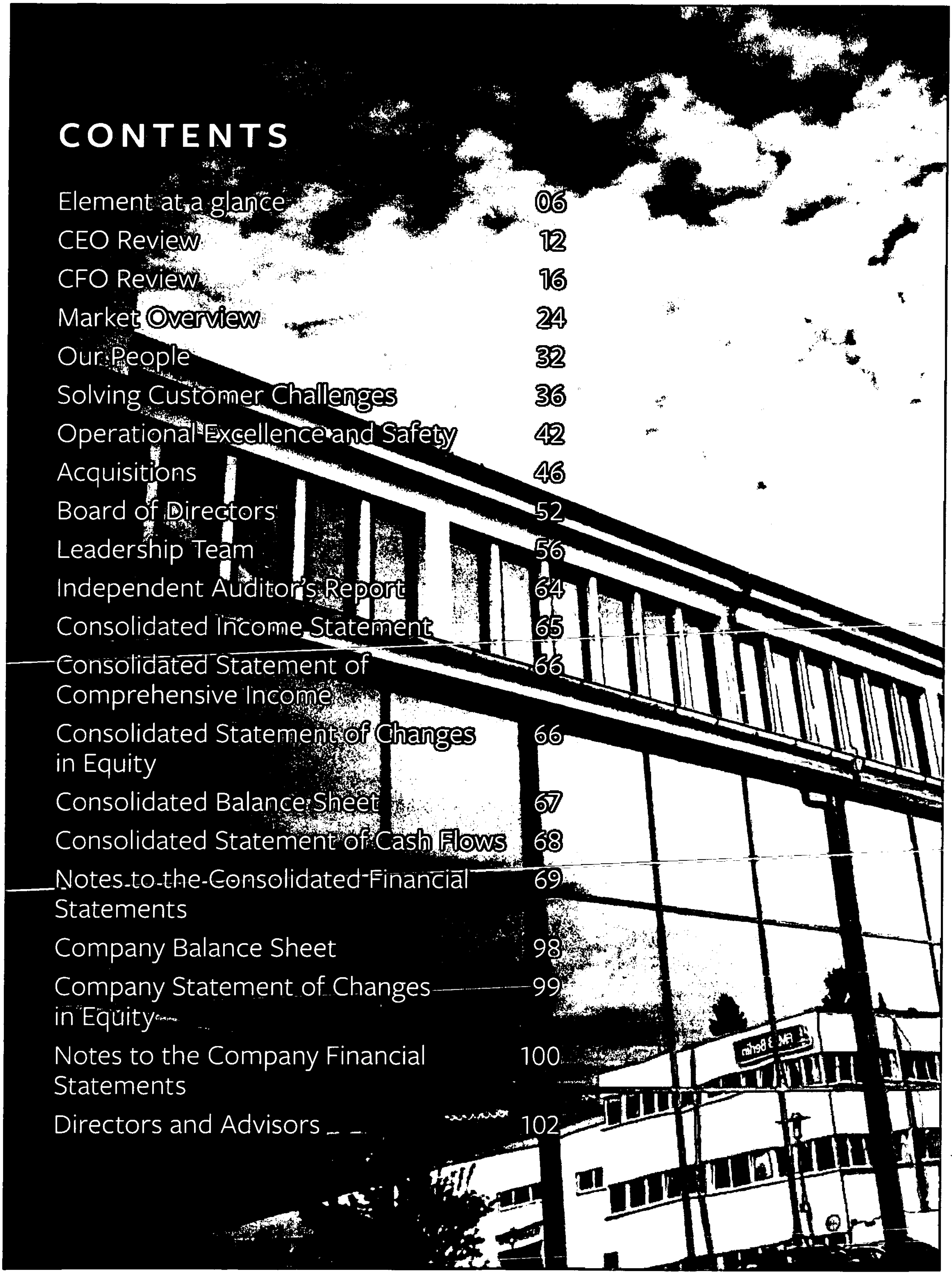
element

ELEMENT MATERIALS TECHNOLOGY GROUP 2016

Element Materials Technology Group Limited
Consolidated Financial Statements

element.com



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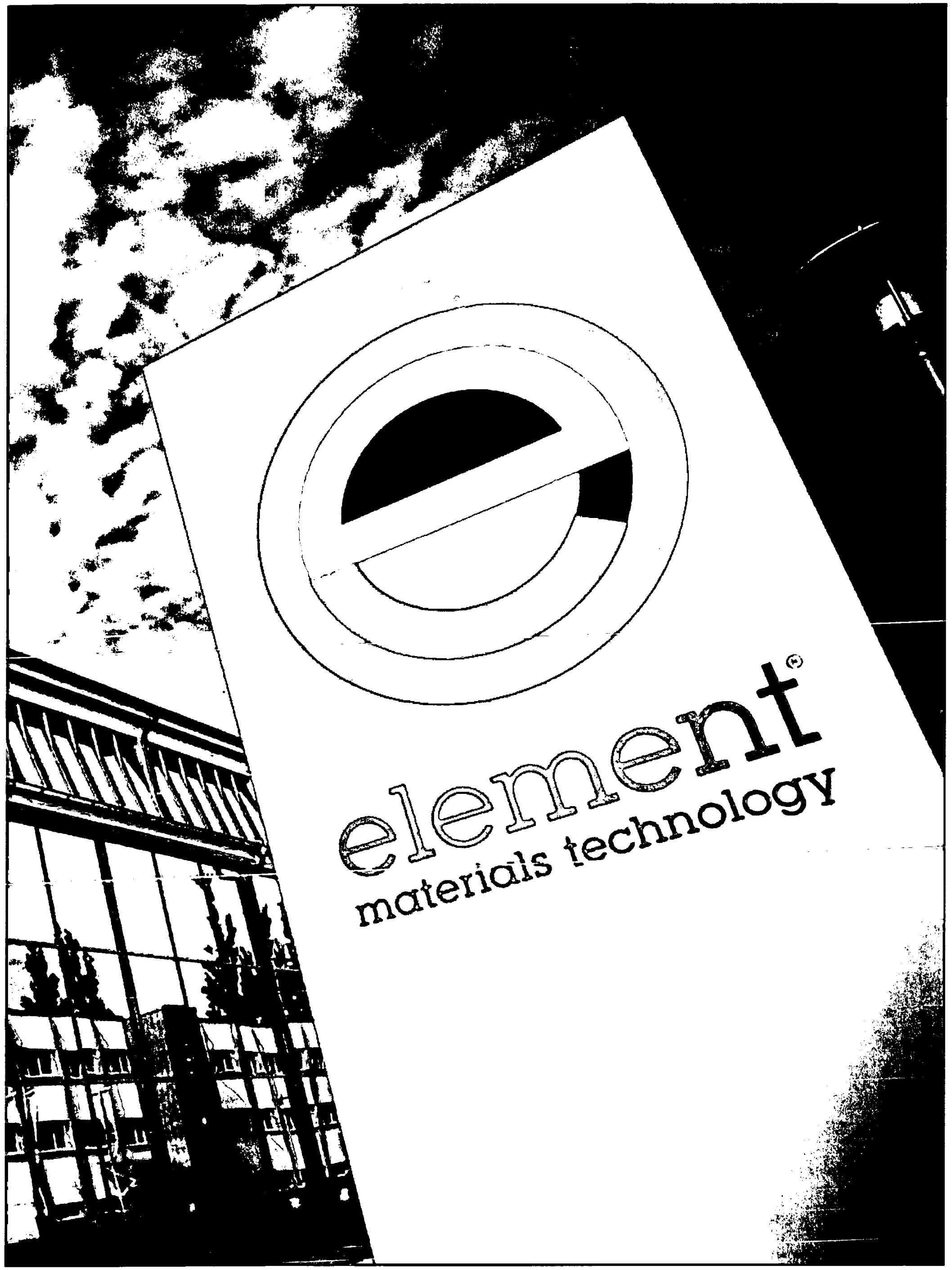
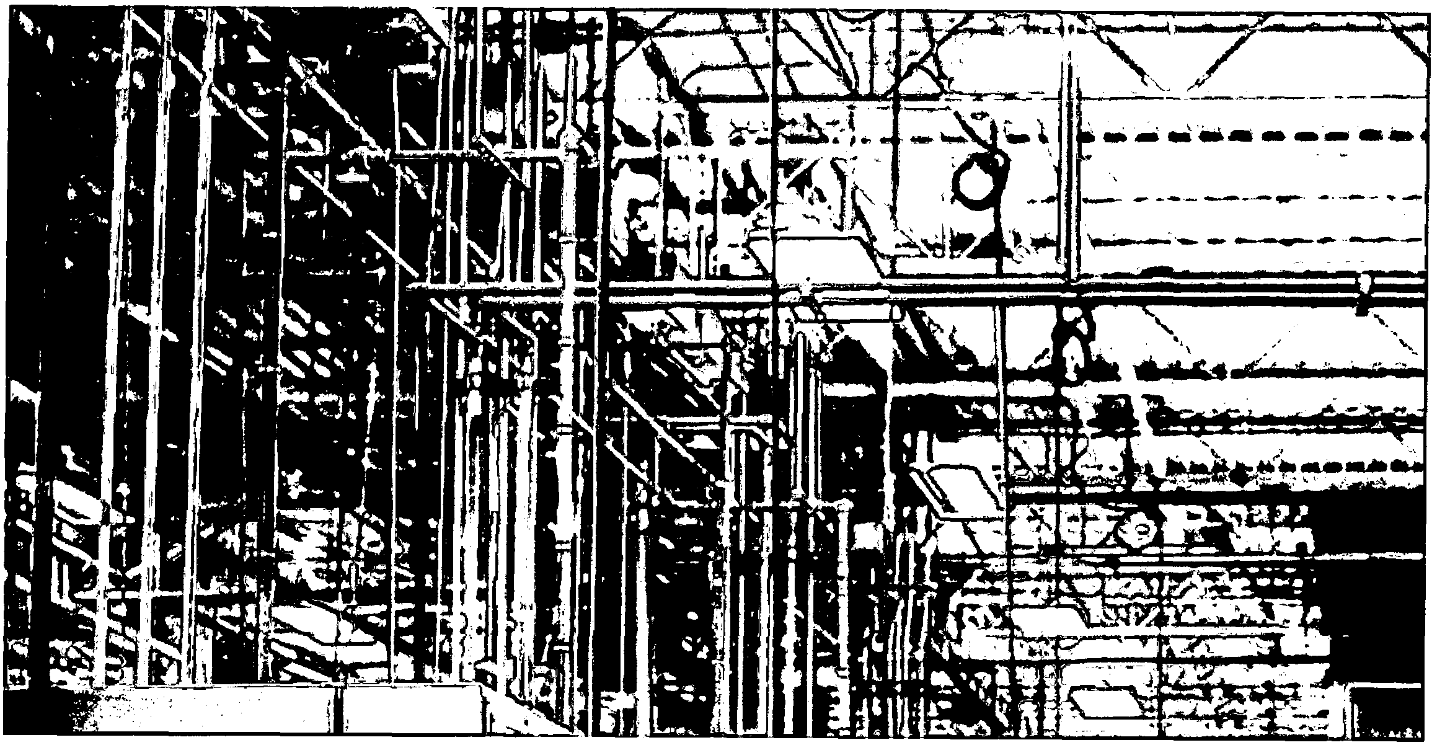
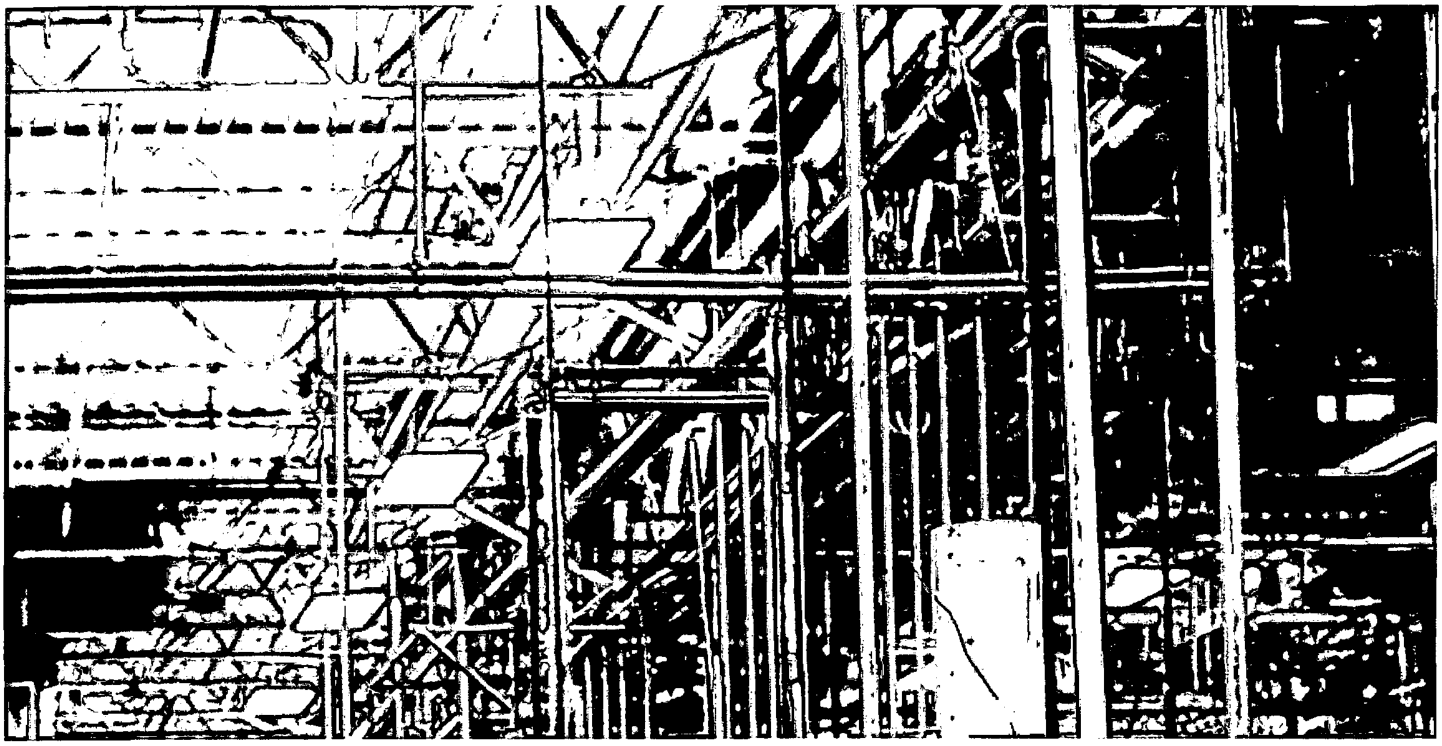

element
materials technology



1,900
EMPLOYEES GLOBALLY

26%
ADJUSTED EBITDA* GROWTH CAGR (2010-2016)

61
FACILITIES WORLDWIDE



OVER
10m
TEST SAMPLES PER YEAR

190
YEARS OF EXPERIENCE

OVER
25,000
CUSTOMERS

* Full year basis for The Underlying Group. Adjusted for exceptional and transactions costs specified on page 65.

element®

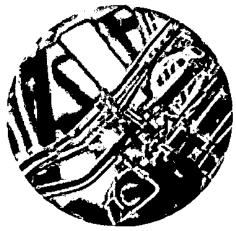
ELEMENT AT A GLANCE

ELEMENT AT A GLANCE

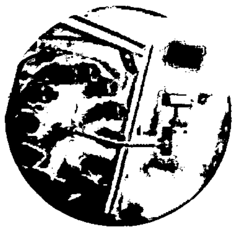
In 2016 the Group continued to make significant progress against its refreshed 2015-2020 strategy, extending and consolidating its position as one of the fastest growing providers of materials testing and product qualification testing services. The Group maintained strong focus on three leading industry sectors, Aerospace, Oil & Gas and Transportation & Industrials, across the US and Europe.

> “2016 MARKED A SIGNIFICANT INCREASE IN OUR EUROPEAN MATERIALS TESTING FOOTPRINT AND FURTHER EXTENDED OUR PRODUCT QUALIFICATION TESTING SERVICE PORTFOLIO.”
>
> **Charles Noall**
> President & CEO

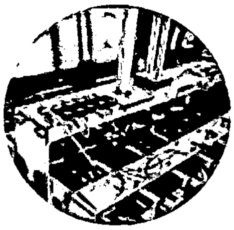
REVENUE BY SECTOR



63%
AEROSPACE



14%
OIL & GAS



23%
TRANSPORTATION & INDUSTRIALS

The Group delivered another strong year of revenue and profit growth, extending its position as a market leader in product qualification testing and significantly strengthening its European materials testing platform.

The Aerospace sector delivered another year of strong growth, servicing increased materials testing demand from forging customers as a result of the production of a new generation of aero engines from GE, Rolls Royce, Pratt & Whitney and SNECMA. Element is building a European footprint through the acquisition of businesses in Germany and Spain and establishing a new state of the art Nadcap accredited materials testing facility in the UK.

2015 saw the launch of our Aerospace product qualification testing division and we continued to execute our strategy of becoming one of the largest providers of product qualification testing services operating in the world in 2016, further strengthening our global capabilities with the acquisition of Northwest EMC adding seven premier electromagnetic interference and compatibility testing laboratories in the US.

With a starting point of just four laboratories in 2015, the Aerospace product qualification testing division ended 2016 with 19 world class laboratories and over 400 Engaged Experts, delivering more than $80 million in revenues.

The division expanded its activities within China with a significant contract win to deliver the hydrodynamic ditching testing program for the COMAC C919.

The Oil & Gas sector suffered further significant headwinds and responded by making the necessary adjustments to its cost base to ensure strong margin delivery, whilst ensuring that key technical and commercial expertise was retained.

The Group has continued to invest in the Oil & Gas sector through the cycle with the development of the Coatings Centre of Excellence in Amsterdam and a state-of-the-art corrosion facility in Aberdeen. The Oil & Gas sector also successfully delivered several large subsea projects including the Kaombo, Maria and Appomattox projects, demonstrating the depth of our technical capability and capacity.

The Transportation sector made major investments to support new technologies and testing capabilities as Original Equipment Manufacturers (OEM) race to deliver more fuel efficient, safer and autonomous vehicles. Through investments in capabilities such as a Multi Axial Simulation Table, we are well aligned to meet the changing needs of the sector and take advantage of the expected increase in demand from OEMs and their supply chain partners.

In the Industrials division, the Group made several strategic investments in medical device testing capabilities which helped secure several new, large medical customers.

The Group continued to increase its focus on improving operational delivery performance and established a global operational development team to ensure the successful implementation of group-wide operational improvement initiatives and deliver outstanding operational performance that will help to further support our customers. Element continues to expand its technical and geographic reach and to put our customers at the heart of everything we do, so that we can become the best and most trusted testing partner for the end markets in which we operate.

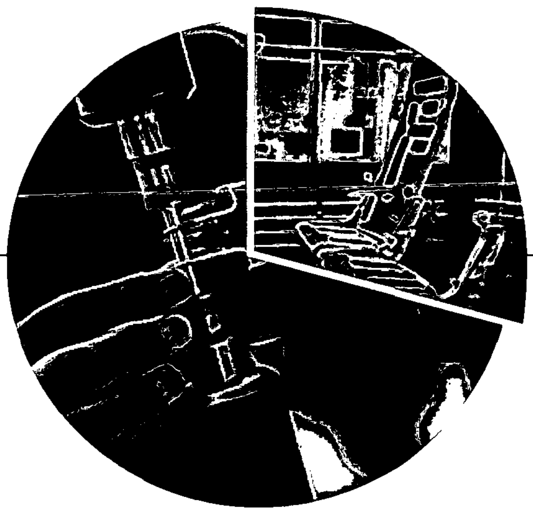
In 2016 and in line with the Group's 2020 strategy, a key Group focus was on strengthening the Geographic footprint of the materials testing activity within Europe. As part of this strategy, we relocated an existing laboratory in Sheffield to a new state-of-the-art facility, with increased capability in creep and stress rupture and fatigue testing. In addition, we acquired Germanischer Lloyd Prüflabor GmbH (GLP) with four well-invested materials testing laboratories in Germany and ended the year with the signing of a binding agreement to acquire Testing and Engineering of Aeronautical Materials and Structures, S.L.(TEAMS), a Tier 1 Airbus supplier and Nadcap accredited laboratory in Spain.

On March 22 2016, Bridgepoint Capital became Element's new majority shareholder. Bridgepoint fully supports and matches Element's future growth ambitions and together with their sector expertise and financial backing will support the successful delivery of our growth focused strategy.

The Boards of Element Materials Technology Group Limited and Exova Group Plc reached an agreement on the terms of a recommended cash offer to acquire Exova Group Plc and an announcement in accordance with section 2.7 of the Takeover Code was made on 19 April 2017. The acquisition completed on 29 June 2017.

REVENUE BY SERVICE

63%
MATERIALS TESTING*



37%
PRODUCT QUALIFICATION TESTING

19%**
REVENUE GROWTH CAGR (2010-2016)

26%**
ADJUSTED EBITDA GROWTH CAGR (2010-2016)

61
WORLD CLASS LABORATORIES

$285M**
REVENUE

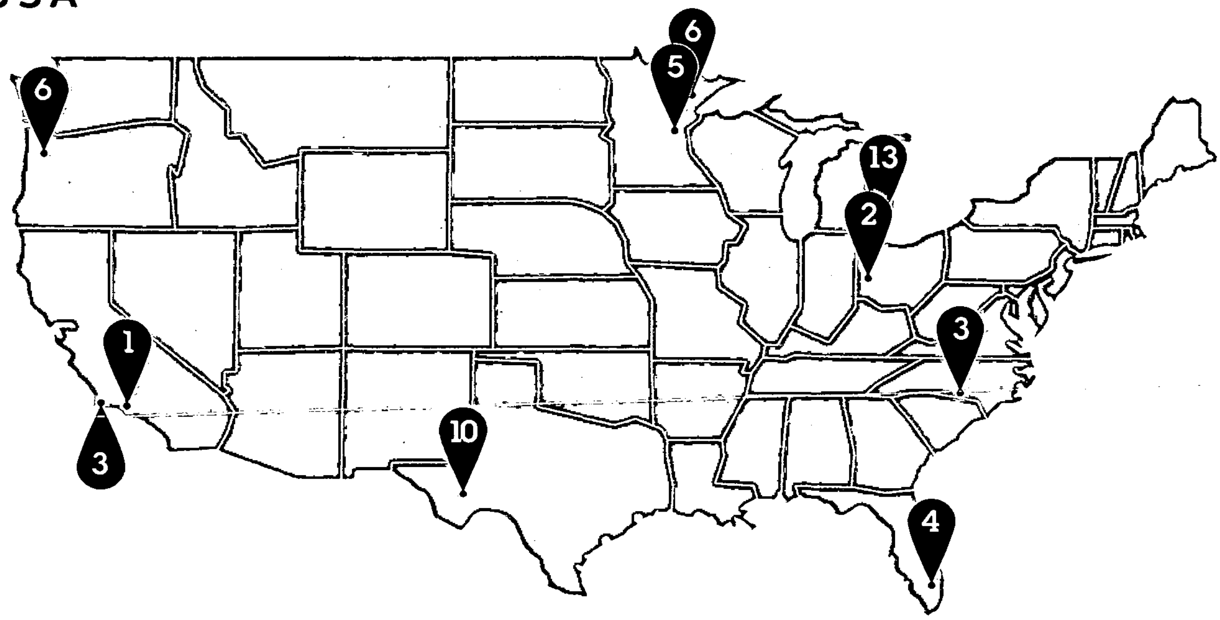
*Material testing includes destructive testing, non-destructive testing and failure analysis.
**Full year basis for the underlying group.

CENTRES OF EXCELLENCE

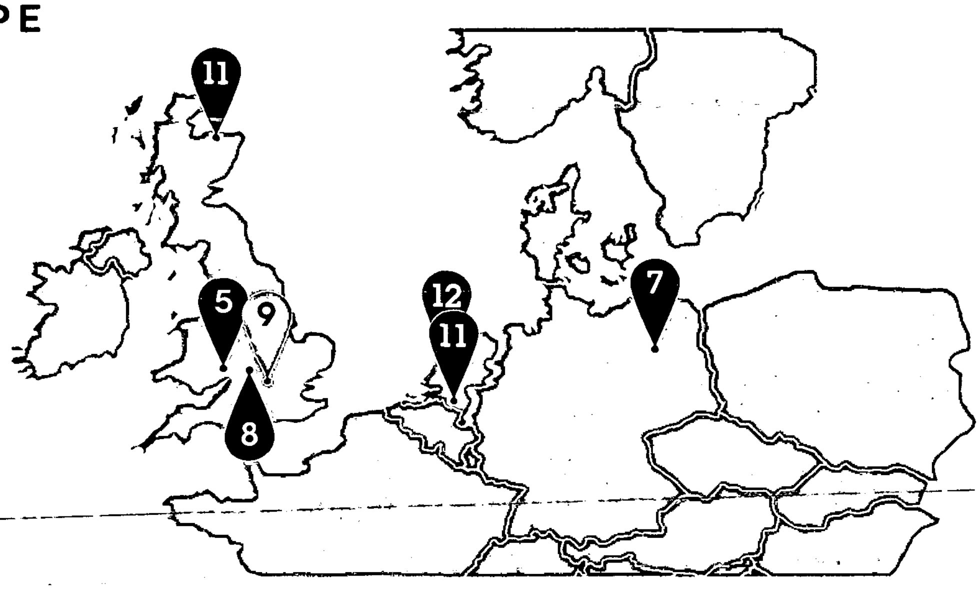
An Element Centre of Excellence (CoE) is a location with world-class capabilities, significant capacity and internationally renowned, specialist Engaged Experts, providing expertise and testing services within a particular technical area or specialism.

Our investment in CoE is a significant step towards securing our position as the strategic partner of choice for our customers. We are committed to developing our CoE's across our global platform, allowing us to deliver market-leading technical expertise where needed by our customers.

USA



EUROPE

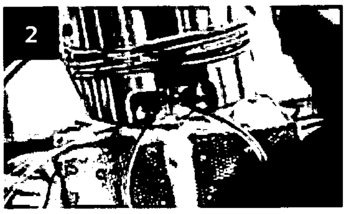


KEY:

Aerospace   Oil & Gas   Twinned: Aerospace & Oil & Gas   Transportation & Industrials

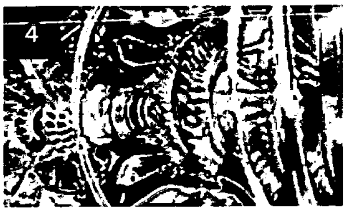
(1) Ceramic Matrix Composites.   (2) Electro Magnetic Interference.   (3) Electro Magnetic Compatibility.   (4) Engineering Critical Assessment.

COMPOSITES
LOS ANGELES

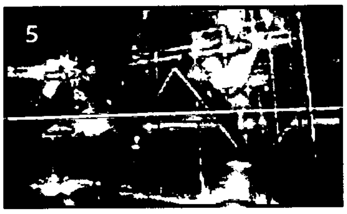


AEROSPACE FATIGUE & CMC[1]
CINCINNATI

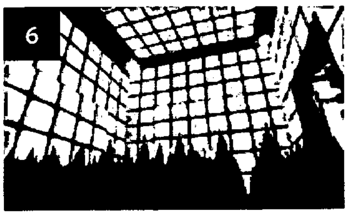
AEROSPACE FORGING TESTING
HUNTINGTON BEACH
CHARLOTTE



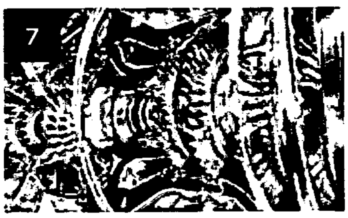
ENGINE SYSTEM TESTING
JUPITER



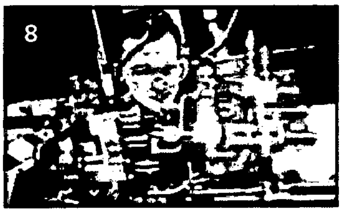
EMI/EMC & ENVIRONMENTAL[2][3]
MINNEAPOLIS
MALVERN



EMI/EMC[2][3]
MINNESOTA

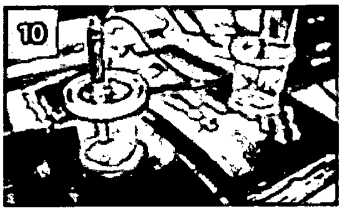


HIGH CYCLE FATIGUE SPIN/ENGINE COMPONENT TESTING
BERLIN



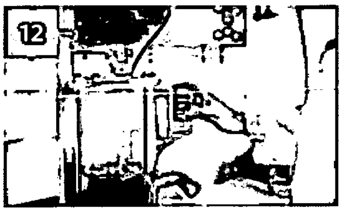
HIGH CYCLE FATIGUE
WARWICK

POLYMERS & COMPOSITES
HITCHIN



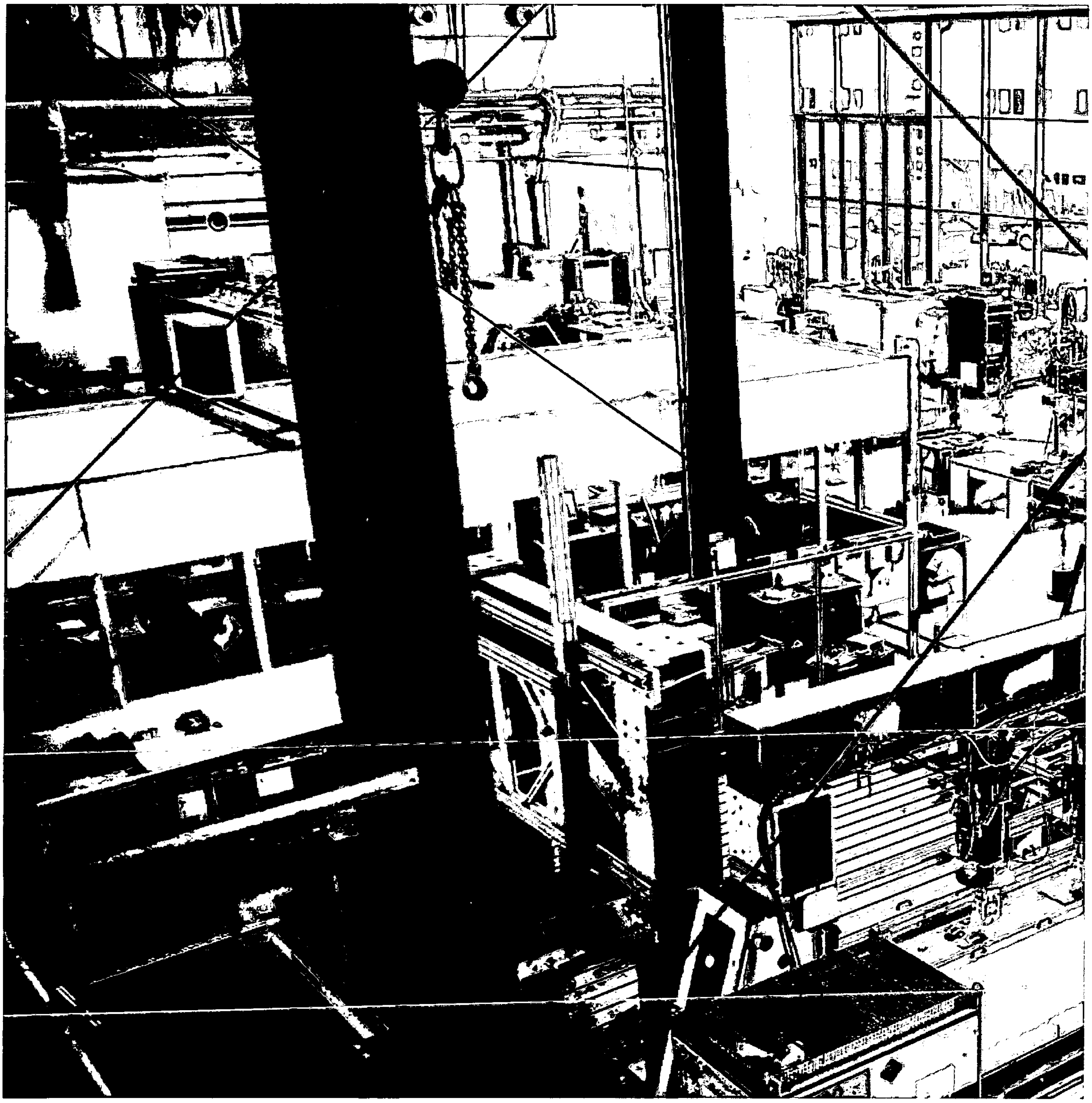
CORROSION, COATINGS NON-METALLICS, FRACTURE MECHANICS & ECA[4]
HOUSTON

CORROSION, FRACTURE MECHANICS & ECA[4]
ABERDEEN
BREDA



COATINGS & CORROSION
AMSTERDAM

FULL VEHICLE TESTING
WARREN



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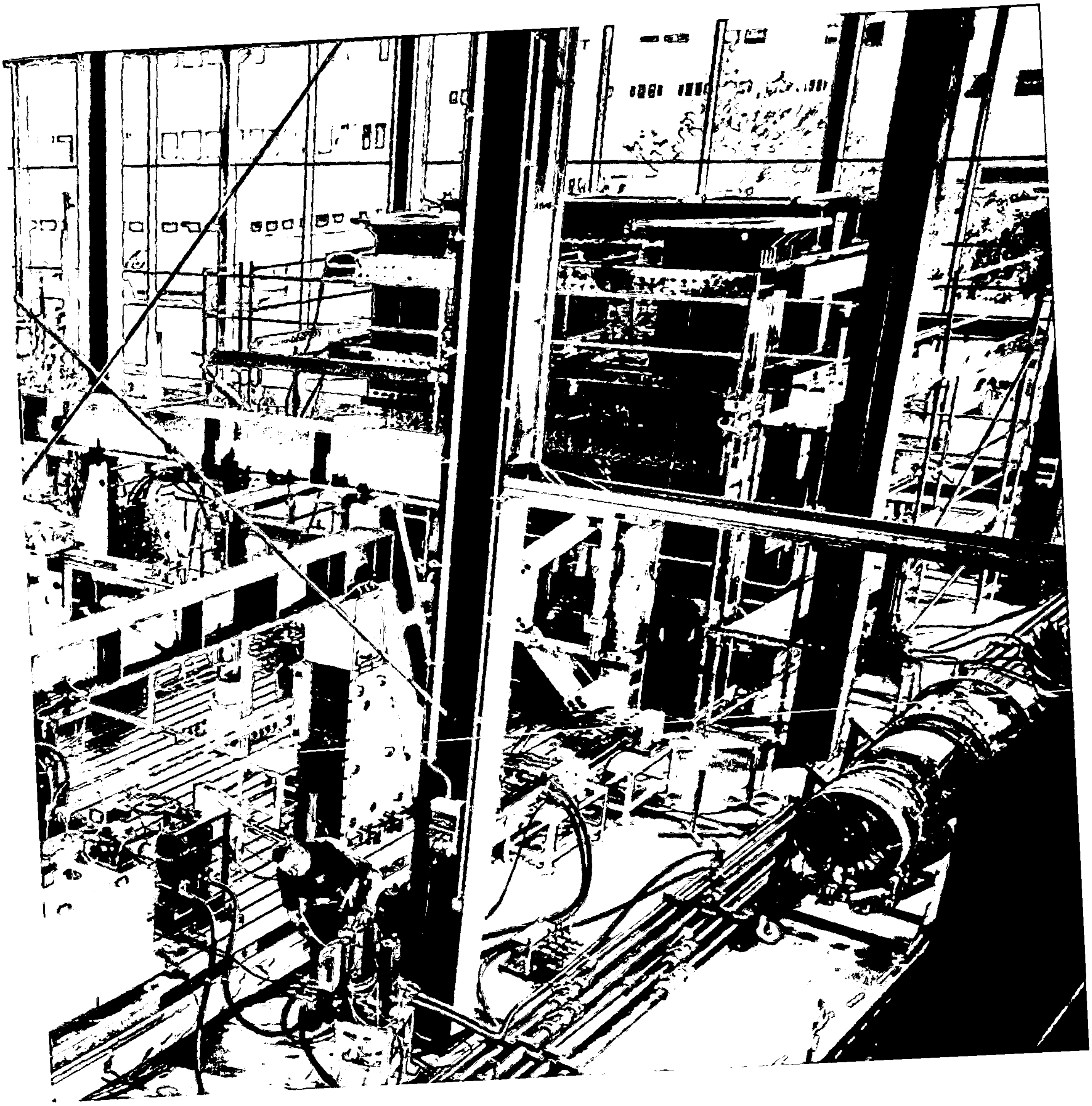


CEO REVIEW

CEO REVIEW

2016 represented another strong performance for Element from a safety and operational perspective. Our key financial metrics continued to improve with revenue, profitability and margin growth despite challenging end market conditions experienced within some parts of our business. We strengthened our commercial organisation with the appointment of a new EVP of Sales and Commercial Development, significantly invested in extending and improving the use of systems across the business and formed a Global Operational Development team to improve the execution of operational initiatives.

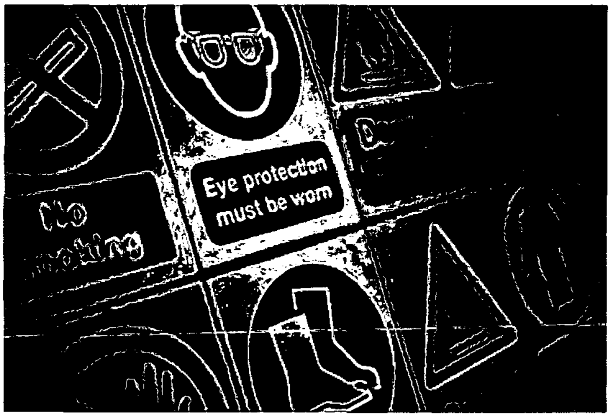
Element's focus on safety delivered another improved performance in 2016. We experienced a sizeable decline in our safety severity rates whilst seeing a marked improvement in the Group's Safety Culture Index scoring record. Over 50% of our locations recorded no workplace injuries requiring treatment beyond first aid.

During 2016 we also focused on further strengthening our commercial organisation and expanded our Leadership team with Frido Langedijk joining Element in a newly created position as EVP of Sales and Commercial Development. We expanded the Strategic Accounts Management (SAM) program which delivered an impressive 26% Year-on-Year growth in revenue and were able to leverage the complete capabilities of Element to deliver more comprehensive and integrated technical, operational and commercial solutions to meet the needs of our customers.

We continued to invest in recruiting and retaining the best technical experts and extended the Group's Executive team to reflect the growing operational scale of the business.

As part of our ongoing commitment to delivering operational excellence, Element formed a global operational development team and recruited an Operational Development Director to strengthen the execution of operational initiatives.

Our organic growth has been complemented by accretive acquisitions in Europe and the US that are well aligned with the Group's strategy. We continued to build out our US Aerospace product qualification testing activities with the acquisition of Northwest EMC and extended our European Aerospace materials testing business with the acquisitions of GLP in Germany and the signing of a binding agreement to acquire TEAMS in Spain. The final purchase agreement was signed on 13 May 2017.



OUR SAFETY **PERFORMANCE**

THIS YEAR WE INTRODUCED A COMPREHENSIVE SAFETY TRAINING PROGRAMME FOR OUR WIDER MANAGEMENT TEAM AND DELIVERED ANOTHER HIGHLY SUCCESSFUL SAFETY IMPROVEMENT WEEK, WHICH IS DEVOTED TO PROMOTING A BETTER SAFETY CULTURE AND PRACTICE WITHIN THE COMPANY.

Alongside these acquisitions the Group won a series of new outsourcing contracts demonstrating a further way in which the Group can successfully work in partnership with our customers to drive organic growth. Element took over the management and staffing of a Rolls-Royce laboratory in Indianapolis, where we now carry out production testing allowing Rolls-Royce engineers to focus on development. For Arconic in Cleveland we invested in the expansion of our testing services to handle their outsourcing needs, and at the PCC laboratory near Portland we now complete PCC's structural Computed Radiography testing, in both cases freeing up internal resources for our customers so they can focus on core activities.

The Group's growth was further reinforced by our commitment to innovation, demonstrated by our investment in developing and manufacturing our own stress and creep rupture equipment, which will provide significantly increased capacity for our customers at a significantly reduced investment cost to the Group.

Element's Quality Management System, regularly audited by internal and external parties, continued to yield results in 2016. Our laboratory in Rancho Dominguez received Nadcap accreditation for Computed Radiography, becoming the first large scale, independent testing laboratory to be granted the accreditation.

The underlying group delivered $285.5m in revenue (+4% growth vs 2015) and $78.4m EBITDA* (+6%), as well as further improving margins and maintaining strong cash management and conversion.

Following five years of transformational growth with 3i as the Group's majority shareholder, on March 22 Bridgepoint Capital became Element's new majority shareholder. Bridgepoint fully supports and matches Element's future growth ambitions and together with their sector expertise and financial backing will support the successful delivery of our growth focused strategy in the future.

The ambition of both our new shareholders and the management team was clearly demonstrated when the Boards of Element Material Technology Group Limited and Exova Group plc reached agreement on the terms of a recommended cash offer to acquire the Exova Group plc and an announcement in accordance with section 2.7 of the Takeover Code was made on 19 April 2017. The acquisition completed on 29 June 2017. The enlarged group will provide significant customer benefits including increased capacity, technical range and expertise, as well as increased geographic footprint.

Element continues to work towards serving our customers as we focus on further professionalising our commercial and operational programs and adding more capacity and capability to fulfil our mission of being the best and most trusted testing partner in the world.

"IN 2016 ELEMENT BOOKED SIGNIFICANT PROGRESS AGAINST OUR 2020 GROWTH STRATEGY AND CONTINUED TO BUILD OUR COMMERCIAL AND OPERATIONAL BENCH STRENGTH."

Charles Noall
President & CEO

*Adjusted for exceptional and transaction costs (refer to page 65)

element

CFO REVIEW

CFO REVIEW

2016 represented a year of change for the Element Group with a new shareholder, Bridgepoint Capital, investing behind our refreshed 2020 growth strategy, the completion of two acquisitions further extending the US Aerospace product qualification testing and European Aerospace materials testing footprint and a binding agreement to purchase an accredited Aerospace testing business in Seville, Spain which will further increase Element's European Aerospace testing footprint.

Element delivered a strong performance in 2016, demonstrating the benefits of its end market diversification, deep customer relationships and recognised technical excellence. As a result the Group was able to deliver a sixth year of continuous revenue and profit growth, despite headwinds in one of our end markets.

Revenue of the underlying group increased from $275.8m to $285.5m for the full year, which represented an increase of 4% (the consolidated revenue for the reporting period amounted to $216.8m). This included the in-year impact of the two acquisitions that completed in 2016, Northwest EMC and GLP in Germany. The underlying group EBITDA[2] for the full year grew from $74.2m to $78.4m (+6%) and our profit margins improved for the sixth consecutive year (+0.6ppt), reflecting continued operational improvements, strong cost management and leveraging from an efficient central Group function. The consolidated EBITDA[2] for the reporting period amounted to $62.3m. Cash generated from operations for the year of the underlying group was strong with $57.1m generated. The Group ended the year with $45m of cash on balance sheet.

We successfully refinanced the business twice in 2016, raising an additional $165 million of acquisition facilities to support further M&A and organic growth opportunities, of which just under half was invested in 2016.

FUTURE DEVELOPMENTS

Element expects to benefit from continued organic growth in both the Aerospace and Transportation sectors, whilst remaining cautious about the outlook in Oil & Gas. There remain a number of opportunities for continued M&A activity and capital investments in support of organic growth within the end markets we serve.

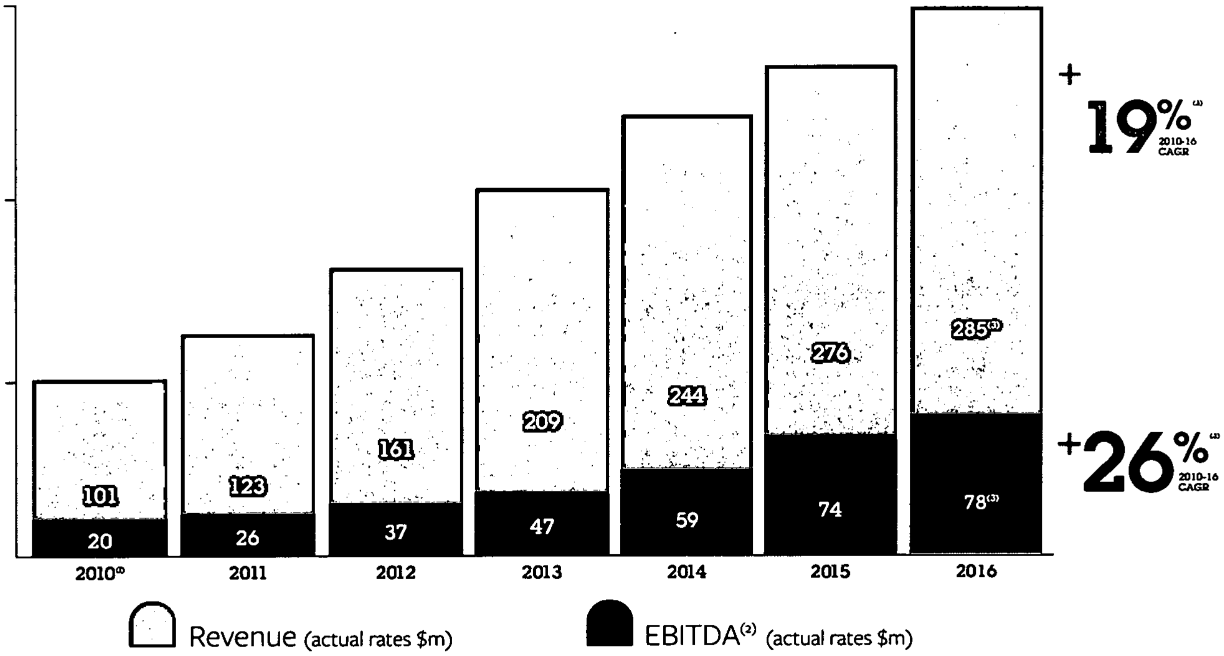
Element intends to build upon the development of its materials testing business within Europe in 2016, following the investments in a new state of the art facility in Sheffield and extending geographic footprint in Europe. We intend to continue investing in recruiting and retaining the best technical experts and will benefit from further strengthening of the leadership team with the appointment of a new EVP of Sales and Commercial Development in 2017, and the addition of divisional operational leaders.

In 2017, there will be a further focus on growing our global material testing business with the establishment of a new laboratory in Shanghai, China. In addition, we will make further investments in capacity and increase the range of technical services to support the growth of our customers and further professionalise our sales and commercial organisation.

"WE ARE EXCITED TO PARTNER WITH BRIDGEPOINT WHO HAVE A LONG TRACK RECORD OF INVESTING BEHIND MARKET LEADING TESTING BUSINESSES."

Jo Wetz
CFO

SIX YEARS UNBROKEN GROWTH



(1) Pre-acquisition unaudited (2) Adjusted for exceptional and transaction costs specified on page 65 (3) Full year basis for the underlying group

*Full year basis for the underlying group

PRINCIPAL RISK AND UNCERTAINTIES

Element is exposed to a variety of risks and actively manages them through its risk management procedures.

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, but are not limited to, the following:

- The Group's reputation risk as a leader in testing services: The Group has quality control procedures and operational KPIs in place to mitigate this risk which is under constant review and subject to external audit by accreditation bodies and customers
- Consolidation of customer base, competition and pricing pressure: The Group is continuously improving customer service both by creating focused Strategic Accounts Management and Key Accounts Management programs and improving operational delivery and regularly monitors performance against expectations
- Dependence on key personnel: 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
- Liquidity risks: In order to ensure that sufficient funds are available to fund ongoing operations and future developments, management regularly reviews cash flow forecasts and financing arrangements of the business to ensure that there is sufficient funding in place
- Exchange and interest rate risks: The Group continues to monitor the exchange rate risks associated with both servicing its debt and the revaluation of income statement and balance sheet. The Group uses cross currency swaps and interest rate caps to mitigate these risks. The interest rate swaps and caps were put in place for 3 years ending 31 March 2019

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 minimise 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 69 to 78.

The Directors in preparing the strategic report have complied with section 414c of the Companies Act 2006.

By order of the Board

Jo Wetz
Director

DIRECTORS' REPORT

The Directors present their report and the financial statements for the period ended 31 December 2016.

The principal activities of the Group are Materials and Product Qualification Testing. A description and review of the Group during the financial period and indications of future development is set out in pages 6 to 21 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 International Financial Reporting Standards (IFRSs) as adopted by the European Union and the Parent Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and Applicable Law), including FRS 101 "Reduced Disclosure Framework". Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that 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 period and to the date of this report were as follows:

- Charles Noall (appointed 22 March 2016)
- Jo Wetz (appointed 22 March 2016)
- Raoul Hughes (appointed 22 March 2016)
- Christopher Busby (appointed 14 December 2015)
- Jason McGibbon (appointed 14 December 2015, resigned 13 December 2016)

Disabled employees

Applications for employment by disabled persons are always fully considered, bearing in mind the abilities of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the 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 internet 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.

Research and development

During the period, the Group had 12 research and development projects.

Political contributions

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

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 Strategic Report on page 20.

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 minimise risk. The Group ensures the appropriate cover of all essential liability and claims risks.

Going concern

The Directors have a reasonable expectation that the Group as a whole has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in the accounts. Further details regarding the adoption of the going concern basis can be found in the notes to the consolidated financial statements on page 69.

Future developments and events after the balance sheet date

Details of future developments and events that have occurred after the balance sheet date can be found in the Note 26 of the accompanying notes.

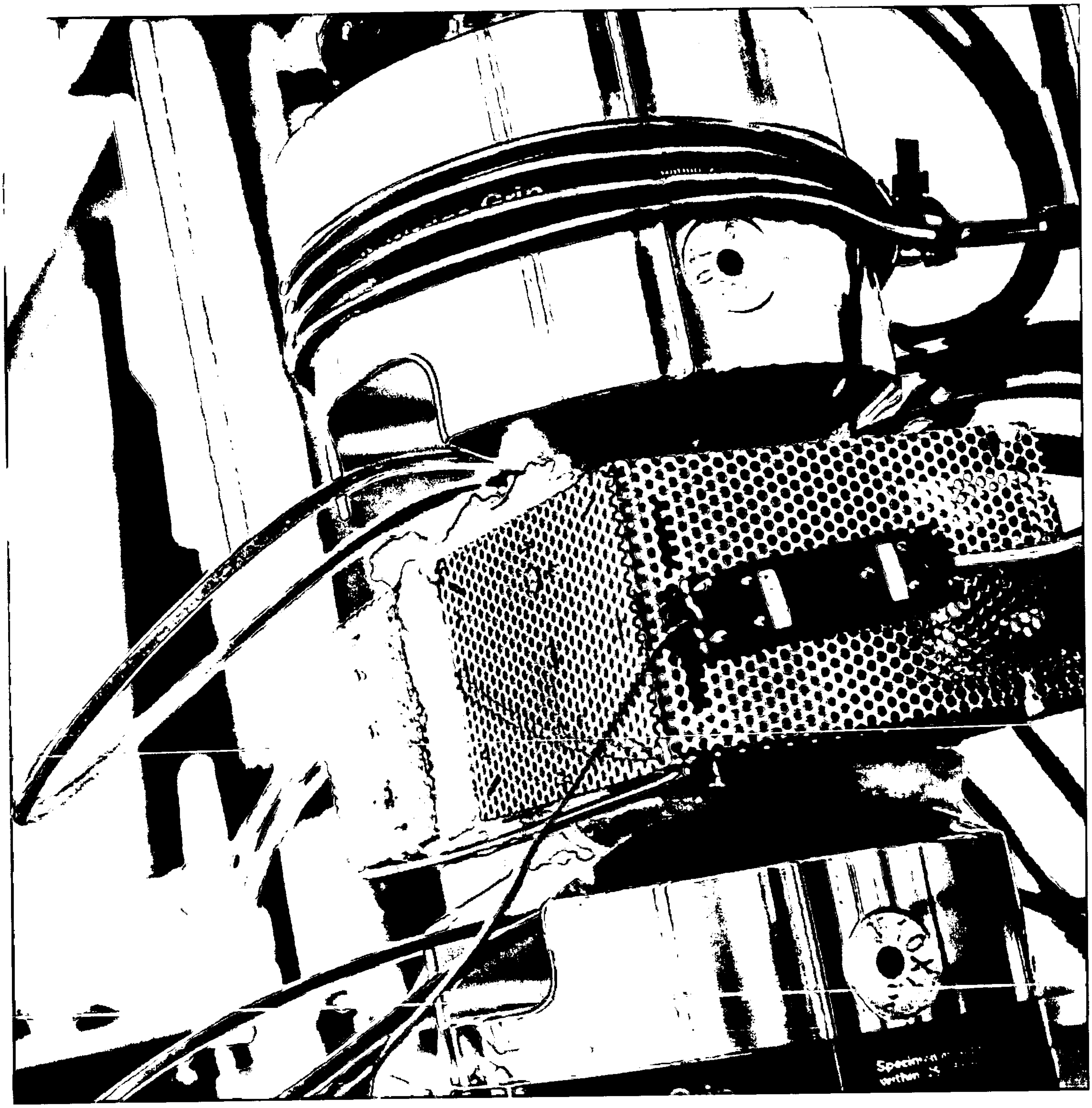
Disclosure of information to auditor

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

- so far as that Director is aware, there is no relevant audit information of which the Company 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, Deloitte LLP, will be proposed for reappointment in accordance with section 487 of the Companies Act 2006.

This report was approved by the Board on 3 August 2017 and signed on its behalf.

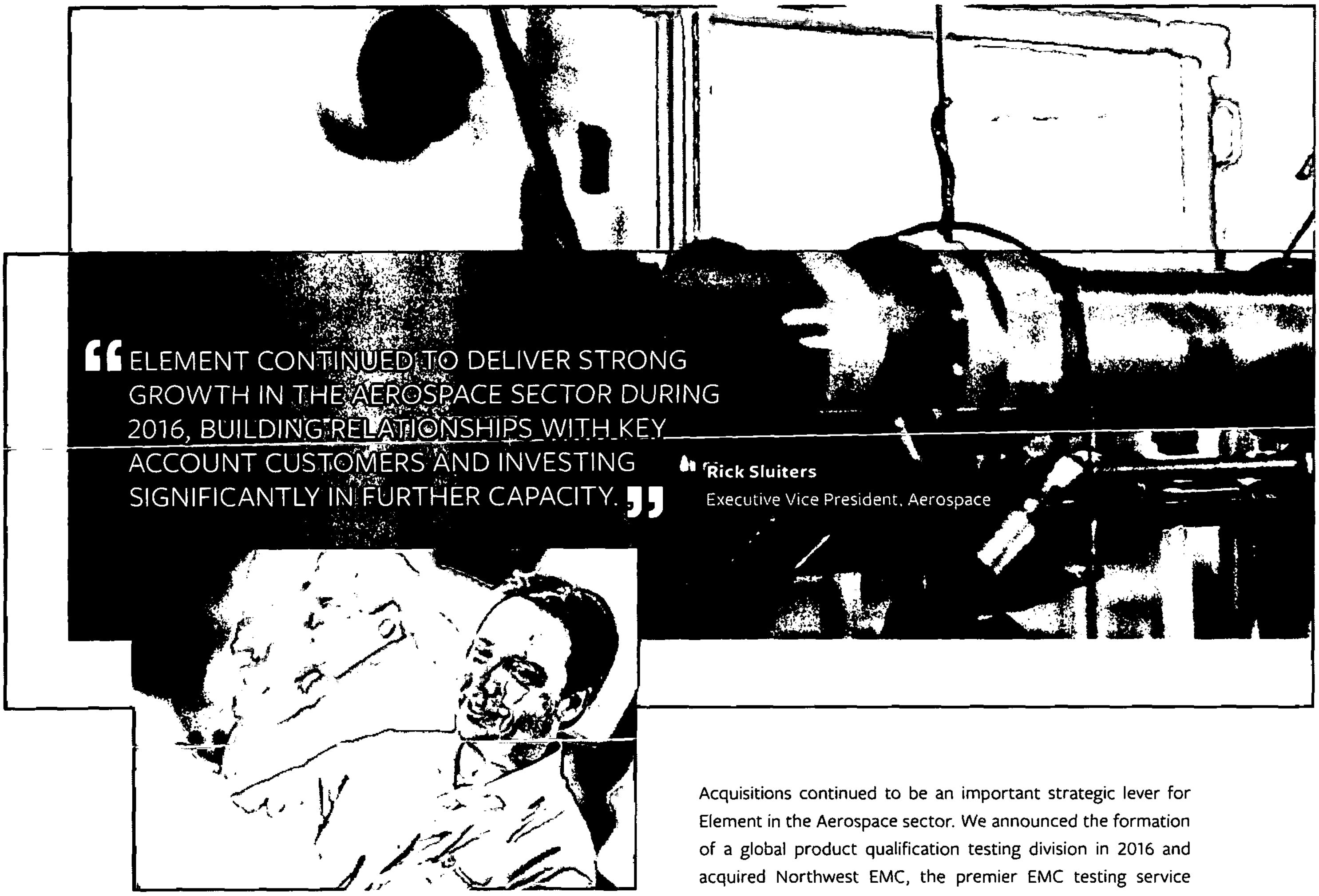
Jo Wetz
Director



MARKET OVERVIEW

AEROSPACE

Element continued to deliver strong growth in the Aerospace sector during 2016, largely due to the continued positive impact of the Element Strategic and Key Account programs; the increasing demand from our major forging customers; and the acquisition of three important businesses which have significantly expanded our European materials testing and US EMC testing capabilities in the sector.



“ELEMENT CONTINUED TO DELIVER STRONG GROWTH IN THE AEROSPACE SECTOR DURING 2016, BUILDING RELATIONSHIPS WITH KEY ACCOUNT CUSTOMERS AND INVESTING SIGNIFICANTLY IN FURTHER CAPACITY.”

Rick Sluiters
Executive Vice President, Aerospace

In 2016 we continued to focus on further expanding and professionalising our Strategic Account Program, which saw 35% growth in the year for the Aerospace sector.

Element achieved double digit growth from our forging customers driven by the ramp up in production of new generation engines and an increased production in airframes. To support the growth in demand from our forging customers, we designed and produced our own stress and creep rupture frames for use in our laboratories in Charlotte, Huntington Beach and Sheffield and also heavily invested in our machine shops to increase throughput.

Acquisitions continued to be an important strategic lever for Element in the Aerospace sector. We announced the formation of a global product qualification testing division in 2016 and acquired Northwest EMC, the premier EMC testing service provider in the US, which enhanced our capabilities in wireless device testing, MIL-STD and RTCA DO-160. This acquisition took the number of our Aerospace product qualification testing laboratories to 19 with over $80 million in revenue.

We also began to establish our presence in the materials testing market in Europe. We acquired GLP, a market leading testing business from DNV GL in Germany and TEAMS in Spain, which expanded our materials testing footprint and services in Europe.

The GLP laboratories in Germany comprise of four ISO:17025/ OHSAS:18001 accredited laboratories and TEAMS is an Airbus Tier 1 supplier which holds a Nadcap accreditation for metallic, non-metallic and Non-Destructive Testing.

We also began relocating our existing Sheffield laboratory into a new state-of-the-art facility, which is now part of our dedicated Aerospace materials testing laboratories in Europe and has achieved a Nadcap accreditation.

Alongside these three acquisitions, we also capitalised on outsourcing opportunities from three of our strategic clients, which included investments in a new digital x-ray laboratory in Portland that is now fully operational.

With these investments in facilities and capabilities, we are well positioned to provide global support to engine manufacturers in new innovative testing areas such as ceramic matrix composite testing, polymer matrix composite testing and additive manufacturing.

In 2017, there will be a further focus on growing our global material testing business with the establishment of a new laboratory in Shanghai, China. In addition, we will make further investments in fracture mechanics & crack propagation testing and continue to further professionalise our sales and commercial organisation.

OIL & GAS

2016 was a challenging year for the Oil & Gas Sector with continued low oil prices and an uncertain investment environment for many of our customers.

We continued our strategy to grow by investing in technology, capacity and capability, maintaining our technical staff and expertise whilst also diversifying our business offering and focusing on controlling operating costs.

In 2016 we focused on providing a wider range of services to our clients, through our Centres of Excellence in fracture mechanics, coatings, corrosion, polymer and composite material testing.

Element's long term investment in fracture mechanics capabilities continued with the expansion of operations at our Technical Centre of Excellence for fracture mechanics in Breda, where we provide a full range of on-site materials testing, failure analysis and fracture mechanics testing services at the location.

We launched a new Coatings Centre of Technical Excellence in Amsterdam, expanding our capacity in coatings testing services for pipelines and field joints, while adding a wide range of tests for coatings for offshore and onshore assets.

We expanded our polymer and composite material testing capacities at our Houston laboratory and relocated our corrosion facility from Sheffield to Aberdeen, bringing this important capability closer to our key clients in the UK's Oil & Gas hub.

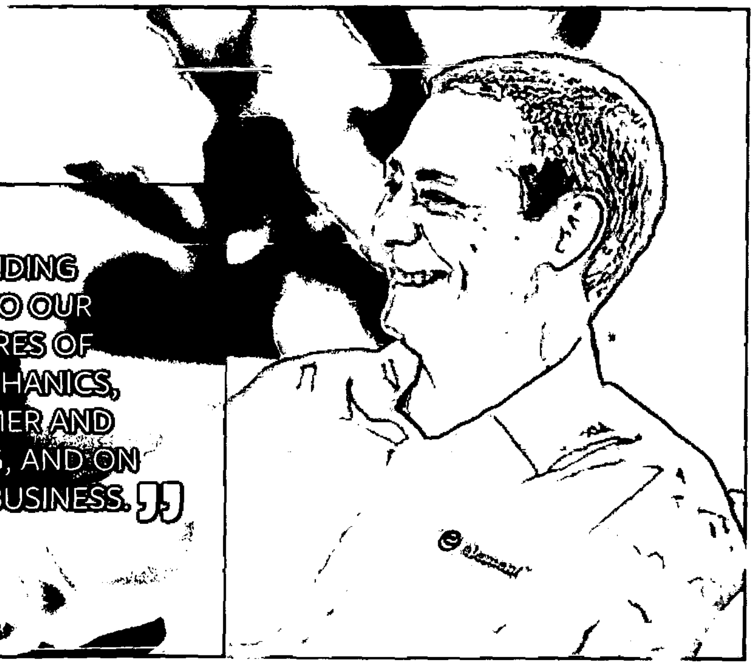
We expanded and grew our advanced materials lab in Hitchin, targeting composites in Aerospace, Oil & Gas and the Energy industries. We also diversified our testing capabilities in Aberdeen with a renewed focus on the nuclear industry.

In our Houston laboratory, we obtained the Nadcap accreditation for Non-Destructive Testing (NDT) services, becoming one of the leading independent laboratories in the area to offer a full suite of accredited methods for NDT.

In 2016 we demonstrated our capacity, capability and our inter-laboratory equivalency for fracture mechanics and ECA testing by successfully delivering several large subsea projects such as the Kaombo, Maria and Appomattox projects in our Houston, Aberdeen and Breda facilities simultaneously.

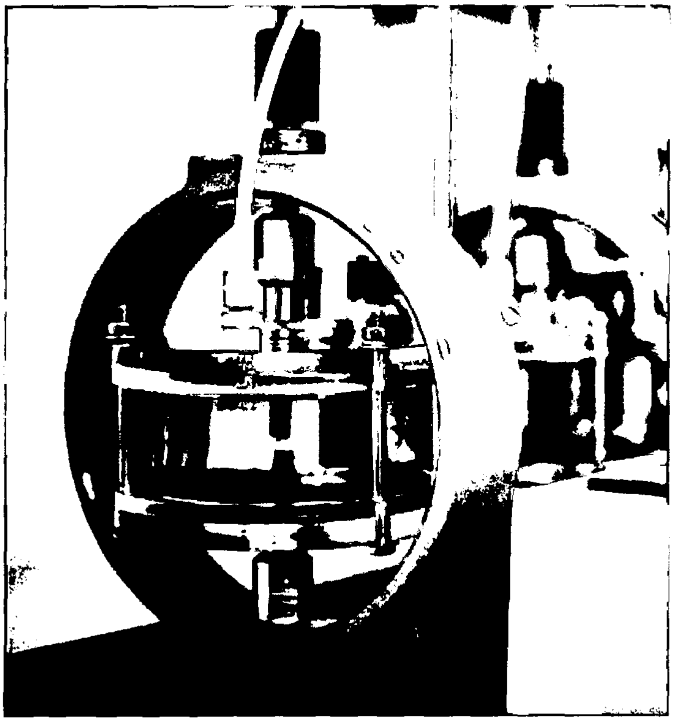
Despite the challenging market position and the decline in revenue, we managed to control costs and retain our technical staff and expertise.

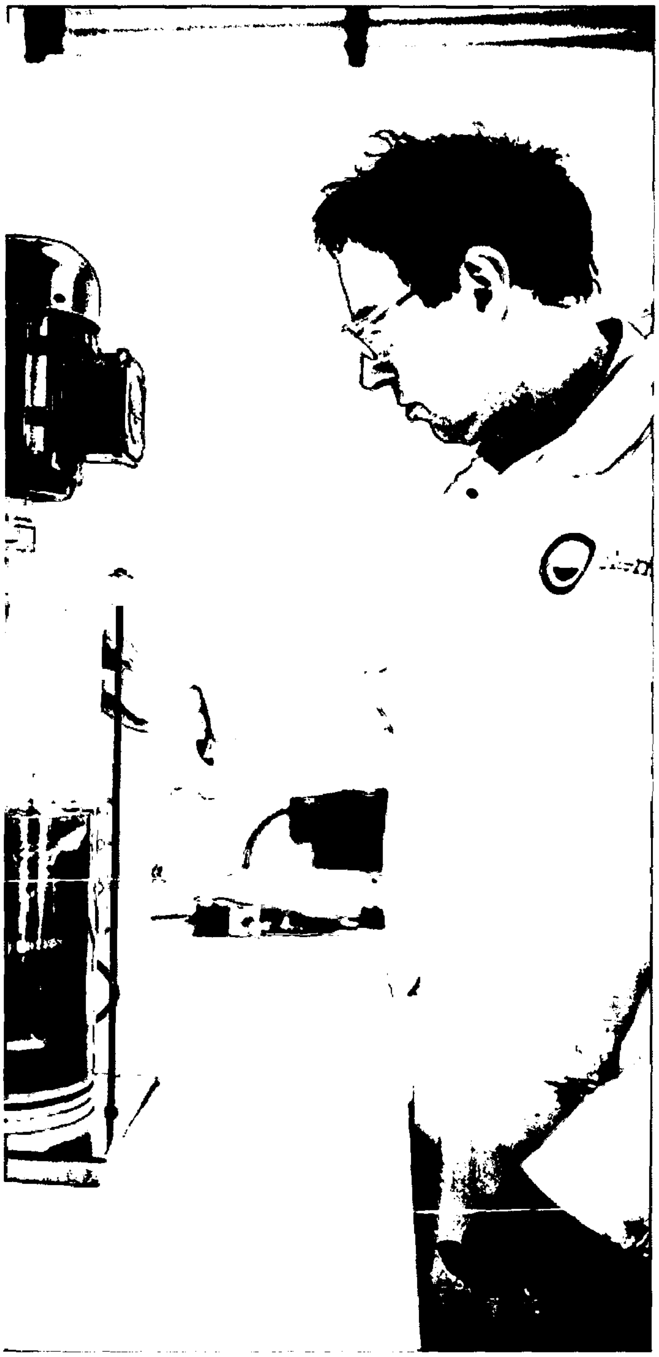
We remain cautious about the outlook but will continue our strategy of investing in this strategically important sector for Element to be able to respond to the needs of our clients when the market recovery occurs.



"IN 2016 WE FOCUSED ON PROVIDING A WIDER RANGE OF SERVICES TO OUR CLIENTS, THROUGH OUR CENTRES OF EXCELLENCE IN FRACTURE MECHANICS, COATINGS, CORROSION, POLYMER AND COMPOSITE MATERIAL TESTING, AND ON THE DIVERSIFICATION OF OUR BUSINESS."

Dr. Rod Martin
Executive Vice President, Oil & Gas





TRANSPORTATION & INDUSTRIALS

> "THE GROUP CONTINUED TO BUILD POSITIVE MOMENTUM THROUGHOUT THE YEAR AND FINISHED WITH A STRONG PERFORMANCE IN THE SECOND HALF OF THE YEAR, DESPITE THE DECLINE IN SOME PARTS OF THE INDUSTRIAL SECTOR EARLY IN 2016."

TRANSPORTATION

Transportation performed strongly in 2016, despite reduced customer demand due to fewer vehicle launches compared to 2015.

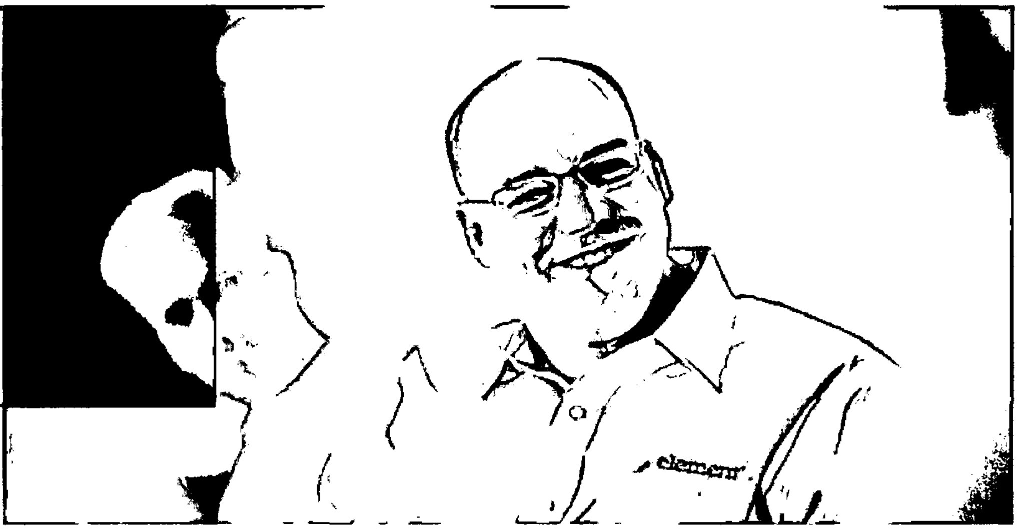
We continued to invest in additional capabilities and capacity to be at the forefront of the increase in demand from the OEMs and their suppliers over the next three years, as they invest to deliver autonomous vehicles to the market and to meet the Corporate Average Fuel Economy (CAFE) standards that are designed to improve the average fuel economy of new cars and light trucks in the US.

Element made a significant investment to strengthen its electronic testing capabilities to perform validation testing on cameras, switches, sensors and other advanced electronic components. We also expanded our testing capabilities with the addition of Volatile Organic Compound (VOC) testing services for materials and finishes used within automotive interiors.

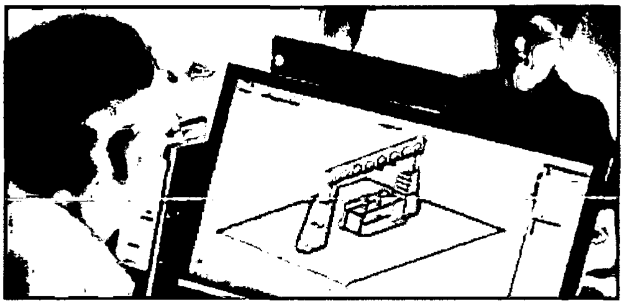
We made major investments to support new technologies and testing capabilities in hybrid vehicle and electric vehicle batteries, such as the Multi Axial Simulation Table (MAST) and investments in metallurgical testing, such as our investment in cleanliness technology, that have expanded and enhanced our service offerings in the market to become a single testing supplier to many of our Automotive clients.

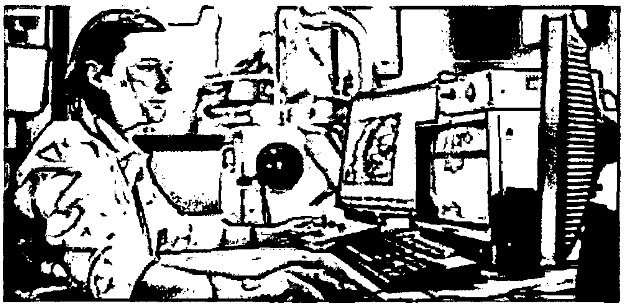
In 2017 we will continue to make strategic investments to remain at the forefront of our client's testing needs with further investments in battery, electrical, interiors, fluids and fuel component testing.

John R. Nelson
Executive Vice President,
Transportation & Industrials



INDUSTRIAL





The Group continued to build positive momentum throughout the year and finished with a strong performance in the second half of the year, despite the decline in some parts of the industrial sector early in 2016.

Element made strategic investments in cytotoxicity and endotoxin testing in support of the medical device industry which helped us secure several large medical device companies as new customers, as we continue to invest and grow that part our business.

Element continued to benefit from the growth in the wind energy sector in 2016, performing testing on 22 projects in multiple states including Minnesota, Iowa, Kansas, Oklahoma, Texas, New Mexico, North Carolina and Pennsylvania.

In 2017, we will make further investments in a new facility for environmental testing at our Fort Wayne location.

element®

OUR PEOPLE

OUR **PEOPLE**

Element's greatest asset is our people. The collective knowledge and skills of our global community of 1,900 Engaged Experts ensure exceptional services and solutions are developed and successfully delivered for some of the most technically challenging sectors in the world.

Element has a strong focus on attracting, developing and retaining the very best experts in their fields; creating opportunities for them to develop technically, commercially and personally; continually engaging with them, wherever they are located across our global platform so that they truly understand the value they add to Element and our clients and making sure they go home safe at the end of each day.

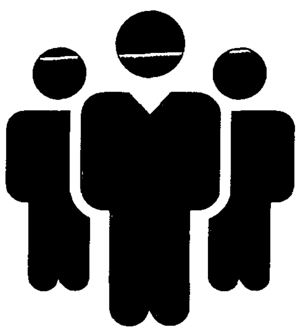
During 2016 Element continued the development and deployment of training programs to support our employees in building their careers and achieving their development goals. Throughout the year we introduced a number of new in-person and online training programs, as well as leadership development sessions to provide training and support for Group leaders and potential new leaders.

We further enhanced our career ladder programs with the introduction of new job families and subsequent career progression paths. We strengthened our leadership teams, with a sizeable number of employees having been promoted internally within the Group.

We successfully completed three acquisitions in three different countries, welcoming hundreds of new employees to the Group, delivering a range of business and cultural integration activities to ensure their seamless transition into Element.

As ever, the safety of our employees continues to be our number one priority. In 2016, we continued to improve our workplace safety record with year-end recordable rates remaining flat but at the same time having experienced a large increase in the number of total hours worked. We experienced a sizeable decline in our safety severity rates, whilst experiencing an improvement in the Group's Safety Culture Index scoring record.

WE VALUE



LEADERSHIP

PARTNERSHIP

SAFETY

BARRY WARD

Technical Director, Aerospace Material Testing, Europe

Barry Ward is an internationally renowned expert in the field of Fatigue Testing for the Aerospace industry.

Prior to joining Element, Barry was the Global Chief of Materials Testing for Rolls-Royce where he designed, commissioned and managed its industry leading laboratory in Germany. He brings an enormous wealth of experience and a proven track record of establishing world class testing facilities within the sector.

Barry is a Chartered Engineer with a degree from Sheffield Hallam University. He is a member of The Institute of Materials, Minerals and Mining (IOM3).

TIM O'SHEA

General Manager

Tim has over 32 years experience in EMC Engineering and Management and is a recognised and renowned leader in the US EMC testing community.

Prior to joining Element through the acquisition of Northwest EMC, Tim worked as an EMC Engineer at Control Data Corporation and Amador Corporation, before moving into management as the US EMC Manager for TUV and Design Assurance Lab manager for Medtronic.

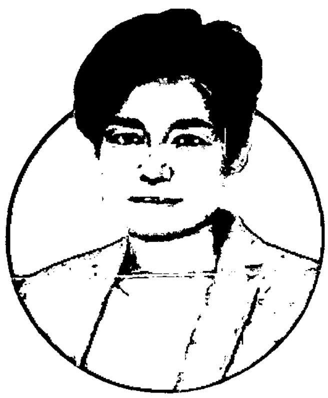
For the past 8 years Tim has been the Operations Manager for Northwest EMC's Minnesota testing laboratory. He holds a BSc in Electrical Engineering from Marquette University; is an iNARTE Certified Engineer; is the Twin Cities IEEE EMC Chapter Chair, and is a regular contributor of papers and presentations at a wide variety of EMC Events and Symposiums across the US.

MANFRED FEYER

General Manager

Manfred Feyer is a highly experienced and recognised expert in the field of failure analysis, with a special focus on mechanical engineering for maritime and automotive components. Prior to joining Element, Manfred served as the Managing Director of Germanischer Lloyd Testing Laboratory and was also the Head of the Materials and Failure Analysis Department of GLP in Germany.

Manfred is a member of the Technical Committee Failure Analysis of the Association of German Engineers (VDI). He also is a member of Scientific Advisory Board "Materials" of the BAM (which is the German Federal Institute for Materials Research and Testing within the German Federal Ministry for Economic Affairs and Energy.)



ESTHER GARCÍA

General Manager

Esther has 15 years of experience in delivering testing for metals and composites in the Aerospace industry. Prior to joining Element, Esther served as the Chief Executive Officer for TEAMS, a specialist provider of Destructive and Non-Destructive materials and component testing services based in Seville, Spain.

Esther holds a Master of Science in Mechanical Engineering from the University of Seville and a Management MBA from the Instituto Internacional San Telmo. She is a lecturer at the University of Seville, where she teaches an MSc class in composite materials.

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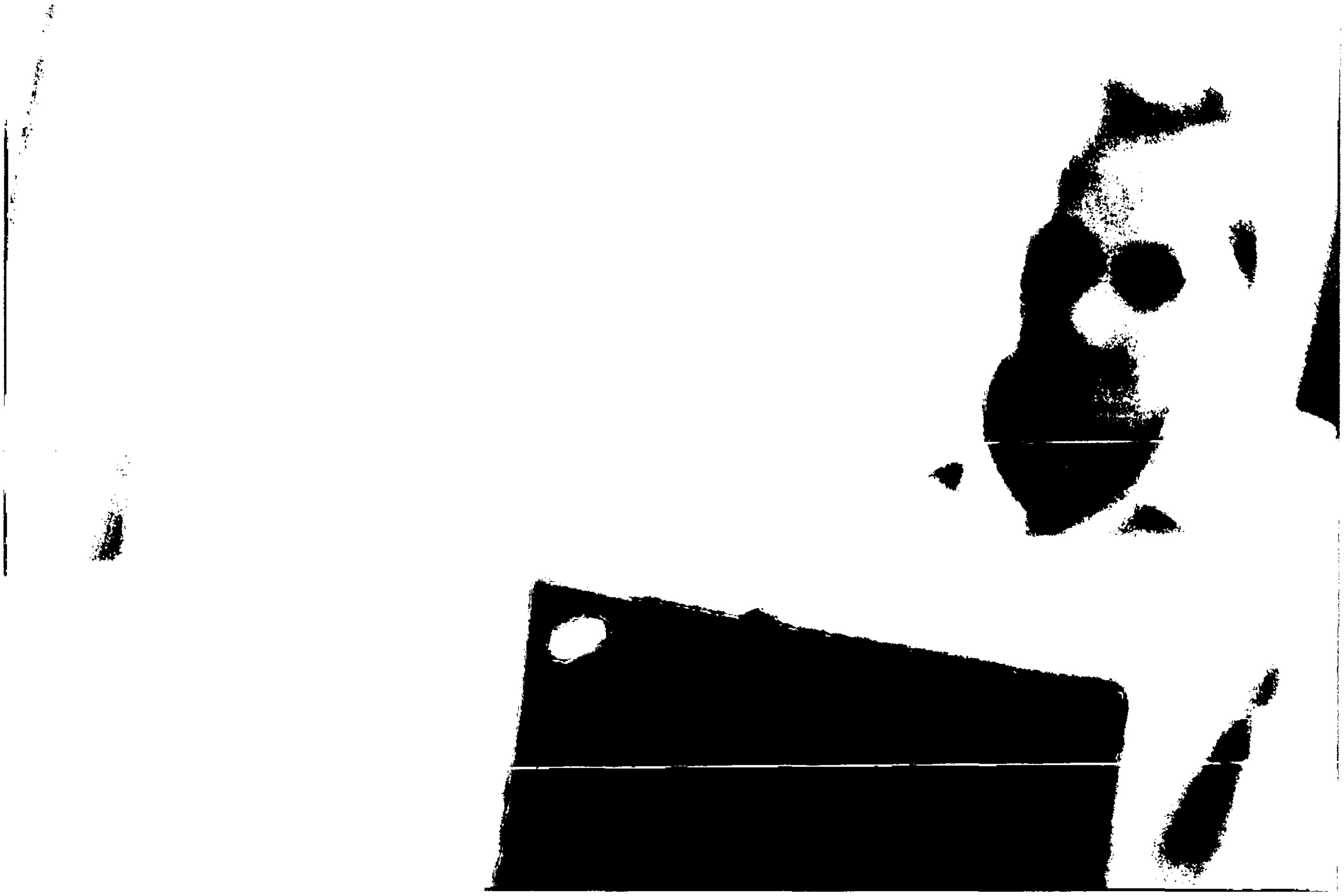
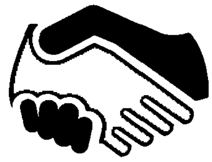


SOLVING CUSTOMER CHALLENGES

INCREASED CUSTOMER CENTRICITY THROUGH STRATEGIC AND KEY ACCOUNT MANAGEMENT

At Element, customer centricity is our focus and a central pillar of the Group strategy. We exist to make certain that the materials and products we test for our clients are safe, quality, compliant and fit for purpose. We believe that by forging strong technical, operational and commercial relationships with our customers, we add value and efficiency to their business.



WE VALUE
PARTNERSHIP

Account management is about achieving long term profitable relationships with our key customers where Element is making consistent, measurable contributions to their profitability and to their customer relationships.

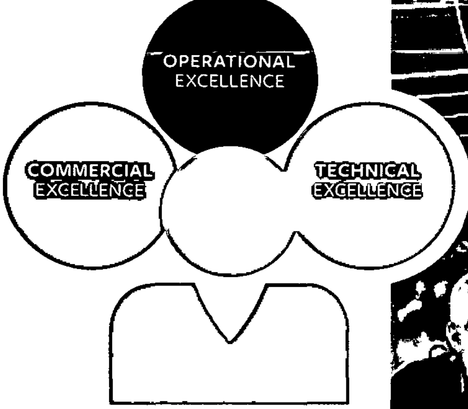
With this in mind, in 2015 the Group launched the Element Strategic Account Management Program, a commercial excellence initiative driving a structured customer engagement approach to our accounts that are truly strategic and critical to our growth and where Element will prioritise its investment.

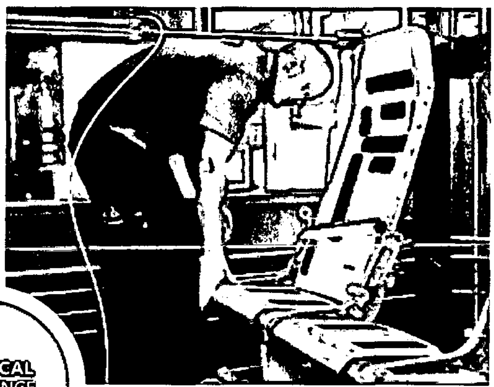
Led by a current team of five full-time Strategic Account Directors across our three sectors, 2016 saw the Group launch two new strategic partnerships and further enhanced four of the existing account relationships. We established a standardised account management process and implemented dynamic account plans led by truly cross functional account teams managing client relationships.

Through this strategy, in the Aerospace sector alone we delivered 35% year-on-year growth from our three strategic clients. Overall for the Group, the program delivered an impressive 26% year-on-year growth across our six strategic clients.

In 2016, we extended the program to include a number of additional 'key' client accounts and allocated account managers to manage these relationships in a more proactive way.

In 2017 the Group will focus on building even stronger and deeper technical and commercial relationships with our strategic clients, as we look to expand the program and apply the same approach to other clients across our three strategic sectors.





STRENGTHENING CLIENT RELATIONSHIPS

GLOBAL AEROSPACE TIER ONE SUPPLIER, A CASE STUDY

Our customer is a global leader in lightweight metals engineering and manufacturing. Element has been working with the customer for over 10 years.

CLIENT'S CHALLENGES

1 Increasing need for capacity and capability of testing

2 Support and management of in house testing services

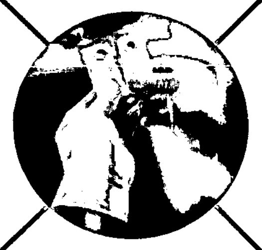
3 Requirement to reduce lead times

OUR APPROACH

1. Investment in testing capacity and capability

a. Investment in machine shop equipment: The Group has made significant investments in machining, sectioning and water jet equipment to provide for growth from the customer's sites, and ensuring more accurate testing on larger test samples.

b. Investment in mechanical testing: The Group has invested in incremental capacity for elevated temperature tensile testing and in designing and manufacturing our own stress and creep rupture frames. Fatigue frames have been allocated to support the growth of new products as the Aerospace engine market grows.



c. Investment in people: Metallurgical engineers have been hired at multiple sites to support product development and verification. It is critical to have technical expertise with oversight and feedback for improvement. Technical resources have been hired for specific forging and extrusion activities performed at the customer's regional sites.

d. Investments in facilities: Expanding Huntington Beach, Charlotte, Daleville and Cleveland.

2. Providing outsourced testing capabilities

Investment in the expansion of our testing services in Cleveland to handle the outsourcing needs of the customer, resulting in cost-savings for the customer and freeing up the customer's employees and management to focus on core activities.

3. Reducing lead times

a. The Group continues to work on operational improvements to reduce lead times helping our client deliver their products to end-users more quickly.

b. The Group has obtained additional prime approvals at several sites including Charlotte and Cleveland to bring testing capabilities closer to the customer's facilities and has also obtained additional test specific approvals.

ELEMENT, HELPING ADDITIVE MANUFACTURING BECOME A REALITY

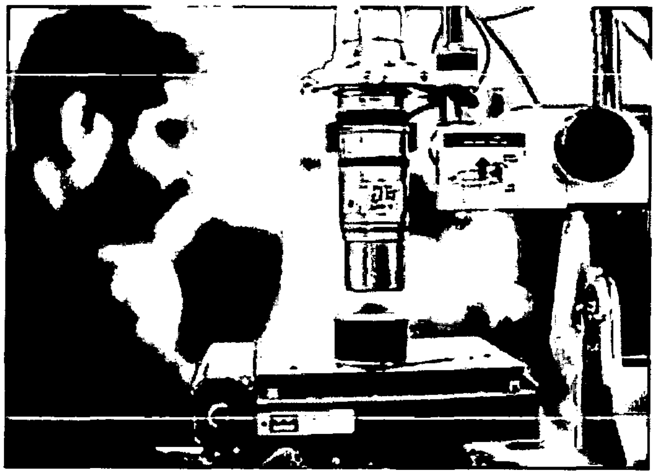
Element continues to support this rapidly advancing disruptive manufacturing process. Additive manufacturing market leaders seek our advice in helping to assure their innovative processes provide repeatable material properties and fit-for-purpose certainty. A wide range of additive manufacturing testing services are currently offered from our laboratories in Cincinnati, Huntington Beach, Rancho Dominguez, Amsterdam and Sheffield.

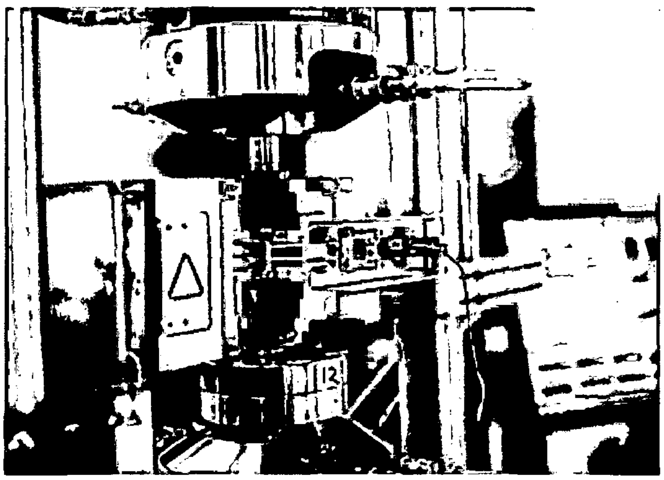
In 2016, we continued to invest in new capabilities and capacity by performing new tests in fracture mechanics and expanding the Group's Non Destructive Testing (NDT) services to inspect additive manufactured components. The Group also expanded its footprint in Europe, with a new offering of testing services to support additive manufacturing at our recently opened state of the art facility in Sheffield.

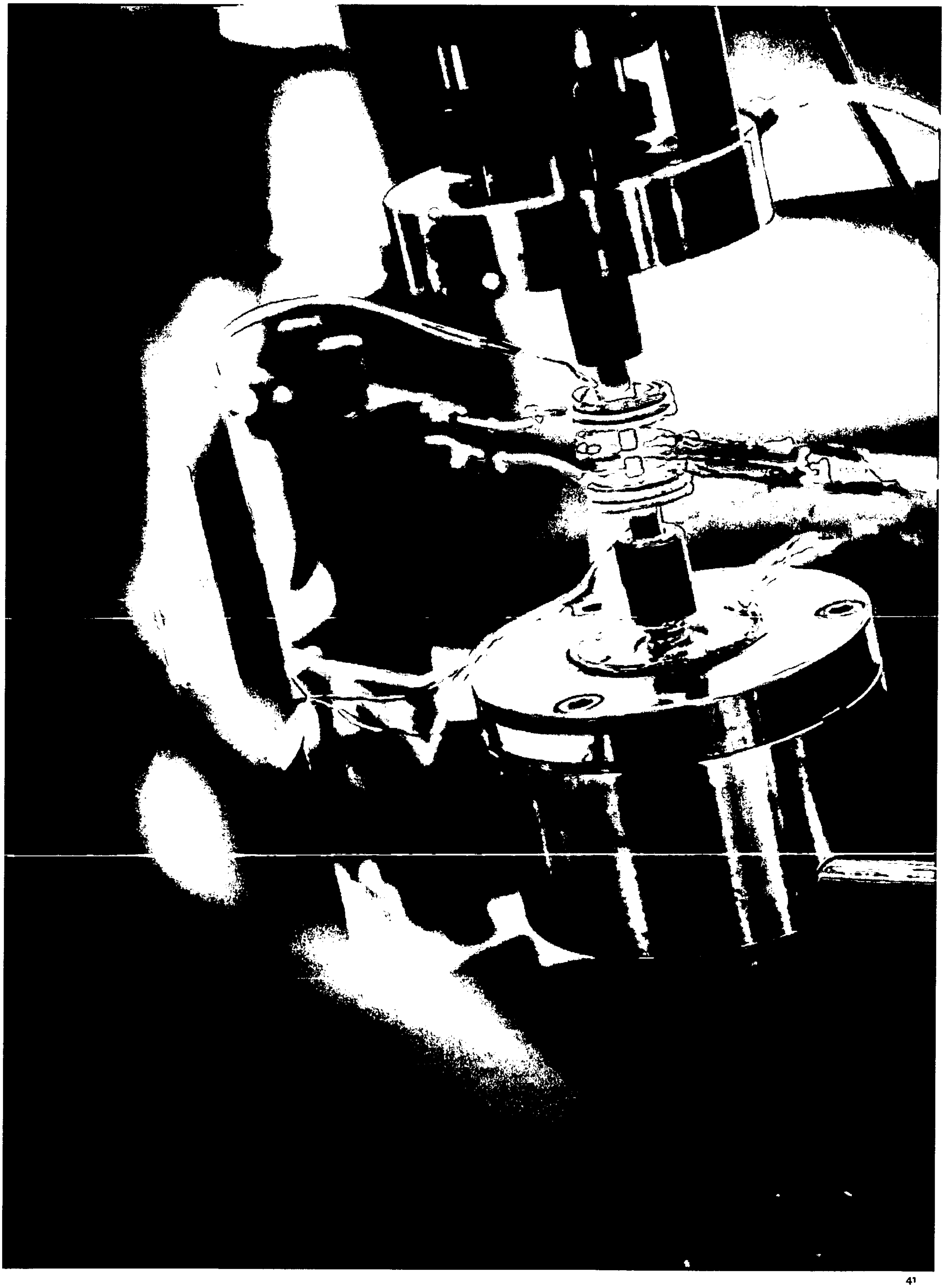
Element supports customers with precise test results to guide their process development, add confidence in related material properties and create boundaries that help minimise risk.

In addition to material testing, Element helps in assuring the additive manufacturing fabrication process produces parts which meet all dimensional and durability requirements. Our NDT services provide extremely important assessments measuring levels of imperfections that can be prevalent within additive manufactured products, while our production qualification testing labs help to assure that components are fit-for-purpose and meeting end use requirements.

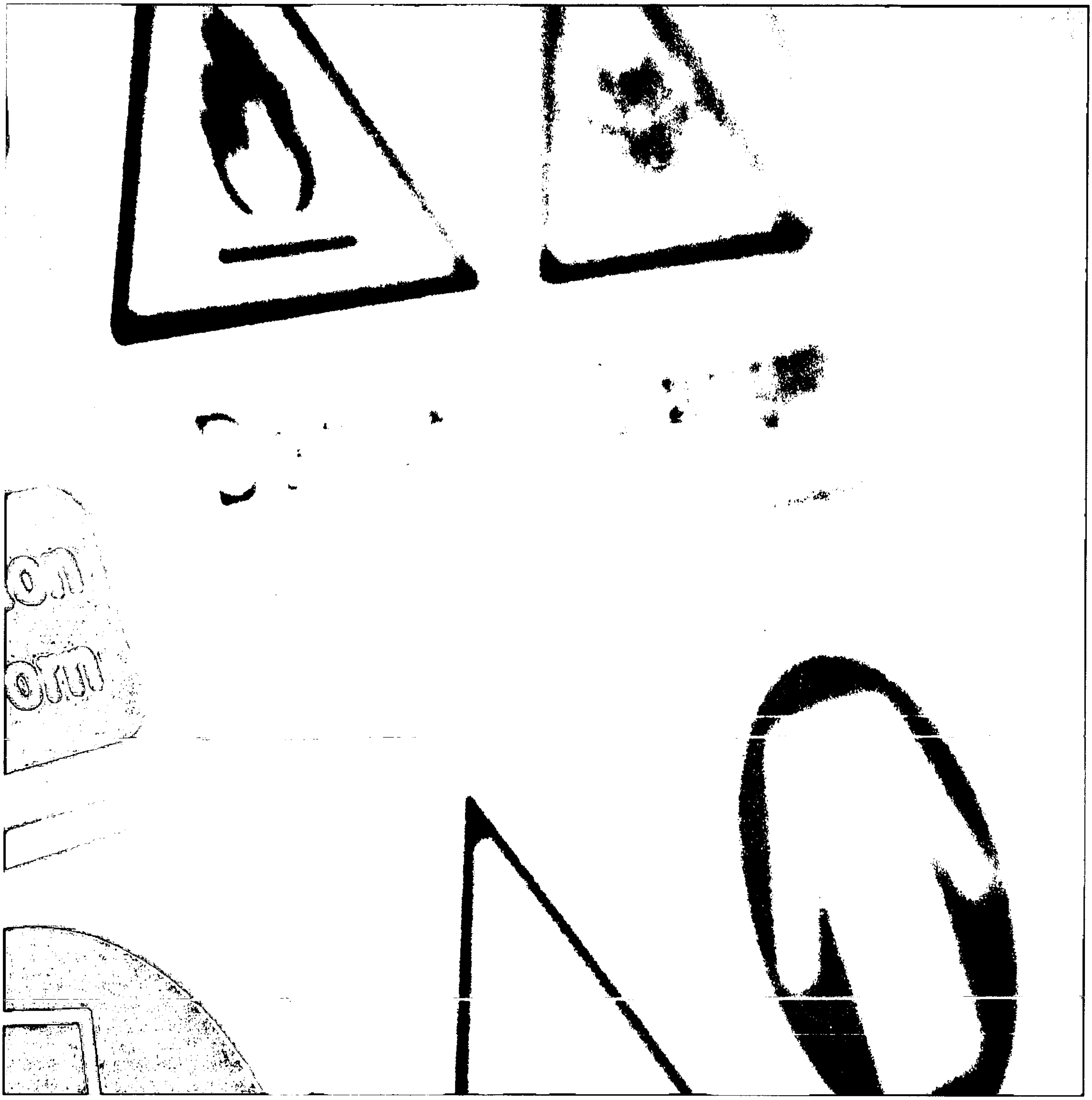
With Engaged Experts actively involved in organisations ranging from the ASTM International Committee F42 on Additive Manufacturing Testing Technologies to America Makes and the National Additive Manufacturing Innovation Institute, Element is firmly positioned to stay at the forefront of materials testing for additive manufacturing.








No
moking
Eye protecti
must be w



OPERATIONAL EXCELLENCE AND SAFETY

OPERATIONAL EXCELLENCE AND SAFETY

Element's safety performance improved in 2016 with the year-end Recordable Injury Rate equating to 1.50 with an additional 135,000 hours worked when compared to 2015.

Over half of our locations recorded zero workplace injuries requiring treatment, beyond basic first aid, during the year. The Safety, Health and Environment team collaborated with colleagues from the Business Improvement team to deliver a successful global safety improvement week which resulted in significant improvements to workspaces in facilities across the Group.

As part of our ongoing commitment to delivering operational excellence, Element has formed a global operational development team to strengthen the execution of operational excellence initiatives and to deliver outstanding operational performance to support Element's organic growth plans, as the Group continues to expand.

In 2016 we continued the expansion of 5S in a number of laboratories in the US and Europe, giving the program a broader geographical reach. At each location, trained coordinators have implemented a number of local 5S initiatives which resulted in marked improvements in our workplace efficiency and organisation. The coordinators deliver monthly performance reviews, regular assessments and issue awards to the laboratories to recognise progression and adherence to 5S.

As part of our LEAN initiative, we launched the Element Operational Excellence Roadmap at our laboratories in Daleville and Huntington Beach with great success. Both laboratories saw significant improvements in on time delivery and lead times.

In 2017 we will continue to focus on process and business improvement projects to increase productivity and performance, including LEAN implementation and Group-wide 5S workplace efficiency. We plan to expand these schemes to more of our laboratories and continue to embed operational excellence within our organisation. As ever, we will continue to focus on safety as a core part of our strategy as we strive to create an incident free working environment across our entire business.

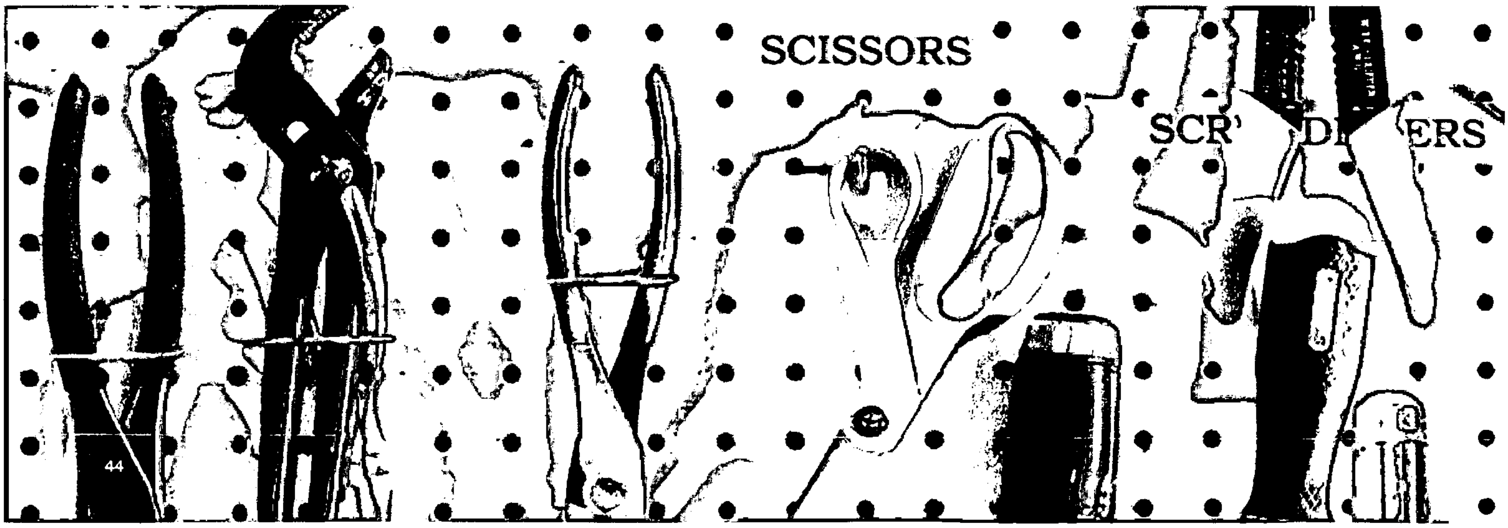
In 2017 we have further strengthened Element's Global Business Improvement team to work with local management at our laboratories to conduct detailed performance analysis as the basis for future continuous improvement. We plan to expand the program to other locations across the US, whilst also implementing a number of shorter term projects that will yield productivity improvements.

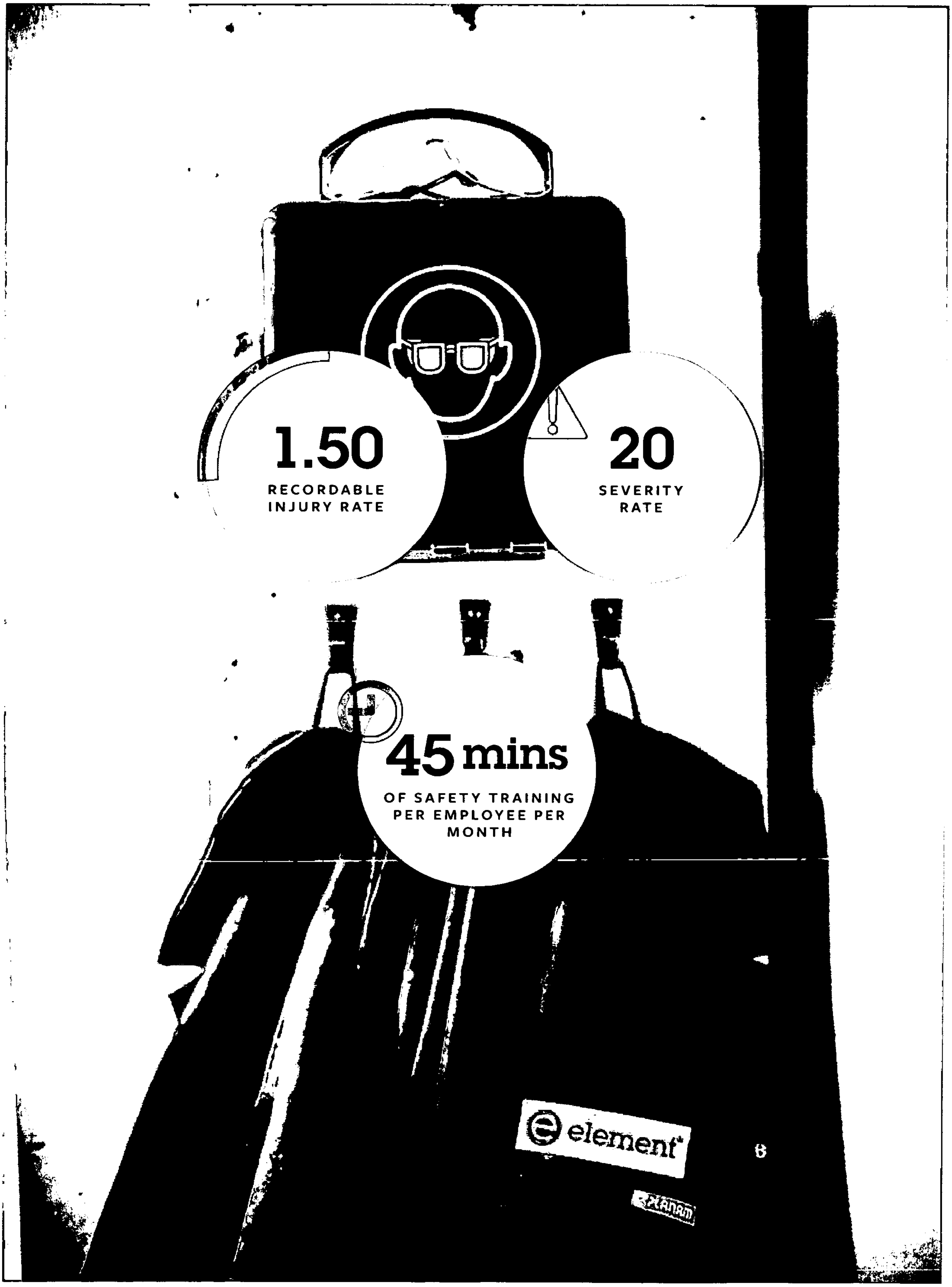
Element introduced and delivered a first time right pilot improvement project across four of our laboratories which focused on applying root cause analysis and corrective action for continuous improvement. This initiative has already resulted in significant improvements within our laboratory in Huntington Beach and the plan is to roll out the program further across the Element Group in 2017.

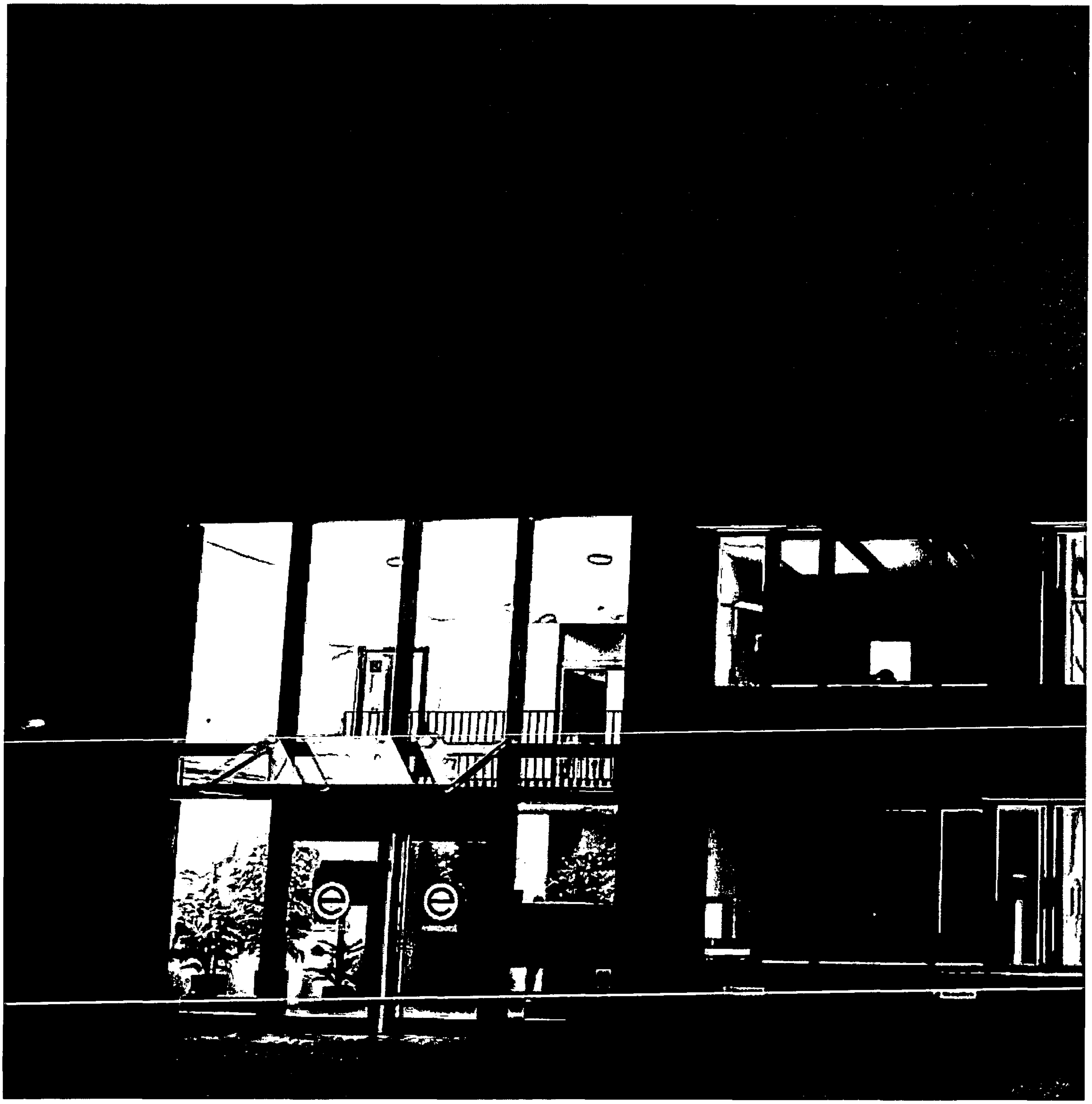
WE VALUE

SAFETY

EXCELLENCE




1.50
RECORDABLE INJURY RATE
20
SEVERITY RATE
45 mins
OF SAFETY TRAINING PER EMPLOYEE PER MONTH
element



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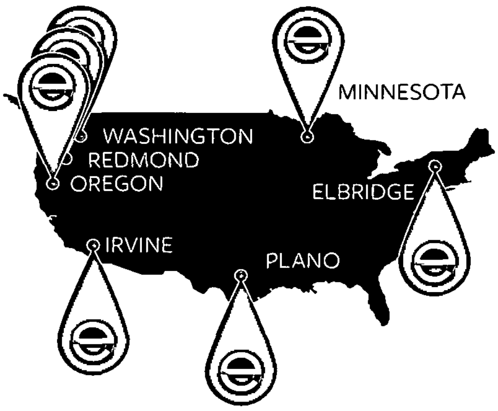
ACQUISITIONS

ACQUISITIONS

In 2016 Element acquired three organisations that added 11 world class materials testing and product qualification testing laboratories to the Group, located in the USA, Germany and Spain.

These acquisitions further strengthened our global position as a market leader in product qualification testing and continued the development of our materials testing capabilities for the Aerospace sector in Europe.



NORTHWEST EMC INC. (USA)

July saw Element's first acquisition of the year in the form of the premier EMC testing provider in the US, Northwest EMC. This acquisition continued the expansion of Element's product qualification testing capabilities through the enhancement of the Group's EMC capabilities in wireless device testing, MIL-STD and RTCA DO-160.

GERMANISCHER LLOYD PRÜFLABOR GmbH (GLP) (EUROPE)

September brought about the acquisition of the GLP material testing laboratories in Germany. The four laboratories specialising in materials testing, metallurgy and failure analysis fit perfectly with the Group's strategy to strengthen its Aerospace materials testing presence in Europe.

TESTING AND ENGINEERING OF AERONAUTICAL MATERIALS AND STRUCTURES S.L. (TEAMS) (EUROPE)

The binding agreement to acquire TEAMS was signed in December 2016, completed in May 2017, which further strengthened Element's Materials Testing platform in Europe. Located at the centre of the Andalusian Aerospace industry, TEAMS is one of the few laboratories in Europe with the capacity and approval to carry out testing of major components for the Aerospace sector. The laboratory holds a Nadcap accreditation for Destructive Testing, Non Metallics Testing & Non-Destructive Testing and is a Tier 1 supplier to Airbus.

ACQUISITIONS TIMELINE

Element has successfully completed thirteen high quality acquisitions since 2011.

These acquisitions are fully aligned with our growth strategy and have significantly extended Element's technical capability, operational capacity and geographic footprint as part of our ongoing strategy to satisfy our client's future testing requirements and also in support of our mission to become the world's best and most trusted testing partner.

THE ACQUISITIONS WE HAVE MADE TO DATE INCLUDE:

2011

DECEMBER

DETROIT TESTING LABORATORY (DTL)

2012

FEBRUARY

MAR-TEST

JULY

MERL
(MATERIALS ENGINEERING RESEARCH LABORATORY LIMITED)

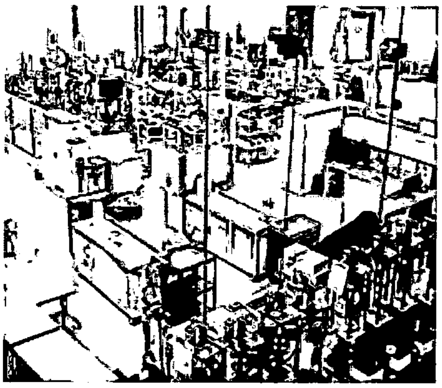
2013

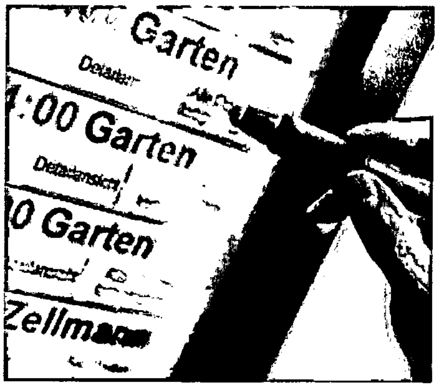
MARCH

SHERRY LABORATORIES

MARCH

DELSEN TESTING LABORATORIES





2014

JANUARY

GEVA
(GESELLSCHAFT FÜR ENTWICKLUNG UND VERSUCH ADLERSHOF MBH)

JULY

ACCUTEK TESTING LABORATORY

2015

JANUARY

ENVIRON LABORATORIES LLC

MARCH

TRAC GLOBAL

OCTOBER

CASCADE TEK

2016

JULY

NORTHWEST EMC

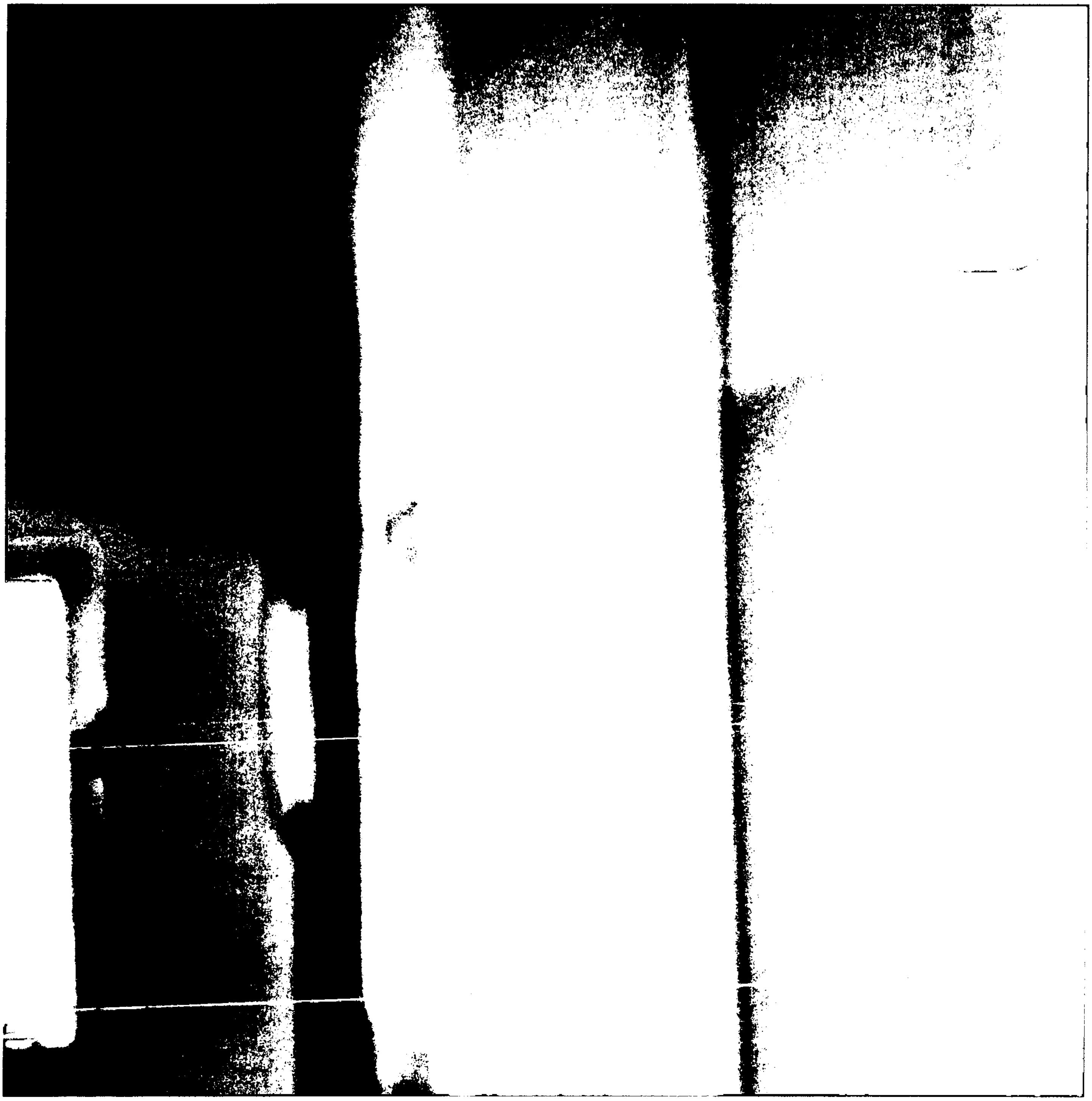
SEPTEMBER

DNV GL'S GERMAN MATERIAL TESTING LABORATORIES (GLP)

DECEMBER

TEAMS
(TESTING AND ENGINEERING OF AERONAUTICAL MATERIALS AND STRUCTURES) S.L.[1]

[1] Binding agreement to purchase was signed in December 2016, completed in May 2017.



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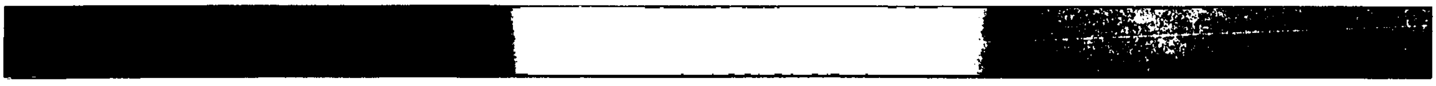
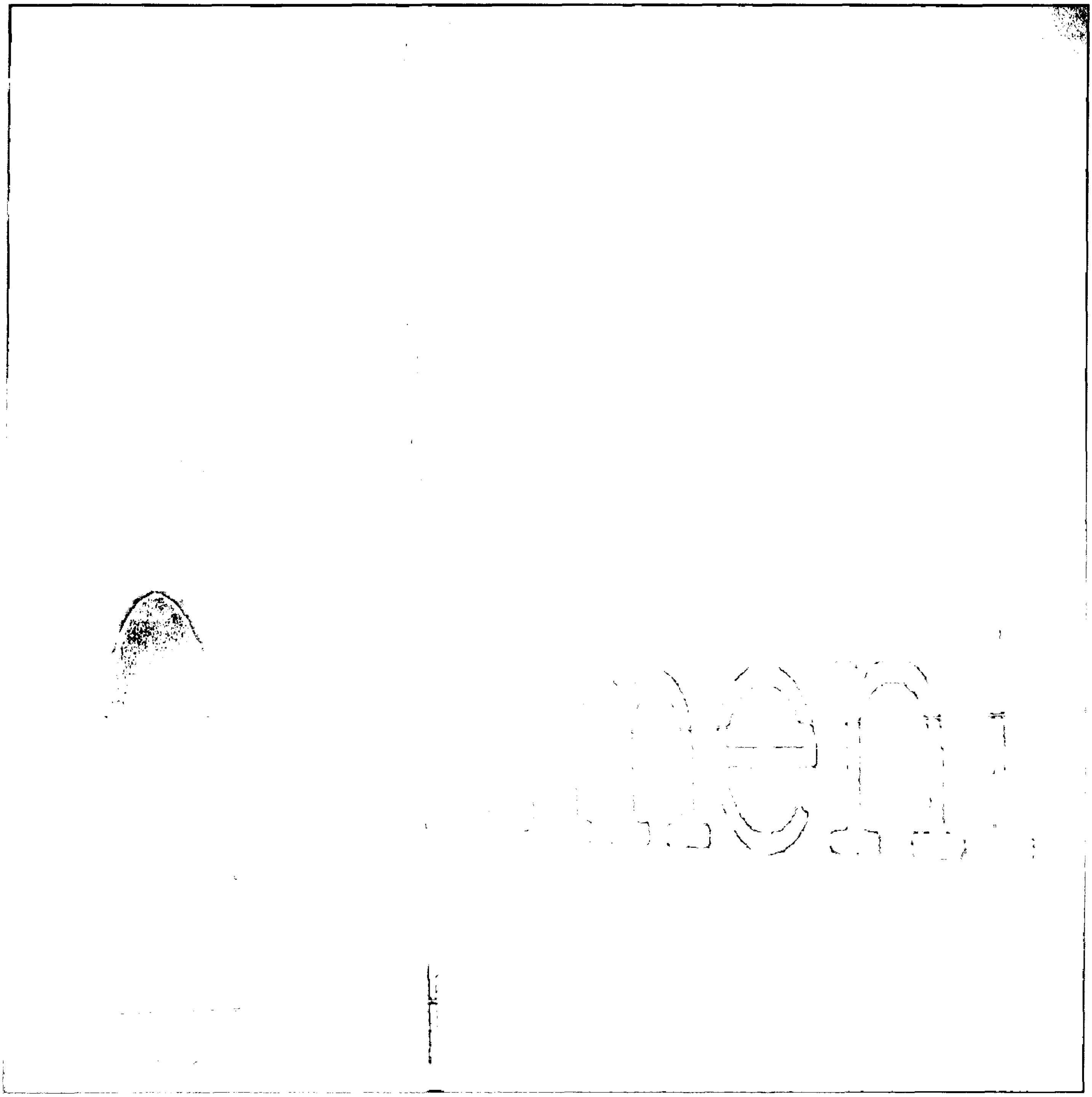




BOARD OF DIRECTORS

BOARD OF DIRECTORS

CHARLES NOALL

CEO & PRESIDENT

Charles is a British national who joined the management team of Stork Materials Technology (SMT) in 2003 becoming Chief Operating Officer later that year and subsequently appointed as CEO in 2007. Charles led the $205 million buyout of Element by 3i which completed in December 2010. More recently, Charles has successfully led the transfer of Element's ownership from 3i, to its latest financial sponsor, Bridgepoint Capital.

Charles is a member of the Group's main Board and Executive Leadership Team. He has led the global expansion of the company through the delivery of strong organic growth and the execution of multiple acquisitions in Europe, the US and China.

JO WETZ

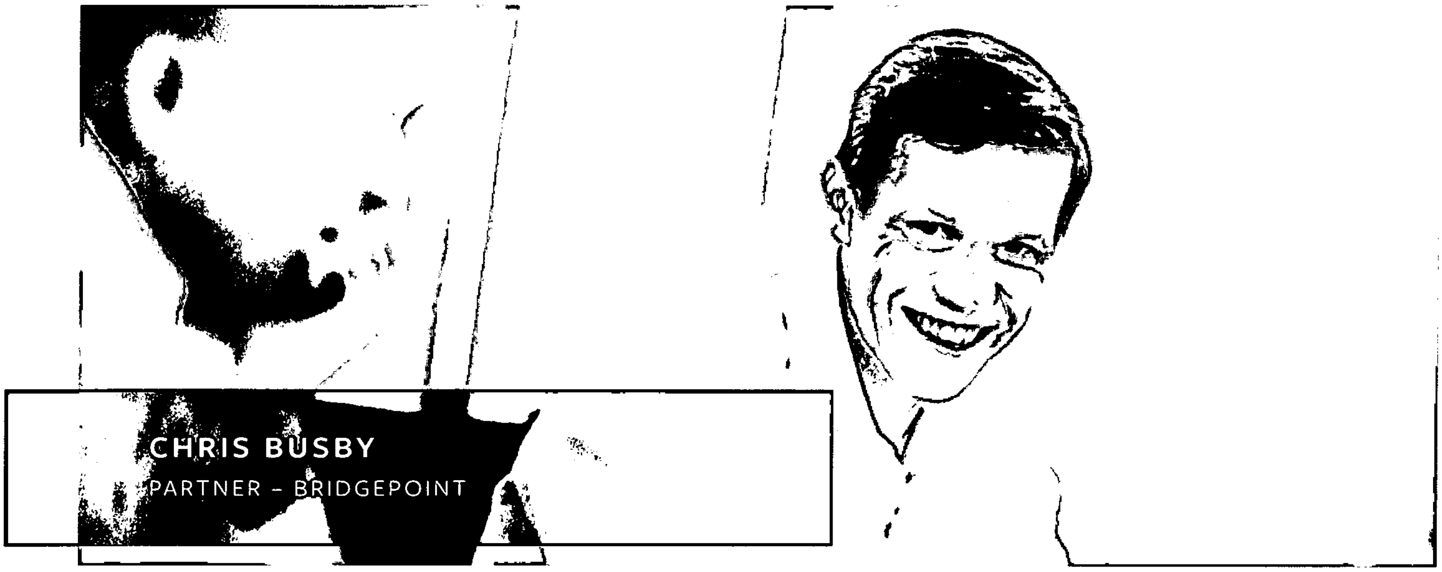
EXECUTIVE VICE PRESIDENT & CFO

Jo joined Element as CFO in 2012 but has been a Director of the Group since the original buyout from Stork in 2010. Alongside Charles, Jo is a member of the Group's main Board and is responsible for all the Financial, Tax, Legal and IT activities within the Group.

Prior to joining Element, Jo spent 13 years working in a number of large financial services organisations including Deloitte and 3i.

During his time at 3i Jo led a number of successful buyouts in the UK and Europe with a particular focus on the global Testing and Inspection market, these included the investments in Inspection and Element.

Jo is a Chartered Accountant and has a degree in Economics from University College London.



CHRIS BUSBY
PARTNER – BRIDGEPOINT

Chris is a Partner of Bridgepoint with responsibility for Bridgepoint's investment activities in the UK. He sits on the Firm's Group Board and Operating Committee and is a member of its Investment Advisory Committee.

In addition to his role on the board of Element Materials Technology, he also sits on the board of Cambridge Education Group. He has worked on a number of transactions across Western Europe, including CarPark, ERM, Flexitallic, Pret A Manger and Molton Brown.

RAOUL HUGHES
PARTNER AND CHIEF OPERATING OFFICER - BRIDGEPOINT

Raoul is a Partner and Chief Operating Officer at Bridgepoint. He is a member of the Firm's Group Board; Investment Advisory Committee; is a board member of Bridgepoint Development Capital and sits on the board of Element Materials Technology

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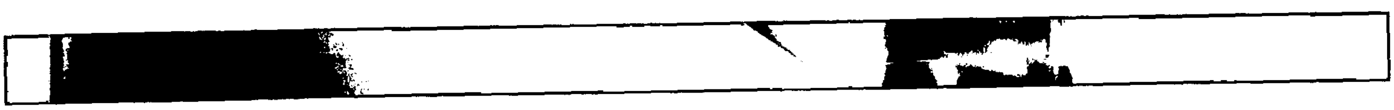
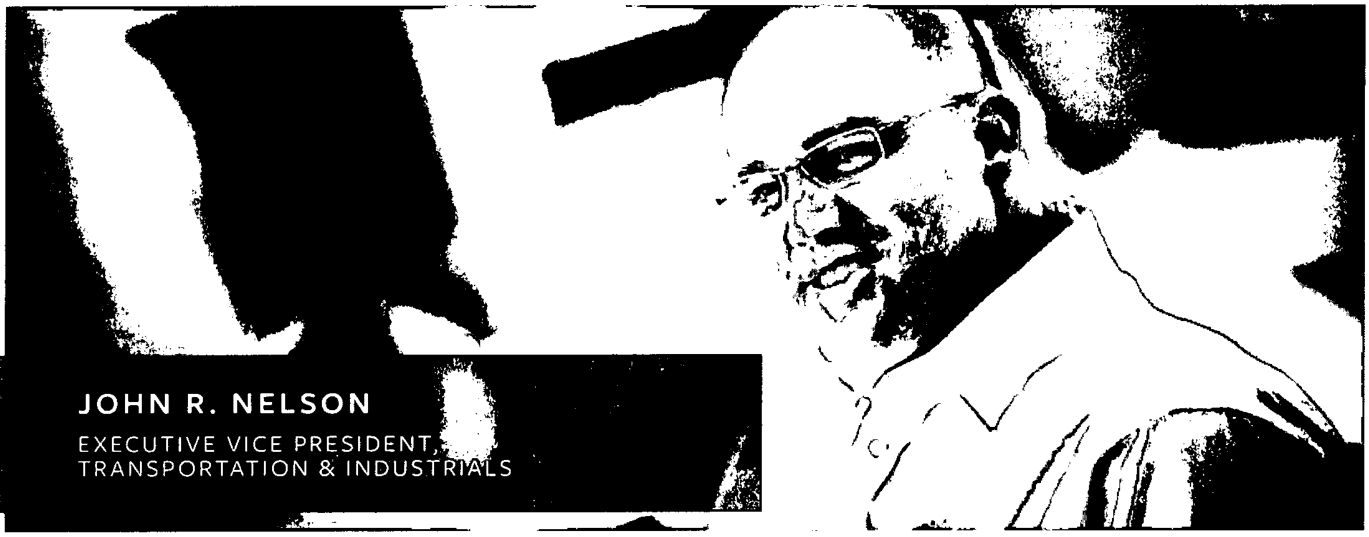


LEADERSHIP TEAM

LEADERSHIP TEAM



JOHN R. NELSON

EXECUTIVE VICE PRESIDENT,
TRANSPORTATION & INDUSTRIALS

John joined Element in 2015 as the Executive Vice President responsible for the Transportation and Industrials sectors, having held senior leadership positions in several leading organisations within the global TIC sector, including Intertek and Bureau Veritas.

He has a strong background in both operational leadership and continuous improvement, bringing over 17 years of experience in successfully implementing strategic vision, financial performance and capability expansion and business development to both Element and its Executive Team.

John holds a Bachelor of Science degree and a Master of Business Administration from Texas Tech University.

FRIDO LANGEDIJK

EXECUTIVE VICE PRESIDENT, SALES
& COMMERCIAL DEVELOPMENT

Frido joined Element in 2017 as the Executive Vice President for Sales and Commercial Development.

Frido is responsible for ensuring that Element consistently operates with best in class commercial processes and generating the optimum benefit from the commercial organisation, strategic account management program, inbound marketing teams and systems and tools.

He is a strong international leader with more than 20 years commercial, operational and change management experience who has a consistent track record of delivering business improvement through sales growth, innovation, cost management, best practice sharing and high performance leadership.

Prior to joining Element, Frido held a number of international commercial and operational positions and was most recently the Vice President of Sales for Pentair Valves and Controls.

Frido is a Dutch national and holds a BSc in Petroleum & Gas Technology.

ARNOUT LIJESEN
EXECUTIVE VICE PRESIDENT, CORPORATE DEVELOPMENT

Arnout joined Element in 2003 having previously worked for Unilever Group Unichema and the management consultant Arthur D. Little.

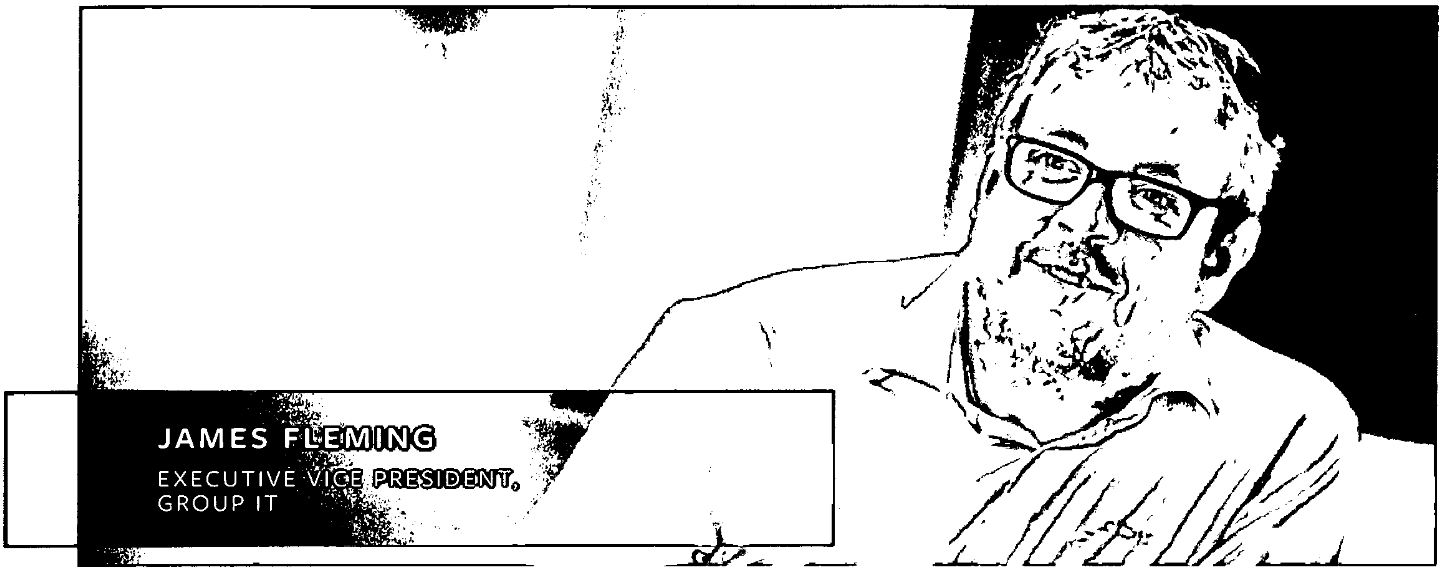
Arnout is the Executive Vice President responsible for leading the definition and execution of the Group's overall business strategy and our highly successful mergers and acquisition program. Next to supporting multiple acquisitions in the US and Europe, Arnout has initiated and supported various improvement initiatives including the Group's drive for continuous improvement and customer service excellence.

Arnout is a Dutch national and holds a Master's degree in Mechanical Engineering.

TERENCE YEH
AEROSPACE PRODUCT QUALIFICATION TESTING DIRECTOR, US

Terry is the Director of Aerospace Product Qualification Testing (PQT) in the US, responsible for the operational and financial success of Aerospace PQT labs in Portland, Seattle, Denver, Minneapolis, Jupiter and Melbourne.

Before joining Element in 2016, Terry enjoyed 25 years of multi-disciplinary experience in the Aerospace Sector. He began his career at Northrop Grumman as an electrical engineer and project manager in the 1990s and, more recently, he was General Manager of a DO-160/MIL-STD test laboratory in California and EVP Operations for a multi-site aerospace manufacturing company in Los Angeles, California. Terry also enjoyed an eight year career with KPMG in its Aerospace M&A and strategic consultancy practice.

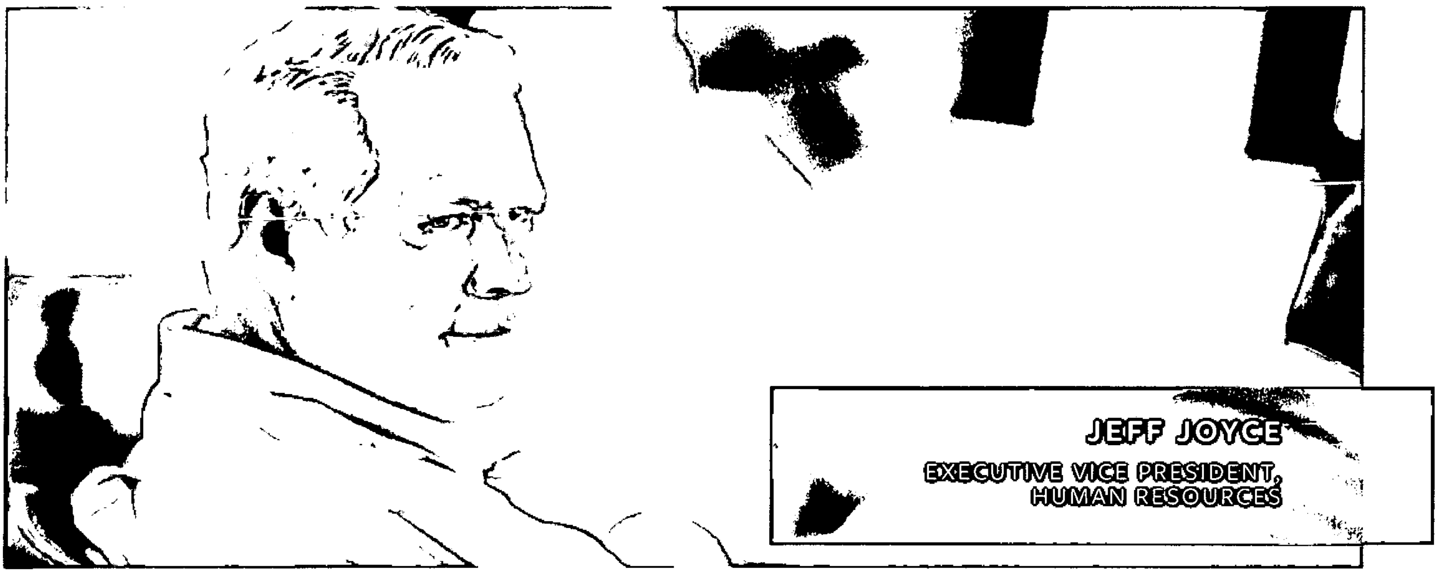


JAMES FLEMING
EXECUTIVE VICE PRESIDENT, GROUP IT

James joined Element in 2014 as the Executive Team member responsible for the design and implementation of the company IT strategy. He has over 17 years IT management and senior leadership experience gained while working for a number of companies operating in a diverse range of industry sectors.

His most recent role prior to joining Element was CIO at Victrex, a FTSE 250 listed company. In addition James also chairs the UK Chapter of the Microsoft Dynamics AX industry user group.

James holds a Master's Degree in IT and Management from Sheffield Hallam University.



JEFF JOYCE
EXECUTIVE VICE PRESIDENT, HUMAN RESOURCES

Jeff is the Executive Vice President responsible for Global Human Resources. He joined Element in 2008 having previously worked for Cummins Inc., GE and the HB Fuller Company and has 31 years experience in global Human Resources leadership roles.

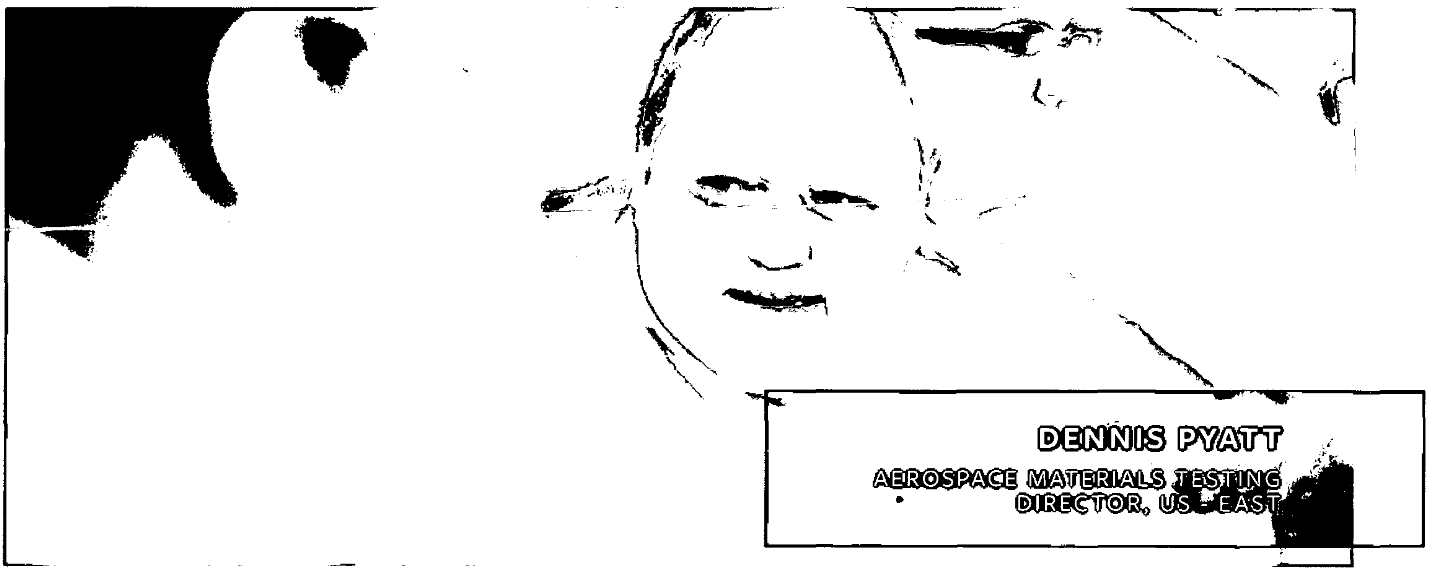
Jeff's role is to lead change and development in critical people management functions. He accomplishes this through the design and implementation of effective HR systems, necessary to attract, motivate, reward and retain outstanding industry talent as Element seeks to become the Employer of Choice within the Global TIC sector.

Jeff is a US citizen and holds a Bachelor of Science degree from Minnesota State University, Mankato.

Mark Heaven joined Element in 2015 through the acquisition of TRaC Global. He is now the Global Aerospace Product Qualification Testing (PQT) Director and is responsible for all 19 of Element's PQT laboratories in the US, Europe and Asia.

Mark began his testing career with the UK Government Security Services and has a strong background in Radio Frequency (RF) systems. He is an expert in Electromagnetic Compatibility (EMC) and wireless technologies, and has written many testing standards for the UK Ministry of Defence (MoD).

A Chartered Engineer and a Fellow of the Institution of Engineering and Technology (IET), Mark has over 30 years Product Qualification Testing experience and is a recognised international authority within the Aerospace & Defence part of the Test, Inspection and Certification (TIC) industry.



Dennis Pyatt joined Element in 2016 as the Aerospace Materials Testing Director for the Eastern part of Element's operations in the US.

Dennis has worked in the Aerospace sector for over 20 years. Prior to joining Element, he worked for a number of leading organisations including Honeywell, United Technologies, Consolidated Precision Products (CPP) and Parker Hannifin. During his time with CPP, he served as their VP of Operations where he managed several casting facilities serving various industries including the Aerospace, Oil & Gas and Power Generation sectors. Dennis also has an impressive track record in driving operational excellence improvements across all of the businesses he has worked for.

LEADERSHIP TEAM (CONTINUED)

MARK JONUS
AEROSPACE MATERIALS TESTING DIRECTOR, US - WEST

Mark is the Aerospace Materials Testing Director for the Western part of Element's operations in the US.

Mark has 40 years of experience in the metals manufacturing and testing business. He spent the first 10 years of his career with a stainless bar and rod producer in a variety of technical and operational roles. Mark then went on to found Mobile Metal Analysis, a testing service company that provided on-site chemical analysis services to a number of industry sectors. Mobile Metal Analysis transformed in to MMA Laboratories (MMA), a mechanical testing; metallurgical testing and chemical analysis business that was acquired by Element in 1997.

During his career with Element, Mark has held a variety of positions, including commercial and strategic planning, as well as the development of our internal Lab Information Management Systems (LIMS).

MICHIEL GRASWINCKEL
AEROSPACE MATERIALS TESTING DIRECTOR, EUROPE

Michiel joined the forerunner of Element, Stork Materials Testing, in 2000 and is the Aerospace Materials Testing Director for Europe.

During his 16 year career with Stork and Element, Michiel has held several senior commercial, operational and leadership roles across all of the three core sectors Element serve - Aerospace, Oil & Gas, and Transportation & Industrials.

Michiel is a qualified Aeronautical Engineer. He specialises in team building, communication, business development, organisational improvement and leadership development.

MATTHEW WHITE

GROUP FINANCE DIRECTOR

Matthew joined Element in 2012 and helped restructure and establish a new group finance team in 2012 following the carve out from Stork. He is responsible for a broad range of group wide finance, tax and treasury issues and led the upgrade and standardisation of the Group's consolidation system.

Prior to joining Element, Matthew was part of the management team at Inspicio a rapidly growing and acquisitive international testing and inspection business where he played a key part in building the group finance systems and team to cope with the expansion of the business between 2006 and 2010. The group was active in over 100 countries and whilst at Inspicio he enjoyed exposure to an extensive range of treasury, cash management and taxation projects many of which have been relevant to Element.

Matthew is a qualified Chartered Accountant with a wide breadth of management level experience in private and fully listed businesses having held roles in Corporate Finance and M&A, operational finance and tax and treasury.

DOMINIC MURPHY

OPERATIONAL DEVELOPMENT DIRECTOR

Dominic joined Element in 2015 having previously held positions across multiple geographies covering Oil & Gas, Energy, Industrials, Finance and Consumer Business. Previous positions included Deloitte and most recently Schlumberger. He is responsible for leading group-wide programs including Operations Excellence, Major Capital Projects, Strategy Execution, Compliance and professionalising projects, including pricing and project management.

Dominic's experience spans leadership of multiple programs on corporate strategy, operational and business improvement, process optimisation, commercial analysis, business development, project management, business case development, due diligence and risk analysis. Dominic is CIMA Business Accounting level qualified.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ELEMENT MATERIALS TECHNOLOGY GROUP LIMITED

We have audited the financial statements of Element Materials Technology Group Limited for the period 14 December 2015 to 31 December 2016 which comprise the Consolidated Income Statement, Consolidated Statement of Comprehensive Income; the Group and Parent Company Consolidated Balance Sheets, the Group Consolidated Statement of Cash Flow, the Group and Parent Company Consolidated Statement of Changes in Equity and the related consolidated notes 1 to 27 and the related Parent Company notes a) to g). The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the Parent Company financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 101 "Reduced Disclosure Framework".

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.

Respective responsibilities of Directors and auditor

As explained more fully in the Directors' Responsibilities Statement, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and the Parent Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2016 and of the Group's loss for the period then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- 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.

In our opinion the group financial statements comply with IFRSs as issued by the IASB.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where 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.

Emma Cox ACA (Senior Statutory Auditor) for and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom
3 August 2017

CONSOLIDATED INCOME STATEMENT

Period ended 31 December 2016

From continuing operations	Note	2016 $000
Revenue	4	216,823
Operating costs		(222,946)
Operating loss		(6,123)
Net finance costs	6	(78,346)
Loss before tax		(84,469)
Taxation	8	7,364
Loss for the period		**(77,105)**

Reconciliation of consolidated income statement to non-statutory measures	Note	2016 $000
Operating loss		(6,123)
Add: Transaction, acquisition and other costs	9	36,806
Add: Depreciation	12	13,458
Add: Amortisation of intangible assets	11	18,134
Add: Net loss on sale of assets		62
EBITDA before transaction, acquisition and other costs		**62,337**
Adjusted EBITDA margin		**28.8%**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Period ended 31 December 2016

	Note	2016 \$000
Loss for the period		**(77,105)**
Actuarial gains on defined benefit pension schemes		50
Current tax on items recognised in other comprehensive income	8	(398)
Deferred tax on items recognised in other comprehensive income	8	489
		(76,964)
Foreign exchange translation differences of foreign operations		24,974
Total comprehensive loss for the period		**(51,990)**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Period ended 31 December 2016

	Note	Share Capital \$000	Share Premium Reserve \$000	Treasury Shares \$000	Translation Reserve \$000	Retained Earnings \$000	Total \$000
At 14 December 2015		-	-	-	-	-	-
Total Comprehensive Loss		-	-	-	24,974	(76,964)	(51,990)
Issue of shares	25	1	894	(1)	-	-	894
At 31 December 2016		**1**	**894**	**(1)**	**24,974**	**(76,964)**	**(51,096)**

CONSOLIDATED BALANCE SHEET

As at 31 December 2016

Non-current assets	Note	2016 $000
Goodwill	10	687,046
Other intangible assets	11	329,642
Property, plant and equipment	12	129,908
Derivative financial instruments	19	4,165
Deferred tax assets	8	3,892
		1,154,653
Current assets		
Trade and other receivables	13	59,614
Accrued Income		9,217
Cash and cash equivalents	14	44,926
		113,757
Current liabilities		
Trade payables		(14,889)
Other payables	15	(24,496)
Current tax liabilities	8	(396)
Provisions	16	(1,305)
Interest bearing loans and borrowings	17	(2,250)
		(43,336)
Net current assets		**70,421**
Non-current liabilities		
Interest bearing loans and borrowings	17	(740,444)
Preference shares	17	(399,971)
Derivative financial instruments	19	(4,327)
Provisions	16	(3,359)
Deferred tax liabilities	8	(128,069)
		(1,276,170)
Net assets		**(51,096)**
Equity		
Share capital	25	1
Share premium		894
Treasury shares		(1)
Translation reserve		24,974
Retained earnings		(76,964)
		(51,096)

The financial statements of Element Materials Technology Group Limited (Company registration number 09915743) were approved by the Board of Directors and authorised for issue on 3 August 2017. They were signed on its behalf by:

Jo Wetz
Director
3 August 2017

CONSOLIDATED STATEMENT OF CASH FLOWS

Period ended 31 December 2016

Cash flows from operating activities	Notes	2016 $000
Net Loss for the period		(77,105)
Adjustments for:		
Income tax credit recognised in the income statement	8	(7,364)
Finance cost, net	6	78,346
Gain on disposal of property, plant and equipment		(62)
Depreciation and amortisation of non-current assets		31,592
		25,407
Movements in working capital:		
Decrease in trade and other receivables		1,241
Decrease in trade and other payables		(3,192)
Cash generated from operations		**23,456**
Interest paid		(21,430)
Income taxes paid		(2,138)
Net cash generated by operating activities		**(112)**
Cash flows from investing activities		
Purchase of property, plant and equipment		(14,387)
Proceeds from disposal of property, plant and equipment		150
Purchase of intangible assets		(902)
Net cash outflow on acquisition of Element Group	18	(425,004)
Purchase of Preferred Equity Cetrificates	18	(181,210)
Net cash outflow on acquisition of subsidiaries	18	(66,527)
Net cash used in investing activities		**(687,880)**
Cash flows from financing activities		
Borrowings		537,525
Repayment of Borrowings	18	(367,502)
Payment for debt issue costs		(26,364)
Issue of Shares		893
Issue of Preference Shares		368,195
Issue of Loan Notes		220,000
Net cash provided by financing activities		**732,747**
Net increase in cash and cash equivalents		**44,755**
Cash and cash equivalents at the beginning of the period		-
Effects of exchange rates on cash and cash equivalents		171
Cash and bank balances at the end of the period	14	**44,926**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. General information

The consolidated financial statements of Element Materials Technology Group Limited (the "Company") and its subsidiaries (together referred to as the "Group"), have been prepared in accordance with International Financial Reporting Standards as adopted in the European Union ("IFRS").

The Company is a private company incorporated and domiciled in England and Wales. The Company's registered office is 5 Fleet Place, London, EC4M 7RD, United Kingdom.

The financial statements were approved by the Board of Directors and authorised for issue on 3 August 2017.

2. 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 under the historical cost convention, except for derivative financial instruments which are held at fair value. These consolidated financial statements have been presented in USD which is the Company's functional currency.

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Chief Executive Officer's review and Chief Financial Officer's review on page 12 and 16 respectively. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are also described in further detail in the notes to the financial statements. The Directors are satisfied with the results and believe that the Group is well placed to manage its business risks successfully.

The Group's forecasts and projections, taking account of reasonable changes in trading performance, show that the Group should be able to continue to operate within the level of the facilities available to it, the details of which are set out in note 19.

The Directors believe that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

We have considered all new standards, amendments and interpretations to existing standards that have been published and adopted by the EU which are mandatory for the first time for the year beginning 1 January 2016. We consider the following to be relevant to the Group:

- IFRS 10, IFRS 12 and IAS 28: Investment Entities: Applying the Consolidation Exemption;
- IFRS 11 Accounting for Acquisition of Interests in Joint Operations;
- IAS 1 Disclosure Initiative;
- IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation;
- IAS 27 Equity Method in Separate Financial Statements; and
- Improvements to IFRSs (2012-2014).

The introduction of these amendments has had no material impact on the results, financial position or presentation of the consolidated financial statements.

2.2 Basis of consolidation

The consolidated financial statements consolidate the financial statements of Element Materials Technology Group Limited and the entities controlled by the Company (its subsidiaries).

The results of subsidiaries acquired or disposed of during the period are included in the consolidated statement of comprehensive income from the effective date of acquisition or up to the effective date of disposal, as appropriate.

All intra-company transactions, balances, income and expenses are eliminated on consolidation.

2.3 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated rebates and similar allowances.

Revenue for routine testing is recognised when the test or inspection is complete. When the outcome of a long-term contract (project revenue) can be estimated reliably, revenue is recognised by reference to the stage of completion of the contract activity at the end of the reporting period, measured based on the proportion of contract work performed to date relative to the estimated total contract value.

2.4 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 recognised in the income statement as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised 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 recognised and measured in accordance with IAS 12 Income Taxes and IAS 19 Employee Benefits respectively.

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 recognised immediately in the income statement as a bargain purchase gain.

When the consideration transferred by the Group in a business combination includes 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 the contingent consideration that qualify 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.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends 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 recognised in the income statement.

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 recognised in the income statement. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to the income statement, 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 recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2.5 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 Company's cash-generating units (or groups of cash-generating units) that are expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is indication that the unit may be impaired. If the recoverable amount of the cash-generating unit 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 prorata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in the consolidated income statement. An impairment loss recognised 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.

2.6 Other intangible assets

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

Intangible assets acquired in a business combination and recognised separately from goodwill are initially recognised at their fair value at the acquisition date, together with any related deferred tax liability. Amortisation is charged on a straight line basis to the Income Statement over the expected useful economic lives as follows:

Customer relationships	10 - 20 years
Technology know how & process	10 years
Trade names	10 years
Backlogs	1 year
Covenant not to compete	2 - 5 years

An intangible asset is derecognised on disposal, or when no further economic benefits are expected from use or disposal. Gains or losses arising from recognition of an intangible asset, measured as the difference between the net disposal proceeds and the net carrying amount of the asset, are recognised in the income statement when the asset is derecognised.

2.7 Impairment of tangible and intangible assets other than goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and 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.

Intangible assets with indefinite useful lives and 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.

2.7 Impairment of tangible and intangible assets other than goodwill (continued)

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 its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in the income statement.

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 recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in the income statement.

2.8 Foreign currencies

In preparing the Group's financial statements, transactions in currencies other than the Group's presentational currency (foreign currencies) are recognised 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 recognised in the income statement 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 (see below for hedging accounting policies); 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 recognised initially in other comprehensive income and reclassified from equity to the income statement 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 recognised in other comprehensive income and accumulated in equity (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 income statement.

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 recognised in equity.

The consolidated financial statements are presented in US Dollars. All information provided in US Dollars has been rounded to the nearest thousand.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2.9 Financial instruments - derivatives

The Group does not hold or issue derivative financial instruments for trading purposes.

Derivative financial instruments are recognised initially at fair value. Subsequent to initial recognition, derivative financial instruments are stated at fair value at each balance sheet date.

The gain or loss on re-measurement to fair value is recognised immediately in the statement of comprehensive income.

2.10 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.

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 recognised at the proceeds received, net of direct issue costs.

No gain or loss is recognised in the income statement 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 income statement 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.

Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in other comprehensive income and accumulated under the heading of cash flow hedge reserve. The gain or loss relating to the ineffective portions is recognised immediately in the income statement.

Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to the income statement in the periods when the hedged item is recognised in the income statement, in the same line of the consolidated statement of comprehensive income as the recognised hedged item. However, when the hedged forecast transaction results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously recognised in other comprehensive income and accumulated in equity are transferred from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability.

Hedge accounting is discontinued when the Group revokes the hedging relationship, when the hedging instrument expires or is sold, terminated, or exercised, or when it no longer qualifies for hedge accounting. Any gain or loss recognised in other comprehensive income and accumulated in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognised immediately in the income statement. In the period there were no cash flow hedges.

Bad debt allowance

Trade receivables are assessed individually for impairment. Movements in the allowance for bad debts are recorded in the statement of comprehensive income.

2.11 Property, plant and equipment

Properties in the course of construction are carried at cost, less any recognised impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

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

The cost of property, plant and equipment is the purchase cost, together with any incidental costs of acquisition.

Depreciation is recognised so as to write off the cost or valuation of assets (other than land and properties under construction) less their residual values over their useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis. The principal annual rates used for this purpose are:

Buildings and improvements	2-20%
Plant and equipment	6-33%
Computer equipment	20-33%

Land is not depreciated. Short leasehold assets are depreciated over the period of the lease.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the income statement.

2.12 Provisions

Provisions are recognised 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 amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2.13 Leasing

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

2.14 Retirement benefit costs

Payments to defined contribution retirement benefit plans are recognised as an expense when employees have rendered service entitling them to the contributions.

The Group has three small defined benefit plans. An annual accounting estimate of the retirement benefit obligation is prepared by independent actuaries.

For defined benefit plans, the cost of providing benefits is determined using the Projected Unit Credit method. Actuarial gains and losses are recognised in full in the period in which they occur. They are recognised outside the income statement and presented in the statement of recognised income and expense.

Past service cost is recognised immediately in the statement of comprehensive income to the extent that the benefits are already vested and amortised on a straight-line basis over the average period until benefits become vested.

The retirement benefit obligation recognised in the balance sheet represents the present value of the defined benefit obligation as adjusted for unrecognised past service cost, and as reduced by the fair value of plan assets where applicable. Any asset resulting from the calculation is limited to past service cost, plus the present value of available refunds and reductions in the future contributions to the plan.

2.15 Short term employee benefits

The Group accrues for all short-term accumulating compensated balances such as holiday entitlement earned but not taken at the balance sheet date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2.16 Cash and bank balances

Cash and bank balances are comprised of cash at bank and in hand. The Group considers demand deposits with original maturities at inception of less than three months and other short-term highly liquid investments (that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in values) to be cash equivalents.

For the purpose of the cash flow statement, cash and bank balances comprise cash at bank and cash in hand.

2.17 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 of 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 substantively enacted by the end of the reporting period.

Deferred tax

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

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, except where the 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 recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2.17 Taxation (continued)

Current and deferred tax for the period

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

2.18 Accounting standards, interpretations and amendments to published standards not yet effective

The IASB has published a number of new standards, amendments and interpretations to existing standards which are not yet effective, but will be mandatory for the Group's accounting periods beginning on or after 1 January 2017. Set out below are those which are considered most relevant to the Group:

- IFRS 9 Financial Instruments;
- IFRS 15 Revenue from Contracts with Customers; and
- IFRS 16 Leases.

Amendments to the following standards:

- IFRS 10 and IAS 28: Sale of Contribution of Assets between an Investor and its Associate or Joint Venture;
- IAS 7: Disclosure Initiative;
- IAS 12: Recognition of Deferred Tax Assets for Unrealised Losses; and
- IFRS 2: Classification and Measurement of Share-based Payment Transactions.

The Directors do not expect that the adoption of the Standards listed above will have a material impact on the financial statements of the Group in future periods, except that IFRS 9 will impact both the measurement and disclosures of financial instruments, IFRS 15 may have an impact on revenue recognition and related disclosures, and IFRS 16 will require lessees to recognise right of use assets and lease liabilities for all applicable leases. Beyond the information above, it is not practicable to provide a reasonable estimate of the effect of IFRS 9, IFRS 15 and IFRS 16 until a detailed review has been completed.

3. Critical accounting estimates and judgements

The preparation of the consolidated financial statements involves the use of estimates, assumptions and judgements that may affect the reported amounts of certain items in the statement of consolidated financial position and/or income statement as well as the disclosures in the notes. The estimates, assumptions and judgements used were determined based on the information available when the financial statements were drawn up and may not reflect actual conditions in the future. The main estimates, assumptions and judgements used are described below.

3.1 Measurement of intangible assets acquired in business combinations

Intangible assets acquired in business combinations carried out by the Group include customer relationships, technology know how and process, brands, concessions and non-competition agreements upon acquisition. For acquisitions with material goodwill the fair value of these items is measured by independent experts using assumptions relating to business forecasts for the companies concerned.

3.2 Transactions, acquisitions and other costs

The Directors present the results for the Group excluding unusual and non-recurring items of income or expenditure which individually or in aggregate are material. In the Director's judgement separately disclosing these amounts enables users of the financial statements to gain a better understanding of the underlying financial trading performance of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3.3 Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Directors to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value.

3.4 Useful life of tangible and intangible assets

The Group reviews the estimated useful lives of tangible and intangible assets at the end of each reporting period. A significant change in the estimated useful lives of tangible and intangible assets could have a material impact on the consolidated financial statements.

3.5 Current assets

In the course of normal trading activities, judgement is used to establish the net realisable value of various elements of working capital and trade receivables. Impairment charges are made against bad or doubtful debts.

The decision to make an impairment charge is based on the facts available at the time the financial statements are approved and are also determined by applying Group accounting policies and based on ageing profile of the receivables and management judgement. In estimating the collectability of trade receivables, judgement is required in assessing their likely realization, including the current creditworthiness of each customer and related ageing of the past due balances. Specific accounts are assessed in situations where a customer may not be able to meet its financial obligations due to deterioration of its financial condition, credit ratings or bankruptcy.

3.6 Taxation

The Group operates in a number of tax jurisdictions around the world. Tax regulations generally are complex and in some jurisdictions agreeing tax liabilities with local tax authorities can take several years.

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

The Group recognises deferred income tax assets for deductible temporary differences and tax loss carry forwards to the extent that it deems probable such assets will be recovered in the future.

3.7 Pension benefits

The present value of the pension obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost or income for pensions include the discount rate. Any changes in these assumptions will impact the carrying amount of pension obligations.

The Group determines the appropriate discount rate at the end of each period. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the Group considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Other key assumptions for pension obligations are based in part on current market conditions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4. Revenue analysis

The following is an analysis of the Group's revenue for the period from continuing operations.

	2016 $000
Revenue from Routine Testing ("Volume Testing")	126,463
Revenue from Project Based Work	90,360
	216,823

Revenue by Geography

	2016 $000
US	166,528
UK	31,148
Mainland Europe	19,147
	216,823

5. Operating note

Loss on ordinary activities before taxation is stated after charging:

	2016 $000
Net foreign exchange gains	(2,478)
Depreciation of property, plant and equipment (see note 12)	13,458
Loss on disposal of property, plant and equipment	62
Amortisation (see note 11)	18,134
Transaction, acquisition and other costs (see note 9)	36,806
Operating lease rentals	6,400
Staff costs (see note 7)	96,200
	168,582

Auditor's Remuneration

During the period the Group obtained the following services from the Group's auditor and its associates.

	2016 $000
Audit fees	529
Tax fees	171
Transaction advisory and due diligence fees	438
	1,138

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6. Net finance costs

	2016 $000
Bank loan interest	21,346
Loan notes interest	19,024
Preference shares interest	31,778
Amortisation of bank fees	8,226
Unwind of discount on hedging instruments	162
Foreign exchange	(2,190)
	78,346

7. Group employee costs

Group employee costs	2016 $000
Wages and salaries	86,585
Social security costs	6,727
Pension costs	2,888
	96,200

Group employee numbers	2016 Number
US	1,244
Europe	504
Group	102
As at 31 December 2016	**1,850**
Average number of employees	**1,843**

Key management remuneration	2016 $000
Salaries and other short-term employee benefits	830
Post-employment benefits	7
	837

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

8. Income taxes

Income tax recognised income statement	2016 $000
Current tax	
Current tax expense in respect of the current period	(1,246)
	(1,246)
Deferred tax	
Deferred tax credit recognised in the current period	(5,487)
Adjustments to deferred tax attributable to changes in tax rates and laws	(631)
	(6,118)
Total income tax benefit recognised in the current period	**(7,364)**

The income tax benefit for the period can be reconciled to the accounting loss as follows:	2016 $000
Loss before tax from continuing operations	(84,469)
Income tax expense calculated at 20%	(16,894)
Effect of expenses that are not deductible in interest expense	8,154
Effect of expenses that are not deductible for tax purposes	5,123
Effect of unused tax losses and tax offsets not recognised as deferred tax assets	927
Effect of different tax rates of subsidiaries operating in other jurisdictions	(4,022)
Effect of change in tax rate in acquired deferred tax balances	(631)
Losses utilised in pre-acquisition period	287
Effect of state taxes	(308)
	(7,364)

Income tax recognised directly in equity	2016 $000
Current tax	
Local tax charge on unrealised foreign exchange movements	398
	398
Deferred tax	
Translation of foreign operations	(489)
	(489)

8. Income taxes (continued)

Current tax assets	2016 $000
Tax refund receivable	3,731

Current tax liabilities	2016 $000
Income tax payable	(396)

The following is the analysis of deferred assets/(liabilities) presented in the consolidated statement of financial position:

Deferred tax balances	2016 $000
Deferred tax assets	3,892
Deferred tax liabilities	(128,069)
	(124,177)

Deferred tax (liabilities)/ assets in relation to:	Opening balance $000	Acquisitions/ Disposals $000	Rate change $000	Recognised in Profit & Loss $000	Recognised in OCI $000	Closing balance $000
Net operating loss	-	906	-	(527)	-	379
Accrued expenses	-	2,179	-	163	-	2,342
Prepaid expenses	-	(431)	-	(396)	-	(827)
Property, plant and equipment	-	(15,257)	30	(1,263)	-	(16,490)
Intangible assets	-	(118,908)	556	7,599	-	(110,753)
Lease provision	-	221	-	-	-	221
Doubtful debts	-	162	-	(77)	-	85
Translation of foreign operations	-	-	-	(489)	489	-
Other	-	344	44	478	-	866
	-	**(130,784)**	**630**	**5,488**	**489**	**(124,177)**

The reduction in the UK corporation tax rate from 21% to 20% (effective 1 April 2015) was substantively enacted on 2 July 2013. A further reduction to 19% (effective 1 April 2017) was substantively enacted on 26 October 2015 and a further reduction to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. The deferred tax balance in respect of UK entities has therefore been calculated at 17% (2015: 18%) on the basis that it will materially reverse after 1 April 2020.

At the balance sheet date, the Group has a deferred tax asset of $12.8m ($13.4m deferred tax asset less $0.6m deferred tax liability) relating to tax losses which has not been recognised due to the uncertainty over the availability of future taxable profits.

Of the deferred tax asset of $12.8m in respect of tax losses, $10.3m relates to Dutch tax losses which will expire between 2018 – 2024, $1.2m to German tax losses and $1.3m to UK tax losses that do not have an expiration date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

9. Transaction, acquisition and other costs

	2016 \$000
Acquisition related costs	2,134
Restructuring and costs related to the change in ownership of the business	33,003
Other	1,669
	36,806

In accordance with IAS 1, the financial statements separately disclose significant items of financial performance that management consider should be disclosed separately to assist in the understanding of the underlying trading and financial results of the Group (See note 3.2).

Restructuring and costs related to the change in ownership of the business included $31.5m of costs related to the acquisition of the Element Group by Bridgepoint Capital.

10. Goodwill

	Aerospace \$000	Oil & Gas \$000	Transportation & Industrials \$000	Total \$000
At 14 December 2015	-	-	-	-
Acquisitions	557,388	53,775	76,377	687,540
Exchange movements	(494)	-	-	(494)
At 31 December 2016	**556,894**	**53,775**	**76,377**	**687,046**

The Group carries out an impairment test on all goodwill on an annual basis or if there are factors which indicate any impairment. Goodwill is allocated to a cash generating unit. The impairment test requires each cash generating unit to prepare valuations from discounted cash flow forecasts. The cash flow forecasts are based on the annual budgets and projections for the next five years. The key assumptions used to prepare the cash flow forecasts relate to growth rates, movements in working capital and EBITDA margins. The margins are assumed to remain sustainable, which is supported by historical experience. Growth rates generally approximate to the long-term average rates for the markets in which the business operates. Working capital presented as a percentage of sales will remain stable at 1.5 percent. EBITDA margin presented as a percentage of sales will increase by 1.5 percent over the next five years. The discount rate used in the calculation was 10 percent per annum.

Impairment reviews were performed for each individual cash-generating unit on December 31, 2016, including sensitivity analysis on downside in sales, EBITDA margin reduction and EBITDA multiple reduction in residual value calculation. No impairment in the value of goodwill in any of the sectors was identified.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

11. Other intangibles

Cost	Customer relations $000	Technology know how & process $000	Other $000	Trade name $000	Subtotal Acquisitions intangibles $000	Software & computer licences $000	Total $000
At 14 December 2015	-	-	-	-	-	-	-
Acquisitions	241,377	81,667	809	20,300	344,153	2,856	347,009
Additions	-	-	-	-	-	1,340	1,340
Disposals	-	-	-	-	-	(28)	(28)
Exchange movements	(181)	(25)	(1)	-	(207)	(768)	(975)
At 31 December 2016	**241,196**	**81,642**	**808**	**20,300**	**343,946**	**3,400**	**347,346**
Amortisation							
At 14 December 2015	-	-	-	-	-	-	-
Charge for the period	9,567	6,001	83	1,523	17,174	960	18,134
Disposals	-	-	-	-	-	(23)	(23)
Exchange movements	(4)	(1)	-	-	(5)	(402)	(407)
At 31 December 2016	**9,563**	**6,000**	**83**	**1,523**	**17,169**	**535**	**17,704**
NBV at 31 December 2016	**231,633**	**75,642**	**725**	**18,777**	**326,777**	**2,865**	**329,642**

Amortisation policy for each intangible asset class is disclosed in note 2.6.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

12. Property, plant and equipment

Cost	Land & buildings $000	Leasehold improvements $000	Plant & equipment $000	Assets under construction $000	Total $000
At 14 December 2015	-	-	-	-	-
Acquisitions	29,034	8,398	87,926	4,153	129,511
Additions	158	756	8,741	7,066	16,721
Disposals	(541)	(19)	(1,010)	-	(1,570)
Exchange movements	-	(1,043)	(1,365)	(308)	(2,716)
At 31 December 2016	**28,651**	**8,092**	**94,292**	**10,911**	**141,946**
Accumulated depreciation					
At 14 December 2015	-	-	-	-	-
Charge for the period	632	743	12,083	-	13,458
Disposals	(535)	(7)	(878)	-	(1,420)
At 31 December 2016	**97**	**736**	**11,205**	**-**	**12,038**
NBV at 31 December 2016	**28,554**	**7,356**	**83,087**	**10,911**	**129,908**

Depreciation policy for each asset class is disclosed in note 2.11.

13. Trade and other receivables

	2016 $000
Trade receivables	49,551
Other receivables	10,063
	59,614

The fair value of the Group's trade and other receivables is not materially different from the amounts stated above due to their short term duration.

The ageing of receivables is as follows:

	2016 $000
Not past due	31,662
Past due 0-30 days	10,693
Past due 31-60 days	3,548
Past due 61-90 days	1,679
Past due greater than 90 days	2,410
Less: allowance for doubtful debts	(441)
	49,551

Receivables split by currency is as follows:

	2016 $000
U.S. Dollar	39,177
Sterling	4,931
Euro	5,443
	49,551

The creation and release of provisions for impaired receivables have been included in administrative expenses in the consolidated statement of comprehensive income. Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivables mentioned above. The Group does not hold any collateral as security.

Concentration of credit risk

In the normal course of business the Group provides credit to customers in a variety of industries, performs credit evaluations of these customers and maintains allowances for potential credit losses. In the period, the Group had no customers that represent greater than 10% of its total net revenue or accounts receivable.

The Group is exposed to customers ranging from government backed agencies and large public companies to small privately owned businesses with underlying local economic risks varying throughout the world. Trade receivable exposures are managed locally in the operating units where they arise and credit limits are set as deemed appropriate for the customer. Credit terms of trade receivables vary by country. The standard company policy is 30 days.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

14. Cash and cash equivalents

	2016 $000
U.S. Dollar	36,583
Euro	5,051
Sterling	3,280
Other	12
	44,926

15. Other payables

	2016 $000
Accrued bonuses, wages and personnel costs	7,359
Other accrued liabilities	17,137
	24,496

The fair value of the Group's trade and other payables is not materially different from the amounts stated above due to their short term duration.

16. Provisions

Cost	Onerous leases & dilapidations $000	Pensions $000	Other provisions $000	Total $000
At 14 December 2015	-	-	-	-
Acquisition	3,706	557	1,130	5,393
Period movement	(478)	45	(148)	(581)
Exchange movements	(53)	(37)	(58)	(148)
At 31 December 2016	**3,175**	**565**	**924**	**4,664**
Included in:				
Current liabilities	660	-	645	1,305
Non-current liabilities	2,515	565	279	3,359
At 31 December 2016	**3,175**	**565**	**924**	**4,664**

Provisions in respect of certain leases have been included at amounts based upon best current estimates. Acquired provisions include fair value adjustments to recognise pre-acquisition liabilities.

Details of the pension schemes are discussed in notes 20 and 21.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

17. Interest bearing loans and borrowings

	2016 $000	2016 $000
	Current	**Non-current**
Loans and borrowings	2,250	525,233
Loan notes	-	239,024
Deferred financing costs	-	(23,813)
Interest bearing loans and borrowings	**2,250**	**740,444**
Preference shares	-	399,971
	2,250	**1,140,415**

Details of the interest bearing loans and borrowings are in note 19.

18. Acquisitions

Herculean CC S.à r.l.

On 22 March 2016, the Group acquired 100% of the share capital of Herculean CC S.à r.l., a Luxembourg private limited liability corporation. This was funded by:

- Issue of shares $1m,
- Preference shares $366m,
- Loan notes $220m, and
- New debt of $435m.

The main cashflow movements relating to the transaction were as follows:

- Net cash consideration of $425m representing the purchase of equity, net of cash acquired;
- The purchase of existing Preferred Equity Certificates and settlement of accrued interest of $181.2m;
- The refinancing of $367m of existing debt; and
- Acquisition expenses of $31.5m (incurred in respect of the acquisition and expensed to the consolidated income statement).

Set out below is an analysis of the net book value and fair value of the net assets acquired and the consideration payable in respect of this acquisition. The main Fair Value adjustment relates to acquisition intangibles, of which the main categories consists of customer relationship, technology and process and trade name.

Herculean CC S.à r.l.	Book value $000	Fair value $000
Intangible assets	2,865	333,656
Property, plant and equipment	115,055	116,665
Trade and other receivables	66,593	66,559
Bank debt	(367,502)	(367,502)
PECs and Accrued Interest	(181,210)	(181,210)
Trade and other payables	(32,115)	(35,398)
Deferred tax	(27,890)	(152,279)
Net assets acquired	(424,204)	(219,509)
Goodwill		644,513
		425,004
Satisfied by:		
Cash paid		461,006
Cash acquired		(36,002)
Total consideration		**425,004**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

18. Acquisitions (continued)

From the date of acquisition to 31 December 2016, the acquired Group contributed $207.8m to revenue and reported a loss before tax of $26.8m. If the acquisition had been made at the beginning of the financial period, the business would have contributed $276.5m to revenue and would have reported a loss before tax of $25.4m. Profit/(loss) 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.

Northwest EMC Inc.

On 28 June 2016, the Group acquired 100% of the share capital of Northwest EMC Inc., an Oregon corporation, for a net cash consideration of $47.9m. The consideration was paid in cash and funded by the Group's existing cash and borrowing resources. Northwest EMC changed its name during the period to Element Materials Technology Portland – Evergreen Inc. (Element Portland – Evergreen).

Acquisition expenses of $1.2m were incurred in respect of this acquisition and expensed to the consolidated income statement.

Set out below is an analysis of the net book value and fair value of the net assets acquired and the consideration payable in respect of this acquisition.

Northwest EMC Inc.	Book value $000	Fair value $000
Intangible assets	-	8,080
Property, plant and equipment	4,915	10,090
Trade and other receivables	2,153	2,354
Trade and other payables	(475)	(1,219)
Deferred tax	-	(1,905)
Net assets acquired	6,593	17,400
Goodwill		30,510
		47,910
Satisfied by:		
Cash paid		48,319
Cash acquired		(409)
Total consideration		**47,910**

From the date of acquisition to 31 December 2016, Element Portland – Evergreen contributed $7.3m to revenue and $2.5m to profit before tax. If the acquisition had been made at the beginning of the financial period, the business would have contributed $14.2m to revenue and $4.4m 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

18. Acquisitions (continued)

Germanischer Lloyd Prüflabor GmbH

On 30 September 2016, the Group acquired 100% of the share capital of Germanischer Lloyd Prüflabor GmbH for a net cash consideration of $18.6m. The consideration was paid in cash and funded by the Group's existing cash and borrowing resources. Germanischer Lloyd Prüflabor changed its name during the period to Element Materials Technology Hamburg GmbH (Element Hamburg).

Acquisition expenses of $0.5m were incurred in respect of this acquisition and expensed to the consolidated income statement.

Set out below is an analysis of the net book value and fair value of the net assets acquired and the consideration payable in respect of this acquisition.

Germanischer Lloyd Prüflabor GmbH	Book value $000	Fair value $000
Intangible assets	885	5,273
Property, plant and equipment	2,756	2,756
Trade and other receivables	1,348	1,124
Trade and other payables	(681)	(1,484)
Deferred tax	-	(1,568)
Net assets acquired	4,308	6,101
Goodwill		12,516
		18,617

Satisfied by:	
Cash paid	18,804
Cash acquired	(187)
Total consideration	**18,617**

From the date of acquisition to 31 December 2016, Element Hamburg contributed $1.7m to revenue and made a profit before tax of $0.5m. If the acquisition had been made at the beginning of the financial period, the business would have contributed $9.0m to revenue and $1.6m 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

19. Financial instruments

Financial risk management

The Group's business and financial results are affected by fluctuations in world 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 some interest rate swap 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.

Liquidity risk

The risk is that the Group is not able to meet its obligations as and when they fall due. The Group monitors cash balances on a daily basis and projects cash on a rolling 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 2016, the Group had bank facilities of $630m, of which $537.5m had been drawn down leaving $92.5m headroom available under the Senior Facilities Agreement (SFA). The Group held cash of $44.9m at period end.

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 balance sheet 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.

At 31 December 2016	Less than one year $000	Between one and two years $000	Between two and three years $000	Between three and five years $000	More than five years $000	Total $000
Senior Facilities Agreement: secured	2,250	2,250	2,250	4,500	516,234	527,484
Trade payables	14,889	-	-	-	-	14,889
Other payables	24,496	-	-	-	-	24,496
Loan notes	-	-	-	-	239,024	239,024
Preference shares	-	-	-	-	399,971	399,971
	41,635	2,250	2,250	4,500	1,155,229	1,205,864

At 31 December 2016, borrowings under the SFA were $537.5m, which valued at period end foreign exchange rates is $527.5m.

The SFA names specific entities of the Group that may borrow under the various facilities of the agreement. In addition, all materials 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.

Preference shares

The Company's redeemable cumulative preference shares of $368.2m were issued on 22 March 2016. The shares carry 11 per cent interest per annum and are redeemable on 22 March 2026. The redeemable cumulative preference shares are classified as financial liabilities. The preference shares carry no voting rights.

Loan notes

The $220m Unsecured Redeemable Loan Notes 2026 were issued on 22 March 2016 at an issue price of $1 per note and are redeemable on 22 March 2026 at par value plus all rolled up interests of 11 per cent per annum.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

19. Financial instruments (continued)

Interest rate risk

In addition to available cash and cash from operations, the Group uses short and long-term debt to finance business activities. Interest rate on our bank borrowings range between 4.25% - 6%. The Group is exposed to interest rate risk on its debt obligations. The Group currently uses a number of derivative financial instruments to manage interest rate risk. A hypothetical 10% increase in the Group's weighted-average interest rate would have an immaterial effect on the Group's financial condition and results of operations.

Currency exposure and hedging

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 European subsidiaries into United States Dollars. Also, there are gains and losses related to intercompany and third-party transactions denominated in currencies other than a location's functional currency. The Group's principal currency exposures relate to the Euro and to a lesser extent Sterling. The Group's objective is to minimise the volatility of its exposures to these risks through a combination of normal operating and financing activities. Currency risk is managed centrally by the parent on behalf of the Group.

Capital risk management

Derivative financial instruments involve credit risk in the event the counterparty should default. It is the Group's policy to execute such instruments with global financial institutions that the Group believes to be creditworthy. The Group also uses International Swap Dealers Association (ISDA) master-netting agreements. The ISDA agreements reduce the Group's counterparty settlement risk to the net amount of any receipts or payments due between the Group and the counterparty financial institution.

The following derivatives are stated at the fair values as set out below:

	2016 $000
Asset (U.S. Dollar interest rate swap)	548
Asset (GBP currency swap and interest rate cap)	3,382
Liability (U.S. Dollar currency swap)	(4,327)
Asset (Euro Dollar interest rate swap)	235
	(162)

The swaps fix the net interest rate payable in respect of amounts hedged maturing on 31 March 2019. Under IFRS accounting the fair value "mark-to-market" valuation of these derivative instruments is recognised in the statement of financial position. The change in the Fair Value of the derivative is recognised in the income statement.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

20. Defined contribution plans

Payments made under defined contribution plans during 2016 were $2.9m.

21. Defined benefit plans

The Group operates three defined benefit plans providing retirement benefits for qualifying employees of certain of its subsidiaries. The plans are unfunded and provide entitlements to retirement benefits either on attainment of pensionable age or a date provided by the schemes if earlier. Details of the plans are shown below;

- small defined benefit scheme for 5 employees, 4 active and 1 retired within Element Herne in Germany.
- defined benefit scheme for 14 employees at Element Materials Technology Amsterdam B.V. relating to a change in Dutch pension rules in 2005 on the accrued pensions of "Stork eigeen deel", the obligation for which becomes payable on the 31 December 2020 or earlier if pensionable age is reached prior to this date.
- small defined benefit scheme for 1 employee within Element Hamburg in Germany.

The retirement benefit obligations and related actuarial movements are not considered by the Directors to be material to the consolidated financial statements, however, in the interests of transparency the scheme valuations have been recognised in the consolidated balance sheet. The scheme valuations are provided by independent actuaries.

No cash payments were made into the schemes during the period. A payment of $149k was made to a retired member of the Amsterdam scheme and payments of $20k were made to the retired member of the Herne scheme. A charge of $18.2k was made to the income statement in respect of the schemes. The retirement benefit obligation as at 31 December 2016 was $0.6m.

22. Related party transactions

Transactions between the Group and its subsidiaries which are related parties have been eliminated on consolidation and are not disclosed in this note.

The Company's ultimate Parent Company is Element Materials Technology Group Ltd, registered in England and Wales, by virtue of its 100% shareholding.

The Group received $2.0m on behalf of Element Materials Technology Group Limited for the issue of shares in that Company.

Bridgepoint Advisers Limited provides certain administrative services for the Group in return for a monitoring fee. Monitoring fees of $0.5m were charged by Bridgepoint Advisers Limited in the period.

The Group also leased buildings from employees for $0.3m during the period. At 31 December 2016, the outstanding amount owed to employees for leased buildings was $nil.

Remuneration to key management personnel are disclosed in note 7. The key management personnel are Directors of the Company.

23. Capital commitments

	2016 $000
Capital Commitments to purchase property, plant and equipment	-

24. Operating non-cancellable lease commitments

At 31 December 2016, the Group has outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

Total commitments under non-cancellable operating leases	2016 $000
Due within 1 year	9,271
Due within 2 to 5 years	27,438
Due beyond 5 years	13,455
	50,164

Operating lease payments represent rent payable by the Group for its rental properties. Leases are negotiated for an average term of 8.6 years.

Lease payments under operating leases recognised as an expense in the period is disclosed in note 5.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

25. Share Capital

Type	Issued number	Closing balance number	Nominal value USD	Total
A1 Ordinary shares	775,585	775,585	0.0001	78
A2 Ordinary shares	25,871	25,871	0.0001	3
A3 Ordinary shares	25,271	25,271	0.03	758
B Ordinary shares	1,005,230	1,005,230	0.0001	101
C Ordinary shares	1	1	250	250
At 31 December 2016	**1,831,958**	**1,831,958**		**1,190**

	$000
Authorised, issued and fully paid, as at 31 December 2016	**1**

The shares have been issued between 22 March 2016 and 7 July 2016. A2, B and C shares carry no voting rights.

Treasury shares

As at 31 December 2016 Group equity included $1k of treasury shares, related to the repurchase of shares from management.

26. Subsequent events

On the 22 December 2016, Element Materials Technology entered into a binding agreement to purchase Testing and Engineering of Aeronautical Materials and Structures S.L. ('TEAMS') in Seville, Spain, further strengthening its position in the European Aerospace materials testing sector. The final purchase agreement was signed on 13 May 2017.

On the 24 February 2017, Element Materials Technology entered into an asset purchase agreement with Mechanical Testing Services ('MTEC'), an independent metallurgical testing facility in Houston, TX, USA.

On the 8 March 2017 Element Materials Technology entered into an asset purchase agreement with Durkee Testing Laboratories of Paramount, California, USA, a long-established specialist provider of metallurgical investigation, mechanical testing and chemical analysis services to the Aerospace, Defense, Manufacturing and Utilities sectors.

On the 31 March 2017 Element Materials Technology entered into an agreement to purchase the assets of TÜV SÜD Melbourne, FL, USA, a laboratory specialising in EMI testing for Commercial, Aerospace and Defence applications.

On the 31 March 2017 Element Materials Technology entered into an asset purchase agreement with Medical Device Testing Services ('MDT'), a specialist provider in Mechanical Testing and Materials Characterisation for medical devices in the USA.

The Boards of Element Materials Technology Group Limited and Exova Group plc reached agreement on the terms of a recommended cash offer to acquire the whole of the issued and to be issued share capital of Exova Group plc and an announcement in accordance with section 2.7 of the Takeover Code was made on 19 April, containing full details of the offer. The acquisition completed on 29 June 2017.

The final values of items acquired have not been finalised before approval of the financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

27. Subsidiaries and associated companies

The Group's and Company's subsidiaries are listed below. All the subsidiaries were consolidated at 31 December 2016.

Name Continuing businesses	Country of incorporation or registration	Proportion Held	Activity
Element Materials Technology Warren Inc.	USA	100%	Testing and inspection operations
Element Materials Technology Cleveland Inc.	USA	100%	Testing and inspection operations
Element Materials Technology Huntington Beach Inc.	USA	100%	Testing and inspection operations
Element Materials Technology Jupiter LLC	USA	100%	Testing and inspection operations
Element Materials Technology New Berlin Inc.	USA	100%	Testing and inspection operations
Element Materials Technology St. Paul Inc.	USA	100%	Testing and inspection operations
Element Materials Technology Cincinnati Inc.	USA	100%	Testing and inspection operations
Element Materials Technology Houston Inc.	USA	100%	Testing and inspection operations
Element Materials Technology Wixom Inc.	USA	100%	Testing and inspection operations
Element Materials Technology Daleville LLC	USA	100%	Testing and inspection operations
Element Materials Technology Lafayette LLC	USA	100%	Testing and inspection operations
Element Materials Technology Broken Arrow LLC	USA	100%	Testing and inspection operations
Element Materials Technology Los Angeles Inc.	USA	100%	Testing and inspection operations
Element Materials Technology Minneapolis Inc.	USA	100%	Testing and inspection operations
Element Materials Technology Minneapolis LLC	USA	100%	Testing and inspection operations
Element Materials Technology Portland Inc.	USA	100%	Testing and inspection operations
Element Materials Technology Portland - Evergreen Inc.	USA	100%	Testing and inspection operations
Cascade Technical Sciences, Inc.	USA	100%	Testing and inspection operations
Element Materials Technology Sheffield Ltd. (1)	United Kingdom	100%	Testing and inspection operations
Element Materials Technology Aberdeen Ltd. (1)	United Kingdom	100%	Testing and inspection operations
Materials Engineering Research Laboratory Limited (1)	United Kingdom	100%	Testing and inspection operations
Element Materials Technology Hitchin Ltd. (1)	United Kingdom	100%	Testing and inspection operations
Element Materials Technology Warwick Ltd. (1)	United Kingdom	100%	Testing and inspection operations
Element Materials Technology Amsterdam B.V.	Netherlands	100%	Testing and inspection operations
Element Materials Technology Rotterdam B.V.	Netherlands	100%	Testing and inspection operations
Element Materials Technology Herne GmbH	Germany	100%	Testing and inspection operations
Element Materials Technology Berlin GmbH	Germany	100%	Testing and inspection operations
Element Materials Technology Hamburg GmbH	Germany	100%	Testing and inspection operations
Element Materials Technology Antwerp N.V.	Belgium	100%	Testing and inspection operations
TRaC Global Inc.	United Kingdom	100%	Testing and inspection operations
Ying Rui Ce Technology (Shenzhen) Ltd.	China	100%	Testing and inspection operations
Herculean Testing Group B.V.	Netherlands	100%	Holding Company
Element Materials Technology Holding Netherlands B.V.	Netherlands	100%	Holding Company
Sherry Holdings LLC	USA	100%	Holding Company
Herculean US Holdings , Inc.	USA	100%	Holding Company
Element Materials Technology Holding USA Inc.	USA	100%	Holding Company
Element Materials Technology Group US Holdings Inc.	USA	100%	Holding Company
MERL Technology Limited (1)	United Kingdom	100%	Holding Company
Element Materials Technology G.C. Ltd. (1)	United Kingdom	100%	Holding Company

(1) Registered office is 5 Fleet Place, London, EC4M 7RD

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

27. Subsidiaries and associated companies (continued)

Name Continuing businesses	Country of incorporation or registration	Proportion Held	Activity
Element Materials Technology Holding UK Ltd. [1]	United Kingdom	100%	Holding Company
Element Materials Technology Limited [1]	United Kingdom	100%	Holding Company
Element Materials Technology Group Holdings Limited [1]	United Kingdom	100%	Holding Company
Element Materials Technology Group Holdings CC1 Limited [1]	United Kingdom	100%	Holding Company
Element Materials Technology Group Holdings CC2 Limited [1]	United Kingdom	100%	Holding Company
EMT Holdings Limited [1]	United Kingdom	100%	Holding Company
EMT 2 Holdings Limited [1]	United Kingdom	100%	Holding Company
EMT FX EUR Limited [1]	United Kingdom	100%	Holding Company
EMT FX GBP Limited [1]	United Kingdom	100%	Holding Company
EMT FX USD Limited [1]	United Kingdom	100%	Holding Company
EMC Projects Limited [1]	United Kingdom	100%	Dormant
TRaC EMC & Safety Limited [1]	United Kingdom	100%	Dormant
TRaC Environmental and Analysis Ltd. [1]	United Kingdom	100%	Dormant
TRaC Telecoms & Radio Limited [1]	United Kingdom	100%	Dormant
TRaC Global Limited [1]	United Kingdom	100%	Dormant
Morel Ventures, LLC	USA	100%	Dormant
Cascade Methods, LLC	USA	100%	Dormant
McCloy Engineering, LLC	USA	100%	Dormant
Front Range Methods, LLC	USA	100%	Dormant

[1] Registered office is 5 Fleet Place, London, EC4M 7RD

No individual shareholder of Element Materials Technology Group Limited is considered to have control.

COMPANY BALANCE SHEET

As at 31 December 2016

Non-current assets	Note	2016 $000
Investments	c	367,089
Amounts owed by Group companies		2,000
		369,089
Non-current liabilities		
Preference shares		(399,971)
		(399,971)
Net assets		**(30,882)**
Equity		
Share capital	d	1
Share premium reserve		894
Treasury shares		(1)
Retained earnings		(31,776)
Total shareholders' equity		**(30,882)**

The financial statements of Element Materials Technology Group Limited (Company registration number 09915743) were approved by the Board of Directors and authorised for issue on 3 August 2017. They were signed on its behalf by:

Jo Wetz
Director
3 August 2017

COMPANY STATEMENT OF CHANGES IN EQUITY

Period ended 31 December 2016

	Share Capital $000	Share Premium Reserve $000	Treasury Shares $000	Retained Earnings $000	Total $000
At 14 December 2015	-	-	-	-	-
Total Comprehensive Loss	-	-	-	(31,776)	(31,776)
Issue of shares	1	894	(1)	-	894
At 31 December 2016	**1**	**894**	**(1)**	**(31,776)**	**(30,882)**

The notes on pages 100 and 101 form part of these financial statements.

NOTES TO THE COMPANY FINANCIAL STATEMENTS

a) Accounting policies

a.1 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 income statement account is presented for the Company. The Company's loss after tax for the period ended 31 December 2016 was $31.8m.

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 cash-flow statement, standards not yet effective, impairment of assets and related party transactions. Where required, equivalent disclosures are given in the group accounts of Element Materials Technology Group Limited.

The group issued preference share that pay a fixed rate of interests and that have a mandatory redemption feature at a future date. These shares are a contractual obligation to deliver cash and therefore are recognised as a liability.

a.2 Investments

Investments are stated at cost less provision for impairment.

a.3 Dividends

Dividend income is recognised when received. Final dividend distributions are recognised in the Company's financial statements in the period in which the dividends are approved by the Company's shareholders.

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

For details of related party transactions please refer to note 22 of the Consolidated Group Financial Statements.

d) Auditor's remuneration

Fees payable to the auditor for the audit of the Company Financial Statements of $10k were borne by a fellow Group undertaking.

NOTES TO THE COMPANY FINANCIAL STATEMENTS

e) Investments

	2016 $000
Shares in Group undertakings	367,089

Details of the principal subsidiaries are set out on pages 96 and 97.

f) Share capital

Type	Issued number	Closing balance number	Nominal value USD	Total
A1 Ordinary shares	775,585	775,585	0.0001	78
A2 Ordinary shares	25,871	25,871	0.0001	3
A3 Ordinary shares	25,271	25,271	0.03	758
B Ordinary shares	1,005,230	1,005,230	0.0001	101
C Ordinary shares	1	1	250	250
At 31 December 2016	**1,831,958**	**1,831,958**		**1,190**

	$000
Authorised, issued and fully paid, as at 31 December 2016	**1**

The shares have been issued between 22 March 2016 and 7 July 2016. A2, B and C shares carry no voting rights.

Treasury shares

As at 31 December 2016 Group equity included $1k of treasury shares, related to the repurchase of shares from management.

g) Subsequent events

No significant events have occurred after 31 December 2016 other than those disclosed in the Consolidated Group Financial Statements.

DIRECTORS AND ADVISERS

Directors

Charles A. Noall
Jo Wetz
Christopher Busby
Raoul Hughes

Registered Office

5 Fleet Place
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EC4M 7RD
United Kingdom

Company Registration Number

09915743

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Solicitors to the Group

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