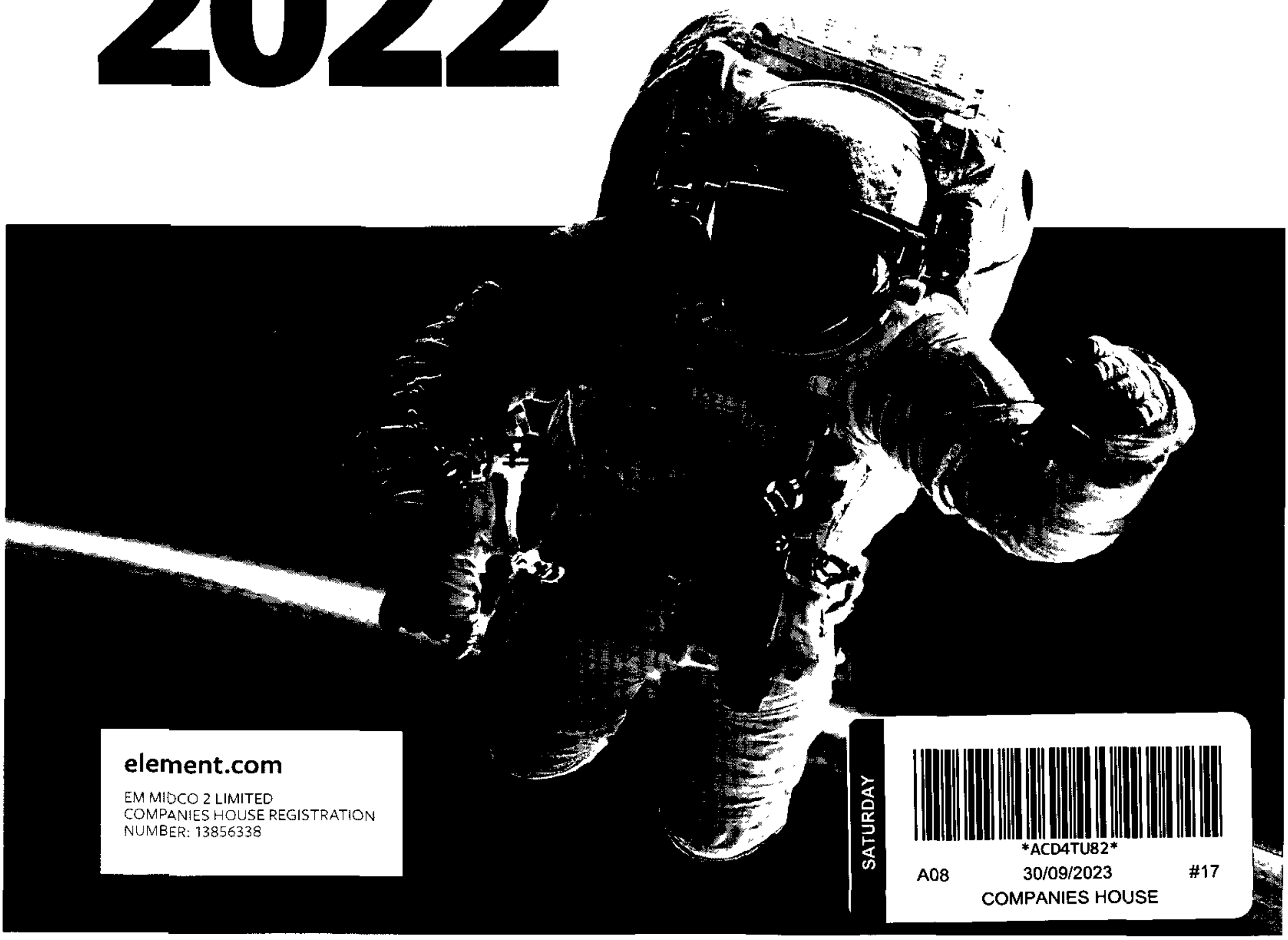
element

CONSOLIDATED FINANCIAL STATEMENTS

ANNUAL REPORT 2022



element.com

EM MIDCO 2 LIMITED
COMPANIES HOUSE REGISTRATION
NUMBER: 13856338

SATURDAY
ACD4TU82
A08 30/09/2023 #17
COMPANIES HOUSE

CONTENTS

ELEMENT HAS A HIGHLY TALENTED MANAGEMENT TEAM AND EXCEPTIONAL PEOPLE ACROSS OUR OFFICES AND LABORATORIES AROUND THE WORLD. THIS TRANSACTION IS A TESTAMENT TO THEIR SKILLS AND COMMITMENT AND CREATES THE LAUNCHPAD FOR THE NEXT EXCITING HORIZON OF GROWTH FOR THE COMPANY.

Allan Leighton, Non-Executive Chairman of Element

WE ARE PLEASED TO CONTINUE OUR RELATIONSHIP WITH ELEMENT AS IT WORKS WITH ITS CUSTOMERS AND EXPLORES GREATER OPPORTUNITIES TO BE PART OF THEIR DECARBONISATION AND SUSTAINABILITY JOURNEYS. THE TIC SECTOR IS AT THE FOREFRONT OF ENABLING INNOVATIVE SOLUTIONS ACROSS INDUSTRIES.

Uwe Krueger, Temasek's Head Industrials, Business Services, Energy & Resources; and Head, Europe, Middle East & Africa

OVERVIEW - ACQUISITION OF ELEMENT BY TEMASEK

ON THE 6TH JULY 2022, TEMASEK ACQUIRED THE ELEMENT LEGACY GROUP THROUGH THE ACQUISITION OF ELEMENT MATERIALS TECHNOLOGY GROUP LIMITED BY EM BIDCO LIMITED, A WHOLLY OWNED COMPANY OF EM MIDCO 2 LIMITED. THESE ACCOUNTS ARE THE ACCOUNTS OF EM MIDCO 2 LIMITED, THE NEW UK HOLDING COMPANY OF THE ELEMENT GROUP. THE ULTIMATE UK HOLDING COMPANY OF EM MIDCO 2 LIMITED IS EM TOPCO LIMITED. THE MAJORITY SHAREHOLDER OF EM TOPCO LIMITED IS ESTA INVESTMENTS LIMITED, A WHOLLY OWNED SUBSIDIARY OF TEMASEK.

EM MIDCO 2 WAS ESTABLISHED SOLELY FOR THE PURPOSES OF ACQUIRING THE MAJORITY INTEREST IN THE ELEMENT LEGACY GROUP. PRIOR TO THE ACQUISITION DATE OF 6TH JULY 2022, EM MIDCO 2 LIMITED AND ITS WHOLLY OWNED SUBSIDIARIES INCURRED IMMATERIAL ADMINISTRATIVE EXPENSES ONLY.

THE ACQUISITION OF THE ELEMENT LEGACY GROUP INCLUDED THE REFINANCING OF THE GROUP'S DEBT THROUGH THE EXECUTION OF NEW FIRST AND SECOND LIEN CREDIT AGREEMENTS. THE REFINANCING WAS ESTABLISHED ALSO TO PROVIDE SUFFICIENT FUNDING FOR THE ANTICIPATED ACQUISITION OF NTS BY ELEMENT. THE DEBT HAS A REPAYMENT MATURITY IN 2029.

AS A RESULT OF THE ACQUISITION, THE GROUP RECOGNIZED $4.7BN OF GOODWILL. THE CONSOLIDATED AUDITED FINANCIAL STATEMENTS WITHIN THIS ANNUAL REPORT INCLUDE THE POST-ACQUISITION PERIOD FROM 6TH JULY 2022 TO 31ST DECEMBER 2022 FOR THE ELEMENT LEGACY GROUP. THERE ARE NO COMPARATIVES FOR PRIOR YEAR AS EM MIDCO 2 LIMITED WAS INCORPORATED ON 18TH JANUARY 2022.

HOWEVER, THE GROUP'S OPERATIONS DID NOT CHANGE AS A RESULT OF THIS ACQUISITION AND, THEREFORE, SOME COMMENTARY AND SOME PERFORMANCE FIGURES, PROVIDED IN THE STRATEGIC REPORT, ARE FOR THE FULL YEAR 2022. THE 12 MONTH PERIOD PROVIDES USEFUL INFORMATION, TO STAKEHOLDERS, IN UNDERSTANDING THE PERFORMANCE OF THE GROUP AND ENHANCES COMPARABILITY BETWEEN YEARS. ANY FULL YEAR FINANCIAL RESULTS ARE UNAUDITED, AS THE FULL YEAR GROUP RESULTS ARE A COMBINATION OF THE AUDITED GROUP ACCOUNTS FOR EM MIDCO 2 LIMITED (SEE FINANCIAL STATEMENTS IN THIS REPORT) AND THE PRE-ACQUISITION UNAUDITED RESULTS OF THE ELEMENT LEGACY GROUP.

ELEMENT IN NUMBERS

OVER
270
LOCATIONS, IN 30 COUNTRIES

OVER
55,000
CUSTOMERS WORLDWIDE

6*
ACQUISITIONS IN 2022

#1
RATING FOR ESG IN THE TESTING, INSPECTION AND CERTIFICATION (TIC) INDUSTRY FROM SUSTAINANALYTICS

IN EXCESS OF
9,000
PEOPLE

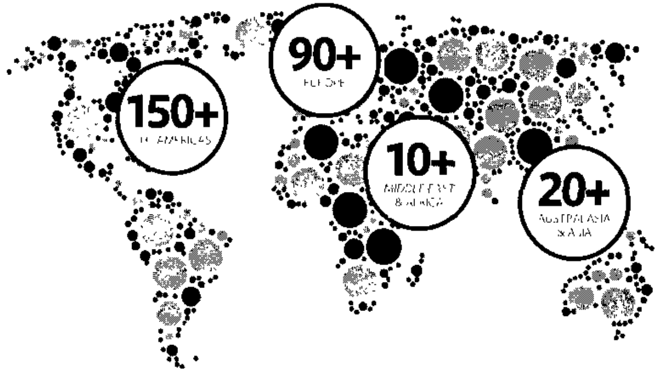
+63**
NPS SCORE

14M
HOURS WORKED WITH LOWEST EVER INCIDENT RATE

*Out of which 2 were completed by the Element Legacy Group pre-acquisition and 4 during the post-acquisition period

**The Net Promoter Score (NPS) measures the loyalty of a company's customer base

LOCATION METRICS



2022 FINANCIAL HIGHLIGHTS

20%
REVENUE GROWTH ON ANNUAL BASIS, INCLUDING THE ELEMENT LEGACY GROUP

22%
REVENUE CAGR (2010-2021), INCLUDING THE ELEMENT LEGACY GROUP

47 ACQUISITIONS BY THE ELEMENT LEGACY GROUP
SINCE 2011, INCLUDING 4 TRANSACTIONS POST THE ACQUISITION OF ELEMENT LEGACY GROUP

2022 Financial highlights

EM MIDCO 2 CONSOLIDATED RESULTS FOR THE PERIOD ENDED 31 DECEMBER 2022

$607M
TOTAL REVENUE

$124.7M
EBITDA

Making tomorrow safer than today

DRIVEN BY OUR PURPOSE OF MAKING TOMORROW SAFER THAN TODAY, INTEGRAL TO THIS GROWTH IS THE CALIBER OF PEOPLE WHO WORK WITHIN THE ORGANIZATION. IT IS THEIR PASSION, COMMITMENT AND EXCELLENCE THAT ALLOWS US TO PROVIDE THE FINEST CUSTOMER SERVICE IN OUR INDUSTRY. I AM PROUD OF OUR PEOPLE EVERY DAY.

IN 2021, WE RELAUNCHED OUR BUSINESS PURPOSE AND VALUES WHICH WE HAVE PROGRESSED THROUGH 2022 BY EMBEDDING THEM INTO OUR OPERATIONS. AS WE ROLLED OUT THE PURPOSE AND VALUES WE HAVE BEEN ABLE TO UNDERSTAND BETTER HOW OUR PEOPLE MAKE A CONTRIBUTION TO OUR BUSINESS, COMMUNITIES AND SECTORS IN WHICH WE WORK.

AT ITS CORE OUR PURPOSE IS THE GUIDING PRINCIPLE THAT UNITES US AND THE REASON WE DO WHAT WE DO EVERY DAY. NOW EVERYONE ACROSS THE ORGANIZATION UNDERSTANDS THEIR ROLE IN SUPPORTING OUR PURPOSE AND THEIR ROLE IN CONTRIBUTING TO THE ELEMENT JOURNEY. WE ALL BRING DIFFERENT PERSPECTIVES, AND THAT DIVERSE THINKING MAKES US EVEN STRONGER, ACROSS MANY COUNTRIES AND LOCATIONS.

IT IS THIS DRIVE AND AMBITION THAT WE SHARE, HELPING OUR CUSTOMERS MAKE A GREATER POSITIVE IMPACT ON THE WORLD EVERY DAY. WE WORK WITH CUSTOMERS WHO REALLY CARE ABOUT THEIR PRODUCTS AND SERVICES GETTING TO MARKET, ENSURING THEY ARE SAFE, FIT FOR PURPOSE AND COMPLIANT. ANY FAILURE IN USE COULD HAVE SIGNIFICANT CONSEQUENCES.

SO, WHEN WE ARTICULATE OUR PURPOSE, IT MEANS THAT EVERY DAY, IN ONE WAY OR ANOTHER, WE ARE SUPPORTING CUSTOMERS IN CRITICAL INDUSTRIES – FROM MEDICAL TECHNOLOGY TO FIRE TESTING, FROM AVIATION TO MOBILE DEVICES - WHO ARE STRIVING TO MAKE A POSITIVE IMPACT IN THE WORLD. LIKE THEM, **WE ARE MAKING TOMORROW SAFER THAN TODAY.**

Jo Wetz, Chief Executive Officer

OUR PURPOSE

MAKING TOMORROW SAFER THAN TODAY. OUR PURPOSE IS OUR REASON FOR BEING.

It describes the impact we have on the wider world and the people and communities we serve, creating a safer future for everyone.

All our colleagues have a role to play in bringing our purpose to life. Understanding our values helps us to do this.

OUR VALUES

INTEGRITY | CARE | PROGRESS

These three values were chosen by our people and describe what it means to work at Element. Every day we work, every decision we make, every question we ask, every interaction we have, is guided by Integrity, Care and Progress.

A focus on safety continues to be fundamental to how we work – it is of paramount importance to how we operate every day. Safety is core both to what we do and why we do what we do. Therefore, we have chosen a purpose which elevates and puts a spotlight on safety – working safely and creating a safer tomorrow for people.

INTEGRITY

We do what is right.

Our foundations are built on trust and accountability. We take pride in our work, and we keep our promises. We are committed to deliver every time for our customers, and for each other.

CARE

We care about the impact we have.

Creating a safer world starts with us caring about each other, our customers – and the communities and environment we operate in. Our culture is inclusive, and everyone is welcome. We work together to create a stronger business, making a positive difference to the world around us.

PROGRESS

We strive to create a more positive future.

We stay curious to evolve and improve every day. We grow and learn by constantly thinking about our impact and how we can do better for each other, society and the planet.

CHAIRMAN'S REPORT

EACH YEAR AT ELEMENT PROVES TO BE AS DYNAMIC AS THE ONE BEFORE. THE PURCHASE OF OUR GROUP BY TEMASEK FROM BRIDGEPOINT SAW OUR MINORITY SHAREHOLDER TAKE OWNERSHIP, WHICH HAS SUPPORTED A HUGELY POSITIVE YEAR FOR OUR PEOPLE AND BUSINESS. WE HAVE WELCOMED AN ADDITIONAL 2,000 PEOPLE AND 70 LABORATORIES INTO ELEMENT, AND WE HAVE FURTHERED OUR AMBITIOUS GROWTH PLANS WITH SOME IMPRESSIVE ACQUISITIONS TO STRENGTHEN OUR PROPOSITION.

Allan Leighton, Non-Executive Chairman

Once more, Element has had a significant year, and 2022 has seen the business change and grow even further. Of note has been the purchase of our group by Temasek from Bridgepoint, which saw our minority shareholder take ownership. It has been a hugely positive year for our people and business as we have consolidated last year's acquisition work, welcoming an additional 2,000 people and 70 laboratories into Element. We have also furthered our ambitious growth plans with some impressive acquisitions that strengthen our proposition.

I remain in awe of the drive, enthusiasm and professionalism Jo Wetz and the Leadership team bring to their roles leading the organization. They are responsible for the outstanding acquisition work, strong operational leadership, and for providing a vision that will take our business confidently into the future.

Element's sale to Temasek is another important step in its growth journey, as it is a business that already understands us and shares our values and ambition. It was testament to our existing business, team, strategy, and global leadership that Temasek identified us as a strong addition to its portfolio. It is a dynamic business that is focused on technological transformation and the impact of sustainability, which closely aligns with our own business strategy. I have been pleased at how quickly it is proving to be an excellent operational partnership.

A further impact of the Temasek acquisition has been the evolving change in the composition of our board. While we were already privileged to have Ranjit Dandekar, the MD of Temasek on our Board, we have now also welcomed Prof. Dr h.c. Uwe Krueger, Head, Industrials, Business Services, Energy & Resources, Head, Europe, Middle East & Africa at Temasek, who brings his considerable experience of industrials and business strategy to our most senior level.

The ownership change also meant that in 2022, we bid farewell to Charles Noall. Charles had been with us since the start, leading the original buy-out of Element from Stork BV. Under his leadership the business became the fastest growing independent materials and product qualification testing company in the world. We will all miss him and wish him the very best for the future.

PEOPLE

Because of our acquisition strategy, which is bringing scale and increasing our global footprint, we once more welcomed thousands of people into the Element family in the last year. Our focus on the Element values of Integrity, Care and Progress means we put these at the heart of our people strategy.

As a major employer in many sectors and countries, we have a responsibility to the communities in which we work. In welcoming Ditte Marstrand Wulf as our new Chief People Officer on the Operating Board, we are going to benefit from her strategic focus on driving a more empowered, diverse, and inclusive culture.

CUSTOMERS

Our focus on safety remains important and is core to our operations. If we can create a safe working environment for our people, and also support our customers in creating products that make tomorrow safer than today for consumers, then we are doing the right thing.

We retain a focus on our customers and supporting their ambitions. It is with the aim of improving their experience and helping them get their products to market efficiently, that we are always focused on innovation. It is through innovation that both we and they will continue to progress.

As a Board, we take time to concentrate on integrity, care and progress in our approach and ambition. Along with our majority shareholder, we want to ensure that we build relationships that help us reach the potential our businesses have identified for the future.

2023

Each year at Element proves to be as dynamic as the one before. In 2023, our focus will be on progressing our important ESG commitments, which are now deep-rooted in the business. We are also focusing on integration and consolidation of our acquisition strategy and, of course, we are always looking for growth in our end markets in line with our business plans. We remain ambitious and focused on building on our existing market leadership. It is an exciting future and I am proud to be part of it.

CEO REPORT

OUR ACQUISITION BY TEMASEK IN 2022 BROUGHT US A PARTNER THAT SHARES OUR VALUES AND AMBITION. THE STRENGTH OF THIS PARTNERSHIP HAS SUPPORTED A STRONG YEAR THAT SAW THE CONSOLIDATION OF ACQUISITIONS LIKE NTS, AND FOCUSED ON INCREASING OUR FOOTPRINT IN A MAJOR GROWTH MARKET. WE DROVE INNOVATION WITH THE CREATION OF OUR NEW DIGITAL ENGINEERING BUSINESS UNIT, AND WE PUSHED FORWARD WITH OUR OWN ESG AGENDA, ACHIEVING AN IMPROVED ESG RATING OF 9.1 FROM SUSTAINALYTICS AND GIVING COLLEAGUES THE OPPORTUNITY TO VOLUNTEER IN THEIR COMMUNITIES

Jo Wetz, Chief Executive Officer

Each day at Element I am so proud of the business and the people who work in it. Our teams are actively engaged in making tomorrow's world safer and more sustainable. And day after day, I am proud to work with colleagues who are directly making a difference.

Whether it is in supporting the development of new and emerging technologies in the medical field; testing planes, trains and automobiles; or certifying ways to reduce the environmental impact on the planet, Element is putting integrity, care and progress at the heart of our business.

When we joined the United Nations Global Compact at the end of 2021, which represents our ambition to do #GoodForBusiness, we reflected on how our business has changed since 2012. We have grown from a newly independent business of 860 colleagues and 27 locations to our current 9,000 people across 270 locations in 30 countries. Since 2010, our reported revenues have grown nearly 10 times, over 15 times on a run-rate basis(1), tipping over $1bn in the last year (2). Our business today is very different in its ambition and scale to drive global change.

At the beginning of 2022, we announced the acquisition of Element Materials Technology by global investor and existing shareholder, Temasek. This is a partner that understands us through our existing relationship and shares our values and ambition. The move was a real validation for our business, people and strategy as we continue to build a global leader in testing, inspection and certification (TIC) services. Thematically, Temasek is focused on the impact of sustainability and technological transformation, so is well aligned with our own strategic focus and priorities.

As we look back over the last year, 2022 was probably more challenging than anyone might have predicted. As we exited the challenges of COVID, we were within a world more complicated than any of us may have imagined, with the effect of inflation, business trading and conflict. And yet Element, under our new ownership, has bucked the trend as we consolidated the acquisitions of 2022, focused on our growth end markets, and continued to celebrate a growing global team that together focuses on our purpose. **Making Tomorrow Safer Than Today.**

SAFETY

Safety is at the core of our business as we aim to make tomorrow safer than today. Across the year, our business has grown and team members worked an additional 1 million hours totalling 14 million. Despite opening more laboratories, employing more people and doing more ground-breaking work, we were still able to reduce injuries requiring treatment beyond basic first aid. The safety of our suppliers, team and customers is of the utmost importance to us and there is nothing more important than our leadership focus and drive to create a zero-incident work environment.

OUR CUSTOMERS

Our customers are ambitious to drive change – whether it is developing ground-breaking environmental technology, reaching into space; or creating new medical breakthroughs. We work in partnership with them to achieve their ambitions and the focus we bring to end-markets such as aerospace, life sciences and Connected Technologies means we can respond to the world's macro trends in a way that helps our customers innovate. We are well placed to help them reach their targets as they seek to deliver against the decarbonising agenda, which supports both their ambition and our own.

Life Sciences and Connected Technologies (CT) were at the centre of our growth ambitions in 2021 and we were proud to report on major acquisitions that strengthened and broadened our capability in these sectors. In 2022, we then acquired and welcomed Clinimark (3) to Element, which furthered our progress to drive innovation and progress within the overlap between healthcare and technology.

The convergence of medical and technological innovation and the growing demand for CT testing as technology moves ever more central to daily life, is a major growth area for Element and supports our aim to play our role in the world's vital industries. We are excited by what the future holds.

GROWTH

A significant move in the year was the acquisition of NTS in North America. NTS was founded in 1961, the same year JFK set the goal "of landing a man on the moon and returning him safely to Earth." 61 years later and NTS is at the forefront of supporting innovative customers test their products in the most challenging conditions on earth and in space, including entire satellites.

With over 1,100 new colleagues and 29 new laboratories joining our business, welcoming NTS has brought us strength and breadth across a wide range of end markets including space, defense, aerospace and connected technologies.

As you will read in our M&A section, during 2022 we have concentrated on increasing our footprint in a major growth market in Singapore. With the acquisitions of FOSTA and STS, we have scaled capacity and capability in the region and of particular interest is the introduction of structural and geotechnical instrumentation and monitoring services. This includes vibration and noise testing, ground and structural monitoring and real-time monitoring for excavation and tunnels – all part of the largescale growth of infrastructure projects in the region.

At the very end of 2021 we announced the acquisition of JMI Laboratories (4), following a range of other significant acquisitions in the life sciences sector. Now very much part of our business, JMI plays a global leadership role in antimicrobial resistance monitoring studies and supports the development of new antimicrobials and clinical trial support. In the face of global health threats post-pandemic, JMI is a demonstrable leader in securing new solutions to resistant organisms as research seeks to make our world safer.

[1] **Annualized revenues including full-year effect of revenues from acquisitions in the year of acquisition.**

[2] **Out of which $607.1m revenue relates to the period post the acquisition of Element Legacy Group by EM Midco 2 Limited (as presented in the audited consolidated statement of profit and loss for the period ended 31 December 2022). The full year results are unaudited, as the full year results is a combination of the audited group accounts for EM Midco 2 Limited (see financial statements in this report) and the pre-acquisition unaudited group results under the group's legacy ownership.**

[3] **acquired by the Element Legacy Group in April 2022**

[4] acquired by the Element Legacy Group in 2021

CEO REPORT CONTINUED

INNOVATION

We acquired Norton Straw in 2021, significantly increasing our investment in global innovation and digital capability. This also created our new digital engineering business unit

Our focus with digital engineering is to not only complement existing capabilities with new digital tools, but to target digital-led innovation. We want to act as an engineering service provider that supports our customers with design and innovation through the product lifecycle, from strategy and R&D through to execution and end-use.

ESG

At Element we always want to do the right thing, so in driving our own ESG agenda we are also driving those of our customers, bringing greater impact overall; whether on climate change, diversity or the communities where we work. For sustainability, it is about aligning to our customers' needs to innovate and change on their broader sustainability journey As so many of them must align innovation and cutting-edge technology within a heavily regulated environment, we are the partner that navigates them through this challenge I believe material science is a major lever for delivering against climate targets and our work in supporting clients, as well as setting our own commitments, is going to bring real impact

As a major global business, we remain mindful of the many communities in which our business works, and we feel a responsibility for those communities. We now give 12 hours of paid volunteering time per year for every colleague across the Group, which is the equivalent of having up to 50 full-time colleagues dedicated to helping make a difference in our local communities!

We launched this in the US when I was proud to join members of our global and US leadership teams to support a local charity, Mary's Kitchen, in Orange County, California. We washed dishes, cooked and served food, and organized donations of clothes and home supplies. It was both humbling and inspiring, and a real privilege to see first-hand how organizations like Mary's Kitchen transform lives.

Over the last year we have also seen teams support their communities through activities like fundraising and donation gathering, and serving food for people in need. I am immensely proud of the difference Element's people have made through our volunteering program and I thank them all for embodying our values of Integrity, Care and Progress

Element Materials Technology has been recognized for its leading sustainability performance by Sustainalytics with a new ESG rating of 9.1. This is the best rating within the Testing, Inspection and Certification sector and places the company within the top 1% of the over 15,000 companies rated around the world

PEOPLE

Towards the end of 2022, I opened my post box to find it contained my Element 10 Years Service award Sent to our colleagues' homes, these represent the pride we all feel in long service with the business The last 10 years have been transformational for our business, but also for me. My personal and professional journey through Element shows me every day what great things we can do together and how our organization is built on the foundations of trust and accountability, taking pride in our work and keeping our promises.

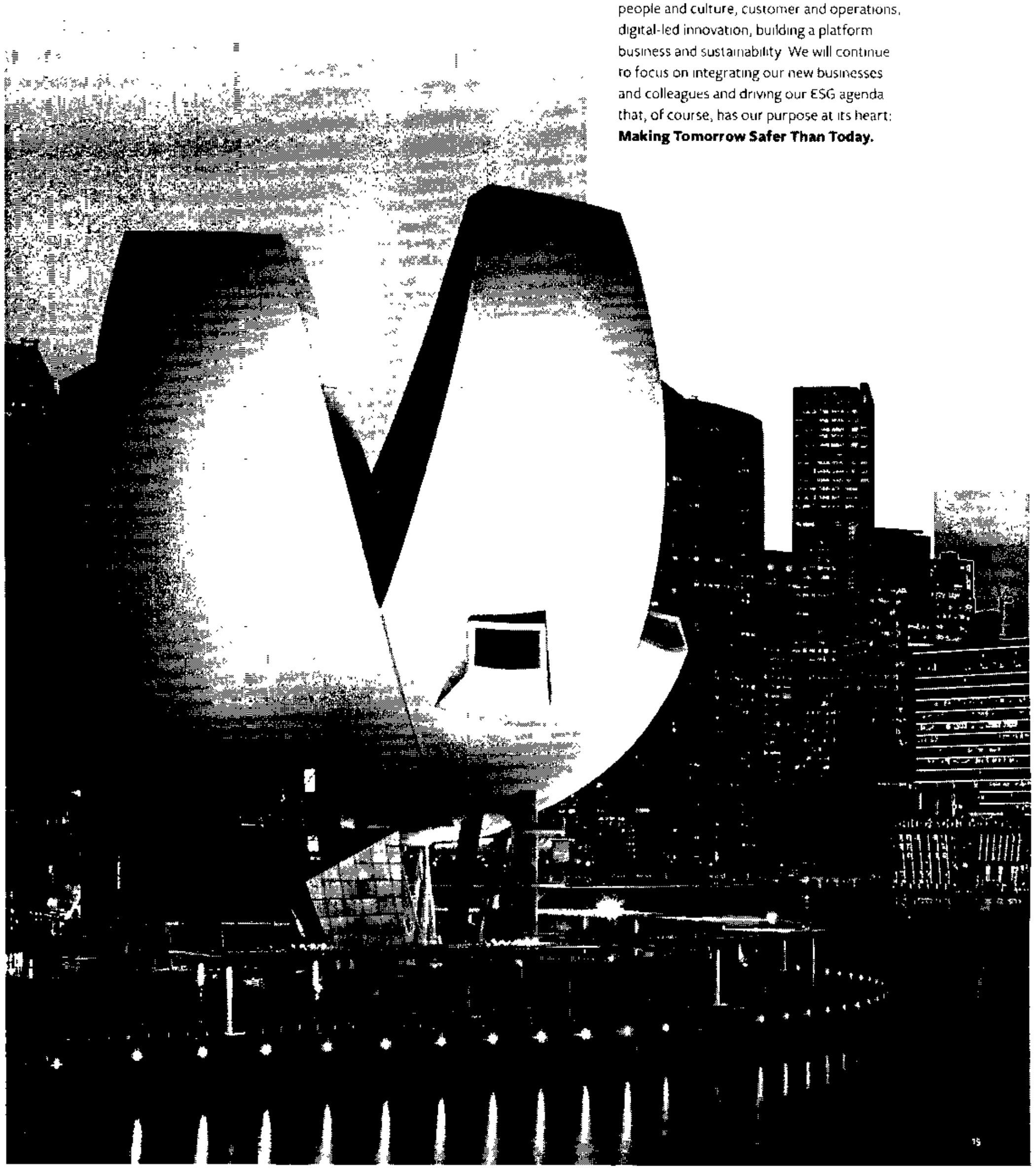
As I review our teams today, whether they are driving innovation to speed up a customer's process or are working in a London street kitchen, it is the people in Element that make us what we are Continuously improving, being inclusive and welcoming and always thinking about how we can make a positive impact on the world, making tomorrow safer than today – that is what drives the pride we all feel about being part of a global, game-changing business

During the year it became clear due to the rising cost of living and interest rates that we need to do more to help our people. Therefore, we provided a one-time payment bonus to all our colleagues to help them navigate the challenges they may be facing during these unprecedented circumstances.

In addition to welcoming 2,000 new colleagues to the business across the globe through acquisition, we also bolstered our leadership teams in 2022 The Temasek acquisition meant we welcomed new dynamic business leaders onto our board, and in our senior Operating Board team, we have also made some exciting changes. I am pleased to welcome two new appointments:

Ditte Marstrand Wulf is our new Chief People Officer with responsibility for setting and executing the company's global people strategy Her extensive cross-sector knowledge and commitment to diversity, equality and inclusion will support our effort to create a more empowered and inclusive culture, and I look forward to Ditte accelerating this journey

Trudy Cooke joined Element as Group General Counsel and Company Secretary, and is responsible for leading the legal, insurance, governance and compliance teams, while building capabilities across internal audit and risk Trudy's multi-sector experience and counsel will be invaluable as we continue to grow our corporate governance functions, and her stewardship will be vital to our success.



LOOKING FORWARD

Next year and through to 2025 we remain aligned to our strategies around safety, people and culture, customer and operations, digital-led innovation, building a platform business and sustainability We will continue to focus on integrating our new businesses and colleagues and driving our ESG agenda that, of course, has our purpose at its heart: **Making Tomorrow Safer Than Today.**

OUR STRATEGY

ELEMENT IS IN A STRONG POSITION TO CONTINUE BUILDING ITS LEADERSHIP POSITIONS THROUGH ORGANIC AND INORGANIC GROWTH ACROSS STRATEGIC END MARKETS. THESE END MARKETS ARE HIGHLY REGULATED AND TECHNICALLY DEMANDING, AND ELEMENT IS WELL-PLACED TO PROVIDE THE SAFETY CRITICAL SOLUTIONS NEEDED FOR THE PRODUCT AND MATERIALS INNOVATION OUR CUSTOMERS ARE DEVELOPING

By 2025, Element aims to double the size of the business in revenue by being the trusted partner for customers where safety is critical, and failure is not an option. We have five strategic pillars to facilitate this growth: culture, operations, innovation, efficiency, and sustainability

- We will support a safe, empowered, and inclusive workplace and culture where people enjoy coming to work, and where we can recruit and retain the experts who will help us grow.
- We will deliver technical leadership, operational consistency, and strong customer service to nurture and develop the partnerships that are key to our success
- We will create digital solutions and foster innovation to develop additional market positions and provide customers with more comprehensive and robust services.
- We will leverage our scale platforms to deliver market-leading growth and drive efficiency for both customer service and internal gains
- We will create a positive impact for our customers, our environment, our people, and our communities.

DELIVERING OUR GOALS

Our strategic end markets have attractive economics complemented by market growth, innovation, technically demanding customers, and high regulation. Their supply chains are often highly fragmented, allowing us to acquire new capabilities and expand our scale. And by broadening and connecting our services around the world, we are providing our customers in complex regulatory environments with the support they require for efficient market access

We put our customers at the heart of everything we do, prioritising this with operational, technical, and commercial excellence programs at our family of laboratories. Our holistic support for customers drive strong organic growth and best-in class margins as we support customers in their ESG journeys. And our focus on M&A enhances our ability to grow as we identify and invest in inorganic growth, developing each business unit with the expertise that truly adds to our customer offering

We invest in the development of our talented team of experts in all parts of the business, giving them the opportunity to lead and achieve personal and professional growth in a highly engaged environment.

Element's focus on critical industrial safety sets us apart from other TIC companies, supported by our global platform, our best-in-class operational and commercial excellence, and our investment in growth. Element is also well-positioned to benefit from growing and significant structural global trends, including helping our customers meet their ESG targets. With ambitious, industry-leading targets of our own, we see ESG as a key future driver

Element's success is ultimately judged by our customers and our service. Our achievements are most clearly evidenced by customer feedback, which is measured through our Net Promoter Score. We are proud that it has improved this year, strengthening our position to drive strategic partnerships, build relevant capabilities and identify new opportunities.

END MARKETS	LIFE SCIENCES	CONNECTED TECHNOLOGIES & MOBILITY	AEROSPACE	BUILT ENVIRONMENT	ASSURANCE & OTHER	ENERGY & ENERGY TRANSITION
Key Business Units (BUs)	Life Sciences (US, Life Sciences (EMEAA)	Connected Technology & Mobility (US) and Aerospace & Connected Technology (EMEAA))	Aerospace & Defense (US), NTS, Aerospace & Connected Technology (EMEAA)	Built Environment (EMEAA)	NTS, Aerospace & Connected Technology (EMEAA), Digital Engineering (EMEAA), Calibration	Built Environment (EMEAA), Aerospace & Connected Technology (EMEAA)
Example services	• Pharmaceuticals • Antimicrobial • Medical Devices • Personal care & beauty products • Biotechnology	• Mobile and Cellular Devices, • Consumer Electronics • IoT compliance • Telecoms regulatory services • EV & Autonomous vehicle • Defense products & systems • Rail & Maritime	• Aerospace Engine Testing • Aerospace Avionics • Aircraft Fuel Systems • Product Qualification Interiors and Fuselage/Landing Gear & Wings • Materials • Calibration Services	• Advanced Materials • Fire-performance and resistance • Architectural hardware • Water and air tightness • Building performance • Environmental • Agriculture and Wastewater • Site remediation	• Calibration • Certification • Digital engineering	• Mechanical testing • Non-destructive inspection • Full and small scale pipe testing • Digital engineering • Corrosion/coating testing • Chemical analysis • Weld testing • Failure analysis
Growth drivers	• Regulation and global drug development R&D spend • Biologics innovation • Antimicrobial focus post Covid • Medical device technology innovation	• Technological innovation cycles & adoption of 5G • Connected Devices, new tech and increasing regulation, ESG • Innovation Electric Vehicles and Audio Visual Technology	• Aircraft production rates to rapidly grow following 2020 downturn • R&D base stable with upside in late 2020s • ESG momentum & decarbonization	• Regulation cycles and Higher standards • New Product Innovation • Mandatory recertification	• Overall GDP growth, regulation and certification requirements • ESG tailwinds driving penetration of new environmental standards • Inspection • Digital Engineering	• Underlying Oil and Gas demand • Oil price • Growth of renewables • Innovation around hydrogen

LIFE SCIENCES HAS BEEN A KEY AREA OF FOCUS FOR ELEMENT AND OVER THE LAST THREE YEARS, THE BUSINESS HAS INVESTED MORE THAN $400M IN GROWING ITS GLOBAL CAPABILITIES IN THIS AREA. THIS COMMITMENT AND INVESTMENT HAS MADE LIFE SCIENCES THE COMPANY'S LARGEST GLOBAL END MARKET, WITH A TEAM OF OVER 1,400 SCIENTISTS, CHEMISTS, AND TECHNOLOGISTS GLOBALLY SUPPORTING CUSTOMERS IN PHARMACEUTICALS, MEDICAL TECHNOLOGY AND LIFE SCIENCES

LIFE SCIENCES

The Clinimark acquisition in 2022 (1) further progressed Element's drive to innovate and develop within the overlap between healthcare and technology

In the EMEAA region, 2022 focused on the integration of Arch Sciences Group to create one single and unified business unit following its acquisition in 2021. There was growth across analytical services through the work supporting drug development and new product regulatory approval cycles, and there has been increased uptake in Element's distribution services within the laboratory solutions division. The environmental division saw growth thanks to acceleration in H2, and Element built market share in both laboratory testing and emissions testing across the UK

Life sciences work in the Americas saw growth across the pharmaceuticals industry in 2022 as manufacturers resumed normal product development, and work within the medical devices supply chain increased through post-pandemic recovery. The environmental business also grew in 2022 with a focus on sustainability net zero requirements. And Element launched its consumer e-commerce site this year, providing home soil and water testing kits for individuals in rural communities living with wells and septic tanks on their properties

$400m

INVESTMENT IN GROWING GLOBAL CAPABILITIES OVER THE LAST THREE YEARS*

[1] Acquired by the Element Legacy Group in 2022

* including investments by the Element Legacy Group

OUR DAILY LIVES REVOLVE AROUND CONNECTED TECHNOLOGIES. FROM CONSUMER ELECTRONICS AND WEARABLES, TO MEDICAL DEVICES, SELF-DRIVE VEHICLES AND ROBOTS, THE INTERNET OF THINGS (IOT) IS AN INCREASING REALITY. ELEMENT IS A MARKET LEADER IN TESTING CONNECTED TECHNOLOGIES AND WITH ACQUISITION AND GROWTH IN CAPABILITY, THIS LEADERSHIP IS GROWING.

CONNECTED TECH

Element has a team of over **1,200 technology experts** in Connected Technologies. Element has a strong global leadership position in 5G connectivity and is working with customers on more new 5G opportunities than anyone else in the US.

As a fast-moving market which is constantly producing new technologies and devices, Element works with customers to ensure products meet all relevant, internationally recognized connectivity and interoperability standards, so that products and applications are safe, compliant and fit for purpose. What matters to customers is faster global market access and Element's testing and certification services enable manufacturers of mobile and smart devices to achieve successful launch and adoption of their products worldwide.

Element also acquired Energy Assurance (1) in the US, which increased expertise in the battery testing market, a crucial element of connected technologies and the energy transition.

OUR DAILY LIVES REVOLVE AROUND CONNECTED TECHNOLOGIES AND ELEMENT IS ONE OF THE

MARKET LEADERS

IN THEIR TESTING

(1) Acquired by the Element Legacy Group in April 2022

AEROSPACE

ELEMENT IS THE GLOBAL LEADER AND NUMBER ONE BY REVENUE PROVIDER OF MATERIALS TESTING, PRODUCT QUALIFICATION TESTING, CALIBRATION AND ADVISORY SERVICES TO THE GLOBAL AEROSPACE TESTING SECTOR. IT HAS MARKET LEADING TECHNICAL SKILLS AND CAPABILITIES, A NETWORK OF STRONG TECHNICAL EXPERTS AND FASTER, MORE RELIABLE TURNAROUND TIMES COMPARED TO OUR COMPETITORS.

Element is a trusted partner for many aerospace manufacturers and operators, working with them to test their avionics, engines, fuel systems, fuselage landing gear, wings and interiors. Providing NADCAP accreditation, product qualifications, materials testing and calibration, it is no wonder that every time you fly you can be sure of the certainty of Element's testing.

The acquisition of NTS strengthened Element's market leadership in aerospace and defense, increased its offering to include space capabilities and additional defense scope. Overall, Aerospace and Defense US had a record-breaking performance in 2022 with double-digit organic growth (including the Element Legacy Group unaudited results) that puts the business close to 2019 revenue levels.

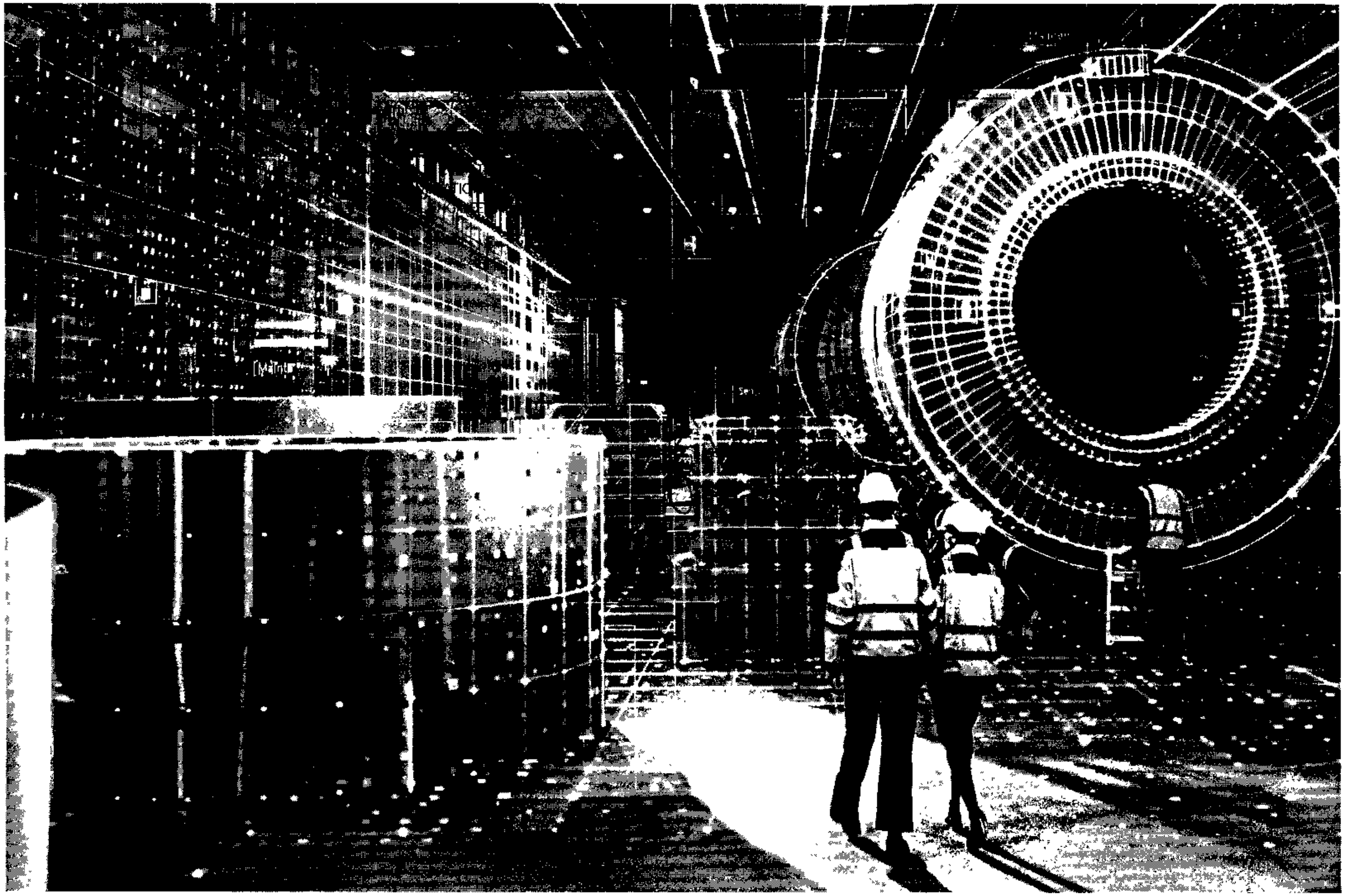
Element is central to R&D and energy transition as the engine market pushes further towards developing carbon neutral solutions. Across its laboratories and regions, Element has the capacity to provide all aerospace testing requirements, creating efficiencies and reducing costs for customers.

BUILT ENVIRONMENT

Element plays a significant role in the safe development of the built environment and has over 1,400 experts supporting construction and infrastructure markets across the UK, Europe, the Middle East, SE Asia and Australia. Element provides end to end solutions from fire safety design strategies, through product testing inspection and assessment, to third party certification. Teams work with key stakeholders at every stage of a project, from architects and designers, to contractors and developers, planning and local authorities, building owners and operators and product manufacturers.

2022 was a strong year thanks to an increased demand in product certification, particularly in Europe, and the rebound of the infrastructure market post-COVID in Singapore. Significant expansion following the acquisitions of FOSTA Group and STS means Element is now a leading TIC player in the region.

Element's long-standing position in the built environment was recognized in 2022 with the 50th anniversary of the High Wycombe laboratory. Believed to be one of the oldest fire resistance testing laboratories in the UK, High Wycombe is a center of excellence for the testing of timber fire doors. Prior to the acquisition of the Element Legacy Group by Temasek, significant investments were also made at the testing facility to meet the growth in demand for acoustics, smoke leakage and fire resistance testing. This included refurbishing onsite fire resistance and smoke testing laboratories; new smoke leakage testing equipment; the complete re-lining of two test furnaces; installation of a new cold abatement system to extract fumes from the fire laboratory environment, and new acoustic measuring equipment to enhance and improve testing capabilities.



DIGITAL ENGINEERING

The primary focus of digital engineering at Element is to find truly innovative solutions, rather than simply digitizing existing capabilities. The aim of the business is to act as an engineering service provider, supporting customers with design and innovation in their own R&D and development. It provides lifecycle support from initial strategy through to execution.

Due to Element's range of capabilities across multiple engineering practices, the team can complement customers' own in-house skill sets and fill any gaps in expertise. Digital Engineering is working in partnership with teams across the Element business to ensure the company's values are maximized and delivered to customers with innovation and efficiency. Digital engineering has supported energy groups, aerospace, connected technology, medical devices, and food industry groups on joint physical and digital initiatives.

One example of the digital engineering work carried out in the aerospace sector is an analysis of the danger of high-altitude ice crystals to jet engine reliability. The team constructed a transient Computational Fluid Dynamics (CFD) model that would mimic problematic flight profiles, with approaches to accurately accelerate less critical phases. The ice was then allowed to grow and the extent was recorded. It became apparent that ice blockages were not certain to occur, but only happened in particular conditions. Therefore, it was determined that the manufacturer could alter the pressure line so that the ice formed in such a way that blockages would not occur at all.

Digital engineering initially launched in the EMEAA region with collaboration around all of Element's sites globally. An increased physical presence in the Americas commenced in 2022 with the opening of an office in Houston, Texas.

CFO REPORT

2022 HAS BEEN A YEAR OF TRANSFORMATIONAL CHANGE WITH THE ACQUISITION OF THE GROUP BY TEMASEK, AND THE SUBSEQUENT ACQUISITION OF THE NTS BUSINESS IN THE US. AGAINST THE BACKDROP OF SIGNIFICANT MACRO-ECONOMIC CHANGES, THE GROUP HAS DEMONSTRATED STRONG RESILIENCE ACROSS OUR LABORATORIES, INCLUDING THE ACQUISITION OF 5 FURTHER STRATEGIC ACQUISITIONS [1] AND THE CONTINUED INVESTMENT INTO PRIORITY AREAS

Ruth Price, Group CFO

GROUP OVERVIEW

On the 6th July 2022, Temasek acquired the Element legacy Group through the acquisition of Element Materials Technology Group Limited by EM BidCo Limited, a wholly owned company of EM Midco 2 Limited. These accounts are the accounts of EM Midco 2 Limited, the new UK holding company of the Element Group. The ultimate UK holding company of EM Midco 2 Limited is EM Topco Limited. The majority shareholder of EM Topco Limited is Esta Investments Limited, a wholly owned subsidiary of Temasek.

EM Midco 2 Limited was established solely for the purposes of acquiring the majority interest in the Element legacy group. Prior to the acquisition date of 6th July 2022, EM Midco 2 Limited incurred immaterial administrative expenses only.

The acquisition of the Element legacy group included the $1.7bn refinancing of the group's debt through the execution of new First and Second Lien Credit Agreements and the funding provided by EM Topco Limited. The refinancing was established also to provide sufficient funding for the anticipated acquisition of NTS by Element. The debt has a repayment maturity in 2029.

As a result of the acquisition, the group recognized $4.7bn of goodwill. The consolidated audited financial statements within this Annual Report include the post-acquisition period from 6th July 2022 to 31st December 2022 for the Element legacy group. There are no comparatives for prior year, as EM Midco 2 Limited was incorporated on 18th January 2022.

As part of the refinancing, the group raised $400m in Acquisition & Capex and Revolving Credit facilities to support M&A and organic growth opportunities. At the end of 2022, the group had invested $153.7m under these facilities and $134.3m of cash on the balance sheet.

Revenue for the group following the acquisition of the group by Temasek on 6th July 2023 was $607.7m which contributed to the full year (2) group revenues of $1,097.7m. This represents a 20.2% increase on prior year for the full year, driven by recovery in the Aerospace business units in Americas and EMEAA, and the in-year impact of the acquisition of NTS and the 5 other strategic investments.

The loss for the period, 6th July to 31st Dec 2022, was $708.2m loss. This included a $544.9 million impairment charge to the Goodwill recognized on the acquisition of the group by Temasek. The impairment, recognized as separately disclosed item, is due to the impact of the economic downturn in 2022 and the increase in global interest rates.

Other separately disclosed items, during the period 6th July to 31st Dec 2022, were $85.2m. This included $58.5m of transaction and integration costs relating to the acquisition of the group by Temasek and the acquisition of NTS by Element.

Adjusted EBITDA, which is EBITDA before separately disclosed items, is the most significant indicator of operating performance and allows a better understanding of the underlying profitability of the group. The consolidated adjusted EBITDA for the reporting period, 6th July to 31st Dec 2022 was $124.7m.

In the Americas region, revenue from 6th July 2022 was $387.3m Americas, contributing to the region's full year (2) revenues of $661.1m, up 33.6% on the prior year. These results include revenues from acquisitions. We have increased our footprint through the acquisition of NTS and in the fast growing Connected Technologies and Life Sciences end markets through targeted acquisitions. We are seeing strong recovery in the Aerospace market, following the downturn back in 2020 due to the impacts of Covid-19. We are focused on the integration of the NTS business, implementing Element's commercial excellence and operational excellence to deliver productivity improvements and improve the service offering to customers. In 2022, we simplified our BU structure into 3 Business units (from 4), combining Connected Technology and Mobility (previously within the Transport & Industrials Business Unit) due to the emerging overlap in these end markets such as CASE (3) vehicles.

In the EMEAA region, revenue from 6th July 2022 was $219.8m EMEAA, contributing to the region's full year revenues of $423.4m, up 7.2% on the prior year. These results include revenues from acquisitions. During 2022, and post acquisition of Element by Temasek, we acquired Fosta and STS in Singapore which has expanded our offering in Singapore and we have seen the recovery in Aerospace across, where we continue to invest in capacity expansion.

(1) Including 2 acquisitions completed by the Element Legacy Group

(2) The full year results are unaudited, as the full year results is a combination of the audited group accounts for EM Midco 2 Limited (see financial statements in this report) and the pre-acquisition unaudited group results under the group's legacy ownership

(3) CASE: Connected cars, Autonomous/Automated driving, Shared and Electric.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE RESPONSIBILITY

OUR PURPOSE IS TO **MAKE TOMORROW SAFER THAN TODAY**, AND THIS SITS AT THE CORE OF EVERYTHING WE DO IN OUR BUSINESS. MAKING THE WORLD SAFER COVERS MANY FACETS OF OUR CAPABILITIES BUT SUSTAINABILITY IS INCREASINGLY AN ARENA IN WHICH WE KNOW WE CAN CREATE REAL POSITIVE CHANGE - BOTH IN TERMS OF OUR OWN SUSTAINABILITY, AND SUPPORTING OUR CUSTOMERS' JOURNEYS

We made significant environmental, social and governance progress in 2022 with a growing team, enhanced processes and an evolving strategy, driving new initiatives to help accelerate our growth and reach our commitments

ENVIRONMENTAL

Our environmental initiatives - internal, external, and through our customer offering - are some of the key drivers of growth across our business. We are proud that this work has been recognized by Sustainalytics, a global leader in ESG research and data, with a new ESG rating of 9.1. This is the best rating within the Testing, Inspection and Certification sector and places the company within the top 150 of the over 15,000 companies rated around the world. The rating is an improvement on Element's previous score after improved scores across Business Ethics, Corporate and Product Governance. The company is now classified as having negligible ESG risk, which is the highest category available.

These results come on the back of important work across our entire business. Some key projects included

- **Hydrogen aircraft fuel tank** by building detailed Computational Fluid Dynamics (CFD) models of the motion and thermodynamics of liquid hydrogen in an aircraft fuel tank, the models determine the thermodynamics of the boiling of the liquid hydrogen and the effects of free-surface changes as the liquid sloshed in response to aircraft motions. The results showed that the sloshing slowed the rate of boiling, effectively prolonging the safe operation of the tank and therefore increasing the viability of the design. This is a positive step-forward in the aerospace industry's energy transition, and in increasing Element's capabilities within the hydrogen sector
- **Dubai solar energy** to increase the use of renewable energy at our Al Futtaim Element Dubai laboratory, we installed sun-soaking rooftop solar panels. The installation represents one of the many steps being taken to achieve net zero emissions and is expected to bring down monthly laboratory energy costs by 15-20%.

One of the critical first steps in meeting our scopes 1 and 2 energy transition commitments is making a tangible impact on our own emissions. We are making strides in the procurement of green electricity and renewable energy, sourcing at national levels and through local laboratory contracts. As well as laboratory energy sources, we're also increasing the number of electric vehicles in our fleet and investing in EV charging points at our sites.

While we are rolling out these measures at every site around the world, some projects will inevitably take time to make significant, measurable impacts. Others are already at an advanced stage, like our new NEOM laboratory in Saudi Arabia. In addition to the aforementioned Dubai solar energy project, our new NEOM facility has been built off-grid with full solar power. Ensuring we take advantage of all opportunities to utilize greener energy as a business is crucial to our growth and our environmental goals.

The energy and carbon information for the two UK entities in scope of Streamlined Energy and Carbon Reporting (Element Materials Technology Environmental UK Ltd and WarringtonFire Test & Cert Ltd) is included in their respective statutory accounts. In Summary, the total energy consumption for the full year 2022 was 14,671,607 kilowatt-hours, and greenhouse gas emissions 1,719.9 tonnes Co2e

ELEMENT POSITIVE IMPACT

Making tomorrow safer than today

THE BIG COMMITMENTS

Net Zero emissions 2030
Scope 1 & 2

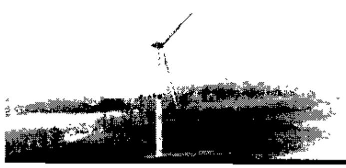
Net Zero emissions 2035
Scope 1, 2 & 3

30% Women in leadership **2025**

25,000 Hours volunteered in **2025**

25% Ethnic minority in leadership **2025** (North America/UK)

THE ELEMENTS OF OUR PLAN



Planet

1 **C** De-Carbonization	2 **Es** Environmental Products & Services	2 **Sp** Safety Products & Services

People

4 **Di** Diversity, Equity & Inclusion	5 **Ta** Talent Attraction & Retention	6 **Cy** Community

Performance

7 **Hs** Health & Safety	8 **D** Data Privacy & Cyber	9 **Ge** Governance & Ethics

SOCIAL

Our people are the heart of Element and supporting their development and empowering them to strengthen our business is vital to our success. Our focus areas for 2022 were improving our diversity, equity and inclusion, (DE&I), talent attraction and retention, and supporting our communities.

In terms of DE&I, we now have more women in senior positions than ever before. Today, women represent over 30% of our Operating Board and 26% of our new Senior Leadership Team. We've made really good progress on our commitment of achieving at least 30% of women in leadership roles by 2025, but we still have more to do.

We are also proud of the growth of our colleague resource networks. The colleague-led groups focus on cultivating a sense of belonging and inclusion at Element, and we now have more than 1,000 members. Each group supports an underrepresented community and provides colleagues with opportunities for social, professional and cultural development so we can grow and learn together.

Community engagement is an evolving focus for Element, and we now offer 12 volunteer hours per year for each and every colleague.

These efforts have comprised a wide variety of activities: from our colleagues in High Wycombe, UK who coordinated a successful Christmas shoebox appeal for Women's Aid; our teams in Southern California serving food for people in need, and the team in Eagan, Minneapolis, who took part in a Family Sponsorship Program and raised donations to purchase grocery gift cards and wish-list gifts requested by the children in need over the holiday season.

We are driving these community-driven initiatives from the top, with our leadership teams taking their 12 hours per year. We're also pushing forward with the provision of a wider range of volunteer activities, and began to focus on local community engagement in our annual '#InOurElement' Week celebrations globally.

Talent acquisition and retention is another key pillar of our social values as we continue to build a team of the best and brightest in our industries. Consistently onboarding new colleagues is one way we are ensuring we provide people with a warm welcome that clearly outlines their role in the Element team. Every new employee has a call with a senior leader and an HR leader to discuss Element's values and purpose, and communicate our shared goals. This two-way communication continues as we engage with colleagues through Pulse surveys to get feedback on the business. And we aim to retain people through development opportunities like the Element Academy, which provides technical, functional and leadership e-learning courses to all employees.

GOVERNANCE

As the Element business continues to grow, now with more than 9,000 colleagues in 270 locations across 30 countries, it is paramount that our operations are compliant with all relevant country laws and regulations, and conducted with integrity.

Colleague safety is core to our work and we are proud that 2022 recorded the lowest ever incident rate in the business. In 2022, our people worked 14 million hours, over a million more than the previous year, and achieved the lowest ever recordable incident rate at 0.80. This comes on the back of year-on-year improvement in these rates since 2017. To ensure our continued progressive efforts and support our relentless desire to drive injuries out of the business, we outlined and launched 10 safety commitments to ensure all colleagues work towards a common focus everyday.

1. Always ready and equipped to work safely
2. Store, use and dispose of hazardous substances safely
3. Avoid manual handling where possible
4. Make equipment safe before every use
5. Take steps to prevent slips, trips and falls
6. Challenge unsafe behavior and hazardous conditions
7. Use the correct tools and equipment for each task
8. Stop work in the event of unsafe conditions or behaviors
9. Wear all required personal protective equipment
10. Always drive and operate vehicles safely

SUMMARY

A number of important steps were taken in our corporate responsibility journey, particularly in respect of environmental reporting, compliance matters and community involvement.

SECTION 172(1) STATEMENT

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

The likely consequences of any decision in the long term;

The interests of the Company's employees,

The need to foster the Company's business relationships with customers, suppliers and others,

The impact of the Company's operations on the community and the environment;

The desirability of the Company's maintaining a reputation for high standards of business conduct, and

The need to act fairly as between members of the Company.

The Board also considers s.172(1) Matters where appropriate at Board Meetings as part of the decision making.

The Directors recognize the responsibility of the Company to a wide range of stakeholders, including Element's customers, shareholders and employees. The Company keeps in close contact with its principal stakeholders to understand their views in order to appropriately consider their interests in decision making, together with considering recommendations on how such engagement could be enhanced.

The Directors have had regard to the s.172(1) Matters in 2022 when considering new acquisitions. The Board considered a range of factors including the long-term impact on the Group, financing requirements, customers and suppliers of the acquired companies and their expectations before approving the acquisitions. Further information about Element's new acquisitions can be found on pages 46 to 51.

Further information on how the Directors have had regard to the s.172(1) Matters can be found on pages 40 to 43 (Our People) on pages 46 to 51 (Acquisitions and Integration) and on pages 62 to 65 (Corporate Governance Report) and on pages 70 to 73 (Directors' Report).

We have strong business ethics with data security and governance central to our operations. We offer extensive legal and digital training programs, and are TIC Council members. We also drive local improvement initiatives across the Group, ensuring broad engagement in our own sustainability journey.

2023

Looking to the year ahead, we will continue to push forward on our environmental goals, lowering laboratory level emissions as we embrace the green energy transition and reduce waste. This will also incorporate the creation of an ambassador network to drive best practice and action planning, and empower colleagues to take ownership of change with support from the wider business.

Our social ambitions will continue to take a lead role. Our diversity, equity and inclusion work will continue to be driven through investment and culture change, with a particular focus on empowering our colleague resource networks, as we reach further toward our goals.

We will also encourage more time to be spent in and with our communities, investing resources to make a larger impact on the world around us.

AMERICAS OVERVIEW

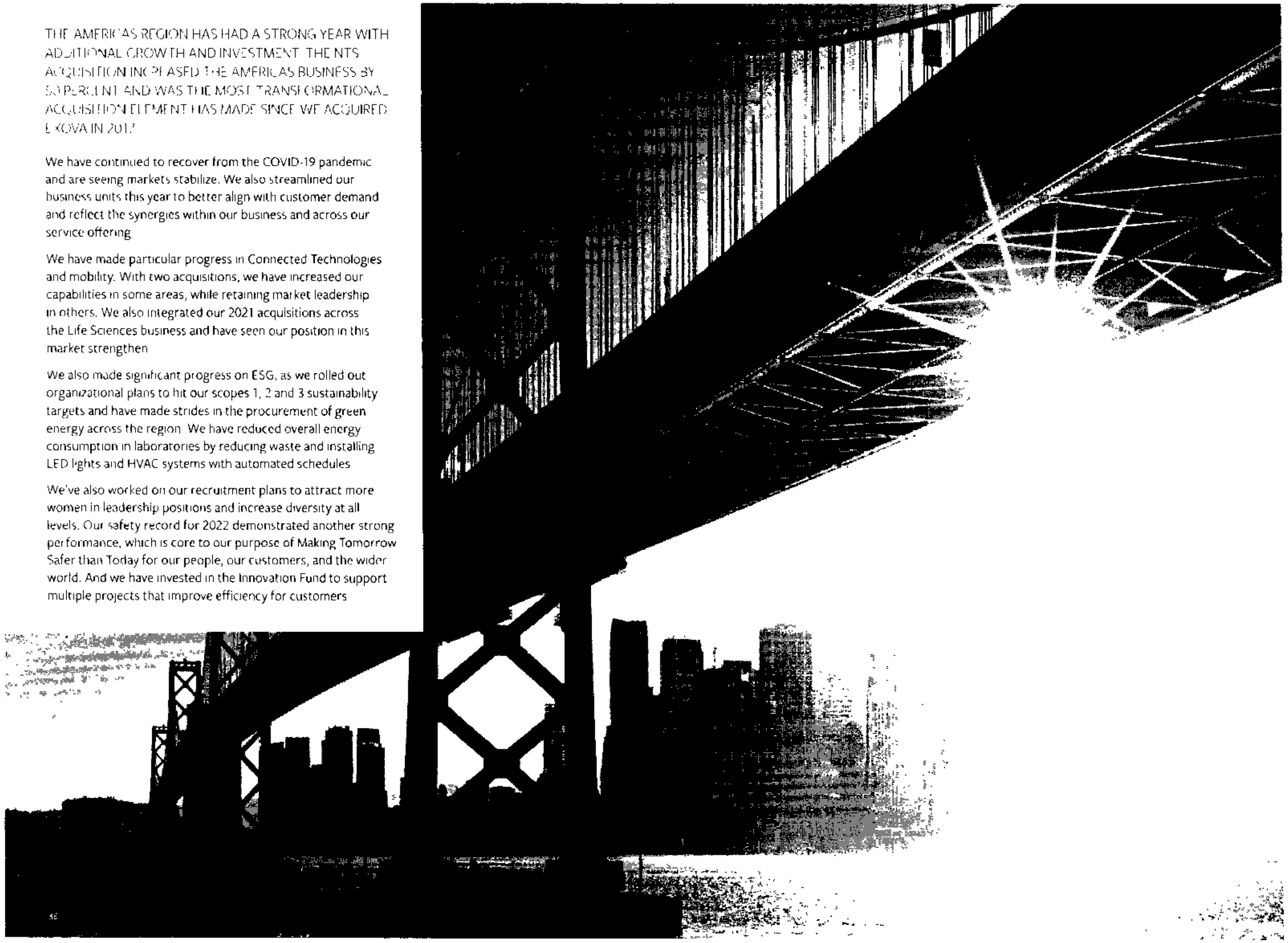
THE AMERICAS REGION HAS HAD A STRONG YEAR WITH ADDITIONAL GROWTH AND INVESTMENT. THE NTS ACQUISITION INCREASED THE AMERICAS BUSINESS BY 50 PERCENT AND WAS THE MOST TRANSFORMATIONAL ACQUISITION ELEMENT HAS MADE SINCE WE ACQUIRED EXOVA IN 2017

We have continued to recover from the COVID-19 pandemic and are seeing markets stabilize. We also streamlined our business units this year to better align with customer demand and reflect the synergies within our business and across our service offering

We have made particular progress in Connected Technologies and mobility. With two acquisitions, we have increased our capabilities in some areas, while retaining market leadership in others. We also integrated our 2021 acquisitions across the Life Sciences business and have seen our position in this market strengthen

We also made significant progress on ESG, as we rolled out organizational plans to hit our scopes 1, 2 and 3 sustainability targets and have made strides in the procurement of green energy across the region. We have reduced overall energy consumption in laboratories by reducing waste and installing LED lights and HVAC systems with automated schedules

We've also worked on our recruitment plans to attract more women in leadership positions and increase diversity at all levels. Our safety record for 2022 demonstrated another strong performance, which is core to our purpose of Making Tomorrow Safer than Today for our people, our customers, and the wider world. And we have invested in the Innovation Fund to support multiple projects that improve efficiency for customers



AEROSPACE AND DEFENSE

The scale of the NTS acquisition in combination with our existing capabilities further strengthened our market leadership in Aerospace and Defense. It also increased our offering to include space capabilities and additional defense scope. Overall, Aerospace and Defense had a record-breaking performance in 2022¹. We have seen double-digit organic growth, which puts us close to 2019 levels, and we feel confident that we have emerged from the pandemic in an excellent position.

As manufacturers enter stage three of building new aircraft, we are continuing to invest in new equipment to ensure that we can meet all customer requirements in terms of both technical capability and scale. We expect that this will lead to activity levels in 2023 that surpass those of 2019 and place us firmly at the door of ongoing aerospace and defense evolution.

CONNECTED TECHNOLOGIES & MOBILITY

While the NTS acquisition primarily increased our capabilities across Aerospace and Defense, collaboration across the business as a whole means that we have also extracted additional capabilities in Connected Technologies and mobility through new laboratories in Detroit and the San Francisco Bay area.

We've also invested heavily across the full spectrum of battery testing capabilities to meet increasing customer demand, with particular investment being made in Detroit to support electric vehicles. 2022 also marked the opening of our testing capabilities for GM in Bowling Green, Kentucky, strengthening our relationship with a key customer and leader in the market.

The market shift to 5G and the gradual phasing out of 2G and 3G technologies has increased requirements for 5G and cellular infrastructure, and in many cases the complexity of these technologies has required additional testing. We have continued to invest in capabilities in this space to ensure we can facilitate demand.

LIFE SCIENCES

Our Life Sciences teams pivoted to provide additional support during COVID-19, which has now tailed off as we emerge from the pandemic. However, the industry is realigning and 2022 saw growth across the pharmaceuticals industry as manufacturers resume normal development. We also saw a significant decrease in elective surgeries during the pandemic, which had a knock-on effect across the medical devices supply chain. As these procedures become more regular, our recovery is increasing steadily

We experienced strong growth across our environmental business in 2022, and we have increased our focus on sustainability and supporting customers' net zero journeys. This work has grown in Canada in particular, driven by the soil remediation requirements by the Government. We also launched our consumer e-commerce site this year, providing home soil and water testing kits for individuals in rural communities living with wells and septic tanks on their properties. Further developing this offering will be a focus in 2023

Due to increased interest rate and the economic uncertainty impacting long term future growth rates, some of the CGUs have recorded an impairment charge to Goodwill. Further detail is provided in the detailed financial statements within this report.

2023

In the next 12 months, we will continue our integration of NTS while focusing on organic growth. We expect aerospace and defense activity levels to rise to those we saw in 2019, if not surpassing the previous records. And the transition from internal combustion engines to electric vehicles, and the further development of autonomous vehicles, will drive growth in our automotive business

Internally, we will continue to focus on sustainability, implementing further changes to meet our commitments, and we will support our diversity and inclusion targets to ensure our teams comprise a breadth of experiences across all levels of the business.

¹ including the Element Legacy Group

EMEAA OVERVIEW

DURING 2022, THE EUROPE, MIDDLE EAST, AFRICA AND ASIA (EMEAA) REGION HAS BENEFITED FROM OUR ON-GOING FOCUS ON HIGH-VALUE END MARKETS AND EFFICIENCY IN OPERATIONAL DELIVERY WHICH HAS ENABLED ANOTHER YEAR OF ROBUST ORGANIC GROWTH. THIS GROWTH HAS ALSO BEEN FURTHER DRIVEN BY THE CONTINUED REBOUND IN AEROSPACE AND ENERGY MARKETS, WHICH HAVE BEEN IMPROVING ACROSS EUROPE IN PARTICULAR. AND AS WE HAVE SEEN AN INCREASE IN CONSTRUCTION POST-COVID, WE HAVE BENEFITED FROM INCREASED DEMAND FOR OUR PRODUCT CERTIFICATION BUSINESS IN THE BUILT ENVIRONMENT SECTOR.

Many businesses have faced the combined challenges of inflationary pressures, regional recessions and the impact of the war in Ukraine, and few organizations are immune. However, as a result of our focus on core values, our focus on core values and safety, our region is benefiting from the investment and growth we have targeted over the last few years.

A focus on our structure and services has further enabled efficiency and our business units have simplified operations to make it easier for customers to identify our specialisms, as well as aligning to core growth sectors. Creating business units for Aerospace & Connected Technologies, Built Environment; Life Sciences; and Calibration, with the addition of Digital Engineering, has supported business generation and growth in crucial sectors. In only its first full year since we launched our new Digital Engineering service, we have seen significant performance as we progressed further on our aim of market leadership across engineering simulation, modelling, data science and artificial intelligence (AI) to support safety and regulatory compliance for customer products.

Of note this year was our strategic move to increase our footprint in Singapore. Through acquisition of FOSTA Group, a leading geotechnical instrumentation and soil investigation specialist, and Singapore Test Services (STS), we brought over 400 new colleagues and their capabilities into the team, increasing and improving our offering for the region. This comes alongside further investment in our partner, Plastometrex, supporting its impressive growth from start-up to major player. We have also strengthened our regional team through the appointment of Gail Hunter as Vice President in Sales and Marketing and Dominic Murphy joining the region, also as a Vice President, to support EMEEA Connected Technology growth.

It's our colleagues who are key to achieving business goals and we are proud of how we ensure they remain engaged, fulfilled and well supported. We are also proud of our safety record, which embodies the purpose of our business: Making Tomorrow Safer Than Today. A strong safety record is vital for our customers, but it is also essential that our colleagues are safe in the workplace.

AEROSPACE & CONNECTED TECHNOLOGIES

The Aerospace business unit benefited from the ongoing return of aerospace production volumes, in addition to market share gains. We continue to be the leader in Europe, and we are continuing with capacity expansion with investment in destructive and non-destructive testing capacity in Czech Republic, France and United Kingdom.

CONNECTED TECHNOLOGIES

A particular challenge post-COVID has been the shortage in chips and materials, which caused supply chain issues for manufacturers' product launches within the connected technology sector. We have concentrated our services on supporting them to bring their products to market with a focus on both efficiency and, of course safety. In 2022, we commenced with the expansion of capabilities in the UK to include 5G testing with a new state of the art laboratory close to London.

ENERGY

The energy market also saw a resurgence from previous years, with the impact both of natural gas demand, and the wider energy transition. With our customers at the forefront, the growth in sectors such as hydrogen are key for Element as our core capabilities around fracture mechanics and corrosion are required to validate the use of existing gas infrastructure to transport hydrogen. We have committed to increase our capacity and capabilities to support development of this market.

CALIBRATION

Calibration has demonstrated a high level of resilience, and is now a significantly larger division than pre-COVID. Across Scandinavia, we are seeing demand from high growth markets including life sciences, the energy transition and defense. Following a restructure in Germany, we are expanding our market share well and the investment we announced last year in our Linkoping Center of Excellence in Sweden will be completed through 2023. This will bring three laboratories together into one site close to major clients in the aerospace, defense and industrials sectors. The new site brings optimized production flow, flexibility and increased efficiencies for our customers, offering new equipment, expertise and services.

BUILT ENVIRONMENT

Within Built Environment, we have more than 1,400 experts who support construction and infrastructure markets across the UK, Europe, the Middle East, SE Asia and Australia. We play a major role in the safe development of the built environment, driven by increasing demand for product certification, particularly in Europe. In Singapore, we have benefited from the well-documented rebound of the infrastructure market post-COVID and our significant expansion following the acquisitions of FOSTA Group and STS means we are now proud to be a top-five TIC player in the region.

Our focus for 2023 will remain on investment, while also strengthening our leadership team and governance. Jason Dodds has assumed the role of Vice President for the Built Environment and we are adding new leadership in the Middle East and in quality, sales and human resources. Last year we announced the largest capital investment in Element's history for a new centre of excellence in Warrington, UK, which will open in 2024 and more than double our capacity for fire resistance testing. The new site sits within a major science and business park and will see further recruitment and expansion as we create a state of the art 117,400 laboratory to offer services in fire resistance and reaction to fire testing, technical and assessment services, and certification.

LIFE SCIENCES

Following the acquisition of Arch Sciences Group last year, during 2022 we have focused on rebranding all laboratories under the Element brand to create one single and unified business unit. The division has seen considerable growth in a number of sectors. Analytical services grew strongly through the work supporting drug development and new product regulatory approval cycles, and we have seen significant uptake of our distribution services within the laboratory solutions division too. Similarly, our environmental division enjoyed growth acceleration in H2, and overall as we build market share in both laboratory testing and emissions testing across the UK. In 2022, we expanded our emissions footprint capability into mainland Europe and will continue to invest in that expansion through 2023 alongside a focus on automation and efficiency.

DIGITAL ENGINEERING

The addition of the Digital Engineering business unit has seen strong growth across its first full year as part of the business. It has more than doubled our team of experts in data science, modelling and simulation in EMEAA and provided a valuable additional resource to customers and teams across other industries. Although launched in this region, the BU has also begun its expansion to the Americas with the opening of the Houston, Texas office in 2022.

Due to increased interest rate and the economic uncertainty impacting long term future growth rates, some of the CGUs have recorded an impairment charge to Goodwill. Further detail is provided in the detailed financial statements within this report.

LOOKING FORWARD

While there are challenges for many businesses currently, it is our investment and medium to long term focus on expansion and innovation that will enable us to capitalize on strong growth areas and respond to customer demand.

As it does across the whole Element business, digital innovation remains a key focus for ensuring we continue to offer the best services and latest technology for our customers. Through investment at the core of our business, we ensure our purpose and values strengthen the Element proposition for our customers. As we focus on Making Tomorrow Safer Than Today for customers, their products and for our own team too, we know that Element is driving success through the region.

OUR PEOPLE

OUR PURPOSE, VALUES AND AMBITION

Our people are at the heart of everything we do at Element and we are committed to recognizing their hard work, supporting their growth and development, and investing in the skills that make us a stronger, united team.

2022 was a year of challenge and change as we emerged from the pandemic, and cost of living increases created compensation pressures globally. However, we faced these headwinds and took action to address challenges, supporting colleagues in ways that made a real difference, and retaining our people.

LEADERSHIP DEVELOPMENT AND LEARNING

We have incredibly talented people within our business, so growing and retaining this talent is key to our ongoing success. In 2022, we undertook a series of training programs across the business to support development in leadership positions, and to identify those people who will be leaders in the future.

We rolled out our ongoing Leadership Development Program to operations managers around the world, providing them with leadership training that empowers them in their roles. We also invested in training for all HR leaders, which included a comprehensive program of modules covering coaching and developing colleagues, and best practices for working with data.

This year, we continued to promote our Element Academy within the business to provide technical, functional and leadership e-learning courses to all employees globally. As a relatively new initiative, we've seen significant uptake and would like to facilitate all colleagues taking advantage of these courses.

Our talent and succession process took us to laboratory level to identify talent for leadership roles and provide support for their development now, to ensure they are ready to take on these positions as they become available in future.

In 2022, we launched a pilot program in EMEAA to support talent development at graduate level with a new schemes across the Aerospace, Connected Technologies, and Built Environment business units. This was a significant investment as we created a framework for the graduate scheme and built an infrastructure to accommodate this additional support, but to date it has shown the power of investing in young people to develop ambition. We are collating learnings from the first program to improve the offering, and will hire more graduates in 2023.

DIVERSITY, EQUITY AND INCLUSION

This year, we also built on the success of the colleague resource networks we launched in 2021. We provided additional support as the groups began to mature and be shaped by their members. As they grow, we can already see the value they are bringing to Element as they unite to create a collective voice for many of the communities that exist within the business.

We also partnered with Women in Science and Engineering in the UK to provide mentorship for aspiring leaders. And we continued to progress diverse, equitable and inclusive hires at leadership level.

COLLEAGUE ENGAGEMENT AND REWARDS

It is vital that we recognize the contribution of our people and provide support through a variety of means. This includes rewards programs, which may be one-time initiatives or ongoing practices. In 2022, amidst rising interest rates and cost of living, we provided a one-time payment bonus to our colleagues to recognize the challenges they may be facing during these unprecedented circumstances. We believe it is important to remain agile in our response to the changing world. Additionally, a special one-time award was provided to all employees in recognition of the value that was generated on the successful completion of the sale of the group.

In terms of ongoing practices, we are working to ensure we provide a good quality of life for all colleagues by offering salaries that meet the minimum living wage. We have also increased paid time off in the US to improve work and home life balance for our colleagues, and we have reduced the eligibility time for healthcare and 401K contributions to provide faster stability for new colleagues when they join the business.

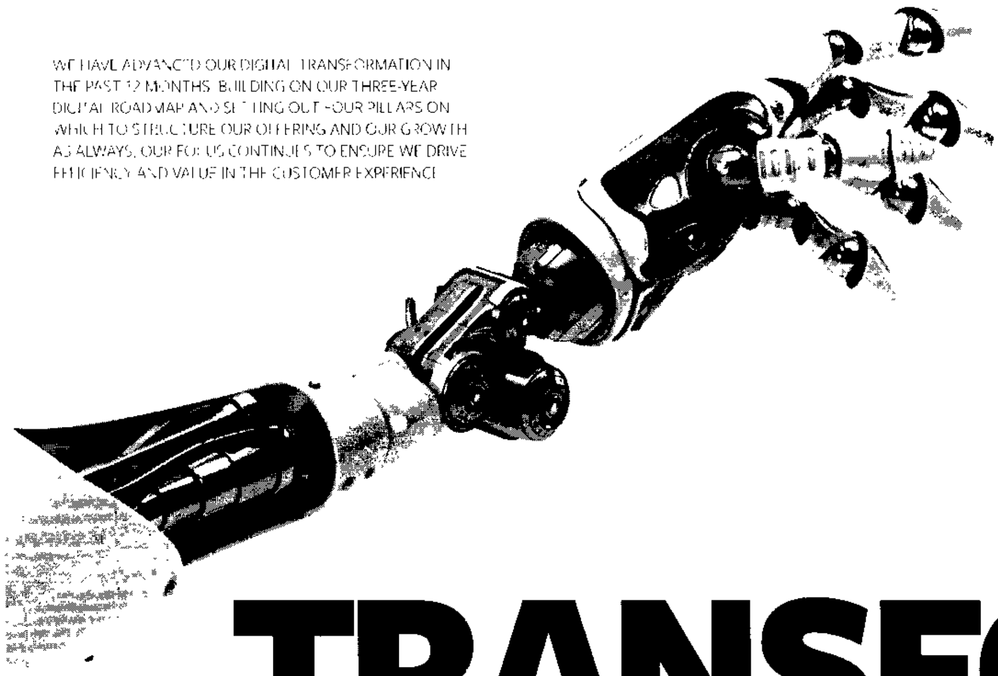
Understanding and identifying the needs of our colleagues comes from ongoing engagement. The most recent Your Voice colleague experience survey showed that we have made good progress with this engagement, and it has been highlighted that we are identifying needs at more local levels and taking appropriate action.

2023

In the coming year, we will prioritize progress of our DE&I goals following the appointment of a director who will champion this work. And we will continue to identify future leaders, and roll out leadership training across the business.

We are also collecting data, from GMs, operations leaders, VPs and the Operating Board, to better understand the HR needs of the business at more micro levels. Through surveys and workshops, we are listening to their needs, and the needs of their teams, to create a strategy that reflects our evolving business.

WE HAVE ADVANCED OUR DIGITAL TRANSFORMATION IN THE PAST 12 MONTHS, BUILDING ON OUR THREE-YEAR DIGITAL ROADMAP AND SETTING OUT FOUR PILLARS ON WHICH TO STRUCTURE OUR OFFERING AND OUR GROWTH. AS ALWAYS, OUR FOCUS CONTINUES TO ENSURE WE DRIVE EFFICIENCY AND VALUE IN THE CUSTOMER EXPERIENCE



DIGITAL TRANSFORMATION

THE MAIN PURPOSE OF ELEMENT'S DIGITAL STRATEGY IS TO:

- Improve the customer experience
- Capitalize on opportunities for digitalization
- Increase efficiency and quality
- Provide the right service model for global growth
- Improve the colleague experience

Following our sale to Temasek, we are well-placed to benefit from its own digital approach and work toward more digital relationships across our business. We are running digital committees to prioritize these improvements, and by collaborating with other portfolio companies, we will explore our role in new areas like AI

By using digital-first strategically across Element, we can move beyond the traditional analog systems of the B2B sector and evolve the way we engage with our customers, and scale our business as a result

CORE INFRASTRUCTURE

The key to both improvement and retention is consistency. Advancing our core infrastructure across the entire business will improve consistency, reliability and repeatability at all levels, in all regions, and across every business unit. We have made progress in our infrastructure over the last couple of years and we continue to make regular improvements to build out our capabilities

LABORATORY DIGITALIZATION

Key to maximizing our infrastructure is ensuring we use and provide best-in-class digital delivery at every laboratory. We are building our data management systems to create streamlined and consistent customer journeys, and to use this data for growth. Digitalization leads to expansion so we are creating the tools and resources that every laboratory needs to develop and grow

CUSTOMER EXPERIENCE

The third stage in this evolution is improving the customer experience at every stage of their journey. The human experience is still key to our business, and the role our experts play cannot be replaced with digitalization, but it can be enhanced. By developing a digital journey from enquiry through to results reporting, we will lead the way in the TIC sector, and creating efficiencies for customers and for our own teams

PRODUCT DEVELOPMENT

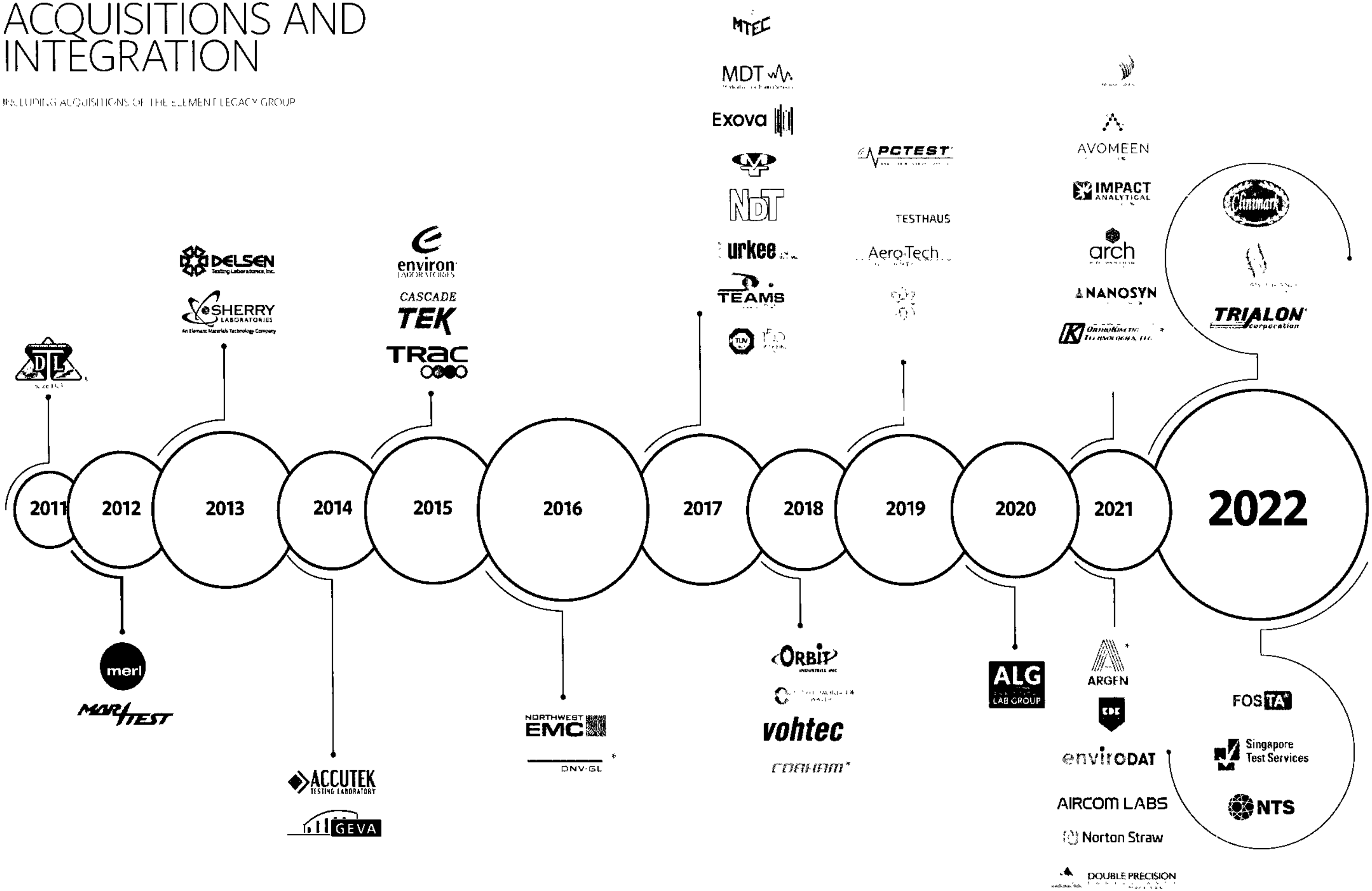
We are working with a third-party supplier to develop a methodology for our business incubation, which will support the development of products that go beyond testing, inspection and certification. By looking beyond our current core offering, we can consider the broader needs and challenges of the industries we operate in and create digital products that support every level of their own development processes and their wider supply chains. Our aim is to partner with customers sooner in the process, so we can shape better, more sustainable products, faster.

2023

The last year saw a focus on innovation, while 2023 will take those learnings forward into growth. We aim to have our first new digital product on the market, working to provide solutions to customers' challenges. And collaborating with Temasek, we will continue to build our strategy and upstream our sustainability offering as customers prioritize these commitments and our enquiries in this area increase.

ACQUISITIONS AND INTEGRATION

INCLUDING ACQUISITIONS OF THE ELEMENT LEGACY GROUP



*Divisional acquisition

ACQUISITIONS AND INTEGRATION

Through 2022, we have made further strategic acquisitions while consolidating the business we created through an active period of acquisitions. We continued to focus on growth end-markets including Connected Technologies and Life Sciences.

This built on the progress made in 2021, in which Element made the most acquisitions in one calendar year, acquiring 12 businesses. With the aim of supporting our ambitious growth strategy and solidifying our place as a leader in our end markets, we transformed the business and both entered new markets and strengthened existing ones.

Element is now even better positioned to increase our leadership in several end markets where we have become a trusted partner in navigating highly regulated and technically demanding requirements. Our strategy for 2022 has been to build on 2021's growth through focusing on core markets and on our purpose, Making Tomorrow Safer Than Today.

Alongside our acquisitions, we continue to invest in the development of our talented team of experts around the world, empowering them to lead and providing opportunities for personal and professional growth in a highly engaged environment.

Element takes a leadership role in supporting our customers in meeting their ESG targets. With our own ambitious targets, we understand how ESG will drive the businesses of the future. Ultimately, what we do is provide certainty within our own purpose and values.

ACQUISITIONS BY THE ELEMENT LEGACY GROUP

CLINIMARK – APRIL 2022

Our acquisition of Clinimark, a global leader for clinical FDA validation testing of vital sign data for medical and home health devices and consumer wearable products, brought a team of 20 doctors, engineers, nurses and scientists into our business. Based in Louisville, Colorado, Clinimark expanded our capability in the consumer electronics/wearables, digital health and home/wellness platforms and gives us the opportunity to broaden our support to *connected technologies and life sciences customers throughout the value chain.*

The acquisition complemented earlier acquisitions including *JMI Laboratories, Avomeen, Arch Sciences, Impact Analytical, Orthokinetic, and Nanosyn*

ENERGY ASSURANCE – APRIL 2022

As Element continues to build expertise and capacity to support our customers in their energy transition journeys, in 2022 our acquisition of Energy Assurance, a leader in battery testing, was significant. Based in Gainesville, Georgia and with operations in *Hopkinton, Massachusetts, EA's wide experience within the battery* sector, extensive customer base and focus on customer service was a good fit for the business. Further expanding our expertise *in both the energy transition and connected technologies,* demand for these services is driven by some of the world's leading connected technology, automotive, medical device and energy storage businesses and is expected to exponentially grow with *the increased adoption of Electric Vehicles (EVs) and utility-scale Energy Storage Systems (ESS), both of which are key segments in* the renewable energy usage space.

ACQUISITIONS BY THE GROUP

TRIALON – JULY 2022

We acquired Trialon Corporation (Trialon), a leading provider of product qualification testing for the automotive supply chain, which further solidifies our leadership in the North American mobility market. Element is currently investing to support the *automotive industry transition to connected, autonomous sharing/subscription and electrification (CASE) vehicles.* Our acquisition comes on the back of investing over $300M in developing our global Connected Technologies and Mobility capabilities and services and complements the acquisition of *Energy Assurance well.*

Trialon holds electro-magnetic compatibility (EMC) approvals for several large manufacturers. These approvals significantly *broaden Element's ability to service components, in particular electronic parts, which represent a fast-growing segment within* the market. The deal also comes as we build a North American center of excellence for battery testing, automotive EMC and electric drive train testing. This will form a nucleus to support *the CASE market growth* in the ever-important home of the American automotive manufacturers – Detroit, Michigan.

FOSTA – JULY 2022

FOSTA Group is a leading geotechnical instrumentation and soil *investigation specialist based in Singapore. It has strengthened our* fast-growing infrastructure and environmental offering through which we are servicing private and public sector building and infrastructure projects.

We have significant plans for growth through Southeast Asia and with the additional acquisition of Singapore Testing Services (STS) we have grown our footprint in the region. It further enhances our *capabilities for the provision of testing and monitoring services at every stage of the built environment lifecycle*

SINGAPORE TEST SERVICES – AUGUST 2022

The acquisition of leading testing, inspection, calibration and certification provider, Singapore Test Services (STS) further bolstered Element's growth plans in Singapore. STS, and its team of 110 experts, supports customers in a diverse set of industries, including aerospace, energy, built environment and manufacturing. Its services include materials testing, chemical and environmental *testing, calibration and certification and are complementary to those already provided by Element.*

Alongside the acquisition of FOSTA, it cements Element's plans for the region and when combined with our wider capabilities and strengths, provides opportunities for organic growth

NATIONAL TECHNICAL SYSTEMS (NTS) – SEPTEMBER 2022

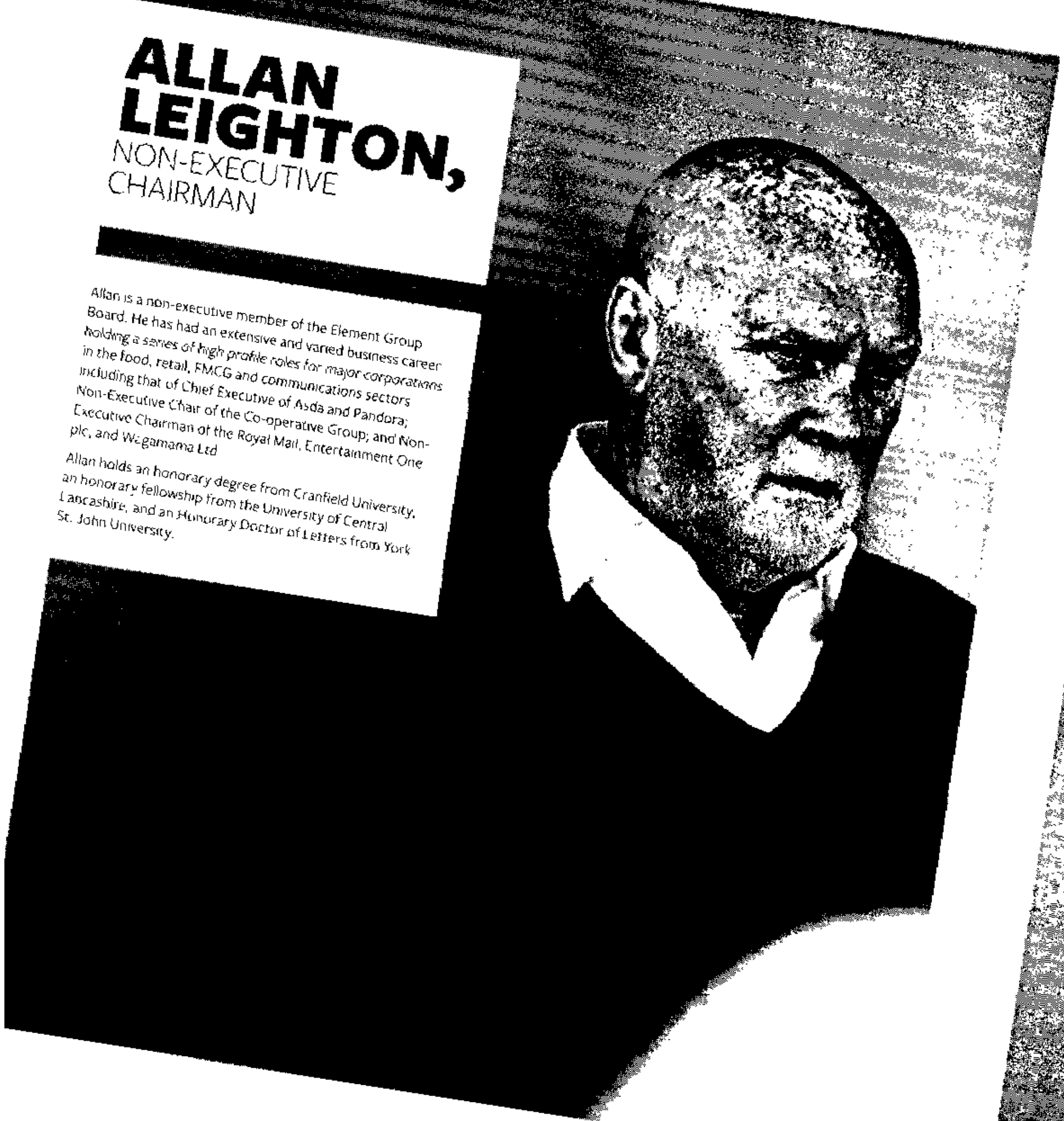
Based in Anaheim, California, NTS is the leading provider of *qualification testing, inspection, and certification services* in North America. NTS serves a wide range of end markets including space, defense, aerospace and connected technologies. *Its experienced team of over 1,100 experts provides safety-*critical solutions with capabilities in product qualification and certification, supply chain and product/process auditing, and a broad range of testing services including EMC/EMI, materials and *climatic testing.*

With 29 *laboratories across North America this acquisition* further enhances Element's capability to be a partner throughout the product lifecycle for our customers. Our expert and wide *capabilities in telecoms, connected automotive, medical device* and battery testing are all critical growth drivers for the business and in combining our services, *we are significantly broadening* our ability to service customers all around the world

BOARD OF DIRECTORS

AS SET OUT IN THE CORPORATE GOVERNANCE REPORT ON PAGES 62 TO 65, THE LEADERSHIP AND OVERSIGHT OF THE EM MIDCO 2 LIMITED GROUP (WHICH INCLUDES THE COMPANY AND ITS GROUP) IS GOVERNED BY THE BOARD OF DIRECTORS OF EM TOPCO LIMITED, THE ULTIMATE UK PARENT COMPANY OF THE COMPANY. THE LEGAL DIRECTORS OF EM MIDCO 2 LIMITED ARE RUTH PRIOR AND THOMAS FOUNTAIN AS DISCLOSED IN THE DIRECTORS' REPORT ON PAGES 70 TO 72

ALLAN LEIGHTON,
NON-EXECUTIVE CHAIRMAN



Allan is a non-executive member of the Element Group Board. He has had an extensive and varied business career holding a series of high profile roles for major corporations in the food, retail, FMCG and communications sectors including that of Chief Executive of Asda and Pandora; Non-Executive Chair of the Co-operative Group; and Non-Executive Chairman of the Royal Mail, Entertainment One plc, and Wagamama Ltd

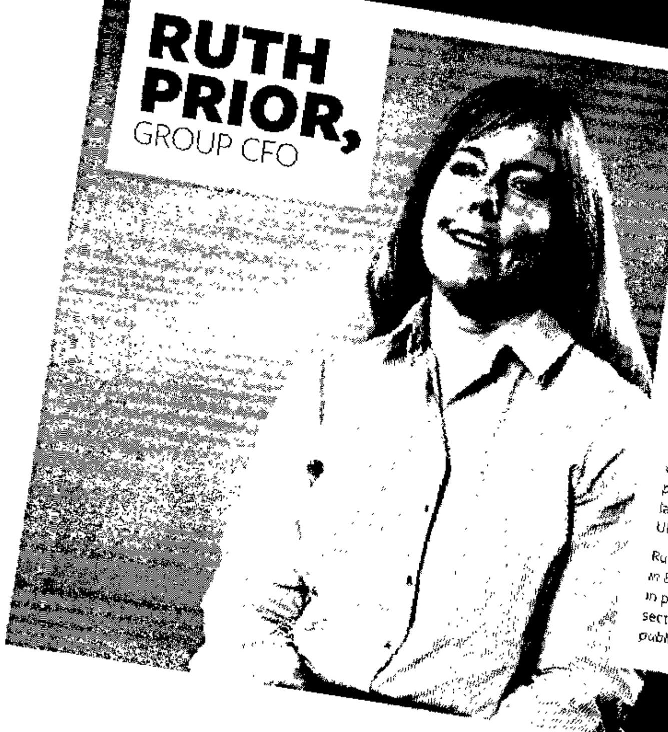
Allan holds an honorary degree from Cranfield University, an honorary fellowship from the University of Central Lancashire, and an Honorary Doctor of Letters from York St. John University.

JO WETZ,
CEO

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

Jo has been instrumental in growing Element from 20 locations in five countries at the time of the buyout in 2010 into a global business with over 270 locations in 30 countries and more than 9,000 colleagues, through a combination of strong organic growth and the integration of more than 30 acquisitions. Over the last ten years at Element, he has led the buyouts with 3i, Bridgepoint and Temasek, as well as the take-private of Exova.

RUTH PRIOR,
GROUP CFO



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

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

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

BOARD OF DIRECTORS

PROF. DR. DR.H.C. UWE KRUEGER, FRENG.,

TEMASEK - HEAD, INDUSTRIALS, BUSINESS SERVICES, ENERGY & RESOURCES.
HEAD, EUROPE, MIDDLE EAST & AFRICA

Uwe joined Temasek in 2018 and is currently Head of Industrials, Business Services, Energy & Resources and Head of EMEA. Prior to Temasek, Uwe was CEO of WS Atkins plc from June 2011 to July 2017.

He left his position at Atkins as the company was acquired by SNC Lavalin and delisted from the London Stock Exchange effective July 2017. From February 2010 to July 2011, he was President of Cleantech Switzerland, a Swiss export platform that provides support to companies in the area of sustainability on behalf of the Swiss Federal Government. In addition, he served as Senior Advisor for TPG Capital. Until September 2009, he was CEO of Oerlikon Group, a $4 billion Swiss company, whose six business units included a surface coating and a vacuum pump division

RANJIT DANDEKAR,

TEMASEK MANAGING DIRECTOR

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

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

Ranjit holds an MBA from INSEAD and an MSc from the University of Southampton. Prior to joining Temasek, he started his career at ABB Equity Ventures, a Switzerland based global infrastructure investor.

THOMAS FOUNTAIN,

GROUP FINANCE DIRECTOR
(LEGAL DIRECTOR OF THE COMPANY)

Thomas (Tom) was appointed as Group Finance Director on 25 January 2021 and became a director of EM Midco 2 Limited on 6 July 2022

Reporting to Ruth Prior, CFO, Tom is responsible for Group analysis and reporting, tax, treasury, and global shared services across the Element Group

Prior to joining Element, Tom was CFO, Europe and Middle East for Gategroup and he also held previous finance roles in the pharmaceutical industry.

Tom is a qualified accountant with a degree in Chemistry from Durham University.

OPERATING BOARD

ELEMENT IS LED BY AN OPERATING BOARD WITH MANY YEARS OF EXPERIENCE IN THEIR RESPECTIVE LEADERSHIP AND MANAGEMENT FIELDS. THE OPERATING BOARD MEETS EVERY MONTH TO REVIEW THE OVERALL PERFORMANCE OF THE BUSINESS AND ALSO TO DETERMINE GROUP-WIDE PRIORITIES.

JO WETZ,
CEO

RUTH PRIOR,
GROUP CFO

RICK SLUITERS,
EVP AMERICAS

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

Rick was part of the management team that led the buy-out from Stork in 2010 and in 2011, Rick took the position of Vice President of European Operations and formally joined the Element Executive Team. Rick became the Executive Vice President (EVP) of Aerospace in 2014. Under his leadership the global aerospace sector has more than tripled in size and successfully integrated over 10 acquisitions, adding capabilities, capacity and footprint to become the number one provider of aerospace testing services in the world. In October 2020, Rick was appointed EVP, Americas, with responsibility for all of Element's operations in the USA, Canada and Mexico, covering 120 laboratories across the aerospace, connected technologies, defense, life sciences and transportation end markets

MATT HOPKINSON,
EVP EMEAA

Matt joined Element in December 2018, initially as EVP for Element's global Energy business. In October 2020, Matt was appointed EVP for the Europe, Middle East, Asia and Africa region (EMEAA) with responsibility for six business units covering Aerospace and Defence, Connected Technologies, Life Sciences, Built Environment, Certification and Digital Engineering.

Matt has twenty years of experience in the Testing, Inspection and Certification sector, holding operational and commercial leadership roles based in Europe, South America and North America. Principally this has covered leading global laboratory networks, as well as leading teams focused on account management, technical governance, systems development and new growth initiatives. Before his role at Element, Matt was a member of the Group Executive Leadership Team at Bureau Veritas.

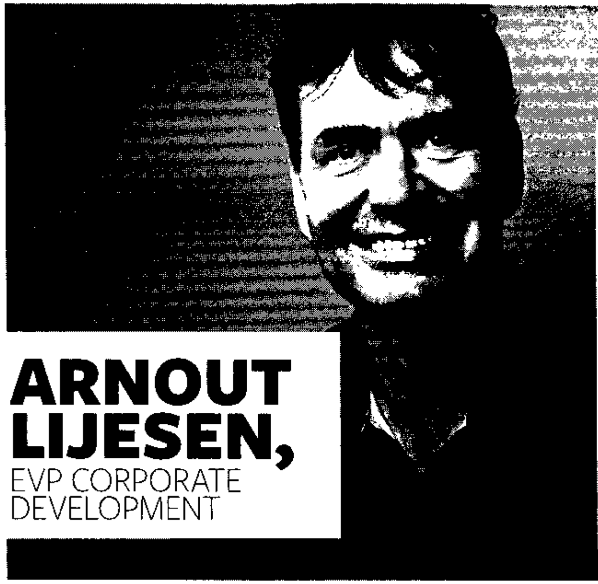
OPERATING BOARD

DITTE MARSTRAND WULF,
CHIEF PEOPLE OFFICER

Ditte joined Element in September 2022, and is responsible for setting and executing our global people strategy across all of Element's geographies. With more than 25 years of international experience in HR, Ditte brings significant capabilities in business transformation, M&A, integration and change, as well as leading global HR functions and teams.

Ditte has been a trusted advisor and business partner to executive teams, leaders and employees across an array of sectors including Animal Health, Technology, Distribution, Financial Services, Retail and Manufacturing. Most recently, Ditte led as Global Chief Human Resources Officer for Covetrus, a global animal health technology company operating in 27 countries and serving over 100,000 customers.

Ditte holds a MSc in Human Resource Management and a BSc in Economics and Business Administration from the Copenhagen Business School.



ARNOUT LIJESEN,
EVP CORPORATE DEVELOPMENT

Arnout joined Element in early 2004, and is responsible for the Group's strategy and highly successful global mergers and acquisition program. Under his leadership the Group has successfully originated, acquired, and integrated over 40 market leading businesses in North America, Europe and Asia.

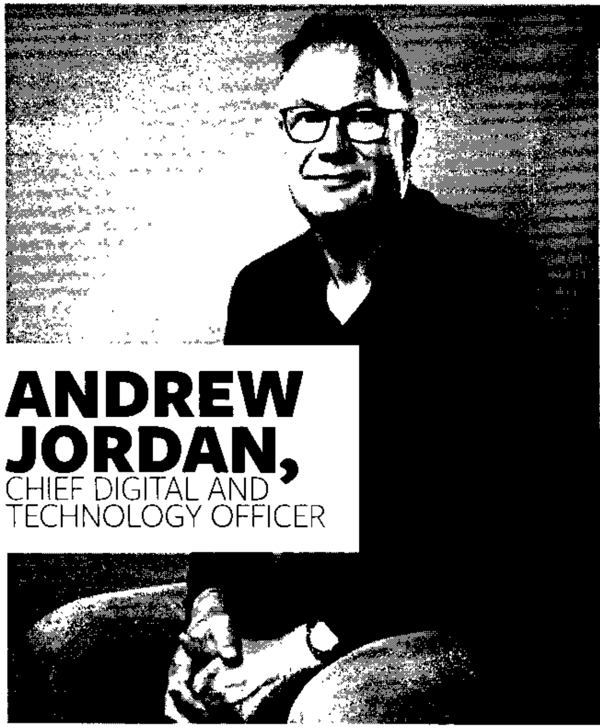
Arnout has led various strategy assignments over the years including the original rebranding from Stork to Element; the Group's entry into China; multiple outsourcing projects and various corporate strategy exercises.

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

FRIDO LANGEDIJK,
EVP COMMERCIAL EXCELLENCE

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

Working as business partners with Element's leaders and commercial organization, Frido leads a Commercial Excellence team driving growth through a set of group-wide commercial excellence programs. These primarily focus on delivering growth by consistently improving sales force effectiveness and establishing a high performing, proactive commercial culture with customer experience at the core.



ANDREW JORDAN,
CHIEF DIGITAL AND TECHNOLOGY OFFICER

Andrew was appointed Chief Digital and Technology Officer (CTO) and joined the Operating Board on 1 September 2021. Reporting to Jo Wetz, CEO, Andrew is responsible for positioning Element's digital future, identifying and implementing opportunities for digital innovation to support the company's ongoing growth plans.

Andrew has extensive experience running scale technology platforms and leading digital transformation and growth for listed and PE-backed businesses, small and large. He was most recently Group CTO for NEP Group Inc., a worldwide production partner supporting live events, entertainment and music. Prior to this he led the digital transformation at Carlson Wagonlit Travel as Chief Product and Technology Officer, and has also led technology teams at NBCUniversal, Thomson Reuters, and dunnhumby, the former data science division of Tesco. His passion for data and data science also saw him co-found and act as CTO of Beyond Analysis, a software solutions and data science business.

OPERATING BOARD

LEE ANDREWS,
GROUP DIRECTOR, CORPORATE AFFAIRS AND ESG

Lee joined Element as Group Director, Corporate Affairs and ESG, and joined the Operating Board on 11 October 2021. Reporting directly to Jo Wetz, CEO, Lee's role brings greater focus to Element's critical communications and sustainability agenda. He identifies opportunities to build and nurture the corporate brand through purpose and leading the broad, cross-functional ESG agenda.

Lee brings both functional and commercial experience gained across businesses and brands around the world and a track record of embedding Purpose in global brands. Lee spent 25 years at Mars, Inc where he was most recently Vice President, North America Corporate Affairs. He led teams across the Americas and Europe in Communications & Sustainability, Marketing, Sales, Procurement and Supply Chain.

TRUDY COOKE,
GROUP GENERAL COUNSEL

Trudy was appointed as Group General Counsel in December 2022 and is responsible for leading the Legal, Insurance, Governance and Compliance Teams and building capabilities across Internal Audit and Risk. She has over 25 years of experience working in PLC and private equity environments across a range of different business sectors and in the legal profession.

Trudy was most recently Group General Counsel and Company Secretary at Avast PLC, a FTSE-100 global cyber security company. She sat on the Executive Team, leading teams across Governance, Legal, Compliance, Privacy, Risk and Internal Audit. She also spent over 14 years as Chief Operating Officer at Private Equity Firm Terra Firma Capital Partners.

CORPORATE GOVERNANCE REPORT

STATEMENT OF DIRECTORS' RESPONSIBILITIES FOR PREPARING THE FINANCIAL STATEMENTS

THE DIRECTORS PRESENT THEIR ANNUAL REPORT AND THE AUDITED FINANCIAL STATEMENTS FOR EM MIDCO 2 LIMITED FOR THE PERIOD ENDED 31 DECEMBER 2022. THE CORPORATE GOVERNANCE REPORT INCLUDES THE DIRECTORS' REPORT ON PAGES 70 TO 72 WHICH CONTAINS CERTAIN STATUTORY DISCLOSURES.

THE STRATEGIC REPORT ON PAGES 16 TO 27 CONTAINS A DESCRIPTION OF THE GROUP'S BUSINESS MODEL AND INFORMATION RELATING TO THE PERFORMANCE OF THE GROUP'S BUSINESS DURING THE FINANCIAL YEAR, THE POSITION OF THE GROUP AT THE END OF THE YEAR, AND LIKELY FUTURE DEVELOPMENTS.

WATES CORPORATE GOVERNANCE PRINCIPLES FOR LARGE COMPANIES

The Element Group has over 8,000 colleagues working from over 200 facilities in countries around the world. Element is committed to operating in accordance with the highest standards of corporate governance. The Company is a holding company employing fewer than 2,000 employees. The Company does not meet the qualifying conditions for the financial year to report against the Wates Corporate Governance Principles for Large Private Companies published by the Financial Reporting Council in December 2018. The Board is, however, accountable to shareholders and given that on a consolidated basis the Group would meet the qualifying conditions, is committed to meeting the standards of corporate governance for large private companies as set out in the Wates Corporate Governance Principles for Large Private Companies. This report describes how the Board has applied the main principles of good corporate governance during the period of review, being the year ended 31 December 2022.

PURPOSE AND LEADERSHIP

Element is one of the world's leading independent providers of testing, inspection and certification services. When failure in use is not an option, we help customers make certain that their products, materials, processes, and services are safe, compliant and fit for purpose. At Element, we help to make certain that the materials and products we test, inspect and certify for our customers are safe, quality, compliant and fit for purpose. **'Making Tomorrow Safer Than Today'** is Element's new purpose.

Our three new brand values drive our everyday behavior:

- **Integrity:** we do what is right;
- **Care:** we care about the impact we have; and
- **Progress:** we strive to create a more positive future.

Our management team has built a people-first, collaborative culture that enables us to deliver on our commitments.
Our passion for testing is demonstrated through our technical, commercial and operational excellence.

The Board provides leadership to the Group and the directors promote the success of the Company. The Board promotes the Group's culture, purpose and strategy. The Board is responsible for the proper management of Group strategy and direction. It oversees the activities and direction of the Group.

The Board meets every month to review the overall performance of the business and also to determine Group-wide strategies and performance. The Board ensures that the Group has the necessary financial and human resources in place to meet its objectives, review management performance and strategy against set objectives and help to deliver long-term success. Details of the matters specifically reserved for the Board are set out on page 71.

BOARD COMPOSITION

The Board is responsible for the management of Group strategy and the long-term success of the Company. It also oversees the activities and direction of Element Materials Technology Group Limited.

The Board currently has five members and includes a combination of Executive and Non-Executive Directors. It comprises the Non- Executive Chairman, two Executive Directors and four Non-Executive Directors. The Board benefits from the wide range of sector experience of its Directors. Details of the Directors and their biographies can be found on pages 52 to 55.

Allan Leighton is a Non-Executive Director and Chairman of the Board. He has had an extensive and varied business career holding a series of high profile roles for major corporations in the food, retail, FMCG and communications sectors including those of Chief Executive of Asda and Chairman of the Royal Mail.

Jo Wetz is the Chief Executive Officer. He previously served as the group CFO from 2012 to 2019. Before Element, he built a career in private equity and led the investment in a number of global testing businesses in both Europe and the US, including the buyout of Element in 2010.

Ruth Prior is the Group Chief Financial Officer. Ruth is responsible for all financial, tax, procurement and IT activities across the Group. Prior to this role, Ruth was CFO at William Hill Plc.

Uwe Krueger (non-executive director) and Ranjit Dandekar (non-executive director) are representatives of Temasek, the majority shareholder. They both bring extensive sector and international experience and make a significant contribution to the activities of and decisions made by the Board.

The roles of the Chairman and Chief Executive Officer are separate, clearly defined, set out in writing and approved by the Board.

The Chairman is responsible for leadership of the Board and ensuring its effectiveness. The Chairman sets the agendas and timetables for Board meetings, facilitating debate and dialogue during the meetings. The Chief Executive Officer is responsible for the day-to-day leadership of the Group's business and managing it within the authorities delegated by the ongoing training and development is provided to all Directors to ensure that they keep abreast of relevant regulatory and legislative requirements. During 2022, the Board was briefed on a range of subjects including: ESG matters, monitoring risk management and internal controls; the Group's financial processes; operational excellence and safety initiatives; litigation and claims; taxation matters, Cyber Security, compliance and whistleblowing.

Directors may seek independent professional advice at the Company's expense where they consider it appropriate in relation to their duties.

DIRECTOR RESPONSIBILITIES

THE ACCOUNTABILITY

The Board has established and maintains corporate practices that provide clear lines of accountability and responsibility to support effective decision-making.

The Board is responsible to shareholders for providing leadership and setting the values and standards of the Company and the Group. The Board approves the Group's business strategy and objectives, budget and forecasts and any material changes to them. It reviews significant investment proposals and the performance of past investments and maintains an overview and control of the Group's operating and financial performance. The Board sets policies for monitoring the Group's overall system of internal controls, governance and compliance and ensures that the necessary financial and human resources are in place for the Company to meet its objectives.

The Board has adopted a schedule of matters reserved for its attention, details of which are set out in the Directors' Report.

The Board believes that documented roles and responsibilities for Directors, with a clear division of key responsibilities between the Chairman and the Chief Executive Officer, are essential elements in the Group's governance framework and facilitate the effective operation of the Board. Accordingly, the Board has agreed the division of responsibilities between the Chairman and the Chief Executive Officer.

The Non-Executive Directors scrutinize the performance of the Management. They also have a prime role in succession planning for the Executive Directors.

COMMITTEES

The Board has delegated specific responsibilities to the Audit and Remuneration Committees to assist it with the direction and control of the Group. These committees, together with the Group Executive Committee, are the principal operating committees of the Group. A Compliance Committee has also been established and meets at least twice per year. If the need should arise, the Board may set up additional committees as appropriate.

INTEGRITY OF INFORMATION

Detailed papers and presentation materials are circulated in advance of Board and Committee meetings to each of the Directors to allow Directors to be properly briefed in advance of meetings. Board and Committee packs include detailed financial and operational information. Presentations are given at the meetings and minutes of previous meetings and the status of agreed actions are considered. Separate strategy meetings and meetings with senior executives are also held throughout the year.

Key financial information is provided from the Group's accounting and financial systems. The Group's finance team is appropriately qualified to ensure the integrity of this information and is provided with the necessary training and support to keep up to date with regulatory change. Financial information is currently audited by EY on an annual basis.

OPPORTUNITY AND RISK

OPPORTUNITY

The Group considers its long-term opportunities to create and preserve value as part of its annual strategy review. As described in the Strategic Report, the Group's key objectives include driving strong organic growth across the business; attracting, retaining and developing technical talent; and investing and growing the business through targeted capital expenditure investment and mergers and acquisition activity. The Board promotes these activities with the aim of making the Group the best and most trusted testing partner in the world.

RISK

The Board has carried out a robust assessment of the principal risks and uncertainties facing the Company and how those risks affect the prospects of the Company. Please refer to pages 66 to 69 for further information on the Company's principal risks and uncertainties and their impact on the prospects of the Company.

The Board leads on the establishment of internal controls and transparent policies that underpin our values and reflect our commitment to conducting business with honesty and integrity wherever we operate. These controls and policies range from health and safety, quality, anti-bribery and corruption to trade compliance and whistleblowing. Policies are widely communicated to colleagues and reinforced through targeted programs and training, as required, to ensure they are understood and adopted

RESPONSIBILITIES

The Group has implemented a range of operating rules, processes, best practices and operating standards. The Board approves a number of reserved matters including mergers and acquisitions, capital expenditure above stated levels, contracts above certain values and other matters. This helps promote the long-term sustainable success of the Company.

REMUNERATION

The Remuneration Committee scrutinizes the performance of the Management and is responsible for determining levels of remuneration of the Executive Directors of the Company and such other senior employees as the Board may determine from time to time. Remuneration is set at a level which allows the Company to attract and retain the best talent who can help deliver the Company's strategic plans.

The Remuneration Committee makes recommendations to the Board in relation to the Group's remuneration strategy, recruitment and incentivization of senior executives. In doing so, the Committee takes advice from independent external remuneration consultants and advisers in relation to best market practice, remuneration benchmarking, diversity of senior management and legislative developments.

The Group ensures that colleagues are treated fairly and equally regardless of age, gender, nationality, ethnic origin, religion, marital status, disability and sexual orientation. We strive to make decisions which are made free from bias and provide a working environment that is respectful, engaging and creates opportunities for all.

STAKEHOLDER RELATIONSHIPS AND ENGAGEMENT

With a diverse team spread across our laboratories and offices worldwide, the effectiveness of our communications is key to ensuring that all our people are aligned with the business strategy and are fully aware of the role that they play in making Element successful.

OUR PEOPLE

Element is defined by its people and we are committed to supporting all colleagues across the Group through programs which keep them safe, healthy, engaged, recognized and rewarded. The Group places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on the various factors affecting the performance of the Group and the Company

How we listen and engage.

- CEO location visits,
- 'Your Voice' engagement surveys,
- Formal and informal meetings,
- Colleague resource groups that champion Racial equality, Disability empowerment, LGBTQ+ and our Women's network;
- Regular Group-wide town hall meetings,
- Regular Group communications and newsletters,
- The Company's intranet site;
- Presentations for employees of the financial and operational performance of the Group; and
- Employee representatives are consulted regularly on a wide range of matters affecting their current and future interests

Further information can be found at the Our People section on pages 40 to 43 and Directors' Report on pages 70 to 72

OUR CUSTOMERS

Customers are at the heart of everything we do. How we listen and engage

- Key Account Management programs;
- Net Promoter Score (NPS) program;
- Feedback processes through online and traditional channels, and
- The Board receives updates on matters relating to customers (e.g. results of customer surveys).

OUR INVESTORS / SHAREHOLDERS

How we listen and engage.

- Investor meetings,
- Ongoing dialogue with the Company's major shareholders through a program of meetings;
- Shareholder communications,
- Detailed papers and presentation materials are circulated in advance of Board and Committee meetings to each of the Directors; and
- Board approval of the full year results and the Annual Report and Accounts.

OUR INVESTORS / SHAREHOLDERS

How we listen and engage

- Investor meetings,
- Ongoing dialogue with the Company's major shareholders through a program of meetings,
- Shareholder communications,
- Detailed papers and presentation materials are circulated in advance of Board and Committee meetings to each of the Directors, and
- Board approval of the full year results and the Annual Report and Accounts.

OUR SUPPLY CHAIN

We are developing long-term, collaborative supply chain partnerships and aim to work responsibly with our suppliers. How we listen and engage.

- We utilize tender processes and supplier pre-qualification questionnaires to ensure responsible procurement, and
- Annual review and approval of the Modern Slavery Statement by the Board

COMMUNITY AND ENVIRONMENT

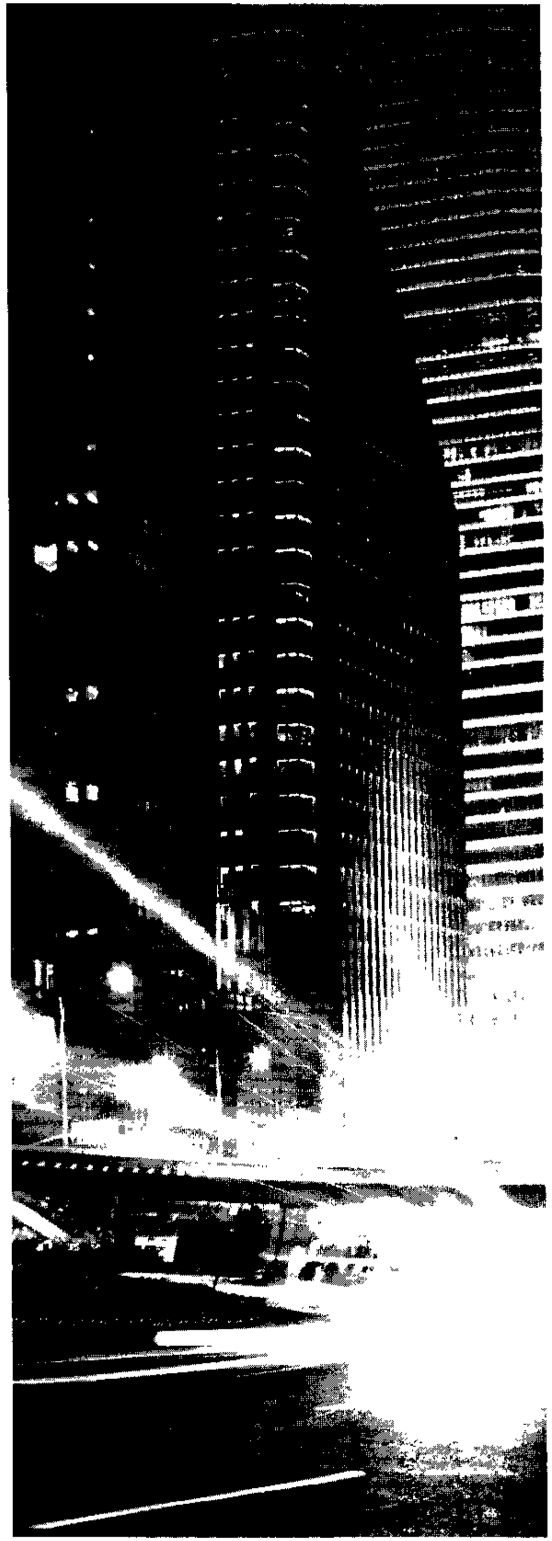
Our approach to corporate responsibility is founded on Element's values. Integrity, Care and Progress. In 2022 corporate responsibility played a central role in ensuring we met stakeholder expectations and our commitment to conduct business responsibly and ethically to protect the health and safety of all our team members, visitors and the communities in which we operate.

Further information can be found in the Corporate Responsibility section on pages 34.

WHISTLEBLOWING HOTLINE

The Company provides a confidential whistleblower service, which is managed by a specialist third party provider, across our global business, giving all colleagues and third parties the opportunity to raise concerns. The service encompasses a telephone hotline, email and web-based reporting facility and is available in relevant languages in all countries in which Element has a presence. This service may be used to report incidents of wrongdoing including fraud, bribery and corruption, discrimination, bullying or harassment, supplier labor practices, modern slavery, tax evasion, breach of competition laws, health, safety and quality matters and environmental concerns. Any whistleblowing reports are reviewed and investigated appropriately.

During 2022, Element received 21 whistleblowing reports through the external whistleblowing service. Most reports were of an HR nature but the hotline was also used to report quality and other issues. All reports were reviewed and investigated: 1 allegation was substantiated, 6 allegations were partially substantiated, 14 allegations were unsubstantiated. The results of the investigations were reported to the Audit Committee



PRINCIPAL RISKS AND UNCERTAINTIES

DETAILS OF THE PRINCIPAL RISKS AND UNCERTAINTIES WHICH COULD HAVE A MATERIAL IMPACT ON THE GROUP'S BUSINESS MODEL, STRATEGY, FUTURE PERFORMANCE OR REPUTATION ARE SET OUT BELOW. THE PRINCIPAL RISKS ARE IDENTIFIED BASED ON THE LIKELIHOOD OF OCCURRENCE AND THE POTENTIAL IMPACT ON THE GROUP AS A WHOLE. THE SECTION BELOW IDENTIFIES THE RISK AND MITIGATING ACTIONS ASSOCIATED WITH EACH RISK.

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

ENVIRONMENT, HEALTH AND SAFETY RISKS

RISK	MITIGATING FACTORS/ACTIONS
Workplace Health & Safety The Group's operations involve working with materials and chemicals that by their nature have inherent safety risks. Incidents may occur which could result in harm to employees, the temporary shutdown of facilities or other disruption to processes. The Group may be exposed to financial loss, regulatory action and potential liabilities for workplace injuries and fatalities.	Safety is our chosen purpose and has been elevated from one of our core values in the year. The Group puts continued emphasis on the promotion of a culture which puts safety first and encourages employees to take personal responsibility for their actions. Health and safety guidelines are issued to all employees Group wide. The Group has also increased capital investment in legacy facilities to improve health and safety conditions.

STRATEGIC RISKS

RISK	MITIGATING FACTORS/ACTIONS
Global Economic Recovery and Market Conditions Unmitigated delays in the receipt of orders or cancellation of existing contracts could affect the Group's financial performance. If the Group's businesses are unable to continue trading profitably during periods of lower order intake, financial performance will deteriorate, and assets may be impaired.	The strength of our end markets is an important driver for our growth. Our business is well diversified both geographically and by end customer. Our business activities expose us to a wide range of business practices. We have a strong Group culture of integrity and ethical behaviour to ensure a consistent approach regardless of local custom. We actively monitor lead economic indicators in the market. Given the nature of the business and its high variable cost base, this allows Management to control costs and limit the impact of any global downturn on our profitability.

STRATEGIC RISKS

RISK	MITIGATING FACTORS/ACTIONS
Business Continuity The Group's laboratories are exposed to business continuity risk arising from natural disasters as well as potential terror attacks impacting one or more laboratories. This could cause short to medium term disruption to the Group's operations and could result in revenue loss.	This is mitigated by the Group's diverse geographical presence and customer base. None of our laboratories individually generates more than 10% of Group revenue. Equally, none of our customers constitutes more than 10% of the Group's revenue. Therefore, any potential operational disruption and consequent revenue loss caused by a natural disaster or terror event will be isolated to that geographical location.

STRATEGIC RISKS

RISK	MITIGATING FACTORS/ACTIONS
Innovation and Digitization The risk that new entrants or new ways of working could seriously disrupt the testing and certification sector.	Digitization and novel ways of delivery to customers in the longer term provide growth and position the Group well against its competitors. In line with the digitization strategy, the Group has invested in businesses innovation and digital markets to stay ahead of the competition. Recent investments in Plastometrex, OpenBuilt, DPC and Norton Straw are aligned with Management's commitment to grow through innovation and diversify into new markets and services. A material change in outsourcing (or moving work in-house) is unlikely as Element can leverage simulators/software and offer best-in-class services/rates.

OPERATIONAL RISKS

RISK	MITIGATING FACTORS/ACTIONS
Loss of Reputation due to non-compliance The Group is exposed to potential liabilities arising from quality issues in the provision of services and associated warranty claims. The Group requires a significant number of permits, licenses and approvals to operate its business, which may be subject to non-renewal or revocation. Loss of key operating permits and approvals could result in temporary or permanent site closures, and loss of revenue.	The Group has quality control procedures and operational KPIs in place to mitigate this risk which are under constant review and subject to regular external audit by accreditation bodies and customers. Strict quality control measures as well as deployment of experienced quality control expertise enables the Group to maintain standard operating procedures.

OPERATIONAL RISKS

RISK	MITIGATING FACTORS/ACTIONS
Consolidation of Customer Base, Competition and Pricing Pressure Market consolidations and reduced customer base could lead to pressure in pricing	The Group is improving its customer service, creating and expanding focused Strategic Accounts Management and Key Accounts Management programs and improving operational delivery and regularly monitoring performance against expectations The Group continues to pursue a successful diversification strategy and maintain a diversified customer profile

FINANCIAL RISKS

RISK	MITIGATING FACTORS/ACTIONS
Liquidity and Cash Flow Risk The Group is exposed to a range of financial risks, both internally and externally driven, such as an unexpected movement in interest rates or fluctuation in foreign exchange rates As a result of past events, the Group is exposed to a number of potential liabilities in the ordinary course of business These potential liabilities may or may not result in future cash outflows. Where a cash outflow is considered probable, based on its best estimate of likely outcome for each material past event, the Group calculates and records a provision Any potential future cash outflows could result in financial loss and adversely impact the Group's ability to compete for future contracts. Further details of the financial risks to which the Group is potentially exposed, and details of mitigating factors are set out in note 22 of the Group financial statements.	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. The Group closely monitors the interest rate risks associated with servicing its debt and the potential impact on its statement of financial position and cash flows. The Group will implement economic hedging where appropriate. The Group closely monitors the exchange rate risks associated with servicing its debt and the potential impact on its statement of financial position.

COMPLIANCE AND REGULATORY RISKS

RISK	MITIGATING FACTORS/ACTIONS
Ethics and Risk of Non-compliance Non-compliance with Element values and legislation, both within the Group and with trading partners, including non adherence to legal competition requirements	The executive management regularly holds town hall meetings and communicates the Group's values and ethical policies. Specific competition law matters and any changes to competition law are also communicated by the Group legal team

PEOPLE RISKS

RISK	MITIGATING FACTORS/ACTIONS
Recruitment and Retention of Key personnel Failure to recruit or retain qualified personnel in key areas of the business may result in the Group failing to achieve its future growth aspirations.	The Group intends to continue investing in recruiting and retaining the best technical experts and ensuring that the management team and other highly skilled personnel are invested in the business alongside the Group's shareholders In addition the Group performs background checks of potential employees joining Element to ensure people with appropriate and relevant skill sets are recruited. Retention of team members is a key deliverable for Management A range of programs are being delivered to help reduce employee turnover, including leader development programs, succession planning for senior leaders; formal employee feedback opportunities; employee assistance programs, and investments to support improved communications and engagement.

INFORMATION TECHNOLOGY AND SECURITY RISKS

RISK	MITIGATING FACTORS/ACTIONS
Cyber Security Risk Cyber-security and related risks are key emergent areas of critical importance for all businesses. Cyber threats can emanate from a wide variety of sources and could target various systems for a wide range of purposes, making response particularly difficult In addition to business interruption and financial loss, the Group may suffer reputational damage.	The Group's IT teams continually monitor cyber security developments as a business as usual activity. Working with a number of specialist and industry leading technical partners, multiple layers of business protection have been created through the use of advanced intrusion detection and protection systems, web access firewalls and advanced content filtering to combat denial of service attacks Business processes are also kept under review and user education regularly carried out to minimize the possibility of ransomware incidents. Regular third-party penetration testing is performed on the Group's core IT systems. New IT system developments are subject to rigorous penetration testing prior to release. Disaster recovery plans are in place across the network which are tested and improved regularly

In accordance with its risk management guidelines, the Group raises awareness of business risks at all operational management levels, and encourages all management teams to assess and minimize risk The Group ensures the appropriate cover of all essential liability and claims risks Further details can be found in our significant accounting policies on pages 84 to 98.

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

By order of the Board

Ruth Prior, CFO

26 September 2023

DIRECTORS' REPORT

THE DIRECTORS PRESENT THEIR REPORT AND THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022. THE PRINCIPAL ACTIVITIES OF THE GROUP ARE MATERIALS AND PRODUCT QUALIFICATION TESTING A DESCRIPTION AND REVIEW OF THE GROUP DURING THE FINANCIAL YEAR AND INDICATIONS OF FUTURE DEVELOPMENT IS SET OUT IN PAGES 36 TO 51 WITHIN THE STRATEGIC REPORT THAT ALSO INCORPORATES THE REQUIREMENTS OF THE COMPANIES ACT 2006

STATEMENT OF DIRECTORS' RESPONSIBILITIES FOR PREPARING THE FINANCIAL STATEMENTS

THE DIRECTORS ARE RESPONSIBLE FOR PREPARING THE ANNUAL REPORT AND THE FINANCIAL STATEMENTS IN ACCORDANCE WITH APPLICABLE LAW AND REGULATIONS. COMPANY LAW REQUIRES THE DIRECTORS TO PREPARE FINANCIAL STATEMENTS FOR EACH FINANCIAL YEAR UNDER THAT LAW THE DIRECTORS HAVE ELECTED TO PREPARE THE GROUP FINANCIAL STATEMENTS IN ACCORDANCE WITH UK ADOPTED INTERNATIONAL ACCOUNTING STANDARDS IN CONFORMITY WITH THE REQUIREMENTS OF THE COMPANIES ACT 2006

The Parent Company financial statements have been prepared in accordance with United Kingdoin Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 101 "Reduced Disclosure Framework"
Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that year

In preparing the Parent Company financial statements, the Directors are required to.

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

In preparing the Group financial statements, International Accounting Standard 1 requires that Directors

- Properly select and apply accounting policies;
- Present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information.
- Provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- Make an assessment of the Company's ability to continue as a going concern.

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

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions

DIRECTORS

The Directors, who served throughout the year and subsequently, were as follows

- Thomas Fountain
- Ruth Prior

ORGANIZATIONAL STRUCTURE

Element Materials Technology is led by a dynamic group of individuals with years of experience in their respective leadership and management fields. The Board meets every month to review the overall performance of the business and also to determine group-wide strategies and priorities Details of the Board members are set out on pages 52 to 55.

The Board is responsible for the proper management of Group strategy and direction It oversees the activities and direction of the Group.

THE BOARD'S RESPONSIBILITIES

The Board is responsible to shareholders for providing leadership and setting the values and standards of the Company and the Group The Board has adopted a schedule of matters reserved for its attention
The Board approves the Group's business strategy and objectives, budget and forecasts and any material changes to them It reviews significant investment proposals and the performance of past investments and maintains an overview and control of the Group's operating and financial performance

The Board sets policies for monitoring the Group's overall system of internal controls, governance and compliance and ensures that the necessary financial and human resources are in place for the Company
to meet its objectives

CHIEF EXECUTIVE OFFICER

Joseph Wetz is the Chief Executive Officer of the Group The Chief Executive Officer reports to the Chairman and to the Board directly The Chief Executive Officer is responsible for leadership of the Group's business and managing it within the authorities delegated by the Board

THE CHIEF EXECUTIVE OFFICER'S KEY RESPONSIBILITIES INCLUDE

- Managing the Group on a day-to-day basis within the authority delegated by the Board.
- Developing and proposing the Group strategy, annual plans and commercial objectives to the Board;
- Leading the Operating Board in the day to-day management of the Group.
- Identifying and executing strategic opportunities for the Group,
- Ensuring that the development needs of the Executive Directors and senior management are met,
- Making plans for the succession and replacement of key personnel; and
- Recommending budgets and forecasts for Board approval

BOARD RESERVED MATTERS

The Board reserved matters are set out in the Investment Agreement. Decisions on operational matters are delegated to the Executive Directors under documented policies and procedures. In advance of scheduled Board meetings, each Director receives documentation providing updates on the Group's strategy, finances, operations and development. A formal schedule of matters reserved for Board approval is in place which includes matters relating to:

- **The Group's business strategy and objectives, budget and forecast and** any material changes to them,
- Changes in capital structure;
- Approving the Annual Report & Accounts including the Corporate Governance Report.
- Ensuring the Group has effective systems of internal control and risk management in place, including approving the Group's risk appetite and procedures for the detection of fraud and the prevention of bribery;
- Approving major capital projects, corporate actions and transactions;
- Reviewing the performance of the Board and its committees and the Group's overall Corporate Governance framework, and
- Approving other matters reserved for decision by the Board by law or where likely to have a material impact on the Group's finances, operation, strategy or reputation

ELEMENT OPERATING BOARD

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

DISABLED EMPLOYEES

Applications for employment by disabled persons are always fully considered, bearing in mind the abilities of the applicant concerned. In the event of a team member becoming disabled, every effort is made to ensure that their employment with the Group continues and that appropriate training is arranged. It is the policy of the Group and the Company that the training career development and promotion of disabled persons should, as far as possible, be identical to that of other employees

EMPLOYEE CONSULTATION

The Group places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on the various factors affecting the performance of the Group and the Company This is achieved through formal and informal meetings, the Company newsletter, the Company's intranet site, Element Connect and presentations for employees of the financial performance of the Group

Employee representatives are consulted regularly on a wide range of matters affecting their current and future interests.

PROPOSED DIVIDEND

The Directors do not recommend the payment of a dividend.

POLITICAL CONTRIBUTIONS

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

STREAMLINED ENERGY AND CARBON REPORTING (SECR)

The Group understands the importance of responsible energy usage The Group remains committed to presenting data appertaining to energy usage and carbon footprint For two UK qualifying entities, details of their greenhouse gas emissions, are discloses in respective statutory financial statements and summarized on page 31

PRINCIPAL RISKS AND UNCERTAINTIES

The Group is exposed to a variety of risks and actively manages them through risk management procedures. Whilst risk cannot be eliminated altogether, actions are taken to mitigate risk wherever possible.

The risks that the Group is exposed to are presented in the Principal Risks and Uncertainties Report on pages 66 to 69.

In accordance with its risk management guidelines, the Group raises awareness of business risks at all operational management levels and encourages all management teams to assess and minimize risk. The Group ensures the appropriate cover of all essential liability and claims risks.

Details of the Group's financial risk management objectives and policies of the Group and exposure to foreign exchange risk, interest rate risk, credit risk and liquidity risk are given in note 22 to the consolidated financial statements.

GOING CONCERN

The Group's business activities, together with factors likely to affect its future development, performance and position are considered by the directors on an annual basis. In addition, notes 20 include details of the Group's treasury activities, long-term funding arrangements, financial instruments, and financial risk management activities.

The Group has sufficient financial resources which, together with internally generated cash flows and the ability to implement cost management plans if required, will continue to provide sufficient sources of liquidity to fund its current operations, including its contractual and commercial commitments as set out in note 30. The directors assess forecasts and make financing and liquidity reviews on a regular basis.

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

FUTURE DEVELOPMENTS AND EVENTS AFTER THE BALANCE SHEET DATE

Details of future developments are discussed in the Chairman's, CEO and CFO Reports, events after the reporting date can be found in note 28 of the notes accompanying the financial statements.

DIRECTORS' INSURANCE AND INDEMNITIES

As permitted by the Companies Act 2006, the Company purchases and maintains Directors' and Officers' insurance cover against certain legal liabilities and costs incurred by the Directors and Officers of the Group companies in the performance of their duties. The Company has also granted an indemnity to each of its Directors in relation to the Directors' exercise of their powers, duties and responsibilities as Directors of the Company, the terms of which are in accordance with the Companies Act 2006.

DISCLOSURE OF INFORMATION TO AUDITORS

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

- So far as that Director is aware, there is no relevant audit information of which the Company and the Group's auditor is unaware; and
- That Director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company and the Group's auditor is aware of that information.

The auditor, Ernst and Young LLP, will be proposed for reappointment in accordance with section 487 of the Companies Act 2006.

This report was approved by the Board on 26 September 2023 and signed on its behalf.

Ruth Prior

Ruth Prior, CFO

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF EM MIDCO2 LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF EM MIDCO2 LIMITED

Opinion

We have audited the financial statements of EM Midco2 Limited ('the parent company') and its subsidiaries (the 'group') for the period ended 31 December 2022 which comprise the Consolidated statement of profit or loss, the Consolidated statement of comprehensive income, the Consolidated statement of changes in equity, the Consolidated statement of financial position, the Consolidated statement of cash flows and the related notes 1 to 31, including a summary of significant accounting policies, the Company statement of financial position, the Company statement of changes in equity and the related notes a to m, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and UK adopted International Accounting Standards and as regards the parent company financial statements, FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

In our opinion:

- the financial statements give a true and fair view of the group's and of the parent company's affairs as at 31 December 2022 and of the group's loss for the period then ended;
- the group financial statements have been properly prepared in accordance with UK adopted International Accounting Standards;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

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

Conclusions relating to going concern

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

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group and parent company's ability to continue as a going concern for a period to 31 December 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 group'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 this gives rise to 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 period for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

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

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

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 70, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF EM MIDCO2 LIMITED (continued)

Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Group and determined that the most significant are those that relate to the reporting framework (UK adopted International Accounting Standards, FRS 101 and the Companies Act 2006) and the relevant tax compliance regulations in the jurisdictions in which the Group operates. In addition, we concluded that there are certain significant laws and regulations in relation to health and safety, employee matters, environmental matters and anti-bribery and corruption practices across the various jurisdictions in which the Group operates.
- We understood how the Group is complying with those frameworks by making enquiries of management including those responsible for legal and compliance procedures and the Company Secretary. We corroborated our enquiries through our review of papers provided to the Board and Audit Committee, and consideration of the results of our audit procedures across the Group.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures included a review of board minutes to identify any non-compliance with laws and regulations; a review of the reporting to the Audit Committee on compliance with regulations; review of legal documents; and enquiries of in-house and external general counsel, those charged with governance and management. We involved our own legal experts on any more complex legal matters. If we identify instances of non-compliance, we understand how management and those charged with governance have responded to them, including understanding the remediation actions taken, through enquiry of management and inspection of relevant documentation and correspondence. We also consider the appropriateness of the accounting for the impacts of any such non-compliance, and the adequacy of the financial statement disclosures.
- We assessed the susceptibility of the Group's financial statements to material misstatement, including how fraud might occur by: meeting with management from various parts of the business to understand where it considered there was susceptibility to fraud; discussing the matter with the Audit Committee; reviewing documentation of the Group's policies and procedures including the Group Code of Conduct; and assessing whistleblowing incidences for those with a potential financial reporting impact. We also considered performance targets and whether they might influence management to manipulate revenue and/or adjusted EBITDA. As a result, we identified fraud risks relating to manipulation of accrued income, classification of Separately Disclosed Items (SDIs) and possible management override of controls in relation to accruals and provisions. We considered the controls that the Group has established to address the risks identified, or that otherwise prevent, deter or detect fraud; and how senior management monitors those controls. We designed our audit procedures to respond to the identified risks. For all components for which accrued revenue was in scope, our procedures included challenging and understanding any judgments made about stage of completion of projects and obtaining support for a sample of projects, as well as performing analytical review over the balances. In relation to SDIs, our procedures included obtaining third party support for the nature and amounts of a sample of SDIs and assessing whether the classification as SDIs is in line with the accounting policy and appropriate between categories and challenging management where required in relation to the classification. For accruals and provisions, our procedures included understanding the basis of estimates made, forming expectations and using analytical procedures to compare actual variances and trends to our expectations, considering the historic accuracy of management's estimates compared to the eventual cash outflows and, where available, corroborating inputs to the provision calculations to third party evidence.

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF EM MIDCO2 LIMITED (continued)

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.

DocuSigned by:
Ernst & Young LLP
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Cameron Cartmell (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London

28 September 2023

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Period ended 31 December 2022

Continuing Operations (in US $ million)	**Note**	**Adjusted Results[1]**	**Separately disclosed items**	**Total**
Revenue from contracts with customers	6	607.1	-	607.1
Staff costs	7	(277.0)	(14.7)	(291.7)
Impairment of goodwill	12	-	(544.9)	(544.9)
Depreciation and Amortization	13,14, 24	(111.9)	-	(111.9)
Other operating expenses	4	(199.8)	(70.5)	(270.3)
Operating Profit / (Loss)[1]	4	**18.4**	**(630.1)**	**(611.7)**
Finance income	9	50.3	-	50.3
Finance costs	10	(159.3)	-	(159.3)
Share of profit of associates and joint ventures		0.8	-	0.8
Loss before tax		**(89.8)**	**(630.1)**	**(719.9)**
Taxation	11	6.9	4.8	11.7
Loss for the period		**(82.9)**	**(625.3)**	**(708.2)**
Attributable to:				
Equity holders of the Parent		(83.1)	(625.3)	(708.4)
Non-controlling interest		0.2		0.2
Loss for the period		**(82.9)**	**(625.3)**	**(708.2)**

[1] Refer to note 4 for Adjusted EBITDA and analysis of separately disclosed items.

CONSOLIDATED STATEMENT OF COMPREHENSIVE LOSS

Period ended 31 December 2022

	Note	US $million
Loss for the period		**(708.2)**
Items that will not be reclassified to profit or loss:		
Actuarial losses on defined benefit pension schemes	23	(1.3)
Deferred tax credit on items recognized in other comprehensive income		0.6
Total items that will not be reclassified to profit or loss		**(0.7)**
Items that may be reclassified subsequently to profit or loss:		
Foreign exchange translation difference of foreign operations		3.7
Total items that may be reclassified subsequently to profit or loss		**3.7**
Total comprehensive loss for the period		**(705.2)**
Attributable to:		
Equity holders of the Parent		(705.4)
Non-controlling interest		0.2
Total comprehensive loss for the period		**(705.2)**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Period ended 31 December 2022

US$ million	Note	Share Capital	Share Premium	Translation Reserve	Share based yment eserve	Accumulated losses	Non controlling interests	Total
As at 18 January 2022 on incorporation		-	-	-	-	-	-	-
Issue of shares	26	0.4	4,013.2	-	-	-	-	4,013.6
Acquired non-controlling interest	5	-	-	-	-	-	12.4	12.4
Loss / profit for the year		-	-	-	-	(708.4)	0.2	(708.2)
Other comprehensive (loss) / profit		-	-	3.7	-	(0.7)	-	3.0
Dividends	27	-	-	-	-	-	(0.9)	(0.9)
Share based payments		-	-	-	1.9	-	-	1.9
As at 31 December 2022		**0.4**	**4,013.2**	**3.7**	**1.9**	**(709.1)**	**11.7**	**3,321.8**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2022

	Note	US $million
Non-current assets		
Goodwill	12	4,468.8
Other intangible assets	13	1,273.7
Property, plant and equipment	14	623.6
Right of use assets	24	165.9
Investment in associates and joint ventures	15	5.9
Derivative financial instruments	22	54.8
Other non-current assets		2.9
		6,595.6
Current assets		
Trade and other receivables	16	318.4
Contract assets		50.8
Inventories		5.7
Income tax receivable	11	6.4
Cash and cash equivalents	17	134.3
		515.6
Current liabilities		
Trade payables		(44.3)
Other payables	18	(174.9)
Lease liabilities	24	(28.6)
Tax liabilities	11	(7.4)
Provisions	19	(12.2)
Deferred and contingent consideration	21	(9.3)
Interest bearing loans and borrowings	20	(141.3)
		(418.0)
Net current assets		**97.6**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2022

Non-current liabilities		
Interest bearing loans and borrowings	20	(2,083.2)
Retirement benefit obligation	23	(4.8)
Provisions	19	(58.2)
Lease liabilities	24	(131.7)
Deferred tax liabilities	11	(198.3)
Corporation tax	11	(2.4)
Contingent consideration	21	(13.8)
Other payables	18	(879.0)
		(3,371.4)
Net Assets		**3,321.8**
Equity		
Share capital	26	0.4
Share premium	26	4,013.2
Translation reserves		3.7
Share based payment reserve		1.9
Retained earnings		(709.1)
Equity attributable to equity holders of the Parent		**3,310.1**
Non-controlling interests	27	11.7
Total shareholders' equity		**3,321.8**

The financial statements of EM Midco2 Limited (Company registration number 13856338) were approved by the Board of Directors and authorized for issue on 26 September 2023. They were signed on its behalf by:

Ruth Prior
Director
26 September 2023

CONSOLIDATED STATEMENT OF CASH FLOWS

Period ended 31 December 2022

	Note	US $million
Cash flows from operating activities		
Net loss for the period		**(708.2)**
Adjustments for:		
(Profit)/loss on disposal of property, plant and equipment	4	(1.5)
Finance income	9	(0.4)
Finance costs	10	151.9
Income tax credit recognized in profit and loss	11	(11.7)
Impairment of goodwill	12	544.9
Foreign currency translation adjustments	9	7.2
Amortization of other intangible assets	13	47.2
FV Loss / Gain - Derivatives	9	(49.9)
Depreciation of property, plant and equipment	14	45.9
Share of profit of an associate and a joint venture	15	(0.8)
Fair value loss on contingent consideration re-measurement	21	(4.1)
Non cash movement in provision	19	7.7
Depreciation of right of use assets	24	18.8
Share based payment	26	1.9
		48.9
Movements in working capital:		
Increase in trade and other receivables		12.1
Decrease in trade and other payables		(139.1)
Cash generated from operations		**(78.1)**
Income taxes paid		(4.5)
Net cash flows from operating activities		**(82.6)**
Cash flows from investing activities		
Purchase of intangible assets	13	(6.7)
Purchase of property, plant and equipment		(53.1)
Proceeds from disposal of property, plant and equipment		3.6
Cash outflow on deferred and contingent consideration	21	(241.6)
Payment for Investment in Associated Companies		(0.5)
Dividend Received	15	2.3
Cash outflow on business acquisitions (net of cash acquired)	5	(3,623.5)
Net cash used in investing activities		**(3,919.5)**
Cash flows from financing activities		
Interest paid	20	(76.2)
Drawdown of borrowings	20	1,336.6
Repayment of borrowings	20	(1,763.4)
Payment for debt issue costs	20	(81.5)
Amounts received from group companies		774.4
Payment of principal portion of lease liabilities		(19.4)
Proceeds from issue of shares	26	3,965.5
Dividends paid to non-controlling interests	27	(0.9)
Net cash generated by financing activities		4,135.1
Net increase in cash and cash equivalents		133.0
Cash and cash equivalents at the beginning of the period		-
Effects of exchange rates on cash and cash equivalents		1.3
Cash and cash equivalents at the end of the period	17	134.3

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Statement of compliance and presentation of financial statements

The consolidated financial statements of EM Midco2 Limited (the "Company") and its subsidiaries (together referred to as the "Group"), have been prepared in accordance with UK adopted International Reporting Accounting Standards in conformity with the requirements of the Companies Act 2006.

The Group is a global provider of testing, inspection and certification services for a diverse range of materials and products.

The accounting policies under UK adopted International Reporting Accounting Standards are included in the relevant notes to the consolidated financial statements.

The Company was incorporated on the 18th of January 2022. This is the first period that financial statements are being prepared for the Company, and therefore no comparative information is presented.

The Company and entities controlled by the Company (its subsidiaries, together the "Group") are disclosed in Note 31.

The Company is a private company incorporated and domiciled in England and Wales. The Company's registered office is The Scalpel 18th Floor, 52 Lime Street, London, England, United Kingdom EC3M 7AF.

The financial statements were approved by the Board of Directors and authorized for issue on 26 September 2023.

2. Basis of preparation and significant accounting policies

The principal accounting policies applied in the preparation of the consolidated financial statements are described below.

These policies have been consistently applied to all periods presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis, except for the revaluation of certain financial instruments that are measured at fair value at the end of each reporting period. Presentation currency of the financial statements is United States Dollars (US $) which is the Company's functional currency. All information provided in United States Dollars (US $) has been rounded to the nearest hundred thousand, unless otherwise stated.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

2.2 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 31 December each year. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable return from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

The results of subsidiaries acquired or disposed of during the period are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary. Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of the subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with the Group's accounting policies. All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between the members of the Group are eliminated on consolidation. Non-controlling interests in subsidiaries are identified separately from the Group's equity therein.

The interests of non-controlling shareholders that represent ownership interests entitling their holders to a proportionate share of net assets upon liquidation may initially be measured at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The choice of measurement is made on an acquisition-by-acquisition basis. Other non-controlling interests are initially measured at fair value. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity.

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amount of the Group's interests and the non-controlling interests' share are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to the owners of the Company.

The Group has a number of joint arrangements where more than half of the voting power is not owned. As the Group is exposed, or has rights, to variable returns from its involvement with these companies and has the ability to use its controlling power over these companies to affect the amount of the company returns, these investments are accounted for as subsidiaries.

The Group's subsidiaries and associated companies which are included in the consolidated financial statements are listed in Note 31.

2.3 Going concern

A full description of the Group's business activities, financial position, cash flows, liquidity position, committed facilities and borrowing position, together with the factors likely to affect its future development and performance, is set out in the Strategic Report, including the Financial Review, and in note 22 to the financial statements.

The Group's business activities, together with factors likely to affect its future development, performance and position are considered by the Directors on an annual basis. In addition, notes 20 and 22 include details of the Group's treasury activities, long-term funding arrangements, financial instruments, and financial risk management activities.

During the period to 31 December 2022 the Group incurred a loss of US $708.2 million which is mainly driven by finance costs of US $159.3 million and non-cash items such as depreciation and amortization of US $111.9 million and impairment of goodwill of US $544.9 million. Management's key focus is the adjusted EBITDA for the period which was US $124.7 million. The operating loss for the period was US $611.7 million.

The net current asset position as of 31 December 2022 was US $97.6 million and overall net debt (excluding deferred financing fees) was US $2,302.8 million. Net cash used in operating activities was US $82.6 million with closing cash of US $134.3 million.

As highlighted in note 22 to the Group financial statements, the Group meets its day-to-day working capital requirements from the cash flows generated by its trading activities and its available cash resources. These are supplemented when required by additional drawings under the Group's revolving credit facilities and capex/acquisition facilities. On the 31 December 2022, the Group had credit facilities of US $400.0 million, of which US $137 million had been drawn down leaving US $263 million undrawn facility available. At the date of signing these accounts the undrawn facility available has reduced to US $47.1 million as a result of a further drawdown of US $192.9 million from the capex/acquisition facilities. The drawdown was made to fund acquisitions and future investments. The Group held cash of US $148.9 million as at the 30 July 2023.

The Directors believe that the Group is well placed to manage its business risks successfully, despite the current uncertain economic outlook. The Group's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Group 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 December 2024.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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,
- Delivery of NTS synergies, and
- Overall margin pressure due to significant cost inflation, and the availability of mitigating actions including price increases and managing capital expenditure

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.

The going concern assessment takes into account the Group's cash flow and available undrawn credit facilities. Based on the going concern assessment performed over the period to 31 December 2024, the Directors have a reasonable expectation that the Group will continue in operation, settle its liabilities as they fall due, and remain compliant with banking facilities and have adequate liquidity to trade. The going concern period is consistent with the bottom-up trading budget and cash flow forecast.

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 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, cost inflation and is modelled on an 16% reduction in EBITDA in 2023 and 16% reduction to 31 December 2024.

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

Further considerations were made to the financial and operational impact of plausible downside scenarios occurring individually or in combination. These included the impacts of a further deterioration in the macro-economic environment, underperformance in executing the Group's strategy and failure to deliver operational improvements. Consideration was also given to the plausibility of the occurrence of other individual events that could have a material impact on the Group's going concern status.

The Directors adopted the going concern basis of accounting in preparing the financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2.4 New and amended standards and interpretations

The Group has adopted all the new and revised UK adopted International Accounting Standards and interpretations that are relevant to its operations and effective for accounting periods covered by the financial statements.

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

- Amendments to IAS 1 Presentation of Financial Statements, Classification of Liabilities as Current or Non-current– effective from periods beginning on or after 1 January 2023
- Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors – effective from periods beginning on or after 1 January 2023
- Amendments to IAS 1, Disclosure of Accounting Policies - applicable for annual periods beginning on or after 1 January 2023
- Amendments to IAS 12, Deferred Tax related to Assets and Liabilities arising from a Single Transaction - applicable for annual periods beginning on or after 1 January 2023
- Amendments to IAS 12: International Tax Reform Pillar Two Model Rules

The Group intends to adopt these new and amended standards and interpretations, if applicable, when they become effective. It is not expected that the adoption of these standards and amendments will have a material impact on the consolidated financial statements of the Group.

The Organisation for Economic Co-operation and Development (OECD) Pillar Two changes noted above will be effective for periods from 2024 onwards and will impact the Group effective tax rate. The expected impact of these rules will be modelled in detail.

2.5 Revenue from contracts with customers

The Group recognizes revenue from the rendering of materials and product qualification testing, inspection, certification, calibration and services pursuant to written contracts with its customers. These services are recognized through the output method of revenue recognition as the performance obligations are satisfied over time. Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for services provided in the normal course of business, net of VAT and other sales-related taxes.

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

Revenue from short-term contracts is generally recognized when the relevant service is completed, that is when the report of findings or test/inspection certificate is issued. Short-term contracts are considered to be those that have a duration of less than two months.

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

2.6 Business combinations

The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition date fair values of assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interest issued by the Group in exchange for control of the acquiree. Acquisition related costs are recognized within operating expenses in the statement of profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognized at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and assets or liabilities related to employee benefit arrangements are recognized and measured in accordance with IAS 12 Income Taxes and IAS 19 Employee Benefits respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognized immediately in the statement of profit or loss as a bargain purchase gain.

When the consideration transferred by the Group in a business combination includes an asset or liability resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition date fair value and included as part of the consideration transferred in a business combination. Changes in fair value of a contingent consideration qualifying as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

Subsequent accounting for changes in fair value of contingent consideration that do not qualify as measurement period adjustments depend on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates at fair value with the corresponding gain or loss being recognized in the statement of profit or loss.

When a business combination is achieved in stages, the Group's previously held interests in the acquired entity is remeasured to its acquisition date fair value and the resulting gain or loss, if any, is recognized in the statement of profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognized in other comprehensive income are reclassified to the statement of profit or loss, where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognized, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognized at that date.

2.7 Goodwill and Intangibles

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to the Group's cash-generating units (or groups of cash-generating units) that are expected to benefit from the synergies of the combination.

Goodwill which has been allocated to a cash-generating unit or group of cash-generating unit is tested for impairment annually, or more frequently when there is an indication that the goodwill may be impaired. If the recoverable amount of the goodwill is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognized directly in the consolidated statement of profit or loss. An impairment loss recognized for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Intangible Assets

Intangible assets that are acquired separately are carried at cost less accumulated amortization and accumulated impairment losses, if applicable. The estimated useful life and amortization method are reviewed at the end of each reporting period, if necessary, any changes in estimates are accounted for on a prospective basis.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Intangible assets acquired in a business combination and recognized separately from goodwill are initially recognized at their fair value at the acquisition date, together with any related deferred tax liability. Amortization is charged on a straight-line basis to the statement of profit or loss over the expected useful economic lives as follows:

Customer relationships	5 - 20 years
Technology	5 - 10 years
Trade names	10 years
Software	1 - 4 years

The internal costs directly attributable to the development of software and infrastructure projects are capitalized as "other intangible assets" if the future economic benefits to the Group are reasonably certain. The capitalized costs are amortized on a straight-line basis over the expected useful economic life of the asset.

An intangible asset is derecognized on disposal, or when no further economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the net carrying amount of the asset, are recognized in the statement of profit or loss when the asset is derecognized.

Cloud computing arrangements

In a cloud computing arrangement, the Group is granted a right to access software and other technology capabilities at a third-party provider through the internet. These arrangements typically do not allow the Group to acquire, take possession or control the underlying assets of the provider. Costs associated with cloud computing arrangements are generally expensed as incurred because they generally do not meet software capitalization criteria.

Where costs incurred to configure or customize Cloud computing arrangements result in the creation of a resource which is identifiable, and where the Group has the power to obtain the future economic benefits flowing from the underlying resource and to restrict the access of others to those benefits, such costs are recognized as a separate intangible software asset and amortised over the useful life of the software on a straight-line basis. The amortization period is reviewed at least at the end of each reporting period and any changes are treated as changes in accounting estimates.

Where costs incurred to configure or customise do not result in the recognition of an intangible software asset, then those costs that provide the Group with a distinct service (in addition to the access) are recognised as expenses when the supplier provides the services. When such costs incurred do not provide a distinct service, the costs are recognised as expenses over the duration of the Cloud based arrangement.

The Group evaluates a cloud computing arrangement to determine if it provides a resource that the Group can control. The Group determines that a software license intangible asset exists in a cloud computing arrangement when both of the following are met at the inception of the arrangement:

- The Group has the contractual right to take possession of the software during the hosting period without significant penalty. And
- It is feasible for the Group to run the software on its own hardware or contract with another party unrelated to the supplier to host the software.

The Group capitalizes costs to migrate software from on-premise data centers to the public cloud when the software is either rebuilt specifically for the cloud or has been significantly optimized to run in a cloud environment.

2.8 Impairment of property, plant and equipment and other intangible assets

At the end of each reporting period, the Group reviews the carrying amounts of its property, plant and equipment and other intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Other intangible assets with indefinite useful lives and other intangible assets not yet available for use are tested for impairment at least annually and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than it's carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognized immediately in the statement of profit or loss.

When an impairment loss subsequently reverses, the carrying amount of the asset or a cash-generating unit is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized immediately in the statement of profit or loss.

2.9 Foreign currency translation

In preparing the Group's financial statements, transactions in currencies other than the Group's presentational currency (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items are recognized in the statement of profit or loss in the period in which they arise except for:

- exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings;
- exchange differences on transactions entered into in order to hedge certain foreign currency risks; and
- exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognized initially in other comprehensive income and reclassified from equity to the statement of profit or loss on repayment of the monetary items.

For the purposes of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognized in other comprehensive income and accumulated in equity and attributed to non-controlling interests as appropriate.

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a jointly controlled entity that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Group are reclassified to the statement of profit or loss

Goodwill and fair value adjustments on identifiable assets and liabilities acquired arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognized in equity.

2.10 Financial instruments – derivatives

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

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

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

A derivative with a positive fair value is recognized as a financial asset whereas a derivative with a negative fair value is recognized as a financial liability. A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realized or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

2.11 Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. Refer to note 26.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognized at the proceeds received, net of direct issue costs.

No gain or loss is recognized in the statement of profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments.

Debt issuance costs

Finance costs of debt, including premiums payable on settlement and direct issue costs, are charged to the statement of profit or loss on an accruals basis over the term of the instrument, using the effective interest method, where it is materially different to the straight line method.

Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis.

Derecognition of financial liabilities

The Group and the Company derecognize financial liabilities when, and only when, the Group's and the Company's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in the statement of profit or loss.

2.12 Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses, if any.

The cost of property, plant and equipment is the purchase cost, together with any directly attributable costs. Costs include professional fees and for qualifying assets, borrowing costs capitalized in accordance with the Group's accounting policy.

Depreciation is provided on all tangible fixed assets other than land, at rates calculated to write off the cost or valuation, less estimated residual value, of each asset on a straight-line basis over its expected useful life, as follows:

Buildings	2 - 5%
Leasehold improvements	Lower of useful life or contractual lease term
Plant and equipment	6 - 33%

Assets under the course of construction are classified to the appropriate categories of property, plant and equipment when completed and ready for its intended use. Depreciation of these assets is determined by its asset category and commences when the assets are completed and ready for their intended use.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property,

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in the statement of profit or loss.

2.13 Provisions

Provisions are recognized when the Group has a present obligation, legal or constructive, as a result of a past event, it is probable that the Group will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

The best estimate of the consideration required to settle the present obligation at the end of the reporting period is measured by considering the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, it's carrying amount is the present value of those cash flows when the effect of the time value of money is material.

A restructuring provision is recognized when the Group has developed a detailed formal plan for restructuring and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement the plan or announcing its main features to those affected by it. The measurement of a restructuring provision includes only the direct expenditures arising from the restructuring which are those amounts that are both necessarily entailed by the restructuring and not associated with the on-going activities of the Group.

When some or all the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received, and the amount of the receivable can be measured reliably.

2.14 Lease accounting

The Group holds leases primarily on land, buildings and motor vehicles used in the ordinary course of business. The Group recognizes a right-of-use asset and a lease liability at the commencement date of the contract for all leases conveying the right to control the use of an identified asset for a period of time. The commencement date is the date on which a lessor makes an underlying asset available for use by a lessee.

All leases where the Group is the lessee (except for low-value lease arrangements) are recognized in the statement of financial position. A lease liability is recognized based on the present value of the future lease payments, and a corresponding right-of-use asset is recognized. The right-of-use asset is depreciated over the shorter of the lease term or the useful life of the asset. Lease payments are apportioned between finance charges and a reduction of the lease liability.

The right-of-use assets are initially measured at cost, which comprises:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received; and,
- any initial direct costs incurred by the lessee.

After the commencement date the right-of-use assets are measured at cost less any accumulated depreciation and any accumulated impairment losses and adjusted for any remeasurement of the lease liability.

The Group depreciates the right-of-use asset over the shorter of the useful life and the lease term, given as the commencement date to the end of the lease term. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. These include:

- fixed payments, less any lease incentives receivable; and
- variable lease payments that depend on a fixed rate, as at the commencement date.

The leases held by the Group are split into two categories: property and non-property. The Group leases various properties, principally offices and laboratories, which have varying terms and renewal rights that are typical to the territory in which they are located. Non-property includes all other leases, such as motor vehicles, printers and other small office equipment.

The Group has several lease contracts that include extension and termination options. The Group evaluates whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customisation to the leased asset).

Variable lease payments not included in the initial measurement of the lease liability are recognized in the consolidated statement of profit or loss as they arise.

The lease payments are discounted using the incremental borrowing rate at the commencement of the lease contract or modification. Generally, it is not possible to determine the interest rate implicit in the land and building leases. The incremental borrowing rate is estimated taking account of the economic environment of the lease, the currency of the lease and the lease term. The lease term determined by the Group comprises:

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

After the commencement date the Group measures the lease liability by:

- increasing the carrying amount to reflect interest on the lease liability;
- reducing the carrying amount to reflect lease payments made; and
- remeasuring the carrying amount to reflect any reassessment or lease modifications.

The right-of-use asset and lease liability balances are calculated with reference to the underlying functional currency and then translated to USD.

2.15 Employee benefit plans

Payments to defined contribution retirement benefit plans are recognized as an expense when employees have rendered service entitling them to the contributions. Payments made to state-managed retirement benefit schemes are dealt with as payments to defined contribution schemes where the Group's obligations under the schemes are equivalent to those arising in a defined contribution retirement benefit scheme.

The Group operates several defined benefit plans in the UK, Sweden and Germany all of which require contributions to be made to separately administered funds or insurance schemes. The cost of providing benefits under the defined benefit plans are determined using actuarial valuations that are carried out at the end of each reporting period. Re-measurement of actuarial gains and losses, and the return on scheme assets (excluding interest) are recognized immediately in the statement of financial position with a charge or credit to the statement of comprehensive income in the period which they occur. Re-measurement recorded in the statement of comprehensive income is not recycled. Past service costs are recognized in the statement of profit or loss in the period of scheme amendment. Net interest is calculated by applying a discount rate to the defined benefit liability or asset. Defined benefit costs are split into three categories:

- Current service cost, past service cost and gains and losses on curtailments and settlements;
- Net interest expense or income; and
- Re-measurement

The current and past service costs are presented within operating expenses in the consolidated statement of profit or loss. Curtailment gains and losses are accounted for as past-service costs.

Net interest expense or income is recognized within finance costs.

The retirement benefit obligation recognized in the consolidated statement of financial position represents the deficit or surplus in the Group's defined benefit schemes. Any surplus resulting from this calculation is limited to the present value of economic benefits available in the form of refunds from the schemes or reductions in the future contributions to the schemes.

A liability for a termination benefit is recognized at the earlier of when the entity can no longer withdraw the offer of the termination benefit and when the entity recognizes any related restructuring costs.

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2.16 Share based payments

The holding company of the Group, EM Topco Limited, provides benefits to employees and Directors in the form of cash-settled share-based payment transactions, whereby employees and Directors render services in exchange for amounts that are based on valuation of EM Topco Limited shares.

The Group has no obligation to settle the transaction, and therefore accounts for the transaction as equity settled in line with requirements of IFRS 2.

In valuation of share-based payments, the fair value of the employee services rendered is determined by reference to the fair value of the EM Topco shares, excluding the impact of any non-market vesting conditions. All share options are valued using an option-pricing model (Black-Scholes or Monte Carlo). This fair value is charged to the income statement over the vesting period of the share-based payment scheme. The value of the charge is adjusted in the income statement over the remainder of the vesting period to reflect expected and actual levels of options vesting, with the corresponding adjustments made in equity.

2.17 Short term employee benefits

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

2.18 Cash and cash equivalents

Cash and cash equivalents are comprised of cash on hand and demand deposits and other short term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of change in value.

2.19 Government grants

IAS 20 sets out the principle for the recognition, measurement, presentation and disclosure of government grants. Government grants that are not related to assets are credited to the consolidated profit or loss statement as a deduction of the related expenses. Government grants are recognized when there is a reasonable assurance that the grant will be received, and all attached conditions will be complied with. When the grant relates to an expense item, it is recognized as income over the period necessary to match the grant on a systematic basis to the costs that it is intended to compensate.

2.20 Related parties

Parties are considered to be related to the Group if they have the ability, directly or indirectly to control the Group or exercise significant influence over the Group in making financial or operating decisions, or vice versa, or where the Group is subject to common control or common significant influence. Related parties may be individuals or other entities.

2.21 Trade receivables

Trade receivables are recognized by the Group and the Company carried at original invoice amount less an allowance for any non-collectable or impaired amounts. The Group uses the IFRS 9 expected credit loss ("ECL") model to measure loss allowances at an amount equal to their lifetime expected credit loss.

For trade receivables, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

2.22 Trade payables

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

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2 23 Borrowings

Interest bearing loans and overdrafts are recorded at the proceeds received, net of direct issue costs. Finance charges, including premiums on settlement or redemption and direct issue costs, are accounted for on an accrual basis in the consolidated statement of profit or loss using the effective interest rate method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

2.24 Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the period. Taxable profit differs from profit as reported in the consolidated statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or subsequently enacted at the statement of financial position date.

Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the year in which the liability is settled or the asset realized, based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflect the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax for the year

Current and deferred tax are recognized in the statement of profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

2.25 Joint ventures and interest in associates

A joint venture is a type of joint arrangement whereby the parties have joint control of the arrangement and have rights to the net assets of the sure. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities requires consent of the parties sharing control.

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

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The Group's investments in joint ventures and associates are accounted for using the equity method. Under the equity method, the investment in a joint venture or associate is initially recognized at cost. The carrying amount of the investment is adjusted to recognize changes in the Group's share of net assets of the joint venture or associate since the acquisition date. Goodwill relating to the joint venture or associate is included in the carrying amount of the investment and is not tested for impairment individually. The statement of profit or loss reflects the Group's share of the results of operations of the joint venture or associate. Any change in other comprehensive income of those investees is presented as part of the Group's other comprehensive income. In addition, when there has been a change recognized directly in the equity of the joint venture or associate, the Group recognizes its share of any changes, when applicable, in the statement of changes in equity.

Unrealized gains and losses resulting from transactions between the Group and the joint venture or associate are eliminated to the extent of the interest in the joint venture or associate. The aggregate of the Group's share of profit or loss of a joint venture or associate is shown on the face of the statement of profit or loss, where material.

2.26 Dividend income

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

2.27 Contingent consideration

Contingent consideration arises when settlement of all or any part of the cost of a business combination is deferred and becomes payable only when the acquiree meets certain financial performance criteria at a date pre-determined on the date *of acquisition. It is stated at fair value at the date of acquisition which is determined by discounting the amount due to* present value at that date. It is measured at fair value through profit and loss subsequent to acquisition. Where material, interest is calculated on the fair value of non-interest-bearing deferred consideration at the discount rate and expensed within interest payable and similar charges. At each statement of financial position date, contingent consideration comprises the remaining contingent consideration valued at acquisition plus any fair value remeasurements and interest calculated on such amounts from acquisition to the statement of financial position date.

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

2.28 Alternative performance measures

In order to present the performance of the Group in a clear, consistent and comparable format, certain items are disclosed separately in note 4. Separately disclosed Items are items which by their size and/or nature, in the opinion of the Directors, should be excluded from the adjusted EBITDA to provide readers with a clear and consistent view of the business performance of the Group and its operating units.

The Group believes that EBITDA before separately disclosed items (termed "adjusted EBITDA") is the most significant indicator of operating performance and allows a better understanding of the underlying profitability of the Group. The Group defines adjusted EBITDA as operating profit/(loss) before transaction, acquisition and other income and expense items that are material by virtue of their size and/or nature, depreciation, amortization, gains/losses on sale of assets and share based *payments.*

Adjusted EBITDA, which is a non-GAAP measure, excludes the costs of restructuring activities and integration projects where they represent fundamental changes in individual operations around the Group and reflect the refinement of our operational structure. The costs associated with successful, active or aborted acquisitions and share based payment charges are excluded from adjusted operating profit to provide useful information regarding the underlying performance of the Group's operations. Other costs include items that, in the Directors' opinions, should be excluded from adjusted EBITDA. These are mainly related to consultancy fees incurred on strategic projects and non-recurring tax expenses.

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

1. A transaction that results from a corporate activity that has neither a close relationship to our businesses' operations nor any associated operational cash flows (for example, costs incurred in connection with a refinancing activity)

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2. A transaction that is so material in size and/or nature that it would obscure an understanding of underlying outcomes and trends in revenues, costs or other components of performance (for example, restructuring activities and reversals of any provisions for the costs of restructuring)

Alternative performance measures are used as the primary measure of business performance within the Group and align with the results shown in management accounts, with the key uses being:

1. Management and Board reviews of performance against expectations and over time, including assessments of sector performance
2. In support of business decisions by the Board and by management, encompassing both strategic and operational levels of decision-making
3. Assessments of compliance with quarterly leverage test as defined in the Senior Facilities Agreement; and
4. Widely recognized measure of performance and valuation by shareholders, lenders and stakeholders

The Group's policies on separately disclosed items will be consistently applied over time, but they are not defined by IFRS and, therefore, likely to differ from separately disclosed measures used by other companies.

3 Critical accounting judgements and key sources of estimation

In the application of the Group's accounting policies, described in note 2, the Directors are required to make judgments (other than those involving estimations) that have a significant impact on the amounts recognized and to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimate is revised if the revision affects only that year, or in the year of the revision and future periods if the revision affects both current and future periods.

3.1 Critical accounting judgements

The following are the critical judgments, apart from those involving estimations (which are dealt with separately below), that the Directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognized in financial statements.

a) Separately disclosed items

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

Further detail is provided in note 4.

c) Legal provisions

The Group is subject to litigation and other claims in the ordinary course of its business. Judgement is required in assessing the likelihood of cash outflows arising as a result of such matters and the timing of any potential outflows. Management bases its judgement on the circumstances relating to each specific claim or instance of litigation, internal and external legal advice, knowledge of the industries and markets, prevailing commercial terms and legal precedent, and evaluation of applicable insurance cover where appropriate. The process of making judgements in respect of these matters around the timing of potential outflows of cash and the likelihood of payment are complex. The Group's litigation and other claims are reviewed, at a minimum, on a quarterly basis by executive management. Further detail is provided in notes 20 and 31.

d) Deferred Tax on acquisition

The Group recognizes deferred tax on acquired intangibles assets (other than goodwill). The deferred tax is calculated using the local tax rate for the relevant location of the intangible asset.

The consolidated opening balance sheet of Element Material Technology Group Limited included US$ 96.6 million of deferred tax asset recognised in the US on certain acquired intangibles, including goodwill. These intangibles have been calculated under US tax legislation on historic acquisitions of businesses made in the US. Management concluded that

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these US legacy intangibles are unrelated to the goodwill recognised on the acquisition of the Element Materials Technology Group Limited by the Group. As a result, the deferred tax asset of US$ 96.6 million remained recognized on the opening balance sheet of Element Materials Technology Group Limited.

3.2 Key sources of estimation

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

a) Impairment of goodwill

Goodwill is tested annually for impairment or more frequently when there is an indication that the goodwill allocated to a group of CGUs may be impaired. Determining whether goodwill is impaired requires an estimation of the value in use. The value in use calculation requires estimation of future cash flows as well as the assumptions about growth rates expected to arise from the group of cash-generating units and a suitable discount rate in order to calculate present value.

The fair value of group CGUs used for the purposes of goodwill impairment includes the estimated fair value of future bolt on acquisitions. The forecast is consistent with past acquisition activities of the legacy Element Group.

The Group performed sensitivity analysis to identify risk associated with goodwill impairment. Note 12 provides further details of the key assumptions used for the impairment assessment.

b) Goodwill and other intangible assets

Acquired other intangible assets and goodwill represented US $1,273.6 million and US $4,468.8 million, respectively, in the consolidated statement of financial position at December 31, 2022. Acquired other intangible assets and goodwill arise out of business combinations. Business combinations are accounted for under the acquisition method of accounting, which requires to identify and attribute values to the intangible assets acquired based on their estimated fair value as well as to estimate their useful lives. These determinations involve significant estimates and assumptions regarding cash flow projections, economic risk and weighted average cost of capital. The excess of acquisition cost over the fair value of identifiable net assets acquired is recorded as goodwill (Note 5).

c) Taxation

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

The Group recognizes deferred income tax assets for deductible temporary differences and tax loss carry forwards to the extent that it deems probable such assets will be recovered in the future. Further detail is provided in note 11.

e) Dilapidation provision

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

In estimating the dilapidation liability, Management uses their best estimate regarding cost of restoring operating sites to their original condition in accordance with the terms of the lease contracts where relevant. These estimates are reviewed annually, and the amount expected to be paid on termination or expiry of the leased property is recognized as a dilapidation provision as at period 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. The timing of the cash outflows is expected to be over the next 1-15 years as leases expire.

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4. Adjusted EBITDA and separately disclosed items

The Group believes that EBITDA before separately disclosed items (termed "adjusted EBITDA") is the most significant indicator of operating performance and allows a better understanding of the underlying profitability of the Group. The Group defines adjusted EBITDA as operating profit/(loss) before transaction, acquisition and other income and expense items that are material by virtue of their size and/or nature, depreciation, amortization, gains/losses on sale of assets and share based payments. *Adjusted EBITDA for the period is calculated below:*

Reconciliation of consolidated statement of profit or loss to non-statutory measures	Note		2022 US $million
Operating loss			**(611.7)**
Add:			
Depreciation and Amortisation			**111.9**
Separately disclosed items			**630.1**
Impairment of Goodwill		**544.9**	
Costs related to acquisition of Element Materials Technology Group Limited		**49.0**	
Other acquisitions and new business set up costs		**22.9**	
Strategic projects, restructuring and reorganisation of the Group		**5.0**	
Systems Transformation		**5.5**	
Other		**2.8**	
Less:			
Profit on disposal of property, plant and equipment			(1.5)
Fair value movement on contingent consideration re-measurement	21		(4.1)
Adjusted EBITDA (Alternative performance measure as defined in note 2.28)			***124.7***
Adjusted EBITDA margin			**20.5%**

Costs related to acquisition of Element Materials Technology Group Limited

The acquisition of the Element Materials Technology Group Limited (note 5) in July 2022 incurred material, one-off buy-side and sell-side directly attributable transaction fees. Costs incurred relate to external due diligence, transaction related bonuses, internal staff time of those dedicated to the project, professional and legal advisory fees which totaled $49.0 million.

Other acquisitions and new business set up costs

Element Materials Technology Group Limited successfully completed a number of business combinations (note 5) in the period which resulted in directly attributable due diligence, internal staff time of those dedicated to the project, and third party legal and professional fees. Total costs related to the acquisition of Trialon Corporation, Fosta Pte Limited, Singapore Test Private Limited, and National Technical systems were US $14.0 million. Furthermore, the Group has incurred integration costs relating to current year acquisitions (US $3.5million), to prior year acquisitions (US $3.4 million), and acquisitions not completed yet (US $0.8 million).

In addition to acquisition costs, Element Materials Technology Group Limited incurred set up costs relating to new strategic business areas which have been treated as separately disclosed until they become fully operational. The Directors consider a business to be fully operational when the locations or revenue stream are substantially accredited with the necessary regulatory approvals. The Directors do not consider costs associated with the setting up of a new facility or entering a new service line to be in the ordinary course of business and therefore these costs are presented as separately disclosed items. Element Materials Technology Group Limited incurred a total of US $1.2 million set up costs in the period.

Strategic restructuring and reorganization of the Group

Element Materials Technology Group Limited incurred US $5.0 million restructuring and reorganization costs in the period due to right-sizing activities across non-core end markets of the business. The costs include severance payments in relation to permanent reduction in headcount, internal staff time of those dedicated to the project, associated legal and professional fees incurred during the consultation process, site closure costs and relocation expenses. Included within the reorganization costs are the exit of non-core businesses.

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System transformation

Element Materials Technology Group Limited embarked on a transformational IT infrastructure project to implement one standardized ERP solution across the global organization. The associated implementation costs and migration costs of existing data and platforms do not meet the criteria for capitalization (note 2.7 – Cloud computing arrangements) and have been recognized in the consolidated statement of profit or loss as incurred.

Costs incurred in the period totaled US $5.5 million and relate to external consultancy costs, professional fees, project management costs and internal staff time of those dedicated to the project.

Other

The Group recognized US $1.9 million of share-based payment charge (note 26) related to share-based payment transactions during the financial period, included in other separately disclosed items.

The Group incurred US $0.9 million of legal expenses which are considered material by virtue of their nature and based on management's assessment of the subject matter the Group considers such items are not in the ordinary course of business. The costs represent external legal costs and internal staff time incurred in relation to providing support and input into a multi-party regulatory matter, and other activities linked to this matter, which is one-off in nature.

5. Business Combinations

The primary strategic reasons for the following acquisitions and key benefits to the Group are set out on pages 49 to 51.

Element Materials Technology Group Limited

On 6 July 2022, the Group acquired 100% of the voting share capital of Element Materials Technology Group Limited in the United Kingdom. Element Materials Technology Group Limited is a global provider of testing, inspection, and certification services.

The fair values of the identifiable assets and liabilities of the Element Materials Technology Group Limited as at the date of acquisition were:

in US $million	Fair value recognized on acquisition
Assets	
Intangible assets	1,029.3
Property, plant and equipment	390.1
Right of Use Assets	145.5
Investments in associates and JVs	1.6
Other non-current assets	8.7
Trade and other receivables	237.9
Contract assets	42.0
Inventories	2.6
Cash and cash equivalents	68.0
Liabilities	
Interest bearing loans and borrowings (refinancing)	(1,747.2)
Interest bearing loans and borrowings (external loan)	(975.0)
Lease liabilities	(136.1)
Provisions	(48.5)
Trade and other payables	(304.1)
Deferred tax	(149.6)
Total net assets/liabilities at fair value	**(1,434.8)**
Non-controlling interest at proportionate share	(12.4)
Goodwill	4,719.0
Purchase consideration	**3,271.8**

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Goodwill of US $4,718.3 million represents intangible assets which do not qualify for recognition, including testing capabilities and industry certifications / accreditations, assembled workforce, significant market share, and acquisition premium reflecting Group's capability to grow the business through acquisitions. In addition, goodwill includes contingent consideration related to completion of NTS acquisition. Goodwill also arises on the recognition of deferred tax liabilities in respect of intangible assets for which amortization does not qualify for tax deductions.

The consolidated opening balance sheet included US$ 96.6 million of deferred tax asset recognised in the US on certain acquired intangibles, including goodwill. These intangibles have been calculated under US tax legislation on historic acquisitions of businesses made in the US. Management concluded that these US legacy intangibles are unrelated to the goodwill recognised on the acquisition of the Element Materials Technology Group Limited by the Group. As a result, the deferred tax asset of US$ 96.6 million remained recognized on the opening balance sheet of Element Materials Technology Group Limited.

Acquisition expenses of US $49.0 million were incurred in respect of this acquisition and expensed to the consolidated statement of profit or loss (other operating expenses).

From the date of acquisition to 31 December 2022, Element Materials Technology Group Limited contributed US $514.5 million to revenue and US $105.4 million to loss for the period.

Purchase consideration (in US $million):

Cash consideration	2,920.0
Loan notes	52.5
Issuance of shares	48.2
Contingent consideration	251.1
Total	**3,271.8**

Contingent consideration

As a part of the purchase agreement with the previous owner, a consideration of US $237.1 million contingent on completion of National Technical Systems acquisition has been agreed. As at the acquisition date, the fair value of the contingent consideration was estimated to be US $237.1 million. The acquisition of National Technical Systems was completed in September 2023, and the contingent consideration has been paid fully before 31 December 2022.

In addition, additional consideration between nil and US $50.0 million has been agreed in relation to the outcome of legal liabilities and other operating costs in relation to advisory service in Built Environment BU. As at the acquisition date, the fair value of the contingent consideration was estimated at US $13.8 million. The fair value is determined using DCF of possible scenarios.

Cash flow on acquisition in US $million:

Transaction costs included in operating activities	49.0
Cash consideration paid, net of cash acquired	2,852.0
Refinancing – repayment of acquired loan	1,747.2

The external borrowing facilities of Element Materials Technology Group were refinanced as a part of the business combination. The new external borrowing facilities were recognized as a part of the liabilities assumed on acquisition above (for further details refer to note 20) to the extent that the refinancing was completed within the acquired entities. Debt drawn down by the acquirer for the purposes of refinancing is presented within Cash flows from financing activities in the Consolidation Statement of Cash Flows.

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Trialon Corporation

On 8 July 2022, the Group acquired 100% of the voting share capital of Trialon Corporation in the United States, a leading provider of product qualification testing for the automotive supply chain. The acquisition of Trialon will further solidify Group's leadership in the North American mobility market in size and breadth of its offering.

Total consideration was US $53.6 million, consisting of US $54.3 million cash consideration, US $0.3 million of deferred consideration, and a net working capital adjustment of US$ 1.0 million. Acquisition expenses of US $2.8 million were incurred in respect of this acquisition and expensed to the consolidated statement of profit or loss.

The fair values of the identifiable assets and liabilities as at the date of acquisition were:

In US $million	Fair value recognized on acquisition
Intangible assets	19.4
Property, plant and equipment	12.7
Trade and other receivables	7.4
Cash and cash equivalents	1.8
Trade and other payables	(9.3)
Deferred tax	(5.1)
Net assets acquired	**26.9**
Goodwill	26.7
Purchase consideration	**53.6**
Cash consideration	53.3
Deferred consideration	0.3

From the date of acquisition to 31 December 2022, Trialon contributed US $14.7 million to revenue and US $1.1 million to profit before tax. If the acquisition had been made at the beginning of the financial year, the business would have contributed US $15.3 million to revenue and profit before tax US $0.2 million of Profit before tax, these metrics should not be viewed as indicative of the results of this business that would have occurred if this acquisition had been completed at the beginning of the year.

Goodwill, being the excess of the consideration over the net property, plant and equipment and other intangible assets acquired, represents benefits which do not qualify for recognition as intangible assets, including the ability of a business to generate higher returns than individual assets, skilled workforces and acquisition synergies that are specific to the Group. In addition, goodwill arises on the recognition of deferred tax liabilities in respect of intangible assets for which amortization does not qualify for tax deductions. There is no tax-deductible goodwill on this acquisition.

Cash flow on acquisition in US $million:

Transaction costs included in operating activities	2.8
Cash consideration paid, net of cash acquired	51.5

Fosta Pte. Limited

On 14 July 2022, the Group acquired 100% of the voting share capital of Fosta Pte. Limited, a leading geotechnical instrumentation and soil investigation specialist based in Singapore. The acquisition allows Group to offer end-to-end project services from site investigation to asset management and increase the scope of design phase services into non-discretionary services.

Total consideration for the transaction was US $49.3 million (SG $68.3million). Acquisition expenses of US $0.8 million were incurred in respect of this acquisition and expensed to the consolidated statement of profit or loss.
The fair values of the identifiable assets and liabilities as at the date of acquisition were:

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in US $million	Fair value recognized on acquisition
Intangible assets	5.7
Property, plant and equipment	1.2
Trade and other receivables	10.2
Cash and cash equivalents	2.3
Trade and other payables	(3.3)
Deferred tax	(1.7)
Net assets acquired	**14.4**
Goodwill	34.9
Purchase consideration	**49.3**
Cash consideration	46.0
Deferred consideration	3.3

From the date of acquisition to 31 December 2022, Fosta contributed US $8.2 million to revenue and US $1.1 million to profit before tax. If the acquisition had been made at the beginning of the period, the business would have contributed US $10.3 million to revenue, US $5.0 million to profit before tax. Profit before tax should not be viewed as indicative of the results of this business that would have occurred if this acquisition had been completed at the beginning of the period.

Goodwill, being the excess of the consideration over the net tangible and intangible assets acquired, represents benefits which do not qualify for recognition as intangible assets, including the ability of a business to generate higher returns than individual assets, skilled workforces and acquisition synergies that are specific to the Group. In addition, goodwill arises on the recognition of deferred tax liabilities in respect of intangible assets for which amortization does not qualify for tax deductions. There is no tax-deductible goodwill on this acquisition.

Cash flow on acquisition in US $million:	
Transaction costs included in operating activities	0.8
Cash consideration paid, net of cash acquired	43.7

Singapore Test Services Private Limited ("STS")

On 29 July 2022, the Group acquired 100% of the voting share capital of STS, leading testing, inspection, calibration and certification provider in Singapore, for a total consideration of US $17.2 million (SGD $23.8 million). The acquisition enables Group to wider its capabilities and enable further growth in the region.

Acquisition expenses of US $0.9 million were incurred in respect of this acquisition and expensed to the consolidated statement of profit or loss.

The fair values of the identifiable assets and liabilities as at the date of acquisition were:

In US $million	Fair value recognized on acquisition
Intangible assets	1.4
Property, plant and equipment	0.8
Trade and other receivables	2.0
Cash and cash equivalents	3.8
Trade and other payables	(2.6)
Deferred tax	(0.3)
Net assets acquired	**5.1**
Goodwill	12.1
Purchase consideration	**17.2**
Cash consideration	16.5
Deferred consideration	0.7

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

From the date of acquisition to 31 December 2022, STS contributed US $6 million to revenue and US $(0.4) million to loss before tax. If the acquisition had been made at the beginning of the period, the business would have contributed US $8.1 million to revenue, US $1.2 million to profit before tax. Profit before tax should not be viewed as indicative of the results of *this business that would have occurred if this acquisition had been completed at the beginning of the period.*

Goodwill, being the excess of the consideration over the net tangible and intangible assets acquired, represents benefits which do not qualify for recognition as intangible assets, including the ability of a business to generate higher returns than individual assets, skilled workforces and acquisition synergies that are specific to the Group. In addition, goodwill arises on the recognition of deferred tax liabilities in respect of intangible assets for which amortization does not qualify for tax deductions. There is no tax-deductible goodwill on this acquisition.

Cash flow on acquisition in US $million:

Transaction costs included in operating activities	0.9
Cash consideration paid, net of cash acquired	12.7

National Technical Systems, Inc. ("NTS")

On 26 September 2022, the Group acquired 100% of the voting share capital of NTS in the United States for a total consideration of US $677.1 million. NTS is a provider of qualification testing, inspection, and certification services in North America, and will strengthen Element's growing platform in North America and enhance its capabilities in telecoms, connected automotive, medical device and battery testing.

Acquisition expenses of US $9.5 million were incurred in respect of this acquisition and expensed to the consolidated statement of profit or loss.

The net assets recognized in the 31 December 2022 financial statements were based on a provisional assessment of their fair value. The provisional fair values of the identifiable assets and liabilities as at the date of acquisition were:

US $million	Fair value recognised on acquisition
Intangible assets	264.7
Property, plant and equipment	214.3
Right of use asset	32.2
Investments in associates and JVs	4.4
Inventory	2.6
Trade and other receivables	55.7
Cash and cash equivalents	13.6
Lease liability	(32.2)
Trade and other payables	(54.5)
Provisions	(15.3)
Deferred tax	(63.2)
Net assets acquired	**422.3**
Goodwill	248.9
Total consideration	**671.2**
Receivable from escrow accounts	5.9
Total cash consideration paid	677.1

The cash consideration includes a payment of $20 million to escrow and holdback accounts out of which $5.9 million was paid back to the Group in May 2023. The amount is therefore deducted from the total consideration and recognized as a receivable at December 2022.

From the date of acquisition to 31 December 2022, NTS contributed US $67.9 million to revenue and (US $5.9) million to loss for the period. If the acquisition had been made at the beginning of the period, the business would have contributed US

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

$181.7 million to revenue and (US $28.5) million to profit before tax. Profit before tax should not be viewed as indicative of the results of this business that would have occurred if this acquisition had been completed at the beginning of the period.

Goodwill, being the excess of the consideration over the net tangible and intangible assets acquired, represents benefits which do not qualify for recognition as intangible assets, including the ability of a business to generate higher returns than individual assets, skilled workforces and acquisition synergies that are specific to the Group. In addition, goodwill arises on the recognition of deferred tax liabilities in respect of intangible assets for which amortization does not qualify for tax deductions. There is no tax-deductible goodwill on this acquisition.

Cash flow on acquisition in US $million:

Transaction costs included in operating activities	9.5
Cash consideration paid, net of cash acquired	663.5

6 Revenue analysis

The following is an analysis of the Group's revenue for the period ended 31 December 2022 from continuing operations:

	US $million
Revenue from services rendered	**607.1**
Geographic analysis	
United States and Canada	366.5
United Kingdom	88.4
Europe	85.8
Rest of the world	66.4
Total	**607.1**

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

	US $million
Americas	387.3
EMEAA	219.8
Total	**607.1**

7. Staff costs

Period ended 31 December 2022

Group employee expenses	**US $million**
Wages and salary expenses	254.6
Social security expenses	23.0
Pension cost – defined contribution plans	9.1
Pension cost – defined benefit plans	3.1
Share-based payments (note 26)	1.9
Total	**291.7**
Out of which separately disclosed items (note 4)	14.7

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Group employee numbers	
United States and Canada	4,398
United Kingdom	1,326
Europe	1,755
Rest of the world	1,396
Total	**8,875**
Average	**7,828**

Directors' remuneration	**US $million**
Fees paid to non-Executive Directors	0.1
Aggregate emoluments paid to Executive Directors	0.6
	0.7

Highest paid Director remuneration	
Aggregate emoluments	0.3

There are no retirement benefits accruing to Directors under pension schemes as at 31 December 2022. The employment benefits other than salary of directors and other members of key management were:

	US $million
Short term employment benefits	0.1

A total of three directors were remunerated by the Group during the period, the remaining Directors did not receive remuneration for their services during the period.

8. Auditor remuneration

During the period ended 31 December 2022 the Group obtained the following services from the Group's auditor and its associates:

	US $million
Audit fees	7.3
Fees paid for audit services provided to Group	**7.3**
Tax compliance fees	0.4
Tax advisory fees	0.1
Transaction advisory and due diligence fees	2.7
Fees paid for non-audit services provided to Group	
Total	**10.5**

9. Finance income

Period ended 31 December 2022

	US $million
Interest income	0.4
Gain on derivative instruments at fair value through profit or loss	49.9
Total	**50.3**

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10. Finance costs

Period ended 31 December 2022

	US $million
Bank loan interest	80.4
Intercompany interest accrued	34.4
Financing fees	31.4
Foreign exchange loss	7.3
Interest expense on lease liabilities	5.8
Total	**159.3**

In the period the Group recognized US $76.2 million cash outflow in relation to interest payment.

Financing fees of $31.4m relate to costs incurred in relation to the cancellation of a of an unutilized facility for acquisition of NTS (note 5) and subsequent refinancing.

11. Income taxes

Income tax recognized in the statement of profit or loss	**US $million**
Current tax	
Current tax charge for the period	7.8
Withholding tax written off	0.4
	8.2
Deferred tax	
Deferred tax credit recognized in the period	(19.9)
	(11.7)
Total tax charge recognized in the period	**(11.7)**

The income tax (credit)/charge for the period can be reconciled to the accounting loss as follows:	
Loss before tax from continuing operations	(719.9)
Income tax credit calculated at 19.0%	(136.7)
Effects of expenses that are not deductible in interest expense	7.3
Effects of expenses that are not deductible for tax purposes	114.3
Effects of unused tax losses and tax offsets not recognized as deferred tax assets	6.4
Effects of different tax rates on subsidiaries operating in other jurisdictions	(1.7)
Overseas withholding tax	0.4
Effect of group relief	(1.6)
Effect of non-taxable income	(0.5)
Other	0.4
	(11.7)

Income tax recognized directly in equity	
Current tax	
Local tax charge/(credit) on unrealized foreign exchange movements	-
	-
Deferred tax	
Provisions	(0.2)
Defined benefit pensions obligation	0.8
	0.6

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Current tax assets	2022 US $million
Income tax receivable	6.4

Current tax liabilities	
Income tax payable	(7.4)

Non-Current tax liabilities	
Corporation tax payable	(2.4)

The following is the analysis of deferred tax liabilities presented in the consolidated statement of financial position:

US $million	At 18 January 2022	Acquisitions	Current year (charge) / credit	Recognized in OCI	Foreign exchange	At 31 December 2022
Net operating loss	-	36.3	5.6	-	(0.1)	41.8
Accrued expenses	-	4.6	(0.6)	-	(0.1)	3.9
Prepaid expenses	-	(2.0)	(1.3)	-	-	(3.3)
Property, plant and equipment	-	(88.2)	3.3	-	(0.7)	(85.6)
Intangible assets	-	(210.3)	2.1	-	1.4	(206.9)
Research and development	-	(1.5)	0.3	-	-	(1.2)
Provisions / accruals	-	3.8	(0.9)	(0.2)	0.3	3.0
Retirement benefit obligations	-	0.3	(0.5)	0.8	-	0.6
Restricted interest	-	35.4	19.6	-	-	55.0
Other	-	1.7	(7.6)	-	0.2	(5.7)
Total	**-**	**(219.9)**	**20.0**	**0.6**	**1.0**	**(198.3)**

Deferred taxes

Deferred tax assets are recognized to the extent that the realization of the related deferred tax benefit through future taxable profits is probable.

At the statement of financial position date, the Group did not recognize a deferred tax asset of US $28.2 million relating to tax losses, due to uncertainty over the availability of future taxable profits. The material components of the unrecognized deferred tax asset comprise US $16.0 million relating to UK tax losses, US $6.7 million relating to Swedish tax losses and US $1.0 million relating to German tax losses.

The Group also has an unrecognized deferred tax asset of US $3.9 million relating to accrued interest in the US arising as a result of the s. 163j interest limitation provisions. There is uncertainty as to when the interest amounts will be available to deduct against taxable profits.

No deferred tax liability has been recognized in respect of unremitted earnings of subsidiaries. It is likely that the majority of the overseas earnings will qualify for the UK dividend exemption and the Group can control the distribution of dividends by its subsidiaries. In some jurisdictions local tax is payable on the remittance of a dividend. If dividends were remitted from subsidiaries in these countries the additional tax payable would be US $6.9 million with the gross timing difference being US $137.8 million.

A UK budget resolution was announced on 3rd March 2021 and substantively enacted on 24th May 2021, increasing the UK corporation tax rate from 19% to 25%, effective from 1st April 2023. UK deferred tax balances within the accounts have been calculated using a corporation tax rate of 25%.

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12. Goodwill

	US $million
As at 18 January 2022	-
Acquisitions of subsidiaries (note 5)	5,041.6
Exchange movements	(27.9)
Impairment	(544 9)
As at 31 December 2022	**4,468.8**

For the purposes of impairment assessment, goodwill is allocated to group of CGUs as follows:

	US $million
(i) Aerospace and Defense US	864.0
(ii) Connected Technologies US	674.9
(iii) Life Sciences US	937.7
(iv) Aerospace & Connected Technologies EMEAA,	540.8
(v) Calibration	102.6
(vi) Built Environment EMEAA	503.0
(vii) Life Sciences, EMEAA	328.8
(viii) Digital Engineering EMEAA	31.0
(ix) National Technical Systems ("NTS")	486.0
Total	**4,468.8**

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

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

Element bases its impairment calculation on most recent budgets and forecast calculations, which are prepared separately for each of Element's group of CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. A long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment is determined for goodwill by assessing the recoverable amount of each group of CGUs to which the goodwill relates. When the recoverable amount of the group of CGUs is less than its carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

Key assumptions used in determining the recoverable value:

- Element's Directors determined the nine business units (operating under two regional management structures) as the appropriate level at which the impairment assessment should be performed.

  Value in Use ("VIU")

- Element's Directors have prepared a calculation of the present value of expected future cash flows based on the Element's Board approved 2023 budget and a 5-year forecast plan for 2023 – 2027, including, where appropriate cash flows discounted to perpetuity.

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- The key assumptions within the present value of future cash flows are margin and long-term growth rate in the terminal year. Operating profit margin forecasts for each group of CGUs are derived from past results adjusted by Element's Directors based on salient current and future considerations. The long-term growth rate of 2.75% has been applied across all business units. Growth rates generally approximate to the long-term average rates for the markets in which Element operates, adjusted for future expectations taking account of the current economic climate.

- Cash conversion rates for each group of CGUs are based on historical cash conversion rates. The margins are assumed to increase across all business units. The range used for margins increases from 11.3% - 28.8% to 17.1% - 35 6% over the forecast period.

- Pre-tax discount rates reflect current market assessments of the time value of money and the risks specific to Element as a whole. The pre-tax discount rates used are based on Element's weighted average cost of capital, adjusted to reflect a risk premium specific to each group of CGUs. Element's weighted average cost of capital is derived from a risk-free rate, a market risk premium, a risk adjustment (beta) and a cost of debt adjustment.

CGU at VIU	Pre-tax discount rate
(i) Aerospace and Defense US	9.92%
(ii) Connected Technologies US	8.72%
(v) Calibration	9.52%
(vi) Built Environment EMEAA	10.50%
(ix) National Technical Systems ("NTS")	9.69%

Fair value less cost of sell ("FVLCTS")

- A methodology utilizing Revenue and EBITDA multiples (based on the average between guideline company and transaction methods) was used to calculate each group of CGU's fair value less cost of sell. The concluded fair value assumes a level of bolt-on M&A activities representing less than 10% of annual EBITDA.

- The key assumptions within the fair value calculation are the valuation multiples.

	Revenue multiple		EBITDA multiple	
	Guideline company	Transaction method*	Guideline company	Transaction method*
(iii) Life Sciences US	4.4x	4.0 - 4.7x	12.7x	11.9 – 16.1x
(iv) Aerospace & Connected Technologies EMEAA	3.0x	2.7 – 3.5x	11.7x	10.9 – 15.3x
(vii) Life Sciences, EMEAA	3.0x	2.7 – 3.5x	13.8x	12.0 – 16.1x
(viii) Digital Engineering EMEAA	2 5x	2.4 – 2.8x	11.7x	10.9 – 15.5x

*The guideline transaction method is using a weighted average of revenue and EBITDA multiples over 3 years.

- The M&A value is based on the present value of expected future cash flows for a 5-year forecast plan. The key assumption is the pre-tax discount rate of 9.25%, EBITDA annual growth of 8%, and expected terminal value based on a valuation multiple of 18x.

- The fair value measurement was categorised as a Level 3 fair value based on the inputs in the valuation technique used

Impairment charges

Element recorded an impairment charge of US$544.9 million due to weaker performance against projections resulting from rising interest rates and inflation, and general economic uncertainty.

This impairment charge had been recorded under Impairment of goodwill in the consolidated statement of profit or loss.

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The recoverable amount per CGU and impairment loss on goodwill of the groups of CGUs were as follows:

In US $millions	Basis for Recoverable amount	Recoverable amount of CGU	Impairment of goodwill
(i) Aerospace and Defense US	VIU	1,343.1	39.8
(ii) Connected Technologies US	VIU	977.5	124.9
(iii) Life Sciences US	FVLCTS	1,252.0	119 8
(iv) Aerospace & Connected Technologies EMEAA	FVLCTS	689.4	161.8
(v) Calibration	VIU	185.4	12.4
(vi) Built Environment EMEAA	VIU	737.7	
(vii) Life Sciences, EMEAA	FVLCTS	387.8	69.1
(viii) Digital Engineering EMEAA	FVLCTS	41.0	17.1
(ix) National Technical Systems ("NTS")	VIU	1,069.5	
Total		6,683.4	544.9

The estimated recoverable amount of Built Environment EMEAA CGU exceeded its carrying amount by approximately US$42 million.

The estimated recoverable amount of NTS CGU exceeded its carrying amount by approximately US$ 153 million.

Management has identified that a reasonably possible change in two key assumptions could cause the carrying amount to exceed the recoverable amount. The following table shows the amount by which these two assumptions would need to change individually for the estimated recoverable amount to be equal to the carrying amount.

	Change required for carrying amount to equal the recoverable amount	
GCU	Discount rate (in %)	Terminal growth (in %)
Built Environment EMEAA	0.4	(0.5)
National Technical Systems ("NTS")	0.9	(1.29)

The following tables illustrate impact of reasonably possible changes in key assumptions on the impairment charge per CGU.

In US $millions	Changes in key assumptions – Value in Use			
Group of CGUs	Long term growth		Discount rate	
	2.5%	3.0%	-0.5%	0.5%
(i) Aerospace and Defense US	45.8	(38.3)	(38.3)	113.6
(ii) Connected Technologies US	42.6	(47.7)	(100 0)	101 4
(v) Calibration & Testing Nordics,	7.7	(7.0)	(12.2)	15.6
(vi) Built Environment EMEAA	0.0	0.0	0.0	13.7
(ix) National Technical Systems ("NTS")	0.0	0.0	0.0	0.0
Increase / (decrease) in impairment	**96.2**	**(93.0)**	**(150.5)**	**244.3**

In US $millions	Changes in key assumptions – Fair Value									
Group of CGUs	Revenue multiple		EBITDA multiple		Discount rate		Annual growth		Terminal value	
	-10.0%	10.0%	-10.0%	10.0%	-0.5%	0.5%	-2.0%	2.0%	-10.0%	10.0%
(iii) Life Sciences US	29.2	(29.0)	68.6	(68.5)	(10.7)	10.3	22.1	(23.0)	51.9	(51.9)
(iv) Aerospace & Connected Technologies EMEAA,	11 6	(11.4)	34.3	(34.3)	(8.9)	8.6	18 4	(19.1)	43.2	(43.2)
(vii) Life Sciences, EMEAA	7.5	(7.3)	16.1	(16.1)	(6.2)	6.0	12.9	(13.4)	30.3	(30.3)
(viii) Digital Engineering EMEAA	0.4	(0.5)	1.5	(1.5)	(0.9)	0.9	1.8	(1.9)	4.3	(4 3)
Increase / (decrease) in impairment	**48.8**	**(48.2)**	**120.5**	**(120.3)**	**(26.7)**	**25.8**	**55.2**	**(57.4)**	**129.7**	**(129.7)**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

13. Other intangible assets

Cost	Customer relationships	Trade names	Technology	Software		Total
As at 18 January 2022	-	-	-	-		-
Acquisitions (note 5)	1,096.0	190.6	14.8	19.1		1,320.5
Additions	-	-	-	6.4		6.4
Transfers	-	-	0.8	(0.8)		-
Disposals	-	-	-	(1.3)	-	(1.3)
Exchange movements	(4.3)	(1.2)	(0.1)	(0.9)		(6.5)
As at 31 December 2022	**1,091.7**	**189.4**	**15.5**	**22.5**		**1,319.1**
Accumulated Amortization and Impairment						
As at 18 January 2022	-	-	-	-		-
Charge for the year	27.3	9.8	2.4	7.7		47.2
Disposals	-	-	-	(1.1)		(1.1)
Exchange movements	(0.1)	(0.1)	(0.0)	(0.5)		(0.8)
As at 31 December 2022	27.2	9.7	2.4	6.1		45.4
Net book value						
As at 31 December 2022	**1,064.5**	**179.7**	**13.1**	**16.4**		**1,273.6**

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

14. Property, plant and equipment

Cost	Land & Buildings	Leasehold Improvements	Plant & Equipment	Assets under Construction	Total US $million
As at 18 January 2022	-	-	-	-	-
Acquisitions (note 5)	144.9	62.8	378.4	32.9	619.0
Additions	2.3	2.2	14.7	39.0	58.2
Transfers	2.4	1.3	15.6	(20.1)	(0.8)
Disposals	(1.3)	(0.7)	(8.8)	(3.2)	(14.0)
Exchange movements	(0.3)	(0.2)	(2.3)	(0.1)	(2.9)
As at 31 December 2022	**148.0**	**65.4**	**397.6**	**48.5**	**659.5**
Accumulated Depreciation and Impairment					
As at 18 January 2022	-	-	-	-	-
Charge for the Period	2.0	4.4	39.4		45.9
Disposals	(0.2)	(0.4)	(8.2)		(8.7)
Exchange movements			(1.2)		(1.2)
As at 31 December 2022	**1.8**	**4.0**	**30.1**		**35.9**
Net book value					
As at 31 December 2022	**146.2**	**61.4**	**367.5**	**48.5**	**623.6**

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

15 Investments in associates and joint ventures

	US $million
As at 18 January 2022	-
Acquisitions (Note 5)	6.0
Additions	1.0
Share of profit of associate and joint ventures	0.8
Share buy-back scheme	0.5
Dividends received	(2.3)
As at 31 December 2022	**5.9**

As a part of Element Material Technology Group and NTS business combinations (note 5) the Group acquired investment Plastometrex Limited (US $1.6 million) and joint venture interest in Shanghai NOA Certification Co. Ltd (US $4.4 million), respectively. Both investments are accounted for as an interest in associate using the equity method.

During the period the Group acquired a further 0.8% shareholding in Plastrometrex Limited. The carrying value of the investment at 31 December 2022 is US $2.5 million.

Total Group's share on other comprehensive income of the associates and joint ventures is nil.

16 Trade receivables and other receivables

	US $million
Trade receivables	239.6
Prepayments	54.1
Other receivables	24.7
As at 31 December 2022	**318.4**

The Group measures the loss allowance for trade receivables at an amount equal to lifetime ECL. The expected credit losses on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. The Directors consider that the carrying amount of trade and other receivables is approximately equal to their fair value.

The aging of trade receivables not impaired:	US $million
Not past due	147.2
Past due 0-30 days	41.0
Past due 31-60 days	17.7
Past due 61-90 days	10.9
Past due 90 days	27.4
Less: expected credit loss	(4.6)
As at 31 December 2022	**239.6**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Receivables split by currency:	US $million
U.S. Dollar	142.6
Pound Sterling	33.2
Euro	20.2
Canadian Dollars	9.3
Swedish Krona	7.2
Other currencies	27.1
Total as at 31 December 2022	**239.6**

Movements in the expected credit losses	**US $million**
As at 18 January 2022	-
Acquisitions	3.9
Reversal of expected credit losses during the period	(1.4)
Increase in expected credit loss during the period	3.0
Receivables written off during the period as uncollectable	(0.8)
Exchange adjustments	(0.1)
As at 31 December 2022	**4.6**

17. Cash and cash equivalents

	US $million
U.S. Dollar	33.6
Euro	12.6
Pound Sterling	62.4
Singaporean Dollars	7.5
Other currencies	18.2
Total as at 31 December 2022	**134.3**

The balance as at 31 December 2022 consists of cash at banks and on hand. The Group does not have restricted cash.

18. Other payables

Current	**US $million**
Accrued bonuses, wages and personnel costs	51.2
Other accrued liabilities	71.6
Contract liabilities	40.1
Customer deposits	12.0
Total as at 31 December 2022	**174.9**

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

Within other accrued liabilities there is US $5.5 million relating to employment liabilities accrued in accordance with regulatory requirements in foreign jurisdictions, $9.4m relating to accruals of separately disclosed items, $11.0m relating to Goods received but not invoiced and $5.4m relating to Capex accruals.

Non-Current	**US $million**
Other liabilities	17.0
Amounts payable to parent company	862.0
Total	**879.0**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

19 Provisions

	Dilapidation provisions	Legal provisions	Environmental provisions	Restructuring Provisions	Total US $million
As at 18 January 2022	**-**	**-**	**-**	**-**	**-**
Acquisitions (note 5)	35.4	11.2	13.0	4.2	63.8
Additions	6.5	-	-	1.2	7.7
Utilized during the period	(0.3)	(0.1)	-	(1.6)	(2.0)
Exchange movements	(0.4)	(0.2)	-	1.4	0.9
As at 31 December 2022	**41.2**	**10.9**	**13.0**	**5.3**	**70.4**
Included in:					
Current liabilities	4.9	2.9	-	4.5	12.2
Non-current liabilities	36.3	8.0	13.0	0.8	58.1
As at 31 December 2022	**41.2**	**10.9**	**13.0**	**5.3**	**70.4**

Dilapidation provision

The dilapidation provisions represent management's best estimate of restoration costs with respect to leased properties for which a present obligation exists and a reliable estimate can be made. The timing of the cash outflows is expected to be over the next 1-15 years as leases expire.

Legal provision

The Group is involved in various claims and lawsuits in the ordinary course of its business. The outcome of such litigation and the timing of any potential liability is uncertain, as it is often subject to legal proceedings. Based on information currently available, the Directors consider that the cost to the Group of an unfavorable outcome arising from such litigation is unlikely to have a materially adverse effect on the financial position of the Group in the foreseeable future. In making provision for claims, management has used its judgment to assess the circumstances relating to each specific event, internal and external legal advice, knowledge of the industries and markets, prevailing commercial terms and legal precedents.

Environmental provision

The provision represents estimated costs of clean up, land redevelopment and restoration of specific testing sites in US. The provision has been recognized as a part of NTS acquisition (Note 5).

Restructuring provisions

Restructuring provision relates to various fundamental restructuring activities, including site consolidations, closure of non-core business units, re-engineering of underperforming businesses and the delayering of management structure. Management has used its best judgment to estimate the cost and the timing of the cash outflows and estimated that majority is likely to be within one year of the statement of financial position date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

20. Loans, borrowings and redeemable shares

	Current	Non-Current	Total US $millions
First Lien Term Loan	14.2	1,803.7	1,817.9
Second Lien Term Loan		347.9	347.9
Deferred financing costs	(9.9)	(68.4)	(78.3)
Capex/acquisition and revolving credit facilities	137.0	-	137.0
Interest bearing loans and borrowings	**141.3**	**2,083.2**	**2,224.5**

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

First Lien Term Loan

The First Lien Term loans consist of the following facilities:

- US $975 million principal amount acquired as a part of Element Material Technology Group Limited (note 5) on 6 July 2022. The loan has an annual repayment of 1% of the original drawn down value, payable from 31 March 2023. The remaining balance is repayable in full on maturity (06 July 2029). The loan carries variable interest at SOFR plus 4.25% margin. The outstanding principal as at 31 December 2022 is US $975 million.

- A further US $450 million was raised on 26 September 2022. The loan has an annual repayment of 1% of the original drawn down value, payable from 31 March 2023. The remaining balance is repayable in full on maturity (06 July 2029). The loan carries variable interest at SOFR plus 4.25% margin. The outstanding principal as at 31 December 2022 is US $450 million.

- EUR 370.0 million (US $386.7 million) principal amount was drawn on 06 July 2022 and is repayable in full on maturity (06 July 2029). The loan carries variable interest at EURIBOR plus 4.25% margin. The outstanding principal as at 31 December 2022 is EUR 370 million (US $392.9 million).

Second Lien Term Loan

The Second Lien Term loans consist of the following facilities:

- The principal amount of the facility is GBP 220.8 million (US $ 268.2 million) and was drawn on 06 July 2022. The outstanding loan is repayable in full on 06 July 2030. The loan carries variable interest at SONIA plus margin of 7.25%.

- A further GBP 68.2 million (US $80.0 million) was raised on 26 September 2022 and was an extension to the original draw down with the interest and repayment terms remaining unchanged.

- As at 31 December 2022, the total amount outstanding on the Second Lien Term Loan is GBP 289.0 million (US $347.9 million).

Capex/acquisition and revolving credit facilities

A series of drawdowns and payments were made on the capex/acquisition and revolving credit facilities during 2022, which in part remain unpaid as at 31 December 2022. The interest paid on the capex/acquisition facility is variable and is charged at Libor plus 3.5% margin. Interest on the revolving credit facility is variable and is charged at SOFR/SONIA/EURIBOR (as applicable) plus 3.5%

The following drawdowns and payments occurred during 2022:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Capex/acquisition:

- *US $101.0 million was drawn on 7 July 2022. At 31 December 2022.*
- US $16.0 million was drawn on 22 July 2022. At 31 December 2022.

Revolving credit facility:

- US $5.0 million was drawn on 23 September 2022. The full balance was repaid on 24 October 2022.
- EUR 6.0 million (US $5.8 million) was drawn on 27 September 2022. The full balance was repaid on 27 October 2022.
- GBP 5.0 million (US $5.9million) was drawn on 27 September 2022. The full balance was repaid on 27 October 2022
- US $15.0 million was drawn on 14 November 2022.
- US $5.0 million was drawn on 23 December 2022.

As at 31 December 2022, the outstanding amount of the capex/acquisition facility is US $117.0 million and the outstanding amount of the revolving credit facility is US $20.0 million. The capex/acquisition and the revolving credit facility have a maturity date of 6 January 2029.

Changes in liabilities arising from financing activities

	At 18 January 2022	Acquisition (note 5)	Drawdowns	Repayments	Interest accrued	Interest paid	Exchange movement	At 31 December 2022
First Lien Term Loan	-	975.0	836.6	-	57.9	(57.9)	6.3	1,817.9
Second Lien Term Loan	-	-	346.1	-	13.8	(13.8)	1.8	347.9
ACF and RCF	-	-	153.9	(16.2)	4.5	(4.5)	(0.7)	137.0
Loan refinanced on *acquisition (note 5)*	-	1,747.2	-	(1,747.2)	-	-	-	-
Deferred financing costs	-	-	-	(81.7)	4.2	-	(0.8)	(78.3)
Interest bearing loans and borrowings	**-**	**2,722.2**	**1,336.6**	**(1,845.1)**	**80.4**	**(76.2)**	**6.6**	**2,224.5**

Analysis of borrowings by currency:

	GBP	EUR	USD	Total US $million
Second Lien Term Loan (net of deferred financing costs)	336.4	-	-	336.4
First Lien Term loan (net of deferred financing costs)	-	381.8	1,377.6	1,759.4
Capex/acquisition and revolving credit facilities (net of deferred financing costs)	-	-	128.7	128.7
As at 31 December 2022	**336.4**	**381.8**	**1,506.3**	**2,224.5**

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

	US $million
Capex/acquisition	83.0
Revolving credit facility	157.1
Total	**240.1**

The available undrawn facilities are multi-currency. At 31 December 2022, the Group has a US $22.9 million, letter of credit outstanding (refer to note 30).

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

	%
Bank loans	7.1

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

21. Deferred and contingent consideration

	Total US $million
Contingent consideration as at 18 January 2022	-
Acquisitions	264.2
Payment of deferred and contingent consideration	(241.6)
Fair value re-measurement	(4.1)
Contingent consideration as at 31 December 2022	**18.5**
Deferred consideration	4.6
Total deferred and contingent consideration	**23.1**

Included in:	**US $million**
Current liabilities	9.3
Non-current liabilities	13.8
As at 31 December 2022	**23.1**

The fair value of the contingent consideration determined at 31 December 2022 is the present value of expected future cash flows based on the latest forecasts of future performance. Changes to the original present value of the expected future cash flows are recognized in the consolidated statement of profit or loss.

Deferred and contingent consideration as at 31 December 2022 relates to the following past transactions:

Norton Straw Limited (acquired 1 December 2021) purchase consideration included deferred consideration in the form of a holdback payment. The deferred consideration is for an amount of US $0.4 million (GB £0.3 million). This amount was paid in March 2023.

Impact Analytical Inc. (acquired 1 September 2021) purchase consideration included contingent consideration based on future EBITDA targets being met. The contingent consideration range is between a minimum of $nil and a maximum of US $5.0 million. The fair value of the contingent consideration recognized on 6 July 2022 was US $5.0 million. The fair value of the contingent consideration was reduced to US $3.5 million as at 31 December 2022 reflecting the final earn out results. The release of the contingent consideration (US $1.5 million) has been recognized in the consolidated statement of profit or loss. The contingent consideration was paid in June 2023.

The consideration to acquire Energy Assurance LLC (purchased 8 April 2022) included contingent consideration based on future EBITDA targets being met, as well as deferred consideration in the form of a holdback payment. The contingent consideration range is between a minimum of $nil and a maximum of US $3.7 million. The fair value of the contingent consideration recognized on 6 July 2022 was US $2.5 million and was adjusted to nil as at 31 December 2022 based on updated EBITDA performance. The release of the contingent consideration was recognized in the consolidated statement of profit or loss. The deferred consideration is for an amount of US $2.9 million as at 31 December 2022 (adjusted during the period by US $0.1m from US $3.0 million) and was paid in January 2023.

The Group acquired a further 0.8% shareholding in Plastrometrex Limited in July 2022 for US $1.0 million (note 16). During the period US $0.5 million has been paid with US $0.5 million outstanding as at 31 December 2022. The deferred consideration has been paid in March and July 2023 in equal instalments.

The consideration to acquire Argen Labs LLC (purchased 7 September 2021) included contingent consideration based on future EBITDA targets being met. The contingent consideration range is between a minimum of $nil and a maximum of US $1.2 million. The fair value of the contingent consideration as at 31 December 2022 is US $1.2 million and was paid in January 2023.

Clinimark LLC (acquired 8 April 2022) purchase consideration included deferred consideration in the form of holdback payments. The deferred consideration is for an amount of US $0.6 million. This amount was paid in April 2023.

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Deferred and contingent consideration as at 31 December 2022 relates to the following acquisitions in the period (note 5):

Trialon Corporation purchase consideration included deferred consideration in the form of a holdback payment. The deferred consideration is for US $0.3 million and is payable in the second half of 2023.

The acquisition of Singapore Test Services Private Limited included deferred consideration of a holdback payment. The deferred consideration recognized on acquisition was US $0.7 million (SGD $1.0 million) and was paid in the period. As at 31 December 2022 $nil amounts are outstanding.

The acquisition of Fosta Pte. Limited included deferred consideration of a holdback payment. The deferred consideration recognized on acquisition was US $3.3 million (SGD $4.6 million) and was paid in the period. As at 31 December 2022 $nil amounts are outstanding.

The acquisition of Element Materials Technology Group limited included a consideration contingent on completion of the acquisition of NTS. The contingent consideration of $237.1m was paid in the period. As at 31 December 2022 $nil amounts are outstanding.

The acquisition of Element Materials Technology Group Limited also included a contingent consideration dependent on outcomes of certain legal matters and operating results of advisory service business in Built Environment BU. The fair value was established on a basis of DCF of possible outcome scenarios. The estimated value of US$13.8 million as at the acquisition date of 6 July 2022 remained the best estimate as at the year end.

22. Financial instruments

Financial risk management objectives and policies

The Group's finance function provides services to the business, coordinates access to domestic and international financial markets, and monitors and manages the financial risks relating to the operations of the Group through internal risk reports which analyze exposures by degree and magnitude of risks. The Group's business and financial results are affected by fluctuations in global financial markets, including changes in currency exchange rates and interest rates. The Group manages these risks through a combination of normal operating and financing activities and derivative financial instruments. The Group uses interest rate cap contracts to manage its exposure to interest rate changes. The Group does not use derivative financial instruments for trading or speculative purposes.

Financial risk management including the use of financial instruments and the related currency, liquidity, credit and interest rate risks is dealt with by the Group finance function of the parent on behalf of the Group.

Fair value measurements

In accordance with IFRS 7 Financial Instruments: Disclosures, financial instruments are classified in the form of a three-level fair value hierarchy, by class, for all financial instruments recognized at fair value:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3: inputs for the asset or liability that are not based on observable market data.

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

Financial assets / (Financial liabilities)	Fair value hierarchy	Fair value 31 December 2022	Carrying amount 31 December 2022
Contingent consideration in a business combination	Level 3	(18.5)	(18.5)
Derivatives not designated as hedges			
Interest rate swap contract	Level 2	54.8	54.8

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At 31 December 2022, the Group classified all financial instruments at level 2 fair value measurement for the purposes of disclosing their fair value, with the exception of trade receivables and payables, cash and cash equivalents and contingent consideration. Between 18 January 2022 and 31 December 2022, there were no transfers between level 1 and level 2 fair value measurements and no transfers into or out of level 3 fair value measurements.

At 31 December 2022, there is one type of level 3 fair value measurement which relates to contingent consideration liabilities resulting from acquisition activity. The fair value of the contingent consideration liabilities is based on an assessment of the probability of possible outcomes discounted to net present value. Subsequent changes to the fair value of the contingent consideration liabilities are adjusted against the cost of acquisition where they qualify as measurement period adjustments. All other subsequent changes in the fair value of contingent consideration liabilities are accounted for in accordance with relevant IFRSs and designated through the statement of profit or loss.

For financial instruments that are recognized at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting year.

The Group management reviews and manages the key risks that could prevent the Group from meeting its business objectives. The Group management consists of senior managers from operating sectors and reports findings and actions directly to the Chief Executive Officer and the Board. This process covers all risk areas, including strategic, operational and financial risks. The key risks identified by management are as follows:

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults.

Trade receivable exposures are managed locally in the operating units where they arise. Credit terms vary by country and are set as deemed appropriate for the customer. The Group actively monitors concentration of credit risk whereby no customer represents greater than 10% of total trade receivables throughout the period. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of credit risk within the business is spread amongst a number of approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by management. The carrying amount of the financial assets recorded in the financial statements, which is net of expected credit losses, represents the Group's exposure to credit risk.

The Group uses the IFRS 9 ECL model to measure loss allowances at an amount equal to their lifetime expected credit loss.

In order to minimize credit risk, the Group has categorized exposures according to their degree of risk of default. The credit rating information is based on a range of qualitative and quantitative factors that are deemed to be indicative of risk of default and range from 1 (lowest risk of default) to 5 (greatest risk of default). Loss allowances for trade receivables from related parties held by the Group are deemed immaterial.

Group rating	Gross exposure US $million	Loss allowance US $million	Net Exposure US $million
1	147.2		147.2
2	41.0		41.0
3	17.7		17.7
4	10.9		10.9
5	27.4	(4.6)	22.8
Total	**244.2**	**(4.6)**	**239.6**

Liquidity risk

Liquidity risk is the risk that suitable sources of funding may not be available for the Group's business activities. The Group manages liquidity risk by maintaining adequate reserves and banking facilities and continuously monitoring forecast and actual cash flows including consideration of appropriate sensitivities.

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The Group monitors cash balances daily and projects cash on a rolling thirteen-week basis. The Group's financial risk management activities in this area seek to achieve a balance between certainty of funding with committed facilities and a flexible cost-effective structure.

At 31 December 2022, the Group had credit facilities of US $400.0 million, of which US $137.0 million had been drawn down leaving US $263.0 million undrawn. The Group held cash of US $134.3 million at the end of the period.

In addition to cash and undrawn facilities available, liquidity risk is managed through on-going review of the Group's financial projections by the Group finance function. Recommendations may then be made to the Board to mitigate cash outflows through restriction or deferral of discretionary expenditure.

The table below analyses the Group's financial liabilities which will be settled on a net basis into relevant maturity groupings based on the remaining years, at the statement of financial position date, to the contractual maturity date. The amounts disclosed in the table represent the contractual undiscounted cash flows. Balances due within 12 months equal their carrying value as the impact of discounting is not considered to be significant.

	Less than one year	**Between one and two years**	**Between two and three years**	**Between three and five years**	**More than five years**	**Total US $million**
Senior Facilities Agreement: secured	14.3	14.3	14.3	28.5	1,353.8	1,425.2
Capex/acquisition and revolving credit facility	137.0	-	-	-	-	137.0
Second Lien Term Loan					347.9	347.9
Trade payables	51.3	-	-	-	-	51.3
Other payables	168.4	6.9	0.5	2.8	6.9	185.4
Lease liabilities	41.6	35.4	30.7	44.2	66.7	218.6
As at 31 December 2022	**412.6**	**56.6**	**45.5**	**75.5**	**1,775.3**	**2,365.4**

Market risk

The business activities of the Group expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates. There has been no change to the Group's exposure to market risks or the manner in which these risks are managed and measured.

Interest rate risk

The Group is exposed to interest rate risks on its secured bank loans (note 20). Management closely monitors the market changes in interest rates and any potential impact the changes have on its ability to service its debt facility.

In addition to the available cash and cash from operations, the Group uses short and long-term debt to finance business activities. Interest rates on bank borrowings range between 2.2% and 4.3%. The Group is exposed to interest rate risk on its debt obligations.

Interest rate sensitivity

The following table demonstrates the sensitivity to a reasonably possible change in interest rates on that portion of loans and borrowings affected. With all other variables held constant, the Group's profit before tax is affected through the impact on floating rate borrowings, as follows:

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	Increase/decrease in basis points	Effect on profit before tax (US $million)
US Dollar	+50	7.8
Pound	+50	1.7
Euro	+50	2.0
US Dollar	-50	(7.8)
Pound	-50	(1.7)
Euro	-50	(2.0)

The assumed movement in basis points for the interest rate sensitivity analysis is based on the currently observable market environment.

Foreign currency risk

The Group undertakes transactions denominated in foreign currencies; consequently, exposures to exchange rate fluctuations arise. These risks include the translation of local currency balances and results of the Group's worldwide operations into United States Dollars. In addition, there are gains and losses related to intercompany and third-party transactions denominated in currencies other than a location's functional currency. The Group operates in over 30 countries, although the principal currency exposures relate to Sterling and Euro. The Group's objective is to minimize the volatility of its exposures to these risks through a combination of normal operating and financing activities Currency risk is managed centrally by the Group.

Foreign currency sensitivity

The following tables demonstrate the sensitivity to a reasonably possible change in Euro and GBP exchange rates, with all other variables held constant. The impact on the Group's post-tax equity is due to changes in the fair value of loans and borrowings denominated in GBP and Euros. The Group's exposure to foreign currency changes for all other currencies is not material.

Change in GBP rate	Effect on profit before tax US $million
+5%	(16.6)
-5%	18.3

Change in Euro rate	Effect on profit before tax US $million
+5%	(18.7)
-5%	20.7

The movement in post-tax equity arises from changes in GBP and Euro denominated borrowings (net of cash and cash equivalents). These movements will offset the foreign exchange translation difference of foreign operations.

Capital management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximizing the return to shareholders through the optimization of the debt and equity balances. The Group's overall strategy remains unchanged.

The capital structure of the Group consists of net debt (borrowings disclosed in note 20 after deducting cash and cash equivalents) and equity of the Group (as disclosed in the statement of changes in equity).

The Group is not subject to any externally imposed capital requirements. The Group's risk to the capital structure is reviewed on a regular basis As part of this review, the Group consider the cost of capital and the risks associated with each class of capital.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

23. Retirement benefit obligations

The Group operates a number of pension schemes throughout the world. In most locations, these are defined contribution arrangements. However, there are defined benefit pension plans in the UK, Sweden and Germany, which require contributions to be made to separately administered funds or insurance companies.

Defined contribution pension schemes

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognized as an employee benefit expense in the statement of profit or loss when employees have rendered service entitling them to the contributions. The Group made US $9.1 million (note 7) payment to defined contribution plans in 2022.

Defined benefit pension schemes

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan.

The Group's net obligation in respect of defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefits that employees have earned in return for their service in the current and prior years; that benefit is discounted to determine its present value.

The largest of the defined benefit pension schemes is the UK scheme, TTL Chiltern Group Pension Scheme. The assets of this scheme are administered by trustees in a fund independent from those of the participating companies and invested directly on the advice of the independent professional investment managers.

The Scheme provides pensions in retirement and death benefits to members. Pension benefits are linked to a member's final salary at retirement and their length of service. Since 1 October 2015 the Scheme has been closed to future accrual. The Scheme is a registered scheme under UK legislation and was contracted out of the State Second Pension. The Scheme is subject to the scheme funding requirements outlined in UK legislation. The Scheme was established from 2 March 1978 under trust and is governed by the Scheme's rules dated 22 July 2011 and subsequent amending deeds (the "Rules"). The Trustees are responsible for the operation and the governance of the Scheme, including making decisions regarding the Scheme's funding and investment strategy. Under clause 66, of the Rules the Company is entitled to an unconditional right to a refund of surplus if the Scheme winds up with excess assets.

The Scheme exposes the Company to actuarial risks such as: market (investment) risk, interest rate risk, inflation risk currency risk and longevity risk. The Scheme does not expose the Company to any unusual Scheme-specific or Company-specific risks.

The Scheme's investment strategy is to invest broadly 55% in return seeking assets (with 27.5% allocated to diversified growth funds and 27.5% allocated to equities) and 45% in matching assets (with 20.5% allocated to fixed index-linked gilts or other inflation linked assets and 24.5% allocated to corporate bonds). This strategy reflects the Scheme's liability profile and the Trustees' and Company's attitude to risk.

The Scheme is subject to a full actuarial valuation every three years using assumptions agreed between the Trustee and the Group management. The purpose of this valuation is to design a funding plan to ensure that the pension scheme has sufficient funds available to meet future benefit payments. The most recent valuation was carried out by an independent professionally qualified actuary as at 31 December 2022 and revealed a funding deficit of GBP £1.4 million (US $1.7 million). The Group agreed to pay monthly contributions of GBP £0.1 million (US $0.1 million) ceasing on 31 January 2025 in line with the recovery plan dated 6 October 2021. In 2022, the Group made contributions of US $0.6 million to the UK scheme. The Group expects to make contributions of US $1.2 million in 2023.

In addition, Scheme expenses, Pension Protection Fund Levies and insurance premiums are paid directly by the Group. Contributions to the Scheme are subject to review at future actuarial valuations and subsequent certification of a new schedule of contributions.

The liabilities of the Scheme are based on the current value of expected benefit payment cashflows to members of the Scheme. On the chosen IAS 19 assumptions the average duration of the liabilities to the beneficiaries at 31 December 2022 is approximately 19 years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Total pension cost for the period ended 31 December 2022

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

	US $million
Defined benefit schemes	
Defined benefit scheme – current service cost	0.5
Net pension interest cost	0.1
Pension cost included in operating profit	**0.6**

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

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

	US $million
Cumulative losses at 18 January 2022	-
Recognized gain/(loss) in the period	(1.3)
Cumulative loss at 31 December 2022	**(1.3)**

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

	US $million
Net remeasurement – assumption changes	(9.2)
Net remeasurement – experience	-
Return on assets – excluding interest income	10.5
Total remeasurement of the net defined liability shown in the group statement of other comprehensive income	**1.3**

Employer contributions

In the period ended 31 December 2022, the Group made contributions of US $0.6 million to all defined benefit schemes of which US $0.6 million relates to the UK scheme.

Pension liability for defined benefit schemes

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

	US $million
Fair value of scheme assets	50.3
Present value of funded defined benefit obligations	(55.1)
Net liability in the statement of financial position	**(4.8)**

The fair value changes in the schemes are shown below:

US $million	Fair value of plan assets	Defined benefit obligation	Total
At 18 January 2022	-	-	-
Acquisitions	40.1	(43.8)	(3.7)
Current service cost	-	(0.5)	(0.5)
Net interest cost	1.2	(1.2)	-
Actuarial gains/(losses)	(10.5)	9.2	(1.3)
Contributions by the employer	0.6	-	0.6
Benefits paid	(1.7)	2.0	0.3
Tax	-	0.3	0.3
Effect of exchange rate changes on overseas schemes	20.6	(21.1)	(0.5)
At 31 December 2022	50.3	(55.1)	(4.8)

Composition of scheme assets in each category:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

US $million	**UK scheme**	**Sweden scheme**
Equities	16.4	1.4
Bonds	14.4	3.3
LDI	14.1	-
Structured products	-	0.7
Cash	0.2	0.0
At 31 December 2022	**45.1**	**5.4**

The equities and bonds held within the UK and Swedish scheme are all quoted in active markets. The other schemes have no assets. The actual return on scheme assets was as follows:

US $million	**UK scheme**	**Sweden scheme**
Actual return for the period	10.0	0.4

The pension surplus/(deficit) of each scheme at 31 December was as follows:

US $million	**UK scheme**	**Sweden scheme**	**Germany schemes**
Present value of funded defined benefit obligations	(46.8)	(7.4)	(0.3)
Present value of unfunded defined benefit obligations	0.0	0.0	(0.5)
Fair value of scheme assets	45.1	5.1	0.0
Net Defined Benefit liability at 31 December 2022	(1.7)	(2.3)	(0.8)

Principal actuarial assumptions:

	UK	**Sweden**	**Germany**
Discount rate	5.0%	4.1%	3.8%
Inflation rate	3.2%	2.2%	2.0%
Rate of salary increases	2.6%	2.4%	2.0%
Life expectancy for pensioners at the age of 65 (years):			
Male	22.2	22.2	20.6
Female	24.6	24.6	24.0

Changes in significant assumptions would have the following impact on the defined benefit obligations at 31 December 2022:

US $million	UK Scheme		Sweden Scheme	
Assumptions	0.25% increase	0.25% Decrease	0.50% increase	0.50% decrease
Discount rate	1.3	(1.3)	(0.7)	0.6
Inflation rate	1.0	(1.0)	0.5	(0.6)
Rate of salary increases	n/a	n/a	0.2	(0.3)

	Increase by one year **$m**	Decrease by one year **$m**	Increase by one year **$m**	Decrease by one year **$m**
Assumed life expectancy at age 65	1.2	n/a	0.3	(0.3)

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21 Lease arrangements

Right of use asset In US $million	Property	Non-property	Total at 31 December 2022
Cost			
As at 18 January 2022	-	-	-
Acquisitions (note 5)	174.1	3.6	177.7
Additions	4.9	0.5	5.4
Disposals	(0.5)		(0.5)
Revaluation	4.8	0.2	5.0
Exchange movements	(3.6)		(3.6)
As at 31 December 2022	**179.7**	**4.3**	**184.0**
Accumulated Depreciation			
As at 18 January 2022	-	-	-
Charge for the period	17.6	1.2	18.8
Disposals	(0.5)	-	(0.5)
Exchange movements	(0.1)		(0.1)
As at 31 December 2022	**17.0**	**1.2**	**18.2**
Net book value			
As at 31 December 2022	**162.7**	**3.1**	**165.8**

Lease Liabilities In US $million	Total at 31 December 2022
As at 18 January 2022	-
Acquisitions (note 5)	168.3
Additions	11.3
Interest	5.8
Payment	(19.4)
Disposals	(2.5)
Exchange movements	(3.2)
As at 31 December 2022	**160.3**

Lease Liabilities	Within 1 year	2 - 5 years	5+ years	Total US $million
Property	27.0	75.4	54.7	157.1
Non-property	1.6	1.6		3.2
31 December 2022	**28.6**	**77.0**	**54.7**	**160.3**

Interest expense on the lease liabilities recognized within finance costs was US $5.8 million. As at 31 December 2022, there were no leases which the Group was committed to with future cash flows which have not been accounted for. The Group also has certain leases with lease terms of 12 months or less and leases of office equipment with low value. The total expense recognized for these leases was US $0.3 million. The Group holds no variable leases.

The Group subleases vacant space available within its leased and owned properties. IFRS 16 specifies conditions whereby a sublease is classed as an operating lease for the sub-lessor. The operating lease income recognized was US $0.6 million.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30. Commitments and contingent liabilities

The Group signed a Senior Facilities Agreement, with the institutional lenders in order to secure the credit facilities. The SFA names specific entities of the Group that may borrow under the various facilities of the agreement. In addition, all borrowings under the SFA are subject to security over material subsidiaries across the Group, subject to certain exclusions. Material subsidiaries of the Group, as defined by the SFA, are the guarantors to any borrowings. Security will only be enforceable on the occurrence of an Event of Default as defined by the SFA.

At 31 December 2022, the Group has a US $22.9 million, letter of credit outstanding.

The Group is involved in a number of claims and an investigation in relation to advisory services, in the Built Environment end-market, provided in the ordinary course of its business. The Company provided for its best estimate of amounts expected to be paid that can be measured reliably (note 19). It is not possible, at this time, to measure reliably other possible outflows arising from these claims, nor can the timing of possible outflows be determined, as the Company is not yet in receipt of all the relevant information for these matters. Therefore, the Company has contingent liabilities, in respect of these matters and outflows of cash are possible. The Company and the Directors expect that insurance cover in place will mitigate any potential impact of cash outflow in relation to some of these matters.

Capital commitments of the Group as at 31 December 2022 is US $15.1 million.

31. Subsidiaries and associated companies

The Group's and Company's subsidiaries are listed below. All of these subsidiary undertakings are controlled by EM Midco2 Limited and were consolidated at 31 December 2022 in the Group accounts.

Name **Continuing businesses**	**Country of incorporation or registration**	**Proportion Held**	**Activity**	**Registered Address**
Agrius Group, LLC	United States	100%	Testing	1209 Orange Street, Wilmington DE 19801
Analytical Lab Group, LLC	United States	100%	Holding Company	1209 Orange Street, Wilmington DE 19801
BM TRADA Certification North America Inc.	United States	100%	Testing	820 Bear Tavern Road, Mercer County, West Trenton NJ 08628
Cascade Methods, LLC	United States	100%	Dormant	780 Commercial Street SE, Suite 100, Salem OR 97301
Chemvent, LLC	United States	100%	Testing	2479 Woodview Lane, Ann Arbor MI 48108
Clinimark, LLC	United States	100%	Testing	7700 E. Arapahoe Road, Suite 220, Centennial, CO 80112
CRL-B, LLC	United States	100%	Testing	40600 Ann Arbor Road East, Suite 201, Pl ymouth MI 48170
CS USA Corporation	United States	100%	Certification	601 SW Second Ave Ste 2100, Portland OR 97204
Element Materials Technology Aerospace US LLC	United States	100%	Testing	1209 Orange Street, Wilmington DE 19801
Element Materials Technology Ann Arbor LLC (formerly Avomeen, LLC)	United States	100%	Testing and inspection operations	4840 Venture Drive, Ann Arbor MI 48108
Element Materials Technology Boston-Acton Inc.	United States	100%	Testing	155 Federal Street, Suite 700, Boston MA 02110

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Name Continuing businesses	Country of incorporation or registration	Proportion Held	Activity	Registered Address
Element Materials Technology Broken Arrow, LLC	United States	100%	Testing and inspection operations	1833 South Morgan Road, Oklahoma City OK 73128
Element Materials Technology Chicago LLC	United States	100%	Testing	150 West Market Street, Suite 800napolis IN 46204
Element Materials Technology Cincinnati Inc.	United States	100%	Testing and inspection operations	4400 Easton Commons Way, Suite 125, Columbus OH 43219
Element Materials Technology Cleveland - Middleburg Heights Inc.	United States	100%	Testing	4400 Easton Commons Way, Suite 125, Columbus OH 43219
Element Materials Technology Cleveland Inc.	United States	100%	Testing and inspection operations	160 Mine Lake Court, Suite 200, Raleigh NC 27615
Element Materials Technology Dallas Inc.	United States	100%	Testing and inspection operations	19111 Dallas Parkway Suite 320, Dallas TX 75287
Element Materials Technology Detroit LLC	United States	100%	Testing and inspection operations	40600 Ann Arbour Road, East Suite 201, Plymouth MI 48170
Element Materials Technology Food US LLC	United States	100%	Certification	1209 Orange Street, Wilmington DE 19801
Element Materials Technology Fort Wayne LLC	United States	100%	Testing and inspection operations	150 West Market Street, Suite 800napolis IN 46204
Element Materials Technology Group US Holdings Inc.	United States	100%	Holding Company	1209 Orange Street, Wilmington DE 19801
Element Materials Technology Hartford Inc.	United States	100%	Testing	One Constitution Plaza, Hartford CT 06103-1919
Element Materials Technology Holding USA Inc.	United States	100%	Holding Company	1209 Orange Street, City of Wilmington, County New Castle DE 19801
Element Materials Technology Houston LLC	United States	100%	Testing and inspection operations	160 Mine Lake Court, Suite 200, Raleigh NC 27615
Element Materials Technology Huntington Beach LLC	United States	100%	Testing and inspection operations	160 Mine Lake Court, Suite 200, Raleigh NC 27615
Element Materials Technology Jupiter LLC	United States	100%	Testing and inspection operations	1200 South Pine Island Road, Plantation FL 33324
Element Materials Technology Lafayette, LLC	United States	100%	Testing and inspection operations	3867 Plaza Tower Drive, Baton Rouge LA 70816
Element Materials Technology Life Sciences LLC	United States	100%	Certification	1209 Orange Street, Wilmington DE 19801
Element Materials Technology Los Angeles LLC	United States	100%	Testing and inspection operations	330 N Brand Blvd., Glendale CA 91203-2336
Element Materials Technology Milpitas Inc.	United States	100%	Testing	251 Little Falls Drive, Wilmington, DE 19808
Element Materials Technology Minneapolis - Eagan Inc.	United States	100%	Testing and inspection operations	1209 Orange Street, Wilmington DE 19801

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Name Continuing businesses	Country of incorporation or registration	Proportion Held	Activity	Registered Address
Element Materials Technology Minneapolis Inc.	United States	100%	Testing and inspection operations	1010 Dale Street North, Saint Paul MN 55117
Element Materials Technology Minneapolis LLC	United States	100%	Testing and inspection operations	1010 Dale Street North, Saint Paul MN 55117
Element Materials Technology New Berlin Inc.	United States	100%	Testing and inspection operations	301 S Bedford Street, Suite 1, Madison WI 53703
Element Materials Technology Oakland - Concord Inc.	United States	100%	Testing and inspection operations	1285 Corporate Center Drive, Suite 110, Eagan MN 55121
Element Materials Technology Pharma US LLC	United States	100%	Certification	1209 Orange Street, Wilmington DE 19801
Element Materials Technology Portland - Evergreen Inc.	United States	100%	Testing and inspection operations	780 Commercial Street SE, Suite 100, Salem OR 97301
Element Materials Technology Portland Inc.	United States	100%	Testing and inspection operations	780 Commercial Street SE, Suite 100, Salem OR 97301
Element Materials Technology St. Paul Inc.	United States	100%	Testing and inspection operations	160 Mine Lake Court, Suite 200, Raleigh NC 27615
Element Materials Technology Transportation US LLC	United States	100%	Testing	1209 Orange Street, Wilmington DE 19801
Element Materials Technology Washington DC LLC (previously called PCTEST Engineering Laboratory, LLC)	United States	100%	Testing	1209 Orange Street, Wilmington DE 19801
Element Materials Technology Wilmington Inc.	United States	100%	Testing	1209 Orange Street, Wilmington DE 19801
Element Materials Technology Wixom Inc.	United States	100%	Testing and inspection	306 West Main Street, Suite 512, Frankfort KY 40601
EM Midco 2 US LLC	United States	100%	Holding	251 Little Falls Drive, Wilmington, DE
EMT Finance Inc.	United States	100%	Holding Company	1209 Orange Street, Wilmington DE 19801
Energy Assurance LLC	United States	100%	Testing	289 South Culver Street, Lawrenceville GA 30046
ETCR, Inc.	United States	100%	Testing	251 Little Falls Drive, Wilmington, DE 19808
Exova (US) Holdings Inc.	United States	100%	Holding Company	1209 Orange Street, Wilmington DE 19801
Exova, Inc.	United States	100%	Testing	1209 Orange Street, Wilmington DE 19801
Front Range Methods, LLC	United States	100%	Dormant	780 Commercial Street SE, Suite 100, Salem OR 97301
Greenrock Finance, Inc.	United States	100%	Holding Company	1209 Orange Street Wilmington DE 19801

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Name Continuing businesses	Country of incorporation or registration	Proportion Held	Activity	Registered Address
Herculean US Holdings, Inc.	United States	100%	Holding Company	1209 Orange Street, Wilmington DE 19801
Impact Analytical, Inc.	United States	100%	Testing	1940 N Stark Road, Midland MI 48641
Jones Microbiology Institute Inc.	United States	100%	Testing and inspection operations	400 E Court Avenue, Des Moines IA 50309
Linbob, LLC	United States	100%	Dormant	447 Center Street, Manchester CT 06040
McCloy Engineering, LLC	United States	100%	Dormant	4400 Easton Commons Way, Suite 125, Columbus OH 43219
Morel Ventures, LLC	United States	100%	Dormant	4400 Easton Commons Way, Suite 125, Columbus OH 43219
MRA Acquisition Corp.	United States	100%	Holding Company	1209 Orange Street, Wilmington DE 19801
Nanoscale Combinatorial Synthesis, Inc.	United States	100%	Testing and inspection operations	3800 North Central Avenue, Suite 460, Phoenix AZ 85012
National Quality Assurance - U.S.A., Inc.	United States	100%	Testing	289 Great Road, Acton MA 01720
National Technical Systems, L LC	United States	100%	Testing	330 N Brand Blvd., Suite 700, Glendale CA 91203
NEST Parent, Inc.	United States	100%	Holding Company	251 Little Falls Drive, Wilmington, DE 19808
NTS Engineering Services, Inc .	United States	100%	Testing	251 Little Falls Drive, Wilmington, DE 19808
NTS Holding Corporation, Inc.	United States	100%	Holding Company	2125 East Katella Ave., Suite 250, Anahei m CA 92806
NTS Labs, LLC	United States	100%	Testing	330 N Brand Blvd., Suite 700, Glendale CA 91203
NTS Technical Systems, LLC	United States	100%	Testing	28 Liberty Street, New York NY 10005
PCAS-Nanosyn, LLC	United States	100%	Testing	1209 Orange Street, Wilmington DE 19801
PCTEST Holdings Inc.	United States	100%	Holding Company	1209 Orange Street, Wilmington DE 19801

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Name Continuing businesses	Country of incorporation or registration	Proportion Held	Activity	Registered Address
Preferred Testing Labs Inc.	United States	100%	Testing	2125 East Katella Ave., Suite 250, Anahei m CA 92806
Primetime Testing Laborator y, Inc.	United States	100%	Testing	289 Great Road, Acton MA 01720
RTC-K, LLC	United States	100%	Testing	40600 Ann Arbor Road East, Suite 201, Pl ymouth MI 48170
Trialon Corporation	United States	100%	Testing	40600 Ann Arbor Road East, Suite 201, Pl ymouth MI 48170
Trialon Holding Company	United States	100%	Holding Company	1209 Orange Street, Wilmington DE 1980 1
Unitek Technical Services, Inc .	United States	100%	Testing	251 Little Falls Drive, Wilmington, DE 19808
Validation Resources, LLC	United States	100%	Testing	601 SW Second Ave Ste 2100, Portland OR 97204
Accusense Systems Limited**	United Kingdom	100%	Dormant	3rd Floor, Davidson Building, 5 Southampton Street, London, WC2E 7HA
Aerotech Inspection & NDT Limited**	United Kingdom	100%	Dormant	3rd Floor, Davidson Building, 5 Southampton Street, London, WC2E 7HA
Agile Five Ltd**	United Kingdom	100%	Dormant	3rd Floor, Davidson Building, 5 Southampton Street, London, WC2E 7HA
Ascertiva Limited**	United Kingdom	100%	Dormant	Warwick House Houghton Hall Park, Houg hton Regis, Dunstable, Bedfordshire, LU5 5ZX
BM TRADA Certification Limited**	United Kingdom	100%	Dormant	3rd Floor, Davidson Building, 5 Southampton Street, London, WC2E 7HA
BM TRADA Group Limited**	United Kingdom	100%	Dormant	3rd Floor, Davidson Building, 5 Southampton Street, London, WC2E 7HA
BM TRADA Overseas Limited***	United Kingdom	100%	Holding Company	3rd Floor, Davidson Building, 5 Southampton Street, London, WC2E 7HA
Catalyst Environmental Limited**	United Kingdom	100%	Dormant	3rd Floor, Davidson Building, 5 Southampton Street, London, WC2E 7HA
CCB Evolution Limited**	United Kingdom	100%	Dormant	Chiltern House Stocking Lane, Hughenden Valley, High Wycombe, Buckinghamshire, HP14 4ND
Certifire Limited**	United Kingdom	100%	Dormant	3rd Floor, Davidson Building, 5 Southampton Street, London, WC2E 7HA

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Name Continuing businesses	Country of incorporation or registration	Proportion Held	Activity	Registered Address
Chiltern International Fire Limited**	United Kingdom	100%	Dormant	3rd Floor, Davidson Building, 5 Southampton Street, London, WC2E 7HA
Crawford Scientific Holdings Limited***	United Kingdom	100%	Holding Company	Rosewell House, 2A (1F) Harvest Drive, Newbridge, Midlothian, EH28 8QJ, Scotland
Element Digital Engineering L imited (Previously called Norton Straw Consultants Ltd)	United Kingdom	100%	Testing	3rd Floor, Davidson Building, 5 Southampton Street, London, WC2E 7HA
Element Materials Technology (Mexico) Ltd.***	United Kingdom	100%	Holding Company	3rd Floor, Davidson Building, 5 Southampton Street, London, WC2E 7HA
Element Materials Technology Aberdeen Ltd	United Kingdom	100%	Testing and inspection operations	3rd Floor, Davidson Building, 5 Southampton Street, London, WC2E 7HA
Element Materials Technology Aerospace UK Limited	United Kingdom	100%	Testing	3rd Floor, Davidson Building, 5 Southampton Street, London, WC2E 7HA
Element Materials Technolog y Analytical Services Limited (Previously called Hall Analytical Laboratories Limited)	United Kingdom	100%	Testing and inspection operations	3rd Floor, Davidson Building, 5 Southampton Street, London, WC2E 7HA
Element Materials Technology Cambridge UK Limited***	United Kingdom	100%	Testing	3rd Floor, Davidson Building, 5 Southampton Street, London, WC2E 7HA
Element Materials Technology China Holding Limited***	United Kingdom	100%	Holding Company	3rd Floor, Davidson Building, 5 Southampton Street, London, WC2E 7HA
Element Materials Technology Environmental UK Limited	United Kingdom	100%	Testing	3rd Floor, Davidson Building, 5 Southampton Street, London, WC2E 7HA
Element Materials Technology G.C. Ltd**	United Kingdom	100%	Dormant	3rd Floor, Davidson Building, 5 Southampton Street, London, WC2E 7HA
Element Materials Technology Group Holdings CC1 Limited***	United Kingdom	100%	Holding Company	3rd Floor, Davidson Building, 5 Southampton Street, London, WC2E 7HA
Element Materials Technology Group Holdings CC2 Limited***	United Kingdom	100%	Holding Company	3rd Floor, Davidson Building, 5 Southampton Street, London, WC2E 7HA
Element Materials Technology Group Holdings Limited***	United Kingdom	100%	Holding Company	3rd Floor, Davidson Building, 5 Southampton Street, London, WC2E 7HA
Element Materials Technology Limited ***	United Kingdom	100%	Testing and inspection operations	3rd Floor, Davidson Building, 5 Southampton Street, London, WC2E 7HA
Element Materials Technology Hitchin Limited	United Kingdom	100%	Testing and inspection operations	3rd Floor, Davidson Building, 5 Southampton Street, London, WC2E 7HA

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Name Continuing businesses	Country of incorporation or registration	Proportion Held	Activity	Registered Address
Element Materials Technology Holding UK Ltd***	United Kingdom	100%	Holding Company	3rd Floor, Davidson Building, 5 Southampton Street, London, WC2E 7HA
Element Materials Technolog y Laboratory Instrumentation UK Limited (Previously called Anatune Limited)	United Kingdom	100%	Certification	3rd Floor, Davidson Building, 5 Southampton Street, London, WC2E 7HA
Element Materials Technolog y Laboratory Solutions UK Li mited (formerly Crawford Scientific Limited)	United Kingdom	100%	Testing	Rosewell House, 2A (1F) Harvest Drive, Newbridge, Midlothian, EH28 8QJ, Scotland
Element Materials Technolog y Life Sciences EMEAA Limite d (formerly Arch Sciences Group Limited)***	United Kingdom	100%	Testing and inspection operations	3rd Floor, Davidson Building, 5 Southampton Street, London, WC2E 7HA
Element Materials Technology Group Limited***	United Kingdom	100%	Holding Company	3rd Floor, Davidson Building, 5 Southampton Street, London, WC2E 7HA
Element Materials Technology Oil & Gas UK Limited	United Kingdom	100%	Testing	3rd Floor, Davidson Building, 5 Southampton Street, London, WC2E 7HA
Element Materials Technology Shared Services Limited***	United Kingdom	100%	Non-Trading	3rd Floor, Davidson Building, 5 Southampton Street, London, WC2E 7HA
Element Materials Technology Sheffield Ltd	United Kingdom	100%	Testing and inspection operations	3rd Floor, Davidson Building, 5 Southampton Street, London, WC2E 7HA
Element Materials Technology Warwick Ltd	United Kingdom	100%	Testing and inspection operations	3rd Floor, Davidson Building, 5 Southampton Street, London, WC2E 7HA
Element Materials Technology Wednesbury Limited	United Kingdom	100%	Testing	3rd Floor, Davidson Building, 5 Southampton Street, London, WC2E 7HA
EM Bidco Limited***	United Kingdom	100%	Holding Company	3rd Floor, Davidson Building, 5 Southampton Street, London, WC2E 7HA
EMC Projects Limited**	United Kingdom	100%	Dormant	3rd Floor, Davidson Building, 5 Southampton Street, London, WC2E 7HA
EMT 2 Holdings Limited***	United Kingdom	100%	Holding Company	3rd Floor, Davidson Building, 5 Southampton Street, London, WC2E 7HA
EMT Finance 1 Limited***	United Kingdom	100%	Holding Company	3rd Floor, Davidson Building, 5 Southampton Street, London, WC2E 7HA
EMT Finance 2 Limited***	United Kingdom	100%	Holding Company	3rd Floor, Davidson Building, 5 Southampton Street, London, WC2E 7HA
EMT FX EUR Limited***	United Kingdom	100%	Holding Company	3rd Floor, Davidson Building, 5 Southampton Street, London, WC2E 7HA
EMT FX GBP Limited**	United Kingdom	100%	Dormant	3rd Floor, Davidson Building, 5 Southampton Street, London, WC2E 7HA

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Name Continuing businesses	Country of incorporation or registration	Proportion Held	Activity	Registered Address
EMT FX USD Limited**	United Kingdom	100%	Dormant	3rd Floor, Davidson Building, 5 Southampton Street, London, WC2E 7HA
EMT Holdings Limited***	United Kingdom	100%	Holding Company	3rd Floor, Davidson Building, 5 Southampton Street, London, WC2E 7HA
Envirodat Limited***	United Kingdom	100%	Testing and inspection operations	3rd Floor, Davidson Building, 5 Southampton Street, London, WC2E 7HA
Environmental Evaluation Limited**	United Kingdom	100%	Dormant	3rd Floor, Davidson Building, 5 Southampton Street, London, WC2E 7HA
Exova (UK) Limited	United Kingdom	100%	Holding Company	Lochend Industrial Estate, Queen Anne Drive, Newbridge, Midlothian, EH28 8LP
Exova 2014 Limited***	United Kingdom	100%	Testing	3rd Floor, Davidson Building, 5 Southampton Street, London, WC2E 7HA
Exova Group (UK) Limited***	United Kingdom	100%	Testing	3rd Floor, Davidson Building, 5 Southampton Street, London, WC2E 7HA
Exova Group Limited***	United Kingdom	100%	Testing	3rd Floor, Davidson Building, 5 Southampton Street, London, WC2E 7HA
Exova Treasury Limited***	United Kingdom	100%	Non-Trading	3rd Floor, Davidson Building, 5 Southampton Street, London, WC2E 7HA
FIRA International Limited	United Kingdom	100%	Testing	3rd Floor, Davidson Building, 5 Southampton Street, London, WC2E 7HA
Firas Limited**	United Kingdom	100%	Dormant	3rd Floor, Davidson Building, 5 Southampton Street, London, WC2E 7HA
Friiscan Limited***	United Kingdom	100%	Testing and inspection operations	3rd Floor, Davidson Building, 5 Southampton Street, London, WC2E 7HA
Greenrock Bidco Limited***	United Kingdom	100%	Holding Company	3rd Floor, Davidson Building, 5 Southampton Street, London, WC2E 7HA
Greenrock Midco Limited***	United Kingdom	100%	Holding Company	3rd Floor, Davidson Building, 5 Southampton Street, London, WC2E 7HA
Greenrock Topco Limited***	United Kingdom	100%	Holding Company	3rd Floor, Davidson Building, 5 Southampton Street, London, WC2E 7HA
IMS Reliance Limited**	United Kingdom	100%	Dormant	Warwick House Houghton Hall Park, Houg hton Regis, Dunstable, Bedfordshire, LU5 5ZX
Insight N.D.T. Limited**	United Kingdom	100%	Dormant	3rd Floor, Davidson Building, 5 Southampton Street, London, WC2E 7HA

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Name Continuing businesses	Country of incorporation or registration	Proportion Held	Activity	Registered Address
Jones Environmental Forensics Limited**	United Kingdom	100%	Dormant	3rd Floor, Davidson Building, 5 Southampton Street, London, WC2E 7HA
LCP Bidco Limited***	United Kingdom	100%	Holding Company	3rd Floor, Davidson Building, 5 Southampton Street, London, WC2E 7HA
Materials Engineering Research Laboratory Limited**	United Kingdom	100%	Dormant	3rd Floor, Davidson Building, 5 Southampton Street, London, WC2E 7HA
MERL Technology Limited**	United Kingdom	100%	Dormant	3rd Floor, Davidson Building, 5 Southampton Street, London, WC2E 7HA
MTS Pendar Limited***	United Kingdom	100%	Holding Company	3rd Floor, Davidson Building, 5 Southampton Street, London, WC2E 7HA
N.D.T. (Holdings) Limited***	United Kingdom	100%	Holding Company	3rd Floor, Davidson Building, 5 Southampton Street, London, WC2E 7HA
N.D.T. Limited**	United Kingdom	100%	Dormant	3rd Floor, Davidson Building, 5 Southampton Street, London, WC2E 7HA
National Quality Assurance Li mited	United Kingdom	100%	Testing	Warwick House Houghton Hall Park, Houg hton Regis, Dunstable, Bedfordshire, LU5 5ZX
NQA Certification Limited	United Kingdom	100%	Certification	Warwick House Houghton Hall Park, Houg hton Regis, Dunstable, Bedfordshire, LU5 5ZX
TRaC EMC & Safety Limited**	United Kingdom	100%	Dormant	3rd Floor, Davidson Building, 5 Southampton Street, London, WC2E 7HA
TRaC Environmental and Analysis Ltd**	United Kingdom	100%	Dormant	3rd Floor, Davidson Building, 5 Southampton Street, London, WC2E 7HA
TRaC Global Limited**	United Kingdom	100%	Dormant	3rd Floor, Davidson Building, 5 Southampton Street, London, WC2E 7HA
TRaC Telecoms & Radio Limited**	United Kingdom	100%	Dormant	3rd Floor, Davidson Building, 5 Southampton Street, London, WC2E 7HA
TRADA Certification Limited**	United Kingdom	100%	Dormant	3rd Floor, Davidson Building, 5 Southampton Street, London, WC2E 7HA
TRADA Technology Limited**	United Kingdom	100%	Dormant	3rd Floor, Davidson Building, 5 Southampton Street, London, WC2E 7HA
U.K. First Limited**	United Kingdom	100%	Dormant	3rd Floor, Davidson Building, 5 Southampton Street, London, WC2E 7HA

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Name Continuing businesses	Country of incorporation or registration	Proportion Held	Activity	Registered Address
Warrington Apt Laboratories Limited**	United Kingdom	100%	Dormant	3rd Floor, Davidson Building, 5 Southampton Street, London, WC2E 7HA
Warrington Certification Limited**	United Kingdom	100%	Dormant	Holmesfield Road, Warrington, Cheshire, WA1 2DS
Warrington Fire & Building Products UK Limited***	United Kingdom	100%	Holding Company	3rd Floor, Davidson Building, 5 Southampton Street, London, WC2E 7HA
Warrington Fire Research Centre (London) Limited**	United Kingdom	100%	Dormant	3rd Floor, Davidson Building, 5 Southampton Street, London, WC2E 7HA
Warrington Fire Research Centre Limited**	United Kingdom	100%	Dormant	3rd Floor, Davidson Building, 5 Southampton Street, London, WC2E 7HA
Warrington Fire Research Consultants Limited**	United Kingdom	100%	Dormant	3rd Floor, Davidson Building, 5 Southampton Street, London, WC2E 7HA
Warrington Fire Research Group Limited***	United Kingdom	100%	Holding Company	3rd Floor, Davidson Building, 5 Southampton Street, London, WC2E 7HA
Warringtonfire Consulting Limited	United Kingdom	100%	Testing	3rd Floor, Davidson Building, 5 Southampton Street, London, WC2E 7HA
Warringtonfire Testing and Certification Limited	United Kingdom	100%	Testing	3rd Floor, Davidson Building, 5 Southampton Street, London, WC2E 7HA
Western Technical Services Limited**	United Kingdom	100%	Dormant	3rd Floor, Davidson Building, 5 Southampton Street, London, WC2E 7HA
DEFIRE (ACT) PTY LTD	Australia	100%	Dormant	Unit 2, 409-411 Hammond Road, Dandenong VIC 3175
DEFIRE (NSW) PTY LTD	Australia	100%	Dormant	Unit 2, 409-411 Hammond Road, Dandenong South VIC 3175
DEFIRE (QLD) PTY LTD	Australia	100%	Dormant	Unit 2, 409-411 Hammond Road, Dandenong South VIC 3175
DEFIRE (WA) PTY LTD	Australia	100%	Dormant	Unit 2, 409-411 Hammond Road, Dandenong South VIC 3175
DEFIRE Holdings PTY LTD	Australia	100%	Holding Company	Unit 2, 409-411 Hammond Road, Dandenong South VIC 3175
Exova Certifire Pty Ltd	Australia	100%	Dormant	Unit 2, 409-411 Hammond Road, Dandenong VIC 3175
Warringtonfire Australia Pty Ltd	Australia	100%	Testing	Unit 2, 409-411 Hammond Road, Dandenong VIC 3175

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Name Continuing businesses	Country of incorporation or registration	Proportion Held	Activity	Registered Address
Element Materials Technology Antwerpen N.V.	Belgium	100%	Testing and inspection operations	Herentalsebaan 406, 2160 Wommelgem
WFRGent NV	Belgium	100%	Testing	Ottergemsesteenweg-Zuid 711 Ghent, Flemish Region 9000
BM TRADA Certification Canada Inc	Canada	100%	Certification	398-2416 Main Street, Vancouver BC V5T 3E2
Element Materials Technology Canada Inc.	Canada	100%	Testing	2395 Speakman Drive, Mississauga ON L5K 1B3
Exova Property Holdings Inc	Canada	100%	Property Holding Company	2395 Speakman Drive, Mississauga ON L5K 1B3
National Technical Systems C anada Inc.	Canada	100%	Testing	2425 boul. Industriel, Chambly QC J3L4W 3
National Technical Systems S LMT Inc.	Canada	100%	Testing	
Element Materials Technology ME Limited	Cayman Islands	100%	Holding Company	PO Box 309, Ugland House, Grand Cayman, KY1-1104
Warringtonfire Limited	Cayman Islands	100%	Dormant	PO Box 309, Ugland House, Grand Cayman, KY1-1104
Element Materials Technology (Shanghai) Co., Ltd.	China	100%	Testing and inspection operations	1st Floor, Building No. 7, No. 398 Songying Road, Qingpu District, Shanghai
Element Materials Technology (Suzhou) Co., Ltd.	China	100%	Testing	No. 39 Qiming Road, Shengpu Town, Suzhou Industrial Park, Suzhou, Jiangsu Province
Element Materials Technology Shenzhen Ltd	China	100%	Testing	B818, Languang Technology Park, No. 7 Xinxi Road, High-tech Industrial Park, Nanshan, Shenzhen, 518000
Element Metech Measurement Technology Services (Tianjin) Co., Ltd.	China	100%	Testing	Room 1719, 17F, C1, TEDA MSD, No.79 First Avenue, TEDA, Tianjin, 300457
Shanghai NQA Certification C o., Ltd.	China	50%	Certification	Room 1, 5/F, No 985 Dongfang Road, Pud ong New Zone, Shanghai
Tianjin C-Kai BM TRADA Certification Company Limited~	China	40%	Certification	Room 708, Suite F Hai Tai Plaza, No.8 Hua Tian Road, Tianjin , Hua Yuan Industrial Zone
Element Materials Technology Pilsen s.r.o.	Czech Republic	100%	Testing	Podnikatelska 1184/39, Plzen, 301 00
Element Metech s.r.o.	Czech Republic	100%	Testing	Toužimská 767, Letňany, Praha 9, 19900

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Name Continuing businesses	Country of incorporation or registration	Proportion Held	Activity	Registered Address
Element Metech A/S	Denmark	100%	Testing	Flyvestation, Karup, DK-7470, Herningvej 30, Karup
Element Metech Oy	Finland	100%	Testing	Kuormakuja, Nummela, 03100
Element Materials Technology France SAS	France	100%	Testing	3 Avenue André Marie Ampère, Zone d'Activité Commerciale du Perget , 31770, Colomiers
Element Materials Technology Toulouse SAS	France	100%	Testing	3 Avenue André Marie Ampère, Zone d'Activité Commerciale du Perget , 31770, Colomiers
Element Materials Technology Aalen GmbH	Germany	100%	Testing	Carl-Zeiss-Straße 17, 73431 , Aalen
Element Materials Technology Berlin GmbH	Germany	100%	Testing and inspection operations	Friedrich-Wohler-Str. 1, 12489, Berlin
Element Materials Technology Hamburg GmbH	Germany	100%	Testing and inspection operations	Tempowerking 11, 21079, Hamburg
Element Materials Technology Holding Germany GmbH	Germany	100%	Testing and inspection operations	Tempowerkring 11, D-21079, Hamburg
Element Materials Technology Straubing GmbH	Germany	100%	Testing and inspection operations	Gustav-Hertz-Strasse. 35, 94315, Straubing, Bavaria
Element Metech GmbH	Germany	100%	Testing	Hans-Bockler, Ring 9, D-22851, Norderstedt
KDK Kalibrierdienst Kopp GmbH	Germany	100%	Certification	In den Ziegelwiesen 25, 69168 , Wiesloch
NTS Europe GmbH	Germany	100%	Testing	
Warringtonfire Frankfurt GmbH	Germany	100%	Testing	Industriepark, Hochst, Geb. C369, am Main, 65926 Frankfurt
Warringtonfire Holdings GmbH	Germany	100%	Holding Company	Industriepark, Hochst, 65926, Geb. C369, Frankfurt
Warringtonfire Consulting ME Limited	Guernsey	100%	Testing	PO Box 286, Floor 2 , Trafalgar Court, Les Banques , St Peter Port, GY1 4LY
Certifire (Hong Kong) Limited	Hong Kong	100%	Holding Company	Unit C, 18/F Infotech Centre, 21 Hung To Road, Kwun Tong, Kowloon
FIRA-CMA Testing Services Limited~	Hong Kong	50%	Testing	Room 1401-3 Yan Hing Centre, 9-13 Wong Chuk Yeung Street, Fo Tan, Shatin

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Name Continuing businesses	Country of incorporation or registration	Proportion Held	Activity	Registered Address
Warringtonfire Certification and Inspection Hong Kong Limited	Hong Kong	100%	Dormant	Unit C, 18/F Infotech Centre, 21 Hung To Road, Kwun Tong, Kowloon
Warringtonfire Hong Kong Limited	Hong Kong	100%	Testing	Unit C, 18/F Infotech Centre, 21 Hung To Road, Kwun Tong, Kowloon
BM TRADA RKCA Certifications Private Limited˘	India	50%	Certification	515 Tulsiani Chambers, Nariman Point, Mumbai, 400021, India
Metallurgical Services Private Limited	India	100%	Testing	Mehta House, Ashok Silk Mills Lane, Khatkopar (West), Mumbai, 40086
NQA Certification Private Lim ited	India	100%	Testing	No 5, 15/1, 8TH Main Road, RPC Layout, B engaluru, Karnataka, 560040
Element Materials Technology Ireland Limited	Ireland	100%	Testing	Unit D8, North City Business Park, North Road, Finglas, Dublin 11, D11Y267
Element Materials Technolog y Laboratory Solutions Irelan d Limited (formerly Apex Scientific Limited)	Ireland	100%	Testing	Unit F12, Maynooth Business Campus, Maynooth, Co. Kildare, WR23R1H2
Warringtonfire Consulting Ireland Limited	Ireland	100%	Testing	Unit D8, North City Business Park, North Road, Finglas, Dublin 11, D11 Y267
C.T.R. S.R.L.	Italy	100%	Testing	Via Visco 7/A, 35010, Limena (PD)
Element Materials Technology Milan S.r.l.	Italy	100%	Testing	Via della Pierina 9/11, 26013, Crema
Element Kamisu Japan (formerly PCTEST Japan Co., Ltd.)	Japan	100%	Testing and inspection operations	1797-8 Ohata, Kamisu-shi, Ibaraki-ken
Stockbridge 2022 Limited	Jersey	100%	Testing	2nd Floor, International House, 41 The Pa rade, St Helier, JE2 3QQ
Element Materials Technolog y Suwon. Ltd. (formerly PCTEST Korea Co., Ltd.)	Republic of Korea	100%	Testing	13, Heungdeok 1-ro, Giheung-gu, Yongin-si, Gyeonggi-do
Element Construction Testing (M) Sdn. Bhd. (formerly ADMATERIALS TECHNOLOGIES SDN. BHD.)	Malaysia	100%	Testing	Suite 2, 1st Floor, 2J-1, Jalan Giam, Taman Majidee, 80250 Joh or Bahru, Johor
Exova (Malaysia) Sdn. Bhd.	Malaysia	100%	Testing	Suite 13.03, 13th Floor, Menara Tan & Tan, 207 Jalan Tun Razak, 50400 Kuala Lumpur
Element Materials Technology Monterrey, S. DE R.L. DE C.V.	Mexico	100%	Testing	Carretera Monterrey-Saltillo 3279 B, Privada de Santa Catarina, Santa Catarina, Nuevo Leon, C.P. 66367
Element Materials Technology Holding Netherlands B.V.	Netherlands	100%	Holding Company	Zekeringstraat 33, 1014 BV, Amsterdam

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Name Continuing businesses	Country of incorporation or registration	Proportion Held	Activity	Registered Address
Element Materials Technology Rotterdam B.V.	Netherlands	100%	Testing and inspection operations	Sevillaweg 46, 3047 AL, Rotterdam
Herculean Testing Group B.V.	Netherlands	100%	Holding Company	Herikerbergweg 238, Luna ArenA, 1101 CM, Amsterdam
Exova Metech AS	Norway	100%	Testing and inspection operations	Bygning 3, Fabrikkvegen 11 , Raufoss, 2830
Element Materials Technology ME Limited LLC*	Oman	70%	Testing	Muscat Governorate/Bawshar/Ghala, PO Box 3552, PC 112
Element Doha LLC*	Qatar	24.50%	Testing	Street 46, Gate 16, Salwa Industrial Area, P.O. Box 23650
Warringtonfire Doha*	Qatar	49%	Testing	P.O. Box 24863, Doha
Element Saudi Arabia Company Limited*	Saudi Arabia	50%	Testing	Dammam, 2nd Industrial City, Road 76-27
ELEMENT CONSTRUCTION TE STING (S) PTE. LTD. (formerly Admaterials Technologies Pte. Ltd.)	Singapore	100%	Testing	58 Sungei Kadut Loop, Prospaq Industrial Building, Singapore, 729501
ELEMENT GEOLAB (S) PTE. LT D. (formerly GEO LAB (S) PTE. LTD.)	Singapore	100%	Testing	15 Kaki Bukit Road 4, #01-42, Bartley Biz Centre, 417808
ELEMENT GEOTECHNICAL TE STING (S) PTE. LTD. (formerly FOSTA PTE. LTD.)	Singapore	100%	Testing	215 Kaki Bukit Avenue 1, Shun Li Industria l Park, 416042
Element Materials Technology Singapore Pte. Ltd.	Singapore	100%	Testing	106 Tuas South Avenue 2, West Point Bizhub, 637158
ELEMENT TESTING SERVICES (S) PTE. LTD. (Previously called Singapore Test Services Private Limited)	Singapore	100%	Testing	249 Jalan Boon Lay, 619523
Warringtonfire Singapore Pte. Ltd.	Singapore	100%	Testing	9 Raffles Place, #26-01 Republic Plaza, Singapore, 048619
Element Materials Technology South Africa Proprietary Limited*	South Africa	89.55%	Testing	Unit D2 and D5, 9 Quantum Road, Firgrove Business PA, Somerset West, Western Cape, 7130
Element Materials Technology Seville S.L.U.	Spain	100%	Testing	Wilburg y Orville Wright 1, Aeropolis, Seville, 41309, La Rinconada
BM TRADA RKCA Lanka Certifications (Private) Limited~	Sri Lanka	100%	Certification	No. 1041-2/1 Maradana Road, Borella, Columbo 8
CSM NDT Certification AB*	Sweden	80%	Testing	Artilleriplan 4 691, 50, Karlskoga

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Name Continuing businesses	Country of incorporation or registration	Proportion Held	Activity	Registered Address
Element Materials Technology AB	Sweden	100%	Testing	Box 1340, 581 13, Linkoping
Element Materials Technology Sweden Holdings AB	Sweden	100%	Holding Company	Box 1340, 581 13, Linkoping
Element Metech AB	Sweden	100%	Testing	Box 1340, 581 13, Linkoping
Al Futtaim Element Materials Technology Dubai L.L.C.*	United Arab Emirates	49%	Testing and inspection operations	Dubai Investments Park, P.O. Box 34924, Dubai

* These companies are treated as subsidiaries in the results of the Group as effective control over their operations exists, as described in the shareholder and management services agreements with the related parties.

** For the period ending 31 December 2022, this subsidiary of the Group was entitled to exemption from audit under s480 of the Companies Act 2006 relating to dormant subsidiary companies.

***For the year ended 31 December 2022, this subsidiary of the Group was exempt from the requirement for audit of individual financial statements in accordance with section 479A of the Companies Act 2006. EM Midco2 Limited which provided the relevant parent company guarantee required under section 479C of the Companies Act 2006 has indirect holdings in this subsidiary undertaking."

~ These are companies where the Group exercises joint control.

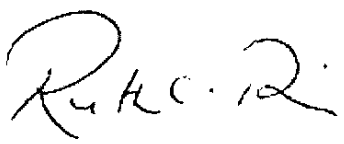
COMPANY STATEMENT OF FINANCIAL POSITION

As at 31 December 2022

	Note	2022 US $million
Non-current assets		
Amounts receivable from Group companies	f	862.7
Investments in subsidiaries	e	3,456.1
		4,318.8
Non-current liabilities		
Amounts payable to other Group companies	g	(862.7)
		(862.7)
Net current (liabilities)/assets		-
Net assets		**3,456.1**
Equity		
Share capital	i	0.4
Share premium	i	4,013 2
Retained earnings		(557.5)
Total shareholders' equity		**3,456.1**

The Company's loss after tax for the period ended 31 December 2022 was US $557.5 million.

The financial statements of EM Midco2 Limited (Company registration number 13856338) were approved by the Board of Directors and authorized for issue on 26 September 2023. They were signed on its behalf by:



Ruth Prior
Director
26 September 2023

COMPANY STATEMENT OF CHANGES IN EQUITY

Period ended 31 December 2022

	Share capital	Share premium	Accumulated Loss	Total US $million
As at 18 January 2022	-	-	-	-
Total Comprehensive Loss	-	-	(557.5)	(557.5)
Issue of shares	0.4	4,013.2	-	4,013.6
As at 31 December 2022	**0.4**	**4,013.2**	**(557.5)**	**3,456.1**

The notes on the following pages form part of these financial statements.

NOTES TO THE COMPANY FINANCIAL STATEMENTS

a) Accounting policies

(i) Basis of accounting

These financial statements have been prepared on a going concern basis and under the historical cost convention in accordance with the Companies Act 2006 and applicable FRS 101 "Reduced Disclosure Framework". As permitted by section 408 of the Companies Act 2006, no separate statement of profit or loss account is presented for the Company.

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to the presentation of a statement of profit or loss, a statement of cash-flow, financial instruments, standards not yet effective, impairment of assets and related party transactions. Where required, equivalent disclosures are given in the Group accounts of EMMidco2Limited.

The Company was incorporated on the 18th of January 2022. This is the first period that financial statements are being prepared for the Company, and therefore no comparative information is presented.

Going concern

EM Midco2 Limited ("Element") is the holding company of the Group. The company's future viability is ultimately dependent on the performance of the wider trading group and group management's decisions on the flow of capital. The Directors have carried out a review, including consideration of appropriate forecasts and sensitivities, which indicates that the company will have adequate resources to continue to trade for the foreseeable future.

A full description of the Group's business activities, financial position, cash flows, liquidity position, committed facilities and borrowing position, together with the factors likely to affect its future development and performance, is set out in the Strategic Report, including the Financial Review, in note 2.3 and in note 22 to the financial statements.

The financial statements of the Company have been prepared on a going concern basis. The directors have a reasonable expectation that the Company has access to adequate resources to continue in operational existence for the foreseeable future. The Company has a net assets position of US $3,456.1 million. The Directors considered the going concern status of EM Midco2 Limited and on the basis that this company is a holding company for the Group's operating entities, going concern assumptions and sensitivities discussed in this annual statement (note 2) are applicable from a standalone company perspective. On that basis, the Directors are satisfied that the Company is a going concern for the period from the date of signing these accounts to 31st December 2024.

(ii) Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. Refer to note 26.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognized at the proceeds received, net of direct issue costs.

No gain or loss is recognized in the statement of profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments.

(iii) Investments

Investments are stated at cost less provision for impairment. The Company evaluates its investment in subsidiary for impairment annually and records an impairment loss when the carrying amount exceeds the recoverable amount.

(iv) Dividends

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

Final dividend distributions are recognized in the Company's financial statements in the period in which the dividends are approved by the Company's shareholders.

(v) Amounts receivable from Group companies

Amounts receivable from Group companies are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less allowance. The Company applies IFRS 9 to measure expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets.

(vi) Amounts payable to Group companies

Amounts payable to Group companies are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

b) Directors' and employees' remuneration

No emoluments were paid directly by the Company; information on the directors' remuneration can be found in Key Management Remuneration in note 7 of the Consolidated Group Financial Statements. The Company has no employees.

c) Related parties

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. There were no other related party transactions in the period.

d) Auditor's remuneration

Fees payable to Ernst & Young LLP for the audit of the Company's financial statements were borne by other companies within the Group and disclosed in Note 7 of the Consolidated Group Financial Statements. There were no non-audit services provided to the Company during the period.

e) Investments in subsidiaries

	2022 US $million
Investments	4,013.6
Impairment	(557.5)
As at 31 December	**3,456.1**

The investment relates to direct holdings in EM Bidco Limited. Details of the subsidiaries directly and indirectly held by the Company are included in note 31.

The impairment is based on the fair value of the business units as per note 12 of the EM Midco2 Consolidated financial statements. Refer to the note for the sensitivity of assumptions used.

f) Amounts receivable from Group companies

	2022 US $million
Element Materials Bidco Ltd	862.7
As at 31 December 2022	**862.7**

The payable amount relates to intercompany loans that EM Midco2 Limited holds with other Element entities as set out above. Loans carry a 10% interest rate and are repayable on maturity in 2032.

g) Amounts payable to Group companies

	2022 US $million
Element Materials Midco 1 Ltd	(862.7)
As at 31 December 2022	**(862.7)**

The payable amount relates to intercompany loans that EM Midco2 Limited holds with other Element entities as set out above. Loans carry a 10% interest rate and are repayable on maturity in 2032.

k) Share capital

Share capital

Type	Nominal value	Issued number	2022 Total US $
Ordinary shares	0.0001	4,014,584,712	401,458
As at 31 December		**4,014,584,712**	**401,458**

	$'000
Authorized, issued and fully paid, at 31 December 2022	401

4,014,584,712 Ordinary shares were issued during 2022 at US $1.00 inclusive share premium. The total share premium for the shares issued in the period was US $4,013.2 million.

During the period $48.2 million of ordinary shares were issued in consideration of Element Materials Technology Group Limited acquisition (note 5).

Share premium

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

l) Events after the reporting date

No significant events have occurred after 31 December 2022 other than those disclosed in the consolidated group financial statements.

m) Ultimate holding company and controlling party

The immediate parent undertaking is EM Midco 1 Limited, which is incorporated in the United Kingdom. EM Midco2 Limited is the smallest group for which consolidated financial statements are prepared which includes the company. The ultimate controlling party of EM Midco2 is Temasek Holdings (Private) Limited, a company incorporated in Singapore.

DIRECTORS AND ADVISERS

Directors

Ruth Prior
Thomas Fountain

Registered Office

3rd Floor Davidson Building,
5 Southampton Street,
London, United Kingdom,
WC2E 7HA

Company Registration Number

13856338

Auditor

Ernst and Young LLP
1 More London Place
London
SE1 2AF
United Kingdom

Solicitors to the Group

Allen & Overy LLP
One Bishop Square
London
EC1 6AD

Principal Bankers

ING Bank N.V., London Branch
8-10 Moorgate, London EC2R 6DA
United Kingdom