities.

Throughout these downside scenarios, the Group continues to have significant liquidity headroom on its new debt commitments and existing facilities and against the revolving credit facility covenants.

The Group also prepared a reverse stress test to quantify the level of reduction in EBITDA at which the available liquidity would be reduced to nil by the end of the assessment period. In completing this test the directors considered the level of decline required to reach this and concluded that this was not a plausible outcome due to the value of the decline before any actions were taken by management.

As a result of the Group going concern assessment described above and the confirmation received that Element will support the Company as necessary and has the ability to do so, to 31 March 2024, the Directors are satisfied that the Company has access to adequate resources to continue in operational existence for the foreseeable future and will be able to meet its liabilities as they fall due during the period from the date of the approval of these financial statements to 31 March 2024.

Therefore, the financial statements of the Company have been prepared on a going concern basis.

ELEMENT MATERIALS TECHNOLOGY OIL & GAS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

1 Accounting policies (continued)

1.3 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 - 5 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.

Intangible asset values are reviewed for impairment annually, or more frequently when there is an indication that it may be impaired. Any impairment loss is recognised directly in the statement of profit or loss. An impairment loss recognised for intangible assets is not reversed in subsequent years. For assets where an impairment loss subsequently reverses, the carrying amount of the asset or cash generating unit is increased to the revised estimate of its recoverable amount, not to exceed the carrying amount that would have been determined, net of depreciation, had no impairment losses been recognised for the asset or cash generating unit in prior years. A reversal of impairment loss is recognised immediately in the Statement of profit or loss and only if the reasons for the impairment loss have ceased to apply.

1.4 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	20 – 50 years
Plant and machinery	3 – 17 years

Assets under the course of construction are classified to the appropriate categories of property, plant and equipment when completed and ready for 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.

1.5 Lease arrangements

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 and those with less than a 12-month duration) 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.

1 Accounting policies (continued)

1.5 Lease arrangements (continued)

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.

The cost of a right-of-use asset also includes an estimate of costs to be incurred by the company in restoring the underlying asset to the condition required by the terms and conditions of the lease.

1.6 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.

1.7 Trade and other receivables

Trade and other 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.

1.8 Impairment of non-financial assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, the Company makes an estimate of the asset's recoverable amount compared to the carrying value. The recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use. Value in use is defined as the present value of future cash flows before interest and tax.

Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount through the Statement of profit or loss. For assets where an impairment loss subsequently reverses, the carrying amount of the asset or cash generating unit is increased to the revised estimate of its recoverable amount, not to exceed the carrying amount that would have been determined, net of depreciation, had no impairment losses been recognised.

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.

1.10 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.

1.11 Trade and other payables

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

1.12 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.

ELEMENT MATERIALS TECHNOLOGY OIL & GAS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

1 Accounting policies (continued)

1.13 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, net of 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 less than 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 two months to multiple years.

1.14 Government assistance Covid-19 furlough income

IAS 20 sets out the principle for the recognition, measurement, presentation and disclosure of government grants. Government grants are recognised when there is a reasonable assurance that the grant will be received, and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income over the period necessary to match the grant on a systematic basis to the costs that it is intended to compensate.

1.15 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.

1.16 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.

1.17 Taxation

Current tax

The current tax 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.

1 Accounting policies (continued)

1.17 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.

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.

1.18 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.

1 Accounting policies (continued)

1.19 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 years covered by the financial statements. The adoption of these standards and interpretations does not have an impact on the financial statements of the Company:

- Amendment to IFRS 16 Leases Covid 19-Related Rent Concessions beyond 30 June 2021
- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16: Interest Rate Benchmark Reform Phase 2

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.

1.20 Prior year restatement

The comparative figures in the Statement of profit or loss have been restated to correct for an error in recording internal sales and costs gross totalling £136,775 in 2020. The value of revenue and cost of sales previously reported has therefore been reduced by £136,775 in the Statement of profit or loss account. There is no impact to the profit for the year.

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.

The directors consider that there were no critical accounting judgments made in preparing these financial statements.

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

(a) Dilapidations provision
Provisions for dilapidation liabilities are made when there is a present obligation and where it is probable that expenditure on restoration work will be required and a reliable estimate can be made of the cost. In estimating the dilapidation liability, Management uses their best estimate regarding cost of restoring operating sites to their original condition in accordance with the terms of the lease contracts where relevant. These estimates are reviewed annually, and the amount expected to be paid on termination or expiry of the leased property is recognised as a dilapidation provision as at year end. There are significant uncertainties with regards to the timing and final amounts of any future payments. These uncertainties can also result in the reversal of previously established provisions once final settlement is reached with the third party. Given the nature of the provision, it is not possible to estimate the exact timing of cash flows.

(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 is provided in note 16.

ELEMENT MATERIALS TECHNOLOGY OIL & GAS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

3 Revenue

	2021	Restated Note 1.20 2020
	£	£
Revenue analysed by geographical market		
UK	3,416,086	3,198,510
Rest of Europe	483,767	601,578
Rest of World	1,143,295	1,299,489
	5,043,148	5,099,577

Set out below is the amount of revenue recognised from:	2021	2020
	£	£
Amounts included in contract liabilities at the beginning of the year	54,320	85,070

The table below represents contract assets which are initially recognised for revenue earned from ongoing services. Upon completion of services and acceptance by the customer, the amount recognised as contract asset is reclassified to trade receivables.

	2021	2020
	£	£
Amounts included in contract assets at the end of the year	452,624	242,283

Revenue represents the amounts derived from the provision of goods and services which fall within the Company's ordinary activities, stated net of VAT and other sales related taxes.

4 Other operating income

	2021	2020
	£	£
Government assistance Covid-19 furlough income	-	125,433
Other operating income	47,037	46,564
	47,037	171,997

Government grants are recognised when there is a reasonable assurance that the grant will be received, and all attached conditions have been complied with.

5 Operating profit

	2021	2020
	£	£
Operating profit for the year is stated after charging / (crediting):		
Depreciation of property, plant and equipment (note 11)	517,895	530,394
Depreciation of right of use assets (note 12)	402,636	113,671
Amortisation of intangible assets (note 10)	4,647	6,447
Government assistance Covid-19 furlough income (note 4)	-	(125,433)

6 Auditor's remuneration

Fees payable to Ernst & Young LLP for the audit of the Company were borne by other companies within the Group and disclosed in the consolidated financial statements of Element Materials Technology Group Limited. 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 (2020: none).

7 Employees and Directors

Employees

The average monthly number of persons employed by the company during the year was:

	2021	2020
Production and distribution	38	42
Administration	16	15
	54	57

Their aggregate remuneration comprised:

	2021 £	2020 £
Wages and salaries	1,884,830	2,037,806
Social security costs	210,110	211,017
Pension costs	101,814	104,597
	2,196,754	2,353,420

**The 2020 wages and salary expense is shown net of £125,433 received as Covid-19 support for employee costs (2021: £nil)*

Directors

The 3 directors who served during 2021 are also directors of a number of other group companies and do not consider it possible to identify the proportion of their remuneration relating to their roles as directors of this company.

The remuneration of 1 of these is included in the disclosure in the Element Materials Technology Holding UK Limited financial statements, of which £nil was paid through these financial statements. The total remuneration for the other 2 directors, one of whom was paid through this company, was £276,631.

There were no other short-term employee benefits in the year (2020: nil) and there were no retirement benefits accruing to Directors under pension schemes as at 31 December 2021 (2020: nil).

ELEMENT MATERIALS TECHNOLOGY OIL & GAS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

8 Finance costs

	2021	2020
	£	£
Other interest payable	1	14,748
Interest expense on lease liabilities	47,044	52,132
	47,045	66,880

9 Taxation

	2021	2020
	£	£
Current tax		
Withholding tax written off	12,328	23,673
Deferred tax		
Current year movement	(64,536)	(144,382)
Adjustment in respect of prior years	(4,431)	(59,149)
	(68,967)	(203,531)
Tax credit in the Statement of profit or loss	(56,639)	(179,858)

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

	2021	2020
	£	£
Profit before taxation	245,325	746,860
Expected tax charge based on a corporation tax rate of 19% (2020: 19%)	46,612	141,903
Expenses not deductible for tax purposes	61,063	25,518
Group relief claimed for nil consideration	(3,516)	(252,210)
Withholding tax written off	12,328	23,673
Adjustment in respect of prior years – deferred tax	(4,431)	(59,149)
Deferred tax rate change adjustment	(168,695)	(57,593)
Taxation credit for the year	(56,639)	(179,858)

At the Statement of financial position date, the Company had an unrecognised deferred tax asset of £nil (2020: £nil).

Factors that may affect future tax charges
A UK budget resolution was announced on 3rd March 2021 increasing the UK corporation tax rate to 25%, effective from 1st April 2023. This rate increase was substantively enacted into UK law on 10th June 2021. Deferred tax balances within the accounts have been calculated using a corporation tax rate of 25%.

ELEMENT MATERIALS TECHNOLOGY OIL & GAS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

10 Intangible assets

	Computer software
	£
Cost	
At 31 December 2020	37,259
Additions	-
Disposals	-
At 31 December 2021	37,259
Depreciation	
At 31 December 2020	19,093
Charge for the year	4,647
Disposals	-
At 31 December 2021	23,740
Net book value	
At 31 December 2021	13,517
At 31 December 2020	18,166

11 Property, plant and equipment

	Leasehold land and buildings	Plant and equipment	Assets under construction	Total
	£	£	£	£
Cost				
At 31 December 2020	564,660	2,880,270	31,075	3,476,005
Additions	1,888	249,930	142,403	394,221
Disposals	-	(4,068)	-	(4,068)
Transfers	-	31,077	(31,077)	-
At 31 December 2021	566,548	3,157,209	142,401	3,866,158
Accumulated depreciation				
At 31 December 2020	156,248	1,012,079	-	1,168,327
Charge for the year	73,284	444,611	-	517,895
Disposals	-	(4,068)	-	(4,068)
At 31 December 2021	229,532	1,452,622	-	1,682,154
Net Book Value				
At 31 December 2021	337,016	1,704,587	142,401	2,184,004
At 31 December 2020	408,412	1,868,191	31,075	2,307,678

ELEMENT MATERIALS TECHNOLOGY OIL & GAS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

12 Lease arrangements

Right of use assets

	Property	Non-property	Total
	£	£	£
Cost			
At 31 December 2020	1,529,278	23,558	1,552,836
Additions	19	-	19
Expiry / disposals	-	(8,585)	(8,585)
At 31 December 2021	1,529,297	14,973	1,544,270
Accumulated depreciation			
At 31 December 2020	121,564	12,567	134,131
Charge for the year	396,902	5,734	402,636
Expiry / disposals	-	(8,585)	(8,585)
At 31 December 2021	518,466	9,716	528,182
Net book value			
At 31 December 2021	1,010,831	5,257	1,016,088
At 31 December 2020	1,407,714	10,991	1,418,705

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
	2021	2020	2021	2020
	£	£	£	£
Property	94,654	85,757	754,406	849,060
Non-property	3,887	5,949	1,686	5,573
	98,541	95,706	756,092	854,633

ELEMENT MATERIALS TECHNOLOGY OIL & GAS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

12 Lease arrangements (continued)

	Within 1 year	2-5 years	5+ years	Total
Property	94,654	433,060	321,346	849,060
Non-property	3,887	1,686	-	5,573
Total	98,541	434,746	321,346	854,633

Interest expense
Interest expense on the lease liabilities recognised within finance costs was £47,044 (2020: £52,132)

13 Trade and other receivables

	2021 £	2020 £
Trade receivables	786,252	965,190
Amounts owed by group undertakings	5,304,678	4,465,606
Contract assets	452,624	242,283
Prepayments	124,275	143,928
	6,667,829	5,817,007

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 and amounts due from group companies are stated after an expected credit loss of £10,984 (2020: £2,009). The total closing trade receivables and contract assets balances relate to contracts with customers.

The Company measures the loss allowance for trade receivables and all amounts owed by group undertaking 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.

ELEMENT MATERIALS TECHNOLOGY OIL & GAS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

14 Cash and cash equivalents

	2021	2020
	£	£
Cash at Bank denominated in GBP	141,070	147,138
Cash at Bank denominated in foreign currency	158	-
	141,228	147,138

15 Trade and other payables

	2021	2020
	£	£
Trade payables	228,578	311,498
Contract liabilities	46,320	54,320
Amounts owed to Group undertakings	603,259	187,167
Accruals and other payables	328,145	379,417
Taxation and social security	161,442	253,958
	1,367,744	1,186,360

Amounts owed to group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

16 Deferred taxation

	Fixed asset timing differences	Total
	£	£
Deferred tax asset at 31 December 2020	633,925	633,925
Current year movement	64,536	64,356
Adjustments in respect of prior years	4,431	4,431
Deferred tax asset at 31 December 2021	702,892	702,892

As at 31 December 2021 there were no unrecognised deferred tax assets (2020: £nil)

ELEMENT MATERIALS TECHNOLOGY OIL & GAS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

17 Provisions

	Dilapidations £	Restructuring £	Total £
At 31 December 2020	825,216	6,124	831,340
Additional provisions in the year	19	-	19
Utilisation of provision	-	(4,722)	(4,722)
At 31 December 2021	825,235	1,402	826,637
Current	344,051	1,402	345,453
Non-current	481,184	-	481,184
	825,235	1,402	826,637

The dilapidations provision represents management's best estimate of restoration costs with respect to leased properties for which a present obligation exists and a reliable estimate can be made. As at 31 December 2021, the dilapidation provision was £825,235 (2020: £825,216). The liability is management's best estimate regarding cost of restoring operating sites to their original condition in accordance with the terms of the lease contracts where relevant. Given the nature of the provision, it is not possible to estimate the exact timing of cash flows but the lease liability maturity analysis in note 12 is indicative of the likely approximate timing of utilisation of the dilapidations provision.

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 recorded costs of £101,814 in respect of defined contribution plans in the period to 31 December 2021 (2020: £104,597). At the year end, contributions of £17,892 (2020: £16,589) due in respect of the current reporting period had not been paid over to the scheme. These balances are reported within Trade and other payables, within Accruals and other payables.

ELEMENT MATERIALS TECHNOLOGY OIL & GAS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

19 Share capital

	2021	2020
	£	£
Called up, issued and fully paid		
2 Ordinary of £1 each	2	2
	2	2

20 Share premium account

	2021	2020
	£	£
At beginning of year	5,491,146	5,491,146
At end of year	5,491,146	5,491,146

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 Commitments and contingent liabilities

	2021	2020
	£	£
Capital Commitments		
At 31 December 2021, the Company had capital commitments as follows:		
Contracted for but not provided	39,817	3,092

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

Contingent Liabilities

The company has given a guarantee in respect of the Senior Facilities Agreement (SFA) of Greenrock Midco Limited, another group company. At 31 December 2021, the Company along with a number of other group companies has jointly and severally guaranteed $637.2m (2020: $671.9m) which is secured by a charge on the Company's assets. Security will only be enforceable on the occurrence of an Event of Default as defined by the SFA.

The Company has given a guarantee in respect of the Note Purchase Agreement (NPA) to Element Materials Technology Group US Holdings Inc, another group company. The Company along with a number of other group companies has jointly and severally guaranteed $180m (2020: nil) which is secured by a charge on the Company's assets. Security was only enforceable on the occurrence of an Event of Default as defined by the Senior Facilities Agreement.

The company has given a guarantee in respect of the TTL Chiltern Pension scheme reported in WarringtonFire Testing and Certification Limited, another group company. The Company along with a number of other group companies has jointly and severally guaranteed to meet all present and future obligations and liabilities of the Scheme in the event of a default by Warringtonfire Testing and Certification Limited.

22 Events after the reporting date

On 6th July 2022, the Company's ultimate parent undertaking, Element Materials Technology Group Limited was acquired by EM Bidco Limited. Following the acquisition, the ultimate parent undertaking changed to Temasek Holdings (Private) Limited, a company incorporated in Singapore. The completion of the acquisition resulted in the extinguishment of the Group's old debt facilities and establishment of new facilities. The Company ceased to be a guarantor for the Group's debt facilities from this date and was not required to provide guarantees for the new facilities.

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

23 Related party transactions

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

The Company is disclosing here transactions entered into with four partially owned group companies. During the financial year 31 December 2021, the Company sold £49,609 to Element Saudi Arabia Company Limited , £137,711 to Element Materials Technology ME Limited LLC (Oman), £8,462 to Element Doha LLC and £360 to Al Futtaim Element Materials Technology Dubai LLC UAE.

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.

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.

Copies of the 31 December 2021 Group financial statements of Element Materials Technology Limited and Element Materials Technology Group Limited are available from Companies House, Crown Way, Cardiff, CF14 3UZ, United Kingdom. The registered office address for both companies is 3rd Floor Davidson Building, 5 Southampton Street, London, United Kingdom, WC2E 7HA.

Following the acquisition on 6th July 2022, the Company's ultimate parent undertaking changed to Temasek Holdings (Private) Limited, a company incorporated in Singapore.