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Tracerco Limited

Annual Report and Accounts

For the year ended 31 March 2021

Registered number: 04496566

Tracerco Limited

Contents

Tracerco Limited

Strategic report

Principal activities
Tracerco Limited (the "company") is an industrial technology company providing specialised detection, diagnostic and measurement primarily solutions for the oil and gas industries.

Performance during and position at the end of the year and future developments
During the last financial year the company focused on delivering quality products and services for our customers. The trading conditions within the markets the company operate remained stable for most of the year, however the company was impacted by COVID-19, which was declared a global pandemic just before the start of the year, and the decline in oil price in the final quarter for the year. Alongside this we are seeing the benefits of our previous review of our internal structure to allow us to address the markets in a more efficient manner. As a result of the above two factors revenue has decreased from £33,560,000 to £24,407,000. As we move forward we expect the market and our structure to enable further revenue growth, once the impact of COVID-19 has been alleviated. The net assets of the company decreased to £17,486,000 (2020: £20,698,000).

Principal risks and uncertainties
Business activity varies with the price of the oil and the general health of the global economy. If oil prices fall, or the global economy worsens, this could have a significant effect on income streams.

The business operates globally. Changes in legislation and political conditions around the world can impact the business due to the nature of the work carried out and the various countries in which the business operates.

Section 172 statement
The directors consider that they have acted, in good faith, in a way that is most likely to promote the long-term success of the company for the benefit of its members as a whole. In doing so, the board considers the interest of a range of stakeholders impacted by the business, as well as its duties as set out in law. This statement details how the directors have discharged their duties under section 172 of the Companies Act 2006 during the year under review.

For each matter which comes before the board, stakeholders who may be affected are identified and their interest considered as part of the board's decision process. The board is mindful of the group's governance framework and ensures compliance with this as well as upholding the values and ethical standards set by the group. The board utilises some of the wider group policies and practices to ensure effective stakeholder engagement, and to ensure that the directors' obligations to its shareholder and to its stakeholders are met. Details of the group's stakeholder engagement can be found on pages 110 to 113 of Johnson Matthey Plc, the company's ultimate shareholder, 2021 Annual Report and Accounts which are available to view online at www.matthey.com/AR21.

During the year under review, the board worked closely with the company's management to mitigate the impact on the business and customers as a result of COVID-19. They continue to work closely with management to ensure the needs of customers are met and any issues are appropriately escalated.

The board recognises the importance of fostering good business relationships with suppliers, and the board continues to work with management to ensure the company treats suppliers fairly and in line with Group Procurement Policies.

The company's employee engagement practices are set out in the directors' report on page 3.

Tracerco Limited

Strategic report

Section 172 statement (continued)

The company plays an active role in the local community and the group's initiatives are designed to empower our employees to have a positive impact on their local communities. The board and management are supported by the group's corporate social responsibility committees and community ambassadors who facilitate volunteering in local communities and engagement on specific topics.

The ultimate shareholder is Johnson Matthey Plc and there is ongoing communication and engagement with the Johnson Matthey Plc board and its relevant committees.

On behalf of the board

DocuSigned by:
Paul Nicholson
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P Nicholson
Director
7 January 2022

Tracerco Limited

Directors' report

The directors present their report and audited accounts for the year ended 31 March 2021.

Results and dividends
The company's loss for the year ended 31 March 2021 is £3,296,000 (2020: £1,280,000 profit). The income statement is set out on page 8. The directors do not recommend the payment of a final ordinary dividend for the year ended 31 March 2021 (2020: £nil).

Financial risk management
The company's activities expose it to certain financial risks including credit risk, liquidity risk and cash flow risk.

Credit risk
The company's principal financial assets are bank balances and trade and other receivables. The company's credit risk is primarily attributable to its trade receivables. Counterparties are assessed against the appropriate credit ratings, trading experience and market position. Credit limits are then defined and exposures monitored against these limits.

Liquidity risk
In order to maintain liquidity to ensure that sufficient funds are available for ongoing operations and future developments the company uses short-term loans from group companies.

Cash flow risk
A significant portion of the company profit is earned outside the UK. In order to protect the company's sterling balance sheet, the company uses forward exchange contracts to hedge foreign exchange exposures.

Directors
The directors of the company who were in office during the year and up to the date of signing the accounts were J Tate, P Nicholson, G McGregor (resigned 31 July 2020) and Dr J Huene (appointed 1 June 2021).

Directors' indemnity
Under a Deed Poll dated 31 January 2017, the ultimate parent company granted indemnities in favour of each director of its subsidiaries in respect of any liability that he or she may incur to a third party in relation to the affairs of any group member. Such indemnities were in force during the year ended 31 March 2021 for the benefit of all persons who were directors of the subsidiaries at any time during the year ended 31 March 2021 and remain in force for the benefit of all persons who are directors of the subsidiaries at the date when this report was approved.

Employee engagement statement
The JM group strives to be a truly inclusive organisation that fosters employee engagement and development within a diverse and global workforce. Throughout the year the group has engaged with the workforce through several formal and informal channels. JM's people strategy continues to develop our cultural environment and future capabilities which are key in the successful delivery of our strategy. JM seeks to ensure that we maintain high standards of business conduct, supported by our values and our culture, and JM's policies and procedures.

The JM group has country engagement focus groups in the UK, US, China and Germany, in order to engage in a two-way dialogue on key topics, gather insights on factors impacting the workforce at a local level and to obtain recommendations on ways in which engagement with the workforce can be further enhanced. These comprise a diverse group of people drawn from all sectors and functions, job type, age, tenure and gender and are sponsored by senior leaders. Initial meetings have been held in all countries and going forward, each focus group will meet twice a year. The JM Plc board and Group Management Committee receive feedback from the focus groups via the Chief HR Officer which is distilled down to the various leadership teams as appropriate.

During 2020, a 'pulse' employee engagement survey was carried out and we were pleased to see overall engagement levels continue to improve with significant upturns in company pride. Following the survey, smaller workshops were held to help provide valuable insight into how strategic and cultural change is being embedded across different business sectors.

Further information on the group's policies and employee engagement practices can be found on pages 110 and 113 of the Johnson Matthey Plc 2021 Annual Report and Accounts, available on matthey.com.

Tracerco Limited

Directors' report

Independent auditors
In accordance with sections 485 and 487 of the Companies Act 2006, PricewaterhouseCoopers LLP are re-appointed as auditors of the company.

Statement of directors' responsibilities in respect of the accounts

The directors are responsible for preparing the Annual Report and the accounts in accordance with applicable law and regulation.

Company law requires the directors to prepare accounts for each financial year. Under that law the directors have prepared the accounts in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law). Under company law the directors must not approve the accounts 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 the accounts, the directors are required to: .

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101, have been followed, subject to any material departures disclosed and explained in the accounts statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for 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 accounts comply with the Companies Act 2006.

Directors' confirmations

In the case of each director in office at the date the Directors' Report is approved:

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

On behalf of the board

P Nicholson
Director
7 January 2022

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Paul Nicholson
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Tracerco Limited

Independent auditors' report to the members of Tracerco Limited

Report on the audit of the financial statements

Opinion

In our opinion, Tracerco Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2021 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Accounts (the "Annual Report"), which comprise: the balance sheet as at 31 March 2021; the income statement, the statement of comprehensive income and the statement of changes in equity for the year then ended; the accounting policies; and the notes to the financial statements.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

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 for a period of at least twelve months from when the financial statements are authorised for issue.

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.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the company's ability to continue as a going concern.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance 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 an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of 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 this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic report and Director's Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Independent auditors' report to the members of Tracerco Limited

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Director's Report for the year ended 31 March 2021 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Director's Report.

Responsibilities for the accounts and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of directors' responsibilities in respect of the accounts, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they 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.

Auditors' 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 auditors' 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to UK tax legislation and the Companies Act 2006, and we considered the extent to which non-compliance might have a material effect on the financial statements. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting journal entries to manipulate financial performance and management bias through judgements and assumptions in significant accounting estimates. Audit procedures performed by the engagement team included:

- discussions with management, including consideration of known or suspected instances of non-compliance with laws and regulations and fraud;
- assessing management's significant judgements and estimates, in particular to those relating to the impairment of goodwill; and
- identifying and testing journal entries using a risk-based targeting approach, in particular for journal entries posted with unexpected account combinations, including to revenue; and
- reviewing financial statement disclosures and testing to supporting documentation, where appropriate, to assess compliance with applicable laws and regulations.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, 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.

Independent auditors' report to the members of Tracerco Limited

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

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.

Dino Blackburn.

Dino Blackburn (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Newcastle upon Tyne
13 January 2022

Tracerco Limited

Income Statement

For the year ended 31 March 2021

	Note	2021 £'000	2020 £'000
Revenue	1	**24,407**	33,560
Cost of sales		**(16,344)**	(20,477)
Gross profit		**8,063**	13,083
Distribution costs		**(2,019)**	(2,079)
Research and development costs		**(1,803)**	(3,561)
Administrative expenses		**(5,323)**	(5,641)
Major impairment and restructuring		**(513)**	100
Operating (loss)/profit	3	**(1,595)**	1,902
Finance costs	2	**(564)**	(604)
(Loss)/profit before tax		**(2,159)**	1,298
Income tax expense	6	**(1,137)**	(18)
(Loss)/profit for the financial year		**(3,296)**	1,280

Statement of comprehensive income

For the year ended 31 March 2021

	2021 £'000	2020 £'000
(Loss)/profit for the financial year	**(3,296)**	1,280
Other comprehensive income/(expense):		
Items that may be reclassified subsequently to profit or loss:		
Cash flow hedges	**104**	(66)
Tax on above items taken directly to or transferred from equity	**(20)**	12
Other comprehensive income/(expense) for the financial year	**84**	(54)
Total comprehensive (expense)/income for the financial year	**(3,212)**	1,226

The accompanying notes set out on pages 17 to 26 are an integral part of the accounts.

Tracerco Limited

Balance sheet

As at 31 March 2021

	Note	2021 £'000	2020 £'000
Assets			
Non-current assets			
Goodwill	7	16,386	16,386
Other intangible assets	8	130	136
Property, plant and equipment	9	8,895	9,945
Right of use assets	13	6,146	6,561
Total non-current assets		31,557	33,028
Current assets			
Inventories	10	3,329	3,279
Trade and other receivables	11	12,015	12,071
Cash and cash equivalents - cash and deposits		1,064	955
Total current assets		16,408	16,305
Total assets		47,965	49,333
Liabilities			
Current liabilities			
Trade and other payables	12	(22,532)	(20,824)
Lease liabilities	13	(225)	(286)
Provisions	15	(36)	(182)
Total current liabilities		(22,793)	(21,292)
Net current liabilities		(6,385)	(4,987)
Non-current liabilities			
Deferred income tax liabilities	14	(904)	(341)
Lease liabilities	13	(6,782)	(7,002)
Total non-current liabilities		(7,686)	(7,343)
Total liabilities		(30,479)	(28,635)
Net assets		17,486	20,698
Equity			
Share capital	16	40,000	40,000
Hedging reserves		30	(54)
Accumulated losses		(22,544)	(19,248)
Total equity		17,486	20,698

The accounts on pages 8 to 10 were approved by the board on 7 January 2022 and signed on its behalf by:

P Nicholson
Director

DocuSigned by:
Paul Nicholson
E0B46844DA68475

Company registration number: 04496566

The accompanying notes set out on pages 17 to 26 are an integral part of the accounts.

Tracerco Limited

Statement of changes in equity

For the year ended 31 March 2021

	Share capital £'000	Hedging reserve £'000	Accumulated losses £'000	Total equity £'000
At 1 April 2019	40,000	-	(20,528)	19,472
Profit for the year	-	-	1,280	1,280
Cash flow hedges - losses taken to equity	-	(66)	-	(66)
Tax on items taken directly to or transferred from equity	-	12	-	12
Total comprehensive income	-	(54)	1,280	1,226
At 31 March 2020	40,000	(54)	(19,248)	20,698
Loss for the year	-	-	(3,296)	(3,296)
Cash flow hedges - gains taken to equity	-	104	-	104
Tax on items taken directly to or transferred from equity	-	(20)	-	(20)
Total comprehensive expense	-	84	(3,296)	(3,212)
At 31 March 2021	**40,000**	**30**	**(22,544)**	**17,486**

The accompanying notes are set out on pages 17 to 26 are an integral part of the accounts.

Tracerco Limited

Accounting policies

For the year ended 31 March 2021

Tracerco Limited is a private company limited by shares incorporated, domiciled and registered in England in the United Kingdom. The address of its registered office is 5th Floor, 25 Farringdon Street, London, EC4A 4AB.

Basis of preparation
The accounts are prepared in accordance with Financial Reporting Standard 101, 'Reduced Disclosure Framework' (FRS 101). The accounts are prepared under the historical cost convention and derivative financial assets and financial liabilities are measured at fair value through profit or loss, and in accordance with Companies Act 2006. The accounting policies have been applied consistently, other than where new policies have been adopted (i.e. IFRS 16).

The directors consider that it is appropriate to prepare the accounts on a going concern basis. The accounts do not include any adjustments that would result if financial support were withdrawn.

The directors have prepared a cash flow forecast for a period of 12 months from the date of approval of these accounts which indicates that, taking account of reasonably possible downsides and the possible effects of the COVID-19 pandemic, the company will have sufficient funds, through its overdraft facility and funding from its ultimate parent company, Johnson Matthey Plc, to meet its liabilities as they fall due for that period. Those forecasts are dependent on Johnson Matthey Plc not seeking repayment of the loan amounts currently due to the group, which at 31 March 2021 amounted to £19,872,000 and providing additional financial support during that period. Johnson Matthey plc has indicated its intention to continue to make available such funds as are needed by the company, and that it does not intend to seek repayment of the amounts due at the balance sheet date, for the period covered by the forecasts.

The following exemptions from the requirements of IFRS have been applied in the preparation of these accounts, in accordance with FRS 101:

- the requirements of paragraphs 45(b) and 46 to 52 of IFRS 2 Share-based Payment
- the requirements of IFRS 7 Financial Instruments: Disclosures
- 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 paragraphs 10(d), 38A, 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 paragraph 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 company has applied the exemption from consolidation under IAS 27 – 'Separate Financial Statements'. The ultimate parent company (note 20) prepares accounts that comply with IFRS and have been produced for public use.

Items included in the accounts of the company are measured using the currency of the primary economic environment in which the company operates ('the functional currency'). The accounts are presented in 'Pounds Sterling' (£), which is also the company's functional currency.

Critical accounting estimates and judgements
Goodwill is subject to annual impairment review and deemed a critical estimate and judgement as the impairment reviews require the use of estimates of future profit and cash generation based on financial budgets and plans approved by management, generally covering a three-year period, and the pre-tax discount rates used in discounting projected cash flows. Whilst headroom has reduced under this scenario, no goodwill impairment has been identified as a direct result of the lower cash flow forecasts. See note 7 for further information and sensitivities.

Revenue
Revenue represents income derived from contracts for the provision of goods and services by the company to customers in exchange for consideration in the ordinary course of the company's activities.

Performance obligations
Upon approval by the parties to a contract, the contract is assessed to identify each promise to transfer either a distinct good or service or a series of distinct goods or services that are substantially the same and have the same pattern of transfer to the customer. Goods and services are distinct and accounted for as separate performance obligations in the contract if the customer can benefit from them either on their own or together with other resources that are readily available to the customer and they are separately identifiable in the contract.

The company typically sells licences to its intellectual property together with other goods and services and, since these licences are not generally distinct in the context of the contract, revenue recognition is considered at the level of the performance obligation of which the licence forms part. Revenue in respect of performance obligations containing bundles of goods and services in which a licence with a sales or usage-based royalty is the predominant item is recognised when sales or usage occur.

Transaction price
At the start of the contract, the total transaction price is estimated as the amount of consideration to which the company expects to be entitled in exchange for transferring the promised goods and services to the customer, excluding sales taxes. Variable consideration, such as trade discounts, is included based on the expected value or most likely amount only to the extent that it is highly probable that there will not be a reversal in the amount of cumulative revenue recognised. The transaction price does not include estimates of consideration resulting from contract modifications until they have been approved by the parties to the contract. The total transaction price is allocated to the performance obligations identified in the contract in proportion to their relative stand-alone selling prices. Many of the company's products and services are bespoke in nature and, therefore, stand-alone selling prices are estimated based on cost plus margin or by reference to market data for similar products and services.

Revenue recognition
Revenue is recognised as performance obligations are satisfied as control of the goods and services is transferred to the customer.

For each performance obligation within a contract, the company determines whether it is satisfied over time or at a point in time. Performance obligations are satisfied over time if one of the following criteria is satisfied:

- the customer simultaneously receives and consumes the benefits provided by the company's performance as they perform;
- the company's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
- the company's performance does not create an asset with an alternative use to the company and it has an enforceable right to payment for performance completed to date.

Tracerco Limited

Accounting policies

For the year ended 31 March 2021

Revenue (continued)
If the over time criteria are met, revenue is recognised using an input method based on costs incurred to date as a proportion of estimated total contract costs. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised immediately as an expense.

If the over time criteria for revenue recognition are not met, revenue is recognised at the point in time that control is transferred to the customer, which is usually when legal title passes to the customer and the business has the right to payment, for example, when the goods are despatched or delivered in line with the International Chamber of Commerce's International Commercial Terms (Incoterms®) as detailed in the relevant contract or on notification that the goods have been used when they are consignment products located at customers' premises.

Consideration payable to customers
Consideration payable to customers in advance of the recognition of revenue in respect of the goods and services to which it relates is capitalised and recognised as a deduction to the revenue recognised upon transfer of the goods and services to the customer.

Costs to fulfil a contract
Contract fulfilment costs in respect of over time contracts are expensed as incurred. Contract fulfilment costs in respect of point in time contracts are accounted for under IAS 2, Inventories.

Contract receivables
Contract receivables represent amounts for which the company has an unconditional right to consideration in respect of unbilled revenue recognised at the balance sheet date. The company applies the simplified approach to measuring expected credit losses under IFRS 9, Financial Instruments, which requires lifetime expected credit losses to be recognised from initial recognition for trade and contract receivables. A provision matrix is used to calculate lifetime expected credit losses using historical loss rates based on days past due and a broad range of forward-looking information.

Contract liabilities
Contract liabilities represent the obligation to transfer goods or services to a customer for which consideration has been received, or consideration is due, from the customer.

Finance costs and finance income
Finance costs are recognised in the income statement in the year incurred. Finance costs that are directly attributable to the construction of an asset that necessarily takes a substantial period of time to get ready for its intended use are capitalised as part of the cost of that asset.

Foreign currencies
Foreign currency transactions are recorded at the rate of exchange at the date of the transaction. Foreign currency monetary assets and liabilities are retranslated at exchange rates at the balance sheet date. Foreign exchange differences arising on translation are recognised in income statement.

Tracerco Limited

Accounting policies

For the year ended 31 March 2021

Research and development
Research expenditure is charged to the income statement in the year incurred. Development expenditure is charged to the income statement in the year incurred unless it meets the recognition criteria for capitalisation. When the recognition criteria have been met, any further development expenditure is capitalised as an intangible asset.

Pensions and other retirement benefits
The company operates a defined contribution scheme and is included in the Johnson Matthey Employee Pension Scheme which is mainly of the defined benefit type. The Johnson Matthey Employee Pension Scheme includes employees of several companies in the Johnson Matthey group. There is no contractual agreement or stated policy for charging the net defined benefit cost for the scheme to the individual group entities. Information about the scheme is disclosed in the ultimate parent company's consolidated accounts (note 20). The cost of the Company's contributions to these schemes is charged to the income statement as incurred.

Derivative financial instruments
Derivative financial instruments are measured at their fair value. Derivative financial instruments may be designated at inception as cash flow hedges. Derivative financial instruments which are not designated as hedging instruments are classified under IFRS as held for trading, but are used to manage financial risk.

Changes in the fair value of any derivative financial instruments that are not designated as or are not determined to be effective hedges are recognised immediately in the income statement.

Changes in fair value of derivative financial instruments designated as cash flow hedges are recognised in other comprehensive income, to the extent that the hedges are effective. Ineffective portions are recognised in the income statement immediately. If the hedged item results in the recognition of a non-financial asset or liability, the amount previously recognised in the other comprehensive income is transferred out of equity and included in the initial carrying amount of the asset or liability. Otherwise, the amount previously recognised in the other comprehensive income is transferred to the income statement in the same period that the hedged item is recognised in the income statement.

If the hedging instrument expires or is sold, terminated or exercised, the hedge no longer meets the criteria for hedge accounting or the designation is revoked, amounts previously recognised in other comprehensive income remain in equity until the forecast transaction occurs. If a forecast transaction is no longer expected to occur, the amounts previously recognised in other comprehensive income are transferred to the income statement.

Goodwill
Goodwill is not amortised but is subject to an annual impairment review. The impairment reviews require the use of estimates of future profit and cash generation based on financial budgets and plans approved by management, generally covering a three-year period, long term growth rates, terminal year and the pre-tax discount rates used in discounting projected cash flows.

Other intangible assets
Intangible assets are stated at cost less accumulated amortisation and any provisions for impairment. The intangible assets are amortised by using the straight line method over the useful lives from the time they are first available for use. The estimated useful lives vary according to the specific asset, but are typically:

- computer software – 3 to 10 years

Tracerco Limited

Accounting policies

For the year ended 31 March 2021

Property, plant and equipment
Property, plant and equipment is stated at cost less accumulated depreciation and any provisions for impairment. Depreciation is provided at rates calculated to write-off the cost less estimated residual value of each asset over its useful life. Certain freehold buildings and plant and equipment are depreciated using the units of production method as this more closely reflects their expected consumption. All other assets are depreciated using the straight-line method.

The useful lives vary according to the class of the asset, but are typically:

- leasehold improvements – the life of the lease;
- freehold buildings – 30 years; and
- plant and machinery – 4 to 10 years.
- Right-of-use assets – the life of the lease

Freehold land is not depreciated.

Leases
Leases are recognised as a right-of-use asset, together with a corresponding lease liability, at the date at which the leased asset is available for use.

The right-of-use asset is initially measured at cost, which comprises the initial value of the lease liability, lease payments made (net of any incentives received from the lessor) before the commencement of the lease, initial direct costs and restoration costs. The right-of-use asset is depreciated on a straight-line basis over the shorter of the asset's useful life and the lease term in operating profit.

The lease liability is initially measured as the present value of future lease payments discounted using the interest rate implicit in the lease or, where this rate is not determinable, the company's incremental borrowing rate, which is the interest rate the company would have to pay to borrow the amount necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions. Interest is charged to finance costs at a constant rate of interest on the outstanding lease liability over the lease term.

Payments in respect of short-term leases and low-value leases are charged to the income statement on a straight-line basis over the lease term in operating profit.

Investments
Investment in subsidiaries are stated at cost less any provisions for impairment. If a distribution is received then the investment is assessed for an indication of impairment.

Inventories
Inventories are valued at the lower of cost, including attributable overheads, and net realisable value. Except where costs are specifically identified, the first-in, first-out cost formula is used to value inventories.

Trade and other receivables
The company applies the simplified approach to measuring expected credit losses under IFRS 9, Financial Instruments, which requires lifetime expected credit losses to be recognised from initial recognition for trade and contract receivables. A provision matrix is used to calculate lifetime expected credit losses using historical loss rates based on days past due and a broad range of forward-looking information.

Taxation
Current and deferred tax are recognised in the income statement, except when they relate to items recognised directly in equity, in which case the related tax is also recognised in equity.

Current tax is the amount of income tax expected to be paid in respect of taxable profits using the tax rates that have been enacted or substantively enacted at the balance sheet date.

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the balance sheet. It is provided using the tax rates that are expected to apply in the period when the asset or liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date.

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised. No deferred tax asset or liability is recognised in respect of temporary differences associated with investments in subsidiaries and branches where the group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Provisions and contingencies
Provisions are recognised when the company has a present obligation as a result of a past event and a reliable estimate can be made of a probable adverse outcome. Otherwise, material contingent liabilities are disclosed unless the transfer of economic benefits is remote. Contingent assets are only disclosed if an inflow of economic benefits is probable.

Share-based payments
The fair value of shares awarded to employees under the performance share plan, restricted share plan. long term incentive plans and deferred bonus plan is calculated by adjusting the share price on the date of allocation for the present value of the expected dividends that will not be received. The resulting cost is charged to the income statement over the relevant performance periods, adjusted to reflect actual and expected levels of vesting where appropriate.

Cash and cash equivalents
Cash and cash equivalents comprise cash at bank and in hand, including short term deposits with a maturity date of three months or less from the date of acquisition. This includes short term bank overdraft facilities and loans between the company and its ultimate parent company, which are repayable on demand and used as an integral part of its cash management policy.

Reserves
The reserves held by the company include the hedging reserve and the fair value through other comprehensive income reserve.

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments. All amounts recorded in reserves at year end in relation to cash flow hedges relate to continuing hedge relationships.

The fair value through other comprehensive income reserve represents the equity movements on financial assets held within this category.

Tracerco Limited

Notes to the accounts

For the year ended 31 March 2021

1. Revenue

	2021 £'000	2020 £'000
By activity		
Sale of goods	13,526	17,685
Rendering of services	10,325	14,745
Licence income / royalties	556	1,130
	24,407	33,560
By geographical market[1]		
United Kingdom	7,018	9,486
Continental Europe	6,440	9,989
North America	5,387	4,401
Asia and the Middle East	4,019	6,447
Australia & New Zealand	1,119	1,037
Africa	390	2,180
South America	34	20
	24,407	33,560

The company has re-presented its revenue split by geographic market to further disaggregate the geographical split.

	2021	2020
Revenue recognised at a point in time	3,877	6,639
Revenue recognised over time	20,530	26,921
	24,407	33,560

2. Finance costs

	2021 £'000	2020 £'000
Interest payable to ultimate parent company	204	230
Interest payable on lease liabilities	360	374
	564	604

3. Operating (loss)/profit

	2021 £'000	2020 £'000
Operating (loss)/profit is arrived after charging:		
Depreciation of property, plant and equipment	1,301	1,520
Depreciation of right of use assets	440	438
Amortisation of other intangible assets	17	49
Research charged	1,803	3,561
Fees payable to the company's auditors for the audit of the annual accounts	30	26

Tracerco Limited

Notes to the accounts

For the year ended 31 March 2021

4. Employee costs and numbers

	2021 £'000	2020 £'000
Aggregate remuneration comprised:		
Wages and salaries	11,965	12,556
Social security costs	1,051	1,066
Other pensions costs (note 19)	1,448	1,516
Share-based payments (note 18)	291	-
	14,755	15,138

	2021 Number	2020 Number
Average monthly number of employees:		
Production	117	142
Sales and distribution	30	12
Research and development	35	40
Administration	30	32
	212	226

The employee numbers and costs above include all employees who work for and are paid by the company, including certain employees whose contracts of service are with the ultimate parent company (note 20).

5. Directors' remuneration

J Tate, P Nicholson, and G McGregor were remunerated by the ultimate parent company (note 20). No remuneration (2020: £ nil) was paid to these directors in respect of services to the company. The remaining directors were remunerated by the company and their remuneration was as follows:

	2021 £'000	2020 £'000
Aggregate amounts of emoluments of directors (including the estimated money value of benefits in kind) in respect of managing the affairs of the company	300	231
Company contributions to defined benefit pension scheme	38	40
Number of directors who were members of the defined benefit pension scheme	2	2

During the year none of the directors (2020: none) exercised share options in the ultimate parent company and three of the directors (2020: three) received shares under the ultimate parent company long term incentive plan.

Tracerco Limited

Notes to the accounts

For the year ended 31 March 2021

6. Income tax expense

	2021 £'000	2020 £'000
Current tax		
UK corporation tax credit on losses for the year	(676)	-
Adjustment for prior years	1,075	(575)
Foreign taxation on profits for the year	195	295
Total current tax expense/(credit)	594	(280)
Deferred tax		
Origination and reversal of timing differences	229	(43)
Changes in tax rates and laws	-	42
Adjustment for prior years	314	299
Total deferred tax expense	543	298
Total tax expense	1,137	18

The tax expense for the year can be reconciled to the (loss)/profit per the income statement as follows:

	2021 £'000	2020 £'000
(Loss)/profit before tax	(2,159)	1,298
Tax (credit)/charge at UK standard corporation tax rate of 19% (2020 19%)	(410)	247
Effects of:		
Group relief claimed for nil payment	-	(295)
Share-based payments	-	5
Irrecoverable overseas tax suffered	159	295
Impact of changes in tax rates and laws	-	42
Adjustments for prior years	1,388	(276)
Total tax expense for the financial year	1,137	18

7. Goodwill

	Goodwill £'000
Cost	
At 1 April 2020 and 31 March 2021	16,386
Impairment	
At 1 April 2020 and 31 March 2021	-
Carrying amount at 31 March 2020 and 2021	**16,386**

The parent company tests goodwill annually for impairment or more frequently if there are indications that goodwill might be impaired. The recoverable amount of the goodwill is determined using value in use calculations which generally use cash flow projections based on financial budgets and plans covering a three-year period approved by management. The budgets and plans are based on a number of assumptions, including market share, expected changes to selling prices, product profitability, and other direct input costs, based on past experience and management's expectations of future changes in the markets using external sources of information where appropriate. The value in use calculation assumes a post-tax discount rate of 7.9% (2020: 7.4%) and a long term growth rate of 1.3% (2020: 1.3%)

At 31 March 2021, the impairment test results in the value in use providing significantly more headroom over the carrying value of the relevant assets so it is unlikely that a reasonably possible change in a key assumption would result in an impairment of goodwill.

Tracerco Limited

Notes to the accounts

For the year ended 31 March 2021

8. Other intangible assets

	Computer Software £'000
Cost	
At 1 April 2020	1,034
Additions	11
At 31 March 2021	1,045
Accumulated Amortisation	
At 1 April 2020	898
Charge for the year	17
At 31 March 2021	915
Carrying amount at 31 March 2021	**130**
Carrying amount at 31 March 2020	136

9. Property, plant and equipment

	Leasehold improvements £'000	Freehold land and buildings £'000	Plant and machinery £'000	Total £'000
Cost				
At 1 April 2020	731	9,712	18,781	29,224
Additions	-	-	267	267
Disposals	-	-	(16)	(16)
At 31 March 2021	731	9,712	19,032	29,475
Accumulated Depreciation				
At 1 April 2020	594	2,326	16,359	19,279
Reclassification	-	426	(426)	-
Charge for the year	32	426	843	1,301
At 31 March 2021	626	3,178	16,776	20,580
Carrying amount at 31 March 2021	**105**	**6,534**	**2,256**	**8,895**
Carrying amount at 31 March 2020	137	7,386	2.422	9,945

Right of use assets has been disclosed separately in note 13.

Tracerco Limited

Notes to the accounts

For the year ended 31 March 2021

10. Inventories

	2021 £'000	2020 £'000
Work in progress	237	3,266
Finished goods	2,239	13
Raw materials and consumables	853	-
	3,329	3,279

Inventories recognised as an expense during the year were £7,302.000 (2020: £9,321,000)

11. Trade and other receivables

	2021 £'000	2020 £'000
Trade receivables	2,986	4,140
Contract receivables	1,727	2,301
Amounts receivable from other Johnson Matthey group companies	2,720	2,522
Current tax receivable	713	1,112
Other receivables	1,619	1,643
Prepayments and accrued income	2,250	353
	12,015	12,071

The amounts receivable from other Johnson Matthey group companies are repayable on demand and no interest rate is charged.

Tracerco Limited

Notes to the accounts

For the year ended 31 March 2021

12. Trade and other payables

	2021 £'000	2020 £'000
Current		
Bank overdrafts	3	-
Trade payables	1,126	1,262
Contract liabilities	-	129
Loans payable to ultimate parent company	19,853	16,487
Amounts payable to ultimate parent company	19	523
Amounts owed to other Johnson Matthey companies	103	83
Other payables	-	175
Accruals and deferred income	1,428	2,101
Forward foreign exchange contracts	-	64
	22,532	20,824

Revenue recognised in the year from amounts included in contract liabilities at the beginning of the year were £129,000 (2020: £226,000)

The loans payable to the ultimate parent company are repayable on demand and interest is accrued daily at one-month LIBOR plus 1.25%.

The amounts payable to ultimate parent and other Johnson Matthey companies are repayable on demand and no interest rate is charged.

Tracerco Limited

Notes to the accounts

For the year ended 31 March 2021

13. Leases

Leasing activities
The company leases some of their land and buildings which are used by the company in their operations.

Right of use assets	**Land and buildings**
	£'000
At 1 April 2020	6,561
Additions	25
Depreciation charge for the year	(440)
At 31 March 2021	**6,146**

Lease liabilities	**2021**	**2020**
	£'000	**£'000**
Current	(225)	(286)
Non-current	(6,782)	(7,002)
	(7,007)	(7,288)

	2021	**2020**
	£'000	**£'000**
Interest expense	360	374

The maturity analyses for lease liabilities showing the remaining contractual discounted cash flows, including future interest payments are:

At 31 March 2021	**Within 1 year**	**1 to 2 years**	**2 to 5 years**	**After 5 years**	**Total**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
Lease liability - principal	568	560	1,636	8,151	10,915
Lease liability - interest payments	(343)	(322)	(934)	(2,309)	(3,908)
Total	**225**	**238**	**702**	**5,842**	**7,007**

At 31 March 2020	Within 1 year	1 to 2 years	2 to 5 years	After 5 years	Total
	£'000	£'000	£'000	£'000	£'000
Lease liability - principal	644	1,100	1,636	8.209	11.589
Lease liability - interest payments	(358)	(676)	(936)	(2.331)	(4.301)
Total	286	424	700	5.878	7.288

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Notes to the accounts

For the year ended 31 March 2021

14. Deferred income tax liabilities

	Goodwill £'000	Property, plant and equipment £'000	General Provision £'000	Tax Losses £'000	Other £'000	Total deferred tax (assets) / liabilities £'000
On 1 April 2019	2,020	(1,375)	(299)	(284)	(7)	55
Charge/(credit) to income	371	(226)	180	(33)	6	298
Tax on items taken directly to or transferred from equity	-	-	-	-	(12)	(12)
At 31 March 2020	2,391	(1,601)	(119)	(317)	(13)	341
Charge to income	134	98	(6)	317	-	543
Tax on items taken directly to or transferred from equity	-	-	-	-	20	20
As at 31 March 2021	**2,525**	**(1,503)**	**(125)**	**-**	**7**	**904**

15. Provisions

	Restructuring provisions £'000
At 1 April 2020	182
Released	(146)
At 31 March 2021	**36**

The restructuring provision is expected to be fully utilised by 31 March 2022.

16. Share capital

	Number	£'000
Issued and fully paid ordinary shares		
At beginning and end of year	40,000,002	40,000

17. Related party transactions

There were no related party transactions during the year between the company and other wholly owned Johnson Matthey group companies other than the directors emoluments disclosed in Note 5.

Tracerco Limited

Notes to the accounts

For the year ended 31 March 2021

18. Share-based payments

All employee share incentive plan (SIP)
Under the SIP, all employees with at least one year of service within the Johnson Matthey Plc group and who are employed by a participating group company are entitled to contribute up to 2.5% of base pay each month, subject to a £125 per month limit. The SIP trustees buy shares (partnership shares) at market value each month with the employees' contributions. For each partnership share purchased, the group purchases two shares (matching shares) which are allocated to the employee. If the employee sells or transfers partnership shares within three years from the date of award, the linked matching shares are forfeited.

19. *Retirement Benefits*

The cost of the company's contributions to the ultimate parent company's scheme for the year ended 31 March 2021 amounted to £1,132,000 (2020: £1,175,000). The amount recognised as an expense for defined contribution schemes amount to £276,000 (2020: £285,000).

20. Ultimate parent company

The company's immediate and ultimate parent company is Johnson Matthey Plc. The largest and only group in which the results of the company are consolidated is that headed by Johnson Matthey Plc. The consolidated accounts of Johnson Matthey Plc are available to the public and may be obtained from 5th Floor, 25 Farringdon Street, London EC4A 4AB or www.matthey.com.