



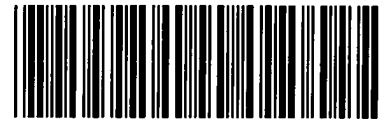
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COMPANIES HOUSE

# 2021



CONSOLIDATED  
FINANCIAL  
STATEMENTS

[element.com](https://www.element.com)

Element Materials Technology Limited  
Companies House Registration Number: 09912819

**2021 HAS BEEN A YEAR  
OF CONSIDERABLE  
GROWTH,** WHICH HAS BEEN  
UNDERPINNED BY OUR BOLD  
ACQUISITION STRATEGY,  
AND OUR CLEAR FOCUS  
ON THE END MARKETS  
WHICH ARE SHAPING  
THIS WORLD.

Ruth Prior, Group CFO

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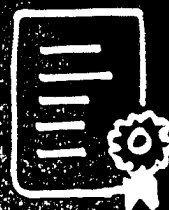
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As set out in Board of Directors section on pages 54 to 57, the leadership and oversight of the Element Materials Technology Limited group is governed by the Board of Directors of Element Materials Technology Group Limited, the ultimate parent company of the company. Therefore, references to the "Board" throughout this annual report means the Board of Directors of Element Materials Technology Group Limited. References to the "Directors" represent the legal directors of Element Materials Technology Limited and are disclosed in the Directors' report on pages 70 to 72.

# ELEMENT IN NUMBERS



OVER  
**200**  
LOCATIONS  
IN 30 COUNTRIES



IN EXCESS OF  
**6,900**  
ENGAGED  
EXPERTS



OVER  
**50,000**  
CUSTOMERS  
WORLDWIDE



**+62**  
NPS SCORE



**12**  
ACQUISITIONS  
IN 2021



RECORDABLE INJURY  
RATE REDUCED BY  
**16.3%**



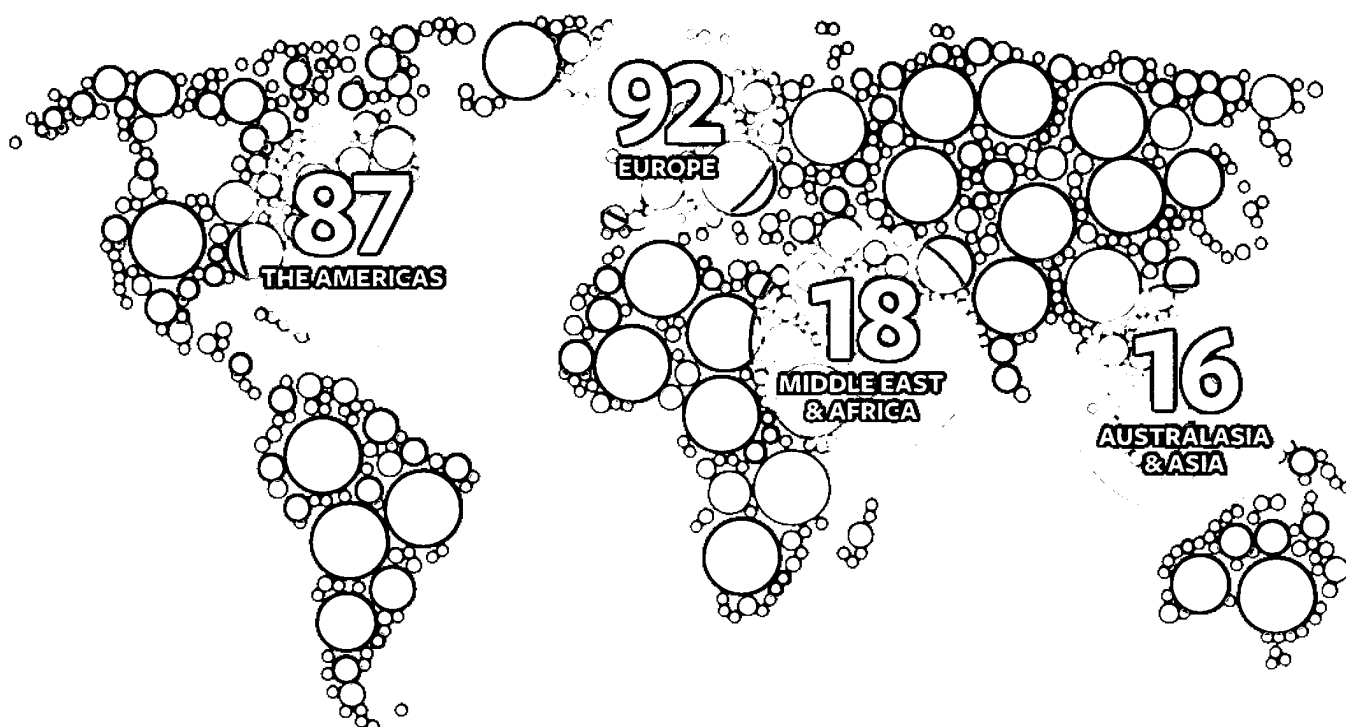
**#1**  
RATING FOR ESG IN THE  
TESTING, INSPECTION  
AND CERTIFICATION  
(TIC) INDUSTRY FROM  
SUSTAIN ANALYTICS



**78%**  
COLLEAGUE  
ENGAGEMENT SCORE,  
= #1 IN TIC PEERS



# LOCATION METRICS

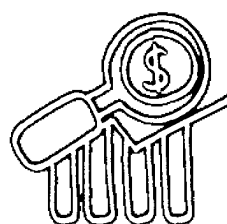


## 2021 FINANCIAL HIGHLIGHTS



**17%**

REVENUE GROWTH  
(2021: US \$913.0 MILLION,  
2020: US \$782.6 MILLION)



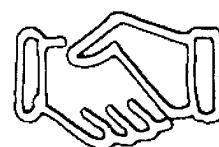
**26%**

GROWTH IN  
ADJUSTED EBITDA  
(2021: US \$221.2 MILLION,  
2020: US \$175.3 MILLION)



**22%**

REVENUE CAGR  
(2010 - 2021)



**41**

ACQUISITIONS SINCE 2011

# Making tomorrow

OVER THE LAST TEN YEARS AS A CHALLENGER IN THE MARKET, ELEMENT HAS GROWN SIGNIFICANTLY AS A GLOBAL BUSINESS. THIS GROWTH HAS BEEN A DIRECT RESULT OF OUR BIGGEST ASSET - OUR PEOPLE. IT'S THE PASSION, COMMITMENT AND TECHNICAL EXCELLENCE OF OUR TEAMS AROUND THE WORLD THAT ALLOWS US TO DO SO MUCH FOR OUR CUSTOMERS. OUR PEOPLE ARE ONE OF OUR MANY STRENGTHS.

IN 2021 WE RELAUNCHED OUR PURPOSE, OUR REASON FOR BEING AND OUR VALUES. THIS HAS ALLOWED US TO BETTER DEMONSTRATE THE CONTRIBUTION OUR PEOPLE MAKE TO THE BUSINESS AND SOCIETY, AND TO CRYSTALIZE ELEMENT'S CONTRIBUTION TO ITS CUSTOMERS AND END MARKETS.

AT ITS CORE, OUR PURPOSE IS THE GUIDING PRINCIPLE THAT UNITES US, THE REASON WE DO WHAT WE DO EVERY DAY. EVERYONE ACROSS THE ORGANIZATION NOW UNDERSTANDS THEIR ROLE IN SUPPORTING THAT PURPOSE AND HOW THEY ARE PART OF IT. WE ALL BRING DIFFERENT PERSPECTIVES, AND THAT DIVERSE THINKING MAKES US EVEN STRONGER. ACROSS MANY COUNTRIES AND LOCATIONS, IT IS THIS DRIVE AND AMBITION THAT WE SHARE, HELPING OUR CUSTOMERS MAKE A GREATER POSITIVE IMPACT ON THE WORLD EACH AND EVERY DAY.

WE WORK WITH CUSTOMERS WHO REALLY CARE ABOUT THEIR PRODUCTS AND SERVICES GETTING TO MARKET, ENSURING THEY ARE SAFE, FIT FOR PURPOSE AND COMPLIANT. ANY FAILURE IN USE COULD HAVE SIGNIFICANT CONSEQUENCES.

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

Jo Wetz, Chief Executive Officer

## OUR PURPOSE

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

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

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

safer than today

## OUR VALUES

### INTEGRITY | CARE | PROGRESS

Chosen by our people, these three values describe what it means to work at Element. In our day-to-day work every decision we make, every question we ask, every interaction we have, is guided by Integrity, Care, and Progress.

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



### INTEGRITY

**We do what is right.**

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



### CARE

**We care about the impact we have.**

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



### PROGRESS

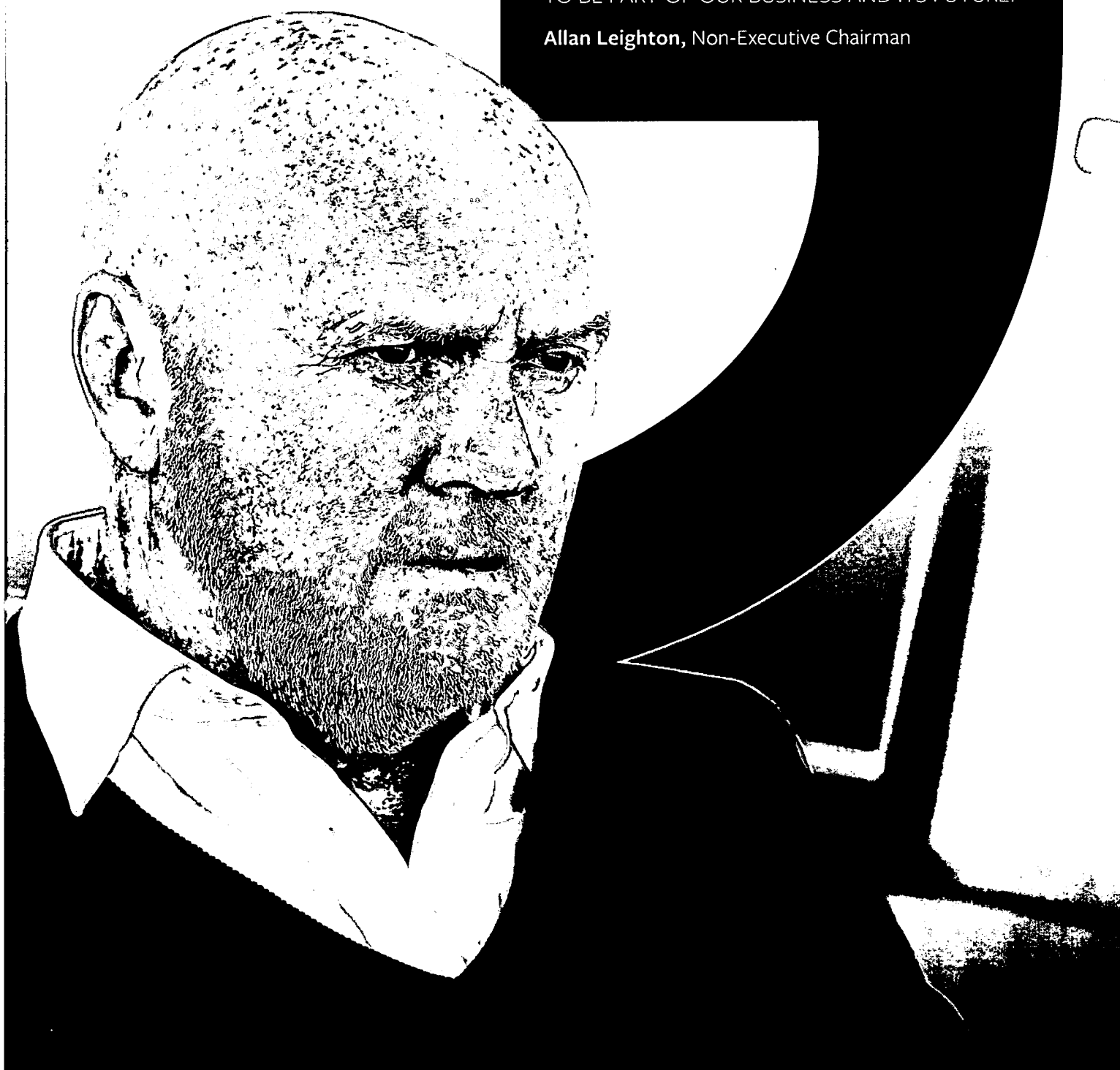
**We strive to create a more positive future.**

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

# CHAIRMAN'S REPORT

IT HAS BEEN AN EXCITING YEAR FOR ELEMENT AS WE HAVE GROWN AND STRENGTHENED OUR BUSINESS. I AM PROUD TO HAVE JO WETZ AT THE HELM AND WE CAN SEE THE IMPACT HE IS HAVING ON OUR PEOPLE, ESG AND M&A STRATEGIES. ELEMENT IS UNDOUBTEDLY A BUSINESS TO WATCH, AND THE ACQUISITIONS STRATEGY THIS YEAR HAVE BEEN OUTSTANDING - BRINGING NEW AND STRONGER SKILLS TO THE TEAM WHILE EXPANDING GEOGRAPHICAL REACH AND CUSTOMER PENETRATION. WITH 2022 SET UP TO BE AN EVEN MORE EXCITING YEAR, IT IS THE BEST TIME TO BE PART OF OUR BUSINESS AND ITS FUTURE.

**Allan Leighton**, Non-Executive Chairman



If there is one thing I will remember 2021 for, it will be the year Element underwent the most significant change in its history. It has been a very positive year for our people and our business. We have witnessed the impact of having Jo Wetz at the helm, as he has driven major changes throughout the organization. Our strategic acquisition work this year has been outstanding - to bring 12 exceptional businesses into the Element Group is testament to the work and dedication of our senior team in the acquisition of businesses - and their complementary skills - which are so closely aligned to our purpose and values.

Through our ten years as a standalone business, Element has been known for its success at an operational level and working in our traditional industrial sectors, such as Aerospace, Transportation and Energy. Over the last decade, the sectors driving industrial and societal development have evolved and the world is now a very different place. So, as the world changes, we are changing with it. Our acquisition strategy and our internal restructure, alongside the adoption of our new purpose and values, reflect that evolving world. With Life Sciences, Aerospace and Connected Technologies now making up our largest end markets, it is clear our strategic repositioning is taking the business in the right direction.

The impact of the pandemic on the world is ongoing and it is an incredibly difficult situation no one anticipated. Fortunately, life will begin to improve as we emerge from the last two years. In last year's annual report, we reflected on how our teams had responded to the pandemic through innovation and volunteering. We made a direct contribution to the Covid-19 response through our testing and analytical expertise, which was used to support the essential research into vaccines and their roll out. The expansion of our Life Sciences business unit has come as a direct response to the changing landscape in research & development, meaning Element is playing a much greater role in a worldwide purpose to **Make Tomorrow Safer Than Today**.

## PEOPLE

We have welcomed over a thousand people into the Element family in the last year, and our work in developing and training our teams will ensure personal growth and rewarding careers. We have implemented targets that will see the make-up of our business change significantly over the coming years. An organization of our size is a major employer in many sectors and countries, so we have a duty to ensure we employ a team that reflects the societies and communities in which we work.

I commend the work of our Chief People Officer, Nancy Grösch, in bringing about significant changes in the way we engage and motivate our diverse and talented workforce and I applaud all our leaders and managers for embracing change.

## CUSTOMERS

Our customers remain the focus of everything we do, whether it's about upskilling our experts, acquiring new businesses or providing excellent customer service. Everything we do is geared towards improving the customer experience. Innovation is core to this, and I am in awe of the work ethic throughout the business that continues to generate new ideas and solutions for our customers. Our aim is to help customers bring their products to market safely and swiftly, to help them be engaged in the testing process, and to help them understand better what we can do for them. Our team of engaged experts continue to amaze me with the can-do attitude that they bring to their jobs every day.

## 2022

We have ambitious goals for the year ahead. In January 2022, Temasek signed a deal to acquire a majority stake in Element from Bridgepoint in a landmark transaction for the TIC sector. Having been a minority shareholder in Element since 2019, Temasek's intimate understanding of our business and its track record of enabling businesses with sustainability at their core will help to accelerate our growth ambitions.

Element has grown from 27 locations and 860 colleagues ten years ago, to nearly 7,000 talented experts operating in over 200 locations. In that decade, the Group has generated a revenue compounded annual growth rate (CAGR) of more than 20%. We are ambitious about continuing this rapid growth. It provides an enormous platform for the evolution as a business in the coming years.

But above all, Element's transformative growth is a testament to our people. It demonstrates the skills and commitment of colleagues around the world, and their ability to grow and adapt with us. The speed of our development would not be possible without their expertise and adaptability. Now, with this platform, we stand on a launchpad for the next exciting horizon of growth for the Group.

That growth will begin with the ongoing development of our people, diversifying our workforce and leadership. We will take critical steps forward in implementing our industry-leading ESG strategy, reducing our own emissions while developing new solutions to help our customers on their own sustainability journeys. And we will continue to drive strong business growth, maintaining operational excellence and improving customer relationships. I am very confident, when I look at our track record to date, that we will be able to achieve these goals.

When we look back in future years and reflect on our success as a business, I believe that we'll think of 2021 as the beginning of the creation of our new, improved Element business.

# CEO REPORT

IN 2021 ELEMENT HAS FOCUSED ON GROWTH AND STRATEGIC REPOSITIONING. IT HAS BEEN A YEAR OF ACQUISITION AND CONSOLIDATION IN OUR LIFE SCIENCES AND CONNECTED TECHNOLOGIES FOCUSED BUSINESSES IN PARTICULAR. WE ARE NOW BILLING NEARLY \$1 BILLION IN REVENUE AND HAVE WELCOMED 12 NEW BUSINESSES INTO THE ELEMENT FAMILY IN THAT TIME, SUPPORTING US AS WE BECOME A STRONGER AND MORE AGILE BUSINESS THAN BEFORE. WITH A ROBUST PEOPLE STRATEGY, BOLD ESG TARGETS AND OUR NEW PURPOSE: **MAKING TOMORROW SAFER THAN TODAY**, WE ARE CREATING AN EXCITING FUTURE FOR THE BUSINESS AND ITS PEOPLE.

**Jo Wetz, Chief Executive Officer**



As we go about our daily lives, we are safer thanks to the work we do at Element. Whether it's making a call on your mobile phone, taking important medication, or driving your family in your car, every day you are using something that has been tested by our laboratories.

The last ten years have seen a real transformation of the Element business. We have grown from a newly independent company with 860 colleagues and 27 locations, to an organization with a clear purpose, over 200 locations in 30 countries and employing almost 7,000 talented colleagues all over the world.

From revenues of just over US \$100 million in 2011, our run rate\* as we exit 2021 is now over US \$1 billion. I am proud to work with our talented team and with our performance momentum, clear ambition and new purpose, we are set to see even greater growth in the near future.

Those ten years have also included the impact of a pandemic in 2020 and 2021, which has hit businesses and people across the world in many different ways. In 2021, we continued to respond to the pandemic in a positive way and many of our business decisions have positioned our expertise where it is needed most. As with all businesses, we are emerging from the pandemic in a very different position than when it began, but Element is experiencing a strong recovery in its core business and accelerated growth in our new focus areas.

2021 has been a year in which our business strategy was particularly geared towards acquisition and growth. With 12 new businesses joining the Element family, we have focused on building our presence in critical sectors: Life Sciences and Connected Technologies. Our acquisitions reflect a response to the needs of our customers and are a direct result of identifying long-term growth opportunities for the company.

We, like so many others, are truly shocked by the humanitarian tragedy and consequences that are unfolding in Ukraine. As a business we unequivocally stand in solidarity with Ukraine and our friends and family in the country.

Our main priority is the safety and wellbeing of our people - we continue to support our colleagues in Ukraine and neighbouring countries, along with Ukrainian colleagues living outside of the country.

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

## OUR PURPOSE

Over the last 18 months we have, like many, thought deeply about what we do and why. In 2021, we launched our new purpose – **Making Tomorrow Safer Than Today** - and values – **integrity, care, progress** - across the business. Our teams have embraced the ambition and commitment, which is what makes Element so successful. It has been exciting to see the impact.

Put simply, we always want to do the right thing. Our organization is built on trust and accountability, and we take pride in our work and keep our promises. Customers are critically important to us, and we commit to deliver every time for them – and for each other. One of the learnings we have taken from the last two years has been that we have a responsibility to make a positive difference in the world and we do this by making it safer. We also do this by being inclusive and welcoming, and by continuously improving what we do every day. We grow and learn by constantly thinking about our positive impact and how we can do better for each other, society and the planet.

Our purpose runs through all our operations and particularly in the way we support customers doing vital work in sectors such as Pharmaceuticals, Fire Safety and Connected Technologies. It demonstrates how Element is working with people who shape the world we live in. So when we talk about our purpose, it's really about how it reflects the way in which we, our suppliers, and customers, are **Making Tomorrow Safer Than Today**.

## OUR CUSTOMERS

Whether it's supporting our customers as they work on safety, environmental impact or in supporting their carbon commitments, we always put them first. When the impact of the pandemic limited access to our sites, we invested in technology and capability in remote witnessing so our customers were still part of the testing process for their products. We work with them to overcome challenges and we ensure that when they work with Element it gives them an advantage. Our digital strategy has been driven by customer need and they have responded well as we transform how we operate. The benefits are clear to see in terms of improved experience, efficiency and quality. If we can help customers bring their products to market quickly, knowing they are safe and fit for purpose, then we are doing the right thing.

We were proud of the significant progress we made with our customers, with our Net Promoter Score (NPS) increasing from 56 in 2020 to 62 in 2021, an improvement of 11% over the year.

With over 60% of our revenues driven by services supporting our customers' own sustainability and ESG journeys, we have been robust in declaring our nine Environmental and Social targets. Sustainability is now one of the Group's five strategic pillars and we will continue to invest in products and services to support our customers on their sustainability journey, as well as improve our own impact on the environment and our communities.

\*Run rate is defined as the consolidated 2021 Q4 revenue (translated at constant currency rates) multiplied by 4. The Q4 revenue includes all entities as if they had been owned by Element from 1 January 2021.

# CEO REPORT

## OUR ESG COMMITMENTS

Element's leadership team has set ambitious carbon reduction targets in our industry. It is an honour to be part of a business which has the best corporate ESG rating in the sector.

Within our environmental commitment we are focusing on setting science-based targets, reducing our emissions and pushing towards net zero across our entire business and supply chain by 2035. These are strategic imperatives and we are not fighting shy of our ambition.

Our biggest environmental impact comes through supporting our customers through their own environmental journeys, as they develop products which will make the world safer, cleaner and better. Through supporting innovation into new and emerging technologies, we will see Element play a critical role in the future of our planet.

Core to our ESG mission is to rethink the composition of our teams and leaders. We have set ambitious targets for ethnic diversity and gender balance across our leadership teams globally, and these targets and plans have been shared with all our colleagues across the world. Increasing diversity and inclusion will be key as we continue to develop Element as an employer of choice worldwide.

I am thrilled that we currently have more female leaders in senior positions than ever before, with even more coming through our talent pipeline. As change so often happens from the top, these inspiring women will bring further diversity to management roles, changing our business for the better and inspiring the next generation of leaders as they develop their careers with Element.

We have invested widely to change our policies on flexible working to encourage returners and to increase staff retention. Giving our teams greater flexibility in how they work will enable us to get the very best out of our people, helping to increase engagement and retention. We have also introduced a funded volunteering policy, allowing all colleagues to have paid volunteering time to support their local communities. We'll be helping all of our colleagues utilize this time, with organized activities throughout the year.

## OUR PEOPLE

If we are to achieve our ambition to double the size of the business by 2025, our people will be core to fuelling that growth. It is not a cliché to say we are a people business, because the engagement of our trusted experts with customers is crucial to the success of everything we do. We aim to create an empowered and inclusive culture because we want our people to be engaged and excited by what they do so they enjoy coming to work and, of course, perform to the best of their ability.

In the current climate, I also see it as important that we protect people in an uncertain world and maintain stability within our team structure. Within our colleague value proposition, we aim to recruit and retain the best talent in our sectors, keep them motivated and engaged and support them with fair reward and recognition for all that they do. These values are essential to retain and nurture our talent – that is, after all, the reason we are so successful. Our engagement results this year certainly point to the significant progress we're making, with our purpose providing a common thread that brings us all together.

## OUR INNOVATION

Despite all our achievements, Element is still a business in transition. In the past we have been very much an operationally focused business which was driven by consistent processes. In the last year in particular we have driven greater levels of innovation, making Element a more dynamic business that is constantly seeking new solutions to our customers' problems.

In 2020, we created a US \$10 million innovation fund. This is already beginning to drive new and innovative thinking from our teams across the world. We have had hundreds of entries and already funded new projects across the Group. By promoting more disruptive thinking, we will be able to keep raising the bar on our customer service to ensure we never rest on our laurels.



## LOOKING FORWARD TO 2022

While 2021 has seen considerable change and growth in Element, our ambitions are significant and there is so much more to do.

In January 2022, we announced that Temasek had signed a deal to acquire a majority stake in Element from Bridgepoint – the largest acquisition of any business in the TIC sector.

Temasek, a global investor headquartered in Singapore, has been a minority shareholder in Element since 2019. They know us and the TIC sector well, and recognize the importance of what we do with our customers to be part of their decarbonization and sustainability journeys. We are excited about the future that we can create as we embark on our ambition to double the size of our business by 2025.

Looking ahead, I'm passionate about improving our sustainability impact, focussing on our ambitious goals on emissions, diversity and inclusion, and giving back to our local communities through volunteering. Element is well-positioned to continue to grow and consolidate the TIC market; we have developed strong positions in Life Sciences and Connected Technologies; there is increasing regulation and governance in complex end-markets, where our expertise is strong, and there are significant global sustainability tailwinds that will drive even faster growth.

We will continue to focus on what has made us so successful over the last 10 years – our people and customers, being innovative in the solutions we offer, and our ESG journey. Through a combination of organic growth and strategic M&A we will further scale our global impact, driving forward on our purpose of Making Tomorrow Safer Than Today.

OUR STRATEGY

# OUR STRATEGY



ELEMENT IS WELL POSITIONED TO BUILD STRATEGIC LEADERSHIP POSITIONS IN OUR SELECTED END MARKETS, THROUGH BOTH ORGANIC AND INORGANIC ACTIVITIES. OUR CHOSEN END MARKETS ARE HIGHLY REGULATED, TECHNICALLY DEMANDING WITH SIGNIFICANT PRODUCT AND MATERIALS INNOVATION, OUR CUSTOMERS ARE PROVIDING INNOVATIVE SAFETY CRITICAL SOLUTIONS TO A MODERN WORLD.

These markets also have attractive economics, with strong market growth, constant innovation cycles, high demand and regulation, and technically dominating customers. Supply chains to these markets tend to be highly fragmented, giving us opportunities to acquire companies that add new capabilities and expand our scale. Through broadening and connecting our services, we are able to better support market access for customers working in complex regulatory environments around the world.

We support our growing family of laboratories through our operational, technical and commercial excellence programmes, which put our customers at the heart of what we do. Through a unified technology infrastructure and holistic support for customers moving through their ESG journeys, we are able to drive strong organic growth and best in class margins. Our excellent M&A capabilities further enhance our ability to grow,

providing each business unit with the expertise to identify and invest in inorganic growth that truly adds to our customer offering.

This strategy has delivered a scaled platform with significant future opportunity. Over the last 18 months the business has increased its exposure and focus on high-growth end markets at pace, including Connected Technologies, Life Sciences, and the Built Environment; supplemented by our leadership position in Aerospace.

Our purpose is **Making Tomorrow Safer Than Today**, and our engaged experts deliver this through our specialist innovative testing, inspection, certification and advisory services for customers operating in fields where failure is not an option. We invest in the development of our talented team of experts around the world, empowering them to lead and providing opportunities for personal and professional growth in a highly engaged environment.

Element stands apart from other TIC companies thanks to our focus on critical industrial safety, our global platform, our best-in-class operational and commercial excellence, and our investment in growth through M&A. On top of this, Element is also well positioned to benefit from growing and significant structural global trends, including helping our customers meet their ESG targets. With ambitious, industry-leading targets of our own, we see ESG as a key future driver.

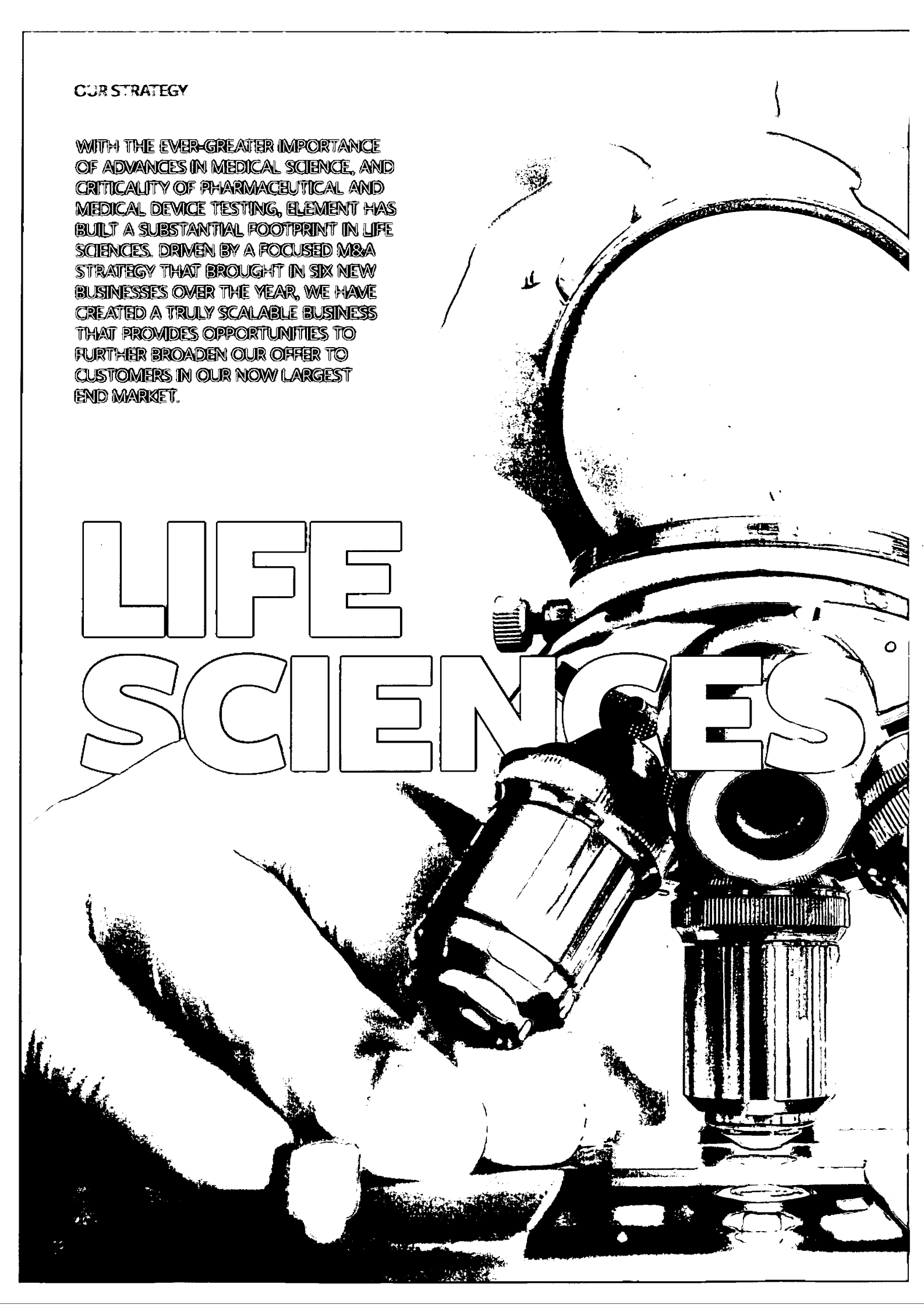
We are ultimately judged by our customers and our service. Our success is most clearly evidenced by Element's customer feedback, measured through our Net Promoter Score – this has increased by 11% in 2021, putting us in an even stronger position to drive strategic partnerships, build relevant capabilities and identify new opportunities.

END MARKETS	LIFE SCIENCES	CONNECTED TECHNOLOGIES & MOBILITY	AEROSPACE	BUILT ENVIRONMENT	ASSURANCE & OTHER	ENERGY & ENERGY TRANSITION
<b>Key Business Units (BUs)</b>	Life Sciences US Life Science EU	Connected Technologies (BUs). US Transportation & Environmental	Aero & Defense US Aero & Connected Technologies EU	Fire & Building Products Transportation & Environmental US	Calibration & Testing Nordics	Energy and Environmental (EU & MEAP)
<b>Example services</b>	<ul style="list-style-type: none"> <li>Pharmaceuticals</li> <li>Antimicrobial</li> <li>Medical Devices</li> <li>Personal care &amp; beauty products</li> <li>Biotechnology</li> </ul>	<ul style="list-style-type: none"> <li>Mobile and Cellular Devices</li> <li>Consumer Electronics</li> <li>IoT compliance</li> <li>Telecoms regulatory services</li> <li>EV &amp; Autonomous vehicle</li> <li>Defense products &amp; systems</li> <li>Rail &amp; Maritime</li> </ul>	<ul style="list-style-type: none"> <li>Aerospace Engine Testing</li> <li>Aerospace Avionics</li> <li>Aircraft Fuel Systems</li> <li>Product Qualification Interiors and Fuselage/Landing Gear &amp; Wings</li> <li>Materials</li> <li>Calibration Services</li> </ul>	<ul style="list-style-type: none"> <li>Advanced Materials</li> <li>Fire-performance and resistance</li> <li>Architectural hardware</li> <li>Water and air tightness</li> <li>Building performance</li> <li>Environmental</li> <li>Agriculture and Wastewater</li> <li>Site remediation</li> </ul>	<ul style="list-style-type: none"> <li>Calibration</li> <li>Certification</li> </ul>	<ul style="list-style-type: none"> <li>Mechanical testing</li> <li>Non-destructive inspection</li> <li>Full and small scale pipe testing</li> <li>Digital engineering</li> <li>Corrosion/coating testing</li> <li>Chemical analysis</li> <li>Weld testing</li> <li>Failure analysis</li> </ul>
<b>Growth drivers</b>	<ul style="list-style-type: none"> <li>Regulation and global drug development R&amp;D spend</li> <li>Biologics innovation</li> <li>Antimicrobial focus post Covid</li> <li>Med device technology innovation</li> </ul>	<ul style="list-style-type: none"> <li>Technological innovation cycles &amp; adoption of 5G</li> <li>Connected Devices, new tech and increasing regulation, ESG</li> <li>Innovation - EV / AV</li> </ul>	<ul style="list-style-type: none"> <li>Aircraft production rates to rapidly grow following 2020 downturn</li> <li>R&amp;D base stable with upside in late 2020s</li> <li>ESG momentum &amp; decarbonization</li> </ul>	<ul style="list-style-type: none"> <li>Regulation cycles, higher standards, new product innovations and mandatory recertification</li> </ul>	<ul style="list-style-type: none"> <li>Overall GDP growth, regulation and certification requirements</li> <li>ESG tailwinds driving penetration of new environmental standards</li> </ul>	<ul style="list-style-type: none"> <li>Underlying O &amp; G demand</li> <li>Oil price</li> <li>Growth or renewables</li> <li>Innovation around hydrogen</li> </ul>

## OUR STRATEGY

WITH THE EVER-GREATER IMPORTANCE OF ADVANCES IN MEDICAL SCIENCE, AND CRITICALITY OF PHARMACEUTICAL AND MEDICAL DEVICE TESTING, ELEMENT HAS BUILT A SUBSTANTIAL FOOTPRINT IN LIFE SCIENCES. DRIVEN BY A FOCUSED M&A STRATEGY THAT BROUGHT IN SIX NEW BUSINESSES OVER THE YEAR, WE HAVE CREATED A TRULY SCALABLE BUSINESS THAT PROVIDES OPPORTUNITIES TO FURTHER BROADEN OUR OFFER TO CUSTOMERS IN OUR NOW LARGEST END MARKET.

# LIFE SCIENCES



The Life Sciences sector is seeing an increasing focus on ESG, particularly within large pharmaceutical companies. In turn, safety is of greater and greater importance in both pharmaceutical and medical device industries, especially as the democratization of safety to improve healthcare metrics trends increases.

Element's medical device testing capabilities are backed by resources to ensure safety requirements are met, and the business has significant technical leadership across our end markets. This creates cross-selling opportunities and ensures high-quality customer service. We are developing broader strategic partnerships with our pharmaceutical and medical device customers, supporting essential services from drug discovery and development, to advanced bioanalytical services. From pharmaceutical and medical device testing, to new product regulatory approval cycles and the testing of FDA-regulated consumer products, our experts are focusing on building our global capability.

Our investment has seen the Life Sciences BUs grow from just three laboratories in the US in 2019 to a global operation of 23 facilities with more than 1,000 people operating across Europe and the Americas. Our geographical footprint and diversity of services set us apart from competitors, and we are excited by ongoing M&A and ongoing opportunities to expand this offering further.

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A GLOBAL OPERATION OF

23

FACILITIES WITH MORE THAN

1,000

PEOPLE OPERATING ACROSS  
EUROPE AND THE AMERICAS.


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## OUR STRATEGY

AS MORE OF PEOPLE'S DAILY LIVES REVOLVE AROUND CONNECTED TECHNOLOGIES, LIKE CONSUMER ELECTRONICS, CELLULAR DEVICES, WEARABLES AND SIMPLE SENSORS, MEDICAL DEVICES, SELF-DRIVE VEHICLES, CONNECTED ROBOTS AND FACTORY DEVICES, ELEMENT WORKS WITH THE WORLD'S LEADING TECHNOLOGY MANUFACTURERS AND INNOVATORS TO MAKE THE INTERNET OF THINGS (IOT) AN INCREASING REALITY.

# CONNECT TECH

A woman wearing a white hard hat and safety glasses is looking upwards and to the right. She is holding a tablet computer in her hands. She is wearing a white shirt with a black harness. The background is dark and out of focus.



# CONNECTED

Element now has a strong global leadership position in 5G connectivity. We are working with customers on more new 5G opportunities than anyone else in the US market, building and investing in capability and expertise to differentiate our leadership position.

The Connected Technologies BUs are now based in 21 laboratories in the USA, UK, Germany, China, South Korea, and Japan, and we employ a team of almost 500 technology experts.

As a fast-moving market which is constantly producing new technologies and devices, we work with customers to ensure products meet all relevant, internationally recognized connectivity and interoperability standards, so that products and applications are safe, compliant and fit for purpose.

Since early 2020, Element has invested over US \$300 million in our Connected Technologies business and we now hold market leadership on carrier approvals in North America and Japan; on regulatory capacity and relationships; and on global 5G capabilities and expertise.

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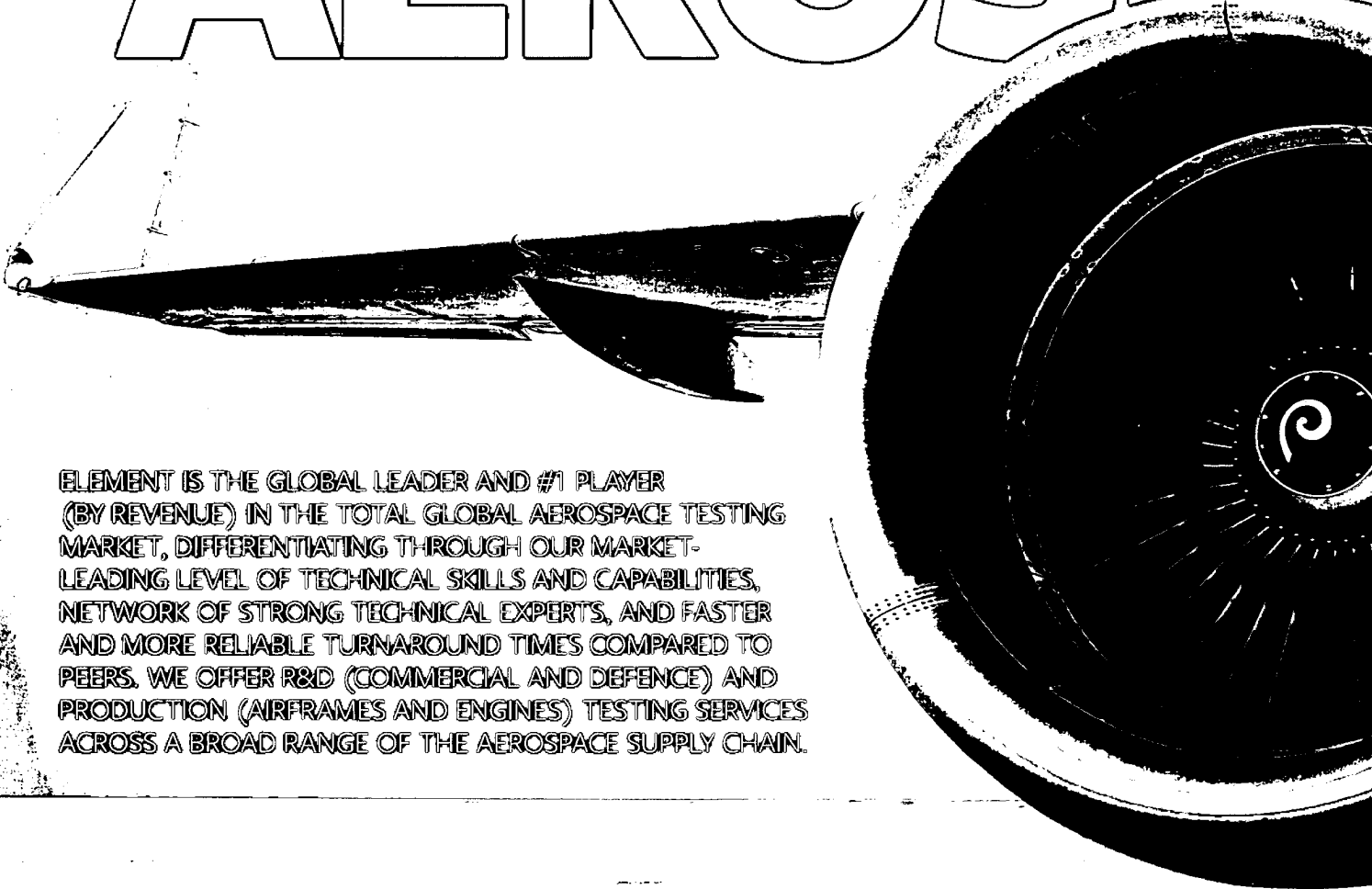
INVESTED OVER

**\$300<sub>m</sub>**

IN CONNECTED TECHNOLOGIES

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# AEROSPACE



ELEMENT IS THE GLOBAL LEADER AND #1 PLAYER (BY REVENUE) IN THE TOTAL GLOBAL AEROSPACE TESTING MARKET, DIFFERENTIATING THROUGH OUR MARKET-LEADING LEVEL OF TECHNICAL SKILLS AND CAPABILITIES, NETWORK OF STRONG TECHNICAL EXPERTS, AND FASTER AND MORE RELIABLE TURNAROUND TIMES COMPARED TO PEERS. WE OFFER R&D (COMMERCIAL AND DEFENCE) AND PRODUCTION (AIRFRAMES AND ENGINES) TESTING SERVICES ACROSS A BROAD RANGE OF THE AEROSPACE SUPPLY CHAIN.

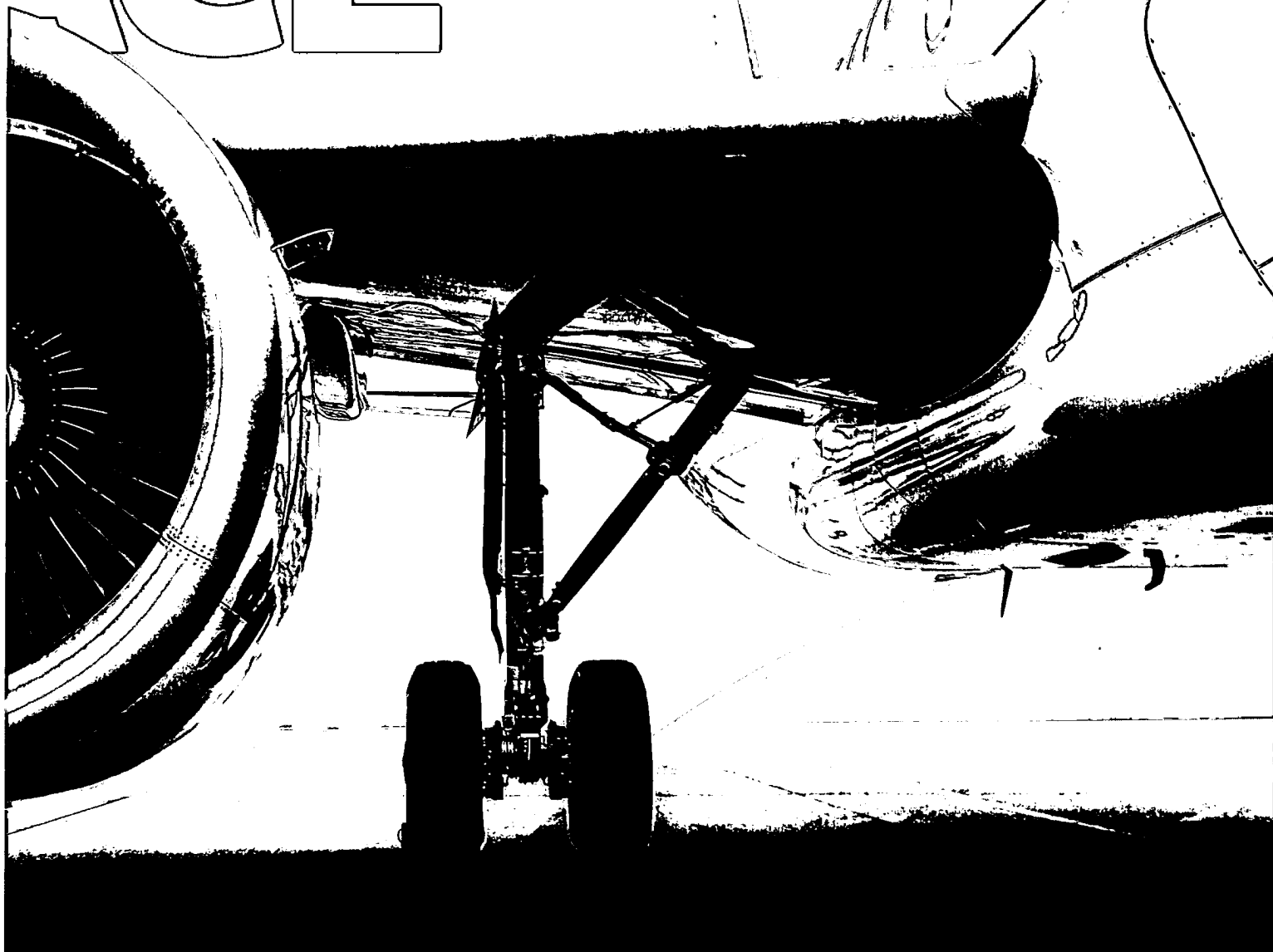
Aerospace is one of Element's traditional end markets, but there remains considerable growth opportunity within the sector. Despite the challenges in the aerospace industry during the Covid-19 pandemic, retiring aircraft and new R&D demand means we have the potential to grow back beyond pre-pandemic levels.

Element is strong in the commercial aerospace engine market, which has the most R&D requirements in order to reach carbon neutrality. Therefore, we are well-positioned to benefit from this energy transition related growth.

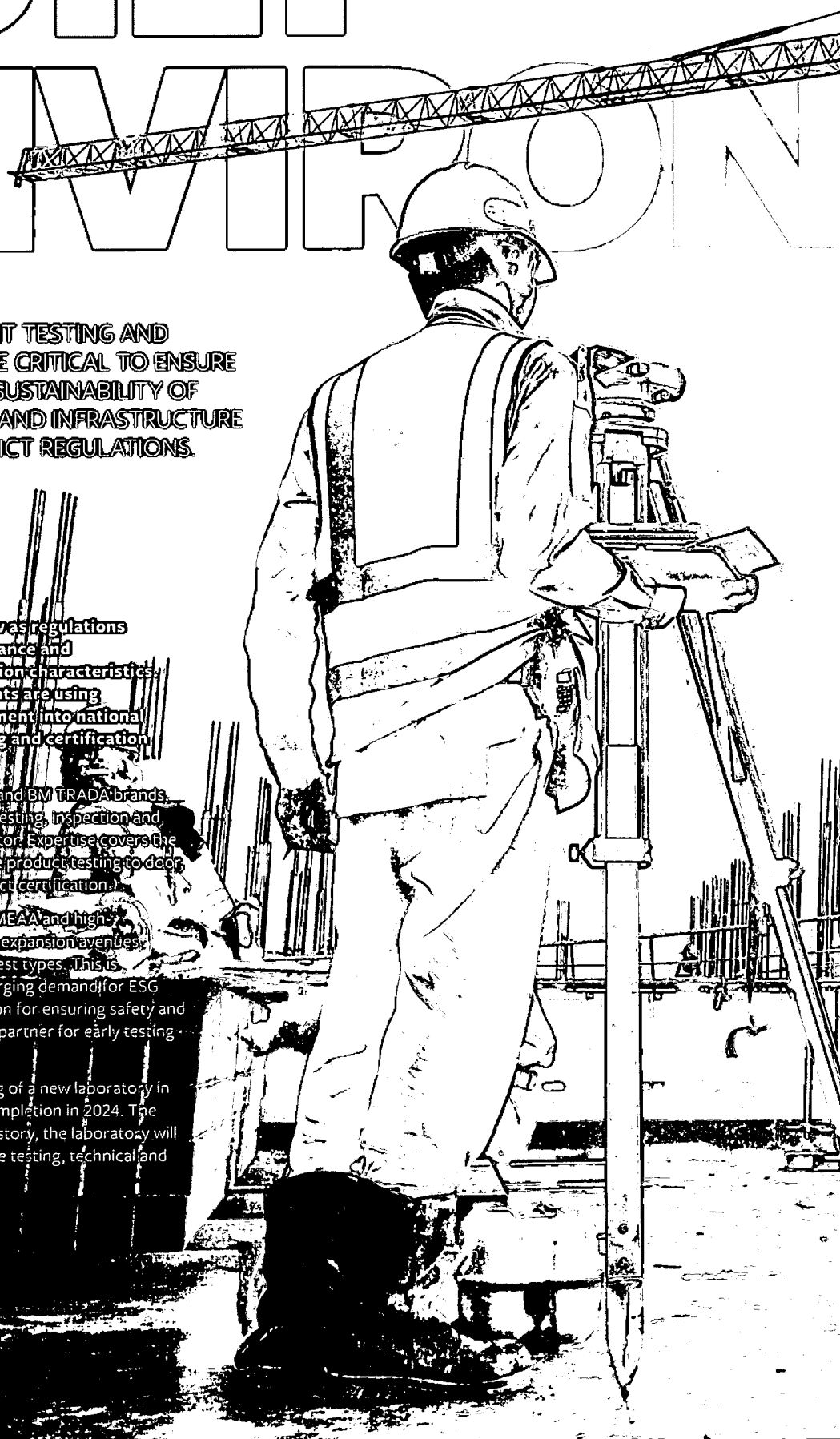
Due to Element's historic strength in Aerospace, we have unique capabilities and technical superiority in many fields, including composite testing. Across our laboratories, and across regions, we have the capacity to provide all aerospace testing requirements, creating efficiencies and reducing costs for customers. This also leads to scheduling reliability and quality customer service, assisting in customer satisfaction and retention.



# ACE



# BUILT ENVIRONMENT



GLOBAL BUILT ENVIRONMENT TESTING AND CERTIFICATION SERVICES ARE CRITICAL TO ENSURE THE QUALITY, SAFETY AND SUSTAINABILITY OF BOTH BUILDING PRODUCTS AND INFRASTRUCTURE PROJECTS IN LINE WITH STRICT REGULATIONS.

The overall market continues to grow as regulations increase, and also to supply performance and sustainability criteria such as insulation characteristics. Following Covid-19, many governments are using infrastructure funds to inject investment into national economies, further increasing testing and certification opportunities.

With the strength of our Warringtonfire and BM TRADA brands, Element holds market leadership across testing, inspection and certification in the Built Environment sector. Expertise covers the breadth of sector requirements, from fire product testing to door, window and hardware testing, and product certification.

With a solid geographical reach across EMEA and high-quality service delivery, we have capacity expansion avenues and the flexibility to accommodate new test types. This is especially relevant for capturing the emerging demand for ESG certifications. We have a strong reputation for ensuring safety and are well-positioned to become the go-to partner for early testing on sustainable materials.

Current growth plans include the opening of a new laboratory in Warrington, UK, which is targeted for completion in 2024. The largest capital investment in Element's history, the laboratory will provide fire resistance and reaction to fire testing, technical and assessment services, and certification.

# LIFE SCIENCES CASE STUDY

THE ENVIRONMENTAL IMPACT OF PHARMACEUTICALS IS A GROWING AREA OF CONCERN AND ASTHMA INHALERS, WHICH CAN USE PROPELLANTS (HFA 134A AND OR HFA 227), ARE KNOWN TO HAVE A HIGH GLOBAL WARMING POTENTIAL (GWP).

While finding alternatives is an obvious solution, the primary challenge is to ensure that interactions with candidate propellants and the inhaler components do not contribute potentially harmful leachable species into the formulation.

To support the safety evaluation of alternatives, Element's Manchester, UK laboratory is undertaking a risk assessment of the key materials and components used in manufacturing, storage and shipping. The highest risk components progress to a simulation study involving their storage in pressurized vessels, filled with candidate propellant, and stored under various temperature and humidity conditions.

The propellant is then analyzed using chromatographic techniques combined with mass spectrometric detection for any volatile or non-volatile species which may be leached from the components by the propellant and transferred to the patient.

This work is at the cutting edge of research in inhaled drug delivery systems, and places Element's Life Sciences teams in an excellent position to support a wide range of global pharmaceutical clients as they move to more environmentally friendly propellants.

# CONNECTED TECHNOLOGIES CASE STUDY

THE CONNECTED TECHNOLOGIES LANDSCAPE CONTINUES TO EVOLVE, WHILE DEVICES ARE BECOMING INCREASINGLY COMPLEX.

We have seen the key drivers for our customers to be security and reduced time to market, as well as the ability to support the very latest technologies.

An example of this is a world leading technology company which is transitioning from a platform to a product business, which approached Element to help establish its own test facilities that could be used as a compliance test laboratory. The Element designed, world class facility is operated and staffed by Element and is covered by our accreditation.

This means that the customer can use its own laboratory for development work and when the product has matured, we perform compliance measurements, thus removing the logistical issues of using third party laboratories. This collaboration is a great example of leveraging the expertise and footprint of Element, whilst having the comfort of knowing that all the work is protected by the host's security infrastructure.

# CFO REPORT

THROUGH A STRONG POST-COVID RECOVERY ACROSS OUR LABORATORIES AND EXECUTION OF 12 STRATEGIC ACQUISITIONS WE HAVE TRANSFORMED THE BUSINESS AND INCREASED EXPOSURE TO HIGH GROWTH END MARKETS, DELIVERING A SCALED PLATFORM WITH SIGNIFICANT OPPORTUNITIES FOR THE FUTURE.

**Ruth Prior, Group CFO**



OUR BUSINESS MODEL, VALUES AND BEHAVIORS HAVE ENABLED US TO MAKE SIGNIFICANT STRATEGIC PROGRESS. WE HAVE MADE A STRONG RECOVERY FOLLOWING THE COVID-19 IMPACT IN 2020, DRIVING GROWTH THROUGH COMMERCIAL AND OPERATIONAL EXCELLENCE, ALONGSIDE STRONG FINANCIAL DISCIPLINE AND STRATEGIC INVESTMENTS IN PRIORITY AREAS. THIS GROWTH HAS ALLOWED US TO CONTINUE TO SERVE AND MEET OUR CUSTOMERS' CHANGING NEEDS ACROSS THE GLOBE.

## GROUP OVERVIEW

Despite the residual and lagging impacts of Covid-19 in the Aerospace market, the Group made good progress recovering from the Covid-19 impact in 2020 and delivering growth through the newly created end-market focused Business Units (BUs) within our two geographic regions.

Element reported consolidated group revenue of US \$913.0 million for FY2021 (FY2020: US \$782.6 million). At constant currency, revenue increased by 14% reflecting the rebound from Covid-19 and the positive impact of our acquisitions. Adjusted EBITDA of US \$221.2 million was achieved in FY2021 compared with US \$175.3 million in FY2020, an increase of 26%.

On the statement of financial position, Element ended the financial year with net debt (excluding lease liabilities) of US \$3,659 million (FY2020: US \$3,181 million). The increase in the net debt was a result of funding required for our acquisitions made throughout FY2021.

## ACQUISITIONS

In 2021 Element has completed 12 strategic acquisitions with a combined enterprise value of US \$356.9 million and delivering annualized revenue of US \$137.2 million\*. These acquisitions have been primarily focused on increasing our positions in strategic end markets and in particular has allowed us to increase our footprint in Connected Technologies and Life Sciences. We are targeting rapid integration of the acquired businesses, driving operational efficiencies and realizing synergies where applicable.

\*Amount represents the annualized revenue if all businesses were acquired on 1 January 2021 and excludes the asset purchases of Orthokinetics and Argen

# GROUP TRADING PERFORMANCE OVERVIEW

THE GROUP REPORTED REVENUES OF US \$913.0 MILLION (FY2020: US \$782.6 MILLION). THIS IS GROWTH OF 14% ON A CONSTANT CURRENCY BASIS AND 17% ON A REPORTED BASIS. WITH THE EXCEPTION OF OUR AEROSPACE AND DEFENSE BUSINESS UNIT IN THE US, ALL OUR BUS DELIVERED YEAR ON YEAR REVENUE GROWTH.

ADJUSTED EBITDA WAS US \$221.2 MILLION (FY2020: US \$175.3 MILLION) WHICH REPRESENTS AN ADJUSTED EBITDA MARGIN OF 24.2% (FY2020: 22.4%).

	Revenue	Revenue	EBITDA	EBITDA	EBITDA %	EBITDA %
	2021	2020	2021	2020	2021	2020
Americas	482.5	425.0	159.1	147.7	33.0%	34.8%
EMEA	430.5	357.6	111.7	100.5	25.9%	28.1%
<b>Regional trading performance</b>	<b>913.0</b>	<b>782.6</b>	<b>270.8</b>	<b>248.2</b>	<b>29.7%</b>	<b>31.7%</b>
Group operating costs			(49.6)	(72.9)		
<b>Total Group EBITDA</b>			<b>221.2</b>	<b>175.3</b>		
Net financing costs			(78.1)	(158.9)		
Separately disclosed items			(47.4)	(32.5)		
Impairment of goodwill			(9.9)	(275.8)		
Amortization			(92.9)	(84.9)		
Depreciation			(84.2)	(71.8)		
Impairment of assets			(17.1)	(5.2)		
Fair value loss on distribution of shares			(3.1)	-		
Fair value loss on contingent consideration re-measurement			(0.7)	-		
Share of loss of an associate			(0.2)	-		
Gain/(loss) on disposal of property, plant and equipment			0.1	(4.9)		
<b>Loss before taxation</b>			<b>(112.3)</b>	<b>(458.7)</b>		
Tax credit			13.1	33.8		
<b>Loss attributable to equity holders of the Company</b>			<b>(99.2)</b>	<b>(424.9)</b>		

## AMERICAS

Revenue for FY2021 was US \$482.5 million, up 13.5% on the prior year. Adjusted EBITDA was US \$159.1 million compared with US \$147.7 million in FY2020. These results include revenues and Adjusted EBITDA from acquisitions.

We have increased our footprint in the fast-growing Connected Technologies and Life Sciences end markets through targeted acquisitions. Eight of these acquisitions were in the Americas region in 2021 which is a significant driver of growth on the

prior year. The impact from Covid-19 especially impacted our Aerospace & Defense and Transportation & Environmental BUs in 2020 which continued into 2021. We have been responsive, taking proactive actions to take costs down and protect margins. We have seen the recovery of these businesses begin in the second half of 2021. As we move out of the pandemic we have a right-sized cost base to adapt to temporarily lower testing volumes in those BUs, but with the capacity to re-invest to position ourselves for future growth.

US \$'000	2021	2020
Revenue	482.5	425.0
Operating costs (net of separately disclosed items)	(323.4)	(277.3)
Adjusted EBITDA	159.1	147.7
Adjusted EBITDA margin	33.0%	34.8%

## EMEA

Revenue for FY2021 was US \$430.5 million, up 20.4% on the prior year. Adjusted EBITDA was US \$111.7 million compared with US \$100.5 million in FY2020.

During 2021, we acquired Arch Sciences Group which has been the nucleus for our new Life Sciences Business Unit in the EMEA region. Along with three other acquisitions in the EMEA region, this was a key driver of growth across the region compared with the prior year.

The impact from Covid-19, in particular in the Aerospace part of the Aerospace & Connected Technology BU, was addressed in the same way as in the Americas region and significant adjustments to the direct cost base has allowed us to adapt to lower testing volumes. The Fire & Building Products BU regularly operates at capacity with continuous investments ongoing to enable us to serve increasing demand in this highly regulated area. The Calibration BU has had a strong year supported by new revenue streams in digitalized calibration and validation testing services.

US \$'000	2021	2020
Revenue	430.5	357.6
Operating costs (net of separately disclosed items)	(318.8)	(257.1)
Adjusted EBITDA	111.7	100.5
Adjusted EBITDA margin	26.0%	28.1%

## GROUP SEPARATELY DISCLOSED ITEMS

Separately disclosed items totaled US \$47.4 million in the year (FY2020: US \$32.5 million). These costs include US \$12.1 million (FY2020: US \$15.4 million) of restructuring expenses as part of a multi-year restructuring program initiated in FY2020, US \$17.4 million (FY2020: US \$8.2 million) of acquisition costs and new business setup costs, US \$7.0 million (FY2020: US \$4.0 million) of share-based payments expense and US \$5.1 million (FY2020: US \$2.6 million) of legal costs related to various employee litigation, trademark disputes and corporate matters. There is also a new category of costs totaling US \$0.8 million for expenses incurred relating to preparation for the sale of the majority stake in the Group, announced in January 2022. Remaining items of US \$5.0 million (FY2020: US \$0.9 million) are other costs which are deemed by their size and/or nature to be separately disclosed.

The Group also recognized a US \$26.6 million impairment charge in relation to Goodwill and acquired Intangible Assets relating to legacy non-core businesses which do not form part of the Group's future plans and have been exited (or are in the process of being exited). For further information refer to note 13 to the consolidated financial statements.

## CFO REPORT

### GROUP TAXATION

The Group recognized a tax credit of US \$13.1 million (FY2020: tax credit of US \$33.8 million), representing an effective tax rate of 11.7% (FY2020: 7.4%).

Tax credit before separately disclosed items of US \$2.2 million (FY2020: tax credit of US \$26.9 million) represents an effective tax rate of 5.8% (FY2020: 18.9%). The effective rate is lower than FY2020 mainly because of decreases in non-deductible interest costs and other disallowed expenses.

As at the reporting date the Group has recognized net deferred tax liabilities of US \$135.5 million (FY2020: deferred tax liabilities of US \$144.9 million).

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### CAPITAL EXPENDITURE

Capital expenditure for FY2021 was US \$87.2 million and US \$62.4 million net of disposal proceeds (FY2020: US \$57.5 million gross and \$55.8 million net). In 2021, we completed on the sale (and leaseback) of our Canadian property in Mississauga (sold for US \$14.7 million) and we will relocate our operations to new purpose-built laboratories in the next 2 years. In line with our strategic priorities we continue to invest in capability and capacity expansion in the Connected Technologies, Life Sciences and Fire and Building Products BUs. In addition, we have completed some footprint rationalization, developing Centres of Excellence to drive further operational efficiencies, and commenced investment in uniform ERP, CRM and key technology stacks.

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### GROUP NET DEBT AND CASH FLOWS

The Group generated strong cash inflows from operating activities in FY2021, with a total cash inflow of US \$154.2 million from operating activities (FY2020: inflow of US \$175.0 million). This is inclusive of a working capital cash outflow of US \$27.8 million (FY2020: inflow US \$37.3 million) and taxes received of US \$0.7 million (FY2020: taxes paid of US \$9.6 million). This reflects the normalization of our trade working capital following Covid-19 impacts in 2020.

Working capital\* was US \$92.4 million (FY2020: US \$69.6 million), an increase of US \$22.8 million in the year. As a percentage of revenue, working capital marginally increased by 1.2% to 10.1% at 31 December 2021. We actively optimize our working capital position by managing payables, receivables and work in progress to ensure that the working capital committed is closely aligned with operational and commercial requirements.

During the year, the group raised a further US \$280 million through privately placed notes. This allowed the group to reload the Acquisitions and Capex facility (ACF), which was then redrawn to fund strategic acquisitions. As at the year-end 2021, the group has US \$43 million unutilized capacity in the ACF and a further US \$42 million of unutilized capacity in the Revolving credit facility. A full reconciliation of the Group's borrowings in the period is provided in note 22 to the consolidated financial statements.

Overall, the Group had a decrease in cash of US \$10.3 million (2020: increase of US \$64.9 million). The strong operating cash inflow was offset by US \$416.5 million of cash used in investing activities (2020: US 138.9 million), which was used to fund the Group's acquisitions and growth strategy.

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\*Working capital is defined as: Trade and other receivables plus inventories and contract assets less trade and other payables



## OUTLOOK

In January 2022, it was announced that Element will be acquired by Temasek from Bridgepoint, subject to the customary regulatory approvals.

Temasek, a global investor headquartered in Singapore, has been a minority shareholder in Element since 2019 and we are delighted to expand our relationship with them as our majority investor.

Element signed an Acquisition Agreement to acquire a US Corporation in the testing industry on the 16th December 2021. Subject to regulatory approvals, this is expected to be completed in 2022 and will consolidate our leadership position in the Aerospace end-market, allowing us to provide a unique portfolio of highly specialized and high-impact and safety critical capabilities for our customers.

With strong shareholder support and our continuous focus on operational and process improvements we have confidence in delivering our long-term strategy.



# ENVIRONMENTAL SOCIAL AND GOVERNANCE RESPONSIBILITY



WITH OUR PURPOSE OF “MAKING TOMORROW SAFER THAN TODAY,” AND WITH SUSTAINABILITY AS ONE OF THE FIVE CORE PILLARS OF OUR STRATEGY, ESG IS CORE TO EVERYTHING WE DO. WE HAVE SET AMBITIOUS TARGETS ACROSS A BROAD RANGE OF ESG TOPICS, INTRODUCING SEVERAL NEW INITIATIVES THIS YEAR, WHILE BUILDING ON WORK FROM 2021.

We continue to focus on our environmental, social and governance responsibility, progressively building it into the way we operate both internally and externally.

## ENVIRONMENTAL

As a global business, operating across continents and industries, we have a significant environmental impact. We are all acutely aware of the fragility of the planet and our need to protect the environments in which we live and work.

Element always strives to deliver fully on regulatory compliance. But we also go much further in our commitments, and over the last year we have really focused on bringing a step-change to our levels of ambition and to our operations.

We were proud in 2021 to achieve the highest ESG ranking in the testing, inspection and certification (TIC) industry from Sustainalytics, a global leader in ESG research and data. We also were ranked in the top 1.5% of all companies, which demonstrates our leadership beyond the sector.

## OUR COMMITMENT

This rating is a great achievement, which we will use as a platform to do even more. In 2021 we announced our new commitments around emissions, setting science-based targets and net zero emissions goals. Our specific commitments are:

- Committing to reduce absolute emissions in line with a 1.5°C science-based target by 2026
- Achieving net zero emissions in direct operations by 2030
- Achieving net zero emissions across the entire business by 2035

These ambitions clearly demonstrate how Element is leading the TIC industry and beyond, providing leadership for others to follow. To further elevate this within our business we appointed Lee Andrews as Group Director, Corporate Affairs and ESG. Lee's role on the Operating Board will be to accelerate our work across the entire range of ESG initiatives, increasing the visibility of the many initiatives we have across the world.

## SECR REPORTING

Element's gross greenhouse gas (GHG), reportable under SECR in 2021 were 2,584 tonnes of carbon dioxide equivalent (tCO<sub>2</sub>e). The figures represent the emissions for two of the Group's UK companies which meet the qualifying criteria for compliance with SECR for the period 1st January 2021 to 31st December 2021. This represents an overall reduction in emissions of 9% compared to the previous twelve months and a 28.3% reduction in carbon emissions intensity from the business activities.

The gross GHG emissions figure includes all material Scope 1, 2 and 3 required to be disclosed by the legislation; that is the emissions associated with the combustion of gas and other fossil fuels used for testing purposes, the purchase of electricity and the consumption of fuel for the purposes of transport.

## GREENHOUSE GAS EMISSIONS

Table 1 - Greenhouse gas emissions by source (tonnes CO<sub>2</sub>e), year-on-year change

Emissions Source (tCO <sub>2</sub> e)	2020	% Share	2021	% Share	YoY Change
Fuel Combustion: Natural Gas	1,143.6	40.3%	1,314.0	50.8%	15%
Fuel Combustion: Fossil Fuels for Testing	16.9	0.6%	122.2	4.7%	625%
Fuel Combustion: Transportation	918.3	32.3%	474.2	18.4%	-48%
Consumed Electricity	760.4	26.8%	673.7	26.1%	-11%
<b>Total Emissions (tCO<sub>2</sub>e)</b>	<b>2,839.2</b>	<b>100%</b>	<b>2,584.1</b>	<b>100%</b>	<b>9%</b>
Revenue (\$m)	79.6		101.1		27.0%
<b>Intensity: (tCO<sub>2</sub>e per \$m of revenues)</b>	<b>35.7</b>		<b>25.6</b>		<b>-28.3%</b>

Table 2 - Greenhouse gas emissions by scope (tonnes CO<sub>2</sub>e)

Emissions Source (tCO <sub>2</sub> e)	Scope 1	Scope 2	Scope 3	Total
Fuel Combustion: Natural Gas	1,314.0	0.0	0.0	1,314.0
Fuel Combustion: Fossil Fuels for Testing	122.2	0.0	0.0	122.2
Fuel Combustion: Transportation	340.7	0.0	133.5	474.2
Consumed Electricity	-	618.9	54.8	673.7
<b>Total</b>	<b>1,776.9</b>	<b>618.9</b>	<b>188.3</b>	<b>2,584.1</b>
Share of total	68.8%	23.9%	7.3%	100%

**Scope 1:** Natural gas, testing fuels and company-operated transport. **Scope 2:** Electricity. **Scope 3:** Losses from electricity distribution and transmission, private vehicles used for business travel. This only includes emissions reportable under SECR and may not reflect the entire carbon footprint of the organization.

## ENERGY CONSUMPTION


Table 3 - Energy consumption (kWh), year-on-year change

Emissions Source (tCO <sub>2</sub> e)	2020	% Share	2021	% Share	YoY Change
Fuel Combustion: Natural Gas	6,219,441	47.3%	7,173,909	57.5%	15%
Fuel Combustion: Fossil Fuels for Testing	78,405	0.6%	507,576	4.1%	547%
Fuel Combustion: Transportation	3,849,733	29.3%	1,884,237	15.1%	-51%
Consumed Electricity	3,003,093	22.8%	2,914,754	23.3%	-3%
<b>Total (kWh)</b>	<b>13,150,672</b>	<b>100%</b>	<b>12,480,476</b>	<b>100%</b>	<b>-5%</b>

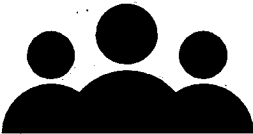
ELEMENT PC

Making tomorrow


— The elements



Planet



People



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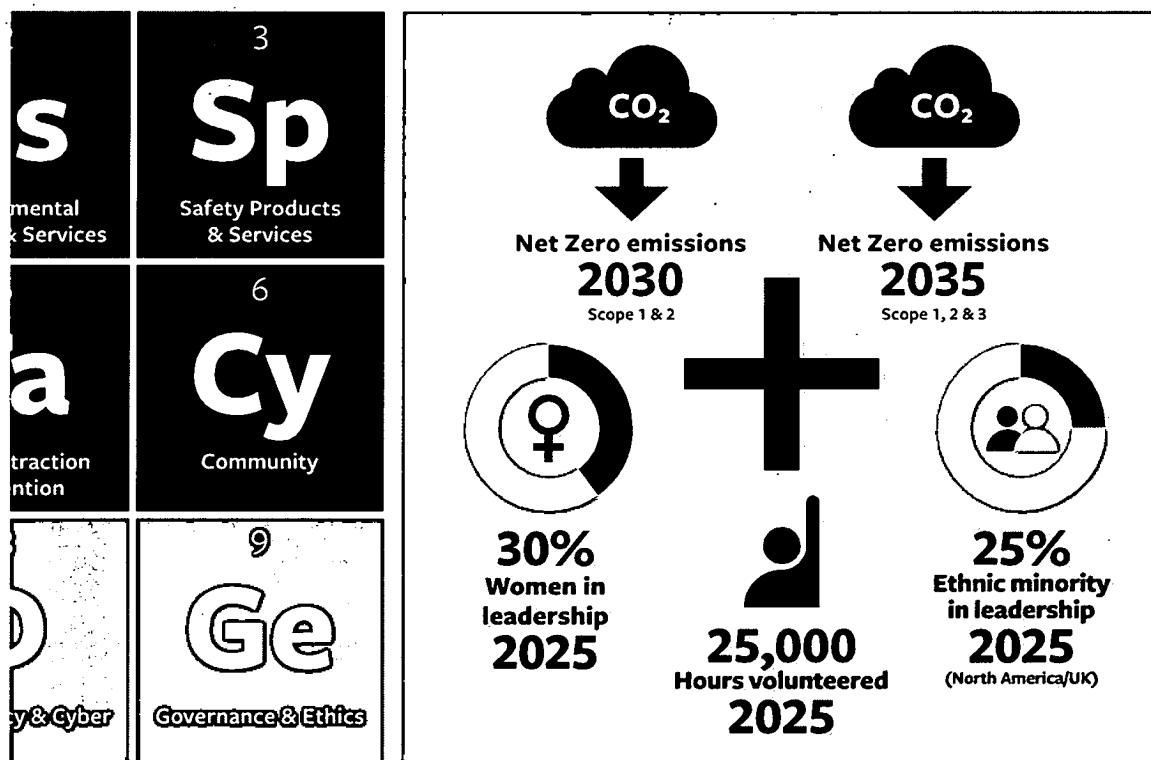
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# POSITIVE + IMPACT

*safer than today*

## of our plan ————— The big commitments —————



## ENVIRONMENTAL, SOCIAL AND GOVERNANCE RESPONSIBILITY

### ENERGY EFFICIENCY INITIATIVES

We remain committed to conducting our activities in an environmentally sustainable way, and strive to do this in all aspects of our business. We have continued project delivery with a focus on sustainable operations with consideration on waste, water and cost savings.

In addition to our work with customers, where we can make bold steps in sustainability, Element is introducing its own energy efficiency measures. We are in the process of moving our vehicle fleet to electric and hybrid vehicles, and charging points are being installed at some of our office locations.

Another example is our Wednesbury, UK facility where an A-rated central heating boiler was installed, along with timer controls. Motion controlled light sensors are also in place at the same location. This approach is being considered throughout the business.

### BOUNDARY, METHODOLOGY AND EXCLUSIONS<sup>1</sup>

An 'operational control' approach has been used to define the Greenhouse Gas emissions boundary. This approach captures emissions associated with the operation of all buildings such as testing sites and offices, plus company-owned and leased transport. This report covers only the operations for two UK entities which met the qualifying criteria for SECR compliance for Non-Quoted Large Companies.

This information was collected and reported in line with the methodology set out in the UK Government's Environmental Reporting Guidelines, 2019.

Emissions have been calculated using the latest conversion factors provided by the UK Government. There are no material omissions from the mandatory reporting scope.

The reporting period is 1 January 2021 to 31 December 2021, as per the financial accounts.

### CUSTOMERS

We have always put safety at the heart of the business: by providing safety testing to our customers, and by ensuring our own practices are safe for colleagues and customers.

We have a significant impact on the environment, supporting the sustainability journeys of our customers. Over 60% of our revenue comes from ESG related services, such as fuel efficiency and environmental services. It is by supporting the development of new and emerging technologies that Element can play an even more critical role in reducing emissions.

Sustainability is an increasingly important factor in customer choice and product development, which accelerates the development of our environmental and safety related services. Regulators and governments across the world are championing lower emissions by investing in clean technologies such as the European Green Deal, banning carbon intensive products, such as the UK ban on new petrol/diesel cars from 2030, and introducing more stringent safety requirements.

In supporting our customers' sustainability journeys, we have: provided testing services to support development of new airplane engines with 15% lower fuel burn; monitored air emissions for 1,140 clients across 2,780 sites globally; tested over 500,000 water

samples globally in 2021 for quality and pollutants; and verified 40% of the UK's FSC Chain of Custody certifications, covering 4.2Mha of certified managed forests, the equivalent of 1.3x the UK's woodland areas.

### SOCIAL

People are so important to our business and the respect our experts receive across the globe is testament to the focus we bring. In 2021 we implemented regular communications across our sites: the SQDC (Safety, Quality, Delivery and Cost) model supported operational delivery alongside team updates and the celebration of local successes. Our virtual Town Hall sessions allow colleagues to attend briefings across our multiple time zones and regions.

With our acquisitions strategy this year, integrating and welcoming new colleagues into the Element family has been important, so regular communications and updates have been vital. As in previous years, we have encouraged colleagues to share successes and to celebrate what it means to be part of the business. There is no doubt that our improved focus on digital communications throughout the business is supporting our social and people strategies. The People section of this report (page 42) gives more detail on our 2021 initiatives.

Diversity, Equality and Inclusion (DE&I) are critical drivers of our people agenda and engagement. We have established global colleague resource networks, helping colleagues grow and learn together as communities. We also have a dedicated learning and development program to ensure everyone at Element has the skills they need to do their work safely and develop their careers. Our safety program is world-class with thorough training provided for all colleagues. During our dedicated Safety Week, all colleagues across the world focus on training, group risk identification and team building to create initiatives to improve safety at every location. All our sites have dedicated safety managers, safety protocols and regular training schedules, with safety embedded in our appraisal and reward systems.

### ELEMENT'S ESG SERVICES INCLUDE:

**ENVIRONMENTAL:** Environmental impact testing, aero R&D for new materials, battery testing in transportation.

**SAFETY & SOCIAL:** Life Sciences testing, lifesaving aero and transport safety testing, F&BP safety testing

<sup>1</sup>An operational control approach to GHG emissions boundary is defined as: "Your organization has operational control over an operation if it, or one of its subsidiaries, has the full authority to introduce and implement its operating policies at the operation".

## GOVERNANCE

With operations in more than 200 locations across 30 countries, and a diverse, global customer base, it is critical that Element conducts its business activities with integrity, such that compliance with all relevant international laws and regulations can be achieved. A range of widely communicated policies and procedures reflect our continuing commitment to operating to the highest possible standards and conducting business with honesty and integrity wherever we operate. Policies are reinforced through targeted programs and training, as required, to ensure they are understood and adopted. These policies range from anti-bribery and corruption to trade compliance and whistleblowing.

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

Element has been a full member of the TIC Council since 1 October 2020. Element's compliance program allows it to meet the obligations laid down by the TIC Council and reflects the requirements of the TIC Council Compliance Code (First edition):

- **Integrity** – to act in a professional, independent and impartial manner in all activities
- **Conflicts of Interest** – to avoid actual, potential or perceived conflicts of interest
- **Confidentiality and Data Protection** – to respect the confidentiality and privacy of client information
- **Anti-bribery** – a zero tolerance approach to bribery and corruption in all business dealings and relationships
- **Competition and Fair Business Conduct** – to comply with all rules relating to fair competition, anti-trust and tendering
- **Health and Safety** – to protect the health and safety of colleagues, customers and third parties

- **Fair Labor** – a zero tolerance approach to abuse, bullying or harassment in the workplace. Equal opportunities in the workplace, compliance with minimum wage legislation and prohibition of forced and compulsory labor.

To support the development of Element's compliance program, a Compliance Committee has been established and meets twice a year. Our CEO attends meetings together with senior representation from operations, HR, legal, ESG and Corporate Affairs. The committee assists the Board of Directors in fulfilling its overall responsibilities by:

- Providing oversight and periodically reviewing the implementation and effectiveness of the program; and policies, procedures, processes and controls for compliance with laws and the prevention of unethical business practices including anti-bribery, data protection, conflicts of interest, business ethics and fair labor;
- Providing the Board with policy guidance on its risk strategy and overseeing and advising the Board on current and potential future risk exposures, as they relate to compliance with laws and the prevention of unethical business practices; and
- Performing any other duties as may be delegated by the Board from time to time which are in line with the purpose of the committee.

Element has in place the necessary governance and organizational structures to provide appropriate levels of oversight in audits, risk management and potential conflicts of interest. As part of this oversight, the Group operates a trade compliance program to ensure that Element meets requirements in the US, EU and other territories. The program includes a sanctioned territory approval process; an ITAR compliance program for relevant laboratories in the USA; and appropriate due diligence of M&A targets. A data privacy compliance program is also in place, under a dedicated data privacy manager, to ensure that we meet data privacy laws and respect personal information.

The company also operates a confidential whistleblowing service, managed by a specialist third party. More details of the service and a summary of the reports received and action taken, can be found in the Corporate Governance Report on pages 62 to 65.

### SUMMARY

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

### SECTION 172(1) STATEMENT

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

- The likely consequences of any decision in the long term;
- The interests of the Company's employees;
- The need to foster the Company's business relationships with customers, suppliers and others;
- The impact of the Company's operations on the community and the environment;
- The desirability of the Company maintaining a reputation for high standards of business conduct; and
- The need to act fairly as between members of the Company.

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

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

The response to the Covid-19 pandemic; Environmental, Social and Governance matters; digital strategies, expansion of Element's Life Sciences capability through six new acquisitions (Jones Microbiology Institute (US), Orthokinetics (US), Avomeen (US), Impact Analytical (US), Nanosyn (US), Arch Sciences (UK)); and further acquisitions of Aircom International (US), Argen (US), Norton Straw (UK), EnviroDat (UK), Double Precision (UK), and KDK (Germany) were the material matters considered by the Directors during 2021.

Throughout the year, the Directors considered the impact of the Covid-19 pandemic on the Company's stakeholders. The Directors' priorities were first and foremost to: safeguard the health and safety of the company's employees; and ensure appropriate measures and actions were taken to ensure business continuity. Extensive processes were put in place to mitigate the risk of the spread of Covid-19 at our sites and the Group enhanced processes such as remote witnessing to ensure continued support to its customers.

The Directors have had regard to the s.172(1) Matters in 2021 when considering new acquisitions. The Board considered a range of factors including the long term impact on the Group, financing requirements, customers and suppliers of the acquired companies and their expectations before approving the acquisitions. Further information about Element's new acquisitions can be found on pages 48 to 53.

Further information on how the Directors have had regard to the s.172(1) Matters can be found on pages 30 to 37 (Corporate Responsibility), on pages 42 to 45 (Our People), on pages 48 to 53 (Acquisitions and Integration) and on pages 62 to 65 (Corporate Governance Report) and on pages 70 to 72 (Directors' Report).

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

ELEMENT ACHIEVED THE

# HIGHEST SUSTAINABILITY

RATING OF ALL MAJOR TIC PLAYERS FROM SUSTAINALYTICS, RECOGNIZING OUR LEADERSHIP IN THIS SPACE



**ENVIRONMENTAL:**

WE CONDUCTED A CARBON BASELINING EXERCISE, IDENTIFYING A BASELINE OF

**103 KTCO<sub>2</sub>E  
IN 2019.**

WE HAVE ALREADY STARTED TO REDUCE THIS THROUGH INCREASING THE NUMBER OF RENEWABLE ENERGY CONTRACTS, SOLAR PANEL INSTALLATIONS AND TRIALS OF ELECTRIC VEHICLES.



# AMERICAS OVERVIEW

THE AMERICAS REGION HAS HAD A STRONG PERFORMANCE IN 2022 DESPITE THE UNUSUAL ENVIRONMENT OF THE LAST TWELVE MONTHS DUE TO THE ONGOING COVID-19 PANDEMIC.

Firstly, the effects of the pandemic were less severe than in 2020, with fewer travel restrictions and disruptions to our day to day operations. We were able to recover fully from Q2, and have seen year on year growth in the majority of our markets from that point.

Secondly, 2021 was the first full year of operation with our restructured business units. The purpose of the restructure was to make the business leaner and more efficient, and we saw the benefits of this this year. Bringing some of the support functions to a regional level, such as HR and finance, brought them closer to the business and allowed for better communications and greater efficiency. This also created a stronger sense of ownership for our teams, empowering them to lead at a regional level. This has led to both improved customer satisfaction and greater colleague engagement.

### LIFE SCIENCES

Life Sciences was formed as a new business unit in our October 2020 restructure and has seen considerable investment. We have made six acquisitions (in the Americas region) – five of them in 2021, and one in 2020 – and we have improved capabilities at existing laboratories in Santa Fe Springs, Toronto, Minneapolis, Chicago and Cincinnati.

It is our growth ambitions, coupled with the strategic choice to diversify into additional end markets, that have driven our significant investment in Life Sciences. We aim to double our size in the next four years and responding to market opportunities is core to this ambition. Life Sciences is sizable and scalable, covering all laboratory testing services. It is highly regulated and failure is not an option, which lends itself perfectly to our service areas in testing and regulatory consultancy. The sectors within the Life Sciences market, including pharmaceuticals, medical devices and laboratory-based R&D, are highly technical and knowledge-based, which is a strategic fit for the Element business.

#### Our five acquisitions this year included:

- Orthokinetics – brought into our Cincinnati site in 2021, it added further strength in regulatory and consulting for medical devices and device testing.
- Avomeen – a leader in analytical testing services for Life Sciences end markets, with a specific focus on pharmaceutical testing, biotechnology and FDA regulated consumer products.
- Impact Analytical – operates in the pharmaceutical, medical device, consumer product, specialty chemicals segments, extractables & leachables, and in the bio-analytical segment, which supports our growth in this area.
- Nanosyn – a leader in drug discovery and small-batch manufacturing of active pharmaceutical ingredients, this increased Element's breadth of technical services, supporting pharmaceuticals and biopharmaceuticals customers from early-stage discovery, through clinical trials, formulation, and regulatory approval.
- JMI Laboratories – a market leader in antimicrobial resistance monitoring studies utilized for US-FDA regulatory and new drug application submissions, through their proprietary SENTRY Antimicrobial Surveillance Program. It offers microbiology and molecular testing services to assist in the development of new antimicrobials and clinical trial support.

### CONNECTED TECHNOLOGIES

Connected Technologies has also been a high-growth area for us over the last year. This is another end market where failure is not an option, more so than ever before. Daily lives revolve around so many Connected Technologies – whether it's mobile phones, medical devices, Industrial Internet of Things (IIoT) applications or autonomous vehicles. This means ever greater reliance on their operational quality and consistent performance.

In 2021 we invested significantly in expansion, particularly in California where we grew our footprint in Silicon Valley. We expanded one of our three laboratories in the area, to increase capacity and add regulatory testing capabilities, and to help build on our leadership position in 5G testing and certification. 2022 will see further expansion in this area.

We also opened a second laboratory in Columbia, Maryland in May 2021, a 65,000 sq ft space employing 130 dedicated experts, which added extensive capabilities and significantly expanded capacity to serve these important end markets.

In 2021 we also acquired AIRCOM Labs, which has brought us a prominent position in the provision of carrier acceptance and

conformance solutions, as we specialize in device testing for the world's leading Tier 1 mobile device manufacturers

These investments have built a global business, which is now the leading testing provider on carrier approvals in North America; regulatory capacity and relationships; and 5G capabilities and expertise. We are one of only two test houses that can test to all three major US mobile carriers, and our capabilities will continue to expand as we grow into Industrial IIoT medical devices and transportation.

### TRANSPORTATION AND ENVIRONMENTAL

In the transportation sector, the growth in demand for autonomous and electric vehicles is shaking up the market. As a result, testing requirements for these new applications have also increased, which provides good opportunities for new revenue streams. While we have made significant investments in new capabilities, like battery testing, much of our existing resource for testing combustion-engine vehicles can be applied to electric vehicles as well. This allows for an increase in revenue without the need for large-scale investments in capability and equipment.

Element is in the midst of this major shift in automotive manufacturing, and we expect to see these development trends continue.

As technology evolves, Transportation will partner more with our Connected Technologies business as software companies in Silicon Valley play a larger role in developing new vehicles.

In the environmental business we have focused recently on ESG as environmental concerns are top of mind for businesses around the world. We have also seen a renewed focus from the Environmental Protection Agency (EPA) as more testing is enforced.

As awareness of water quality has increased, largely due to a lack of trust in city water and following major incidents when a 'boil water advisory' has been in place, we have seen an increase in demand for consumer testing kits. Element is currently working on an e-commerce site which will allow consumers to buy water and soil testing kits direct. These will be processed in our laboratories and will give people the opportunity to test the quality of their water, whether it is from a well or supplied by city water companies. This will be particularly valuable if faced with future major incidents. Direct consumer interface in this way is a new direction for us and brings considerable potential for the future.

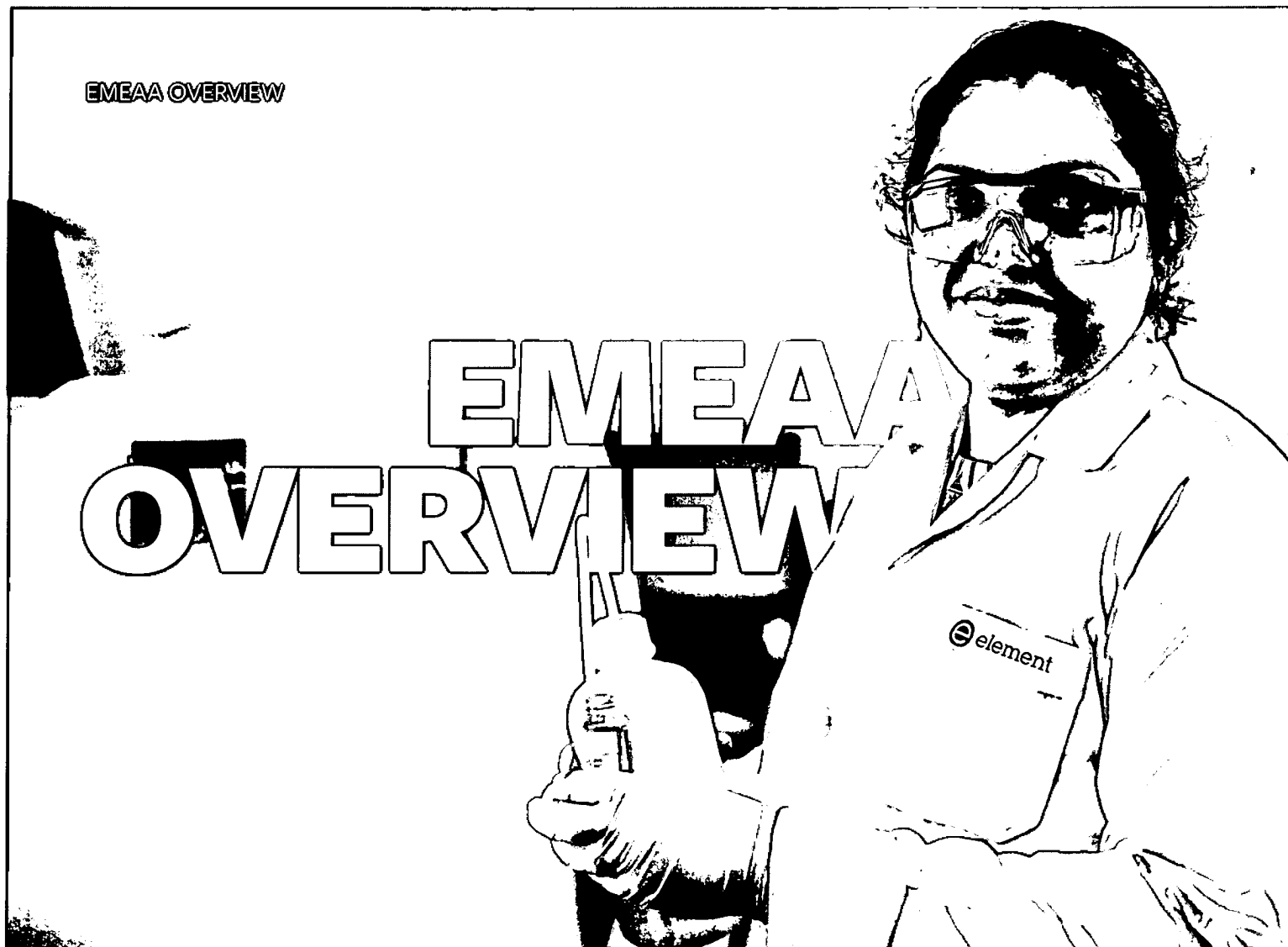
### AEROSPACE AND DEFENSE

The aerospace industry was unquestionably the end market hit hardest by Covid-19. However, since Q2 2021 we have seen recovery and steady growth. We are forecasting a return to 2019 aircraft production levels by 2024 or 2025. This is supported not only by a greater return to air travel, but it also coincides with the planned retirement of many older aircraft. As new, more environmentally friendly aircraft are being manufactured, we are forecasting Element's Aerospace business to be as strong as ever. This will also require minimal new investment in our business, as existing capabilities and capacity should meet this demand.

### 2022

Over the last 12 months, the Americas business has returned to growth, significantly increased capabilities in Life Sciences, invested in geographical footprint in Connected Technologies and solidified our regional structure under our new business units. Next year will be focused on fully integrating the businesses we acquired this year, and building on the growth we saw in 2021.

All four of our Americas business units are set up for accelerated growth in 2022, and we look forward to the new opportunities and services we will offer to customers as our business reaches new heights.



THE EUROPE, MIDDLE EAST, AFRICA & ASIA (EMEAA) REGION HAS HAD A STRONG 2021, DESPITE THE ONGOING COVID-19 PANDEMIC CREATING A VOLATILE ENVIRONMENT OVER THE LAST TWELVE MONTHS.

Despite some ongoing effects from the pandemic, we were able to reopen fully from Q2, and Element has come out of the other side in a strong position. The majority of our BUs are now operating ahead of pre-pandemic levels.

In 2021, we delivered on our new regional EMEAA organization, with strengthened functional leadership, end-market strategic focus and increased efficiency of operational delivery. We have seen significant increases in our customer 'net promoter score' across all BUs.

The majority of the BUs are experiencing growth, with higher margins, compared to 2019, despite ongoing end-market challenges in Aerospace and energy. This overall strength enables us to support our strategic aims with investments in the existing capabilities as well as in new segments.

A particular focus for us in 2021 has been to build our leadership position in innovation and digital. Our digital engineering business is gaining traction as a core Element service, and the growth in remote witnessing has continued during the pandemic period. We have also continued to invest in automation platforms, for example, in our UK environmental business.

Importantly, our people have been at the heart of our operations over the last twelve months, as we have all worked together to maintain growth throughout the uncertainty of the pandemic. We know that it is our colleagues who will help us achieve our business goals through being engaged, fulfilled and well supported. Our engagement scores, which have been traditionally strong, continued to increase in 2021.

We are also proud that our safety record has improved over the last year, which embodies the purpose of our business: Making Tomorrow Safer Than Today. A strong safety record is essential for our customers, but it is also a critical focus internally, ensuring our colleagues are safe in the workplace.

#### AEROSPACE, CONNECTED TECHNOLOGIES & DEFENSE

The aerospace production market continues to be down from pre-pandemic levels, however we have seen good momentum into Q4 in the aerospace sector, including R&D spend from some of our key customers. We expect continued growth in this segment over the next few years.

We have grown strongly in Connected Technologies – growth has continued in both more traditional EMC / EMI services, and targeted development markets for Element such as medical devices.

Our defense focused business has achieved high-level cyber security accreditation, opening up our services to an even wider customer base.

### CALIBRATION AND TESTING NORDICS

One of our most significant investments this year was the creation of a new center of excellence in Linköping, Sweden, which brought three laboratories together into one site close to major clients in the aerospace, defense and industrials sectors. The new site optimized production flow, bringing synergies and increased efficiency to the client experience. It also created flexibility and the ability to accommodate increases in production volume, as well as the introduction of new equipment and services.

We also acquired Kalibrierdienst Kopp GmbH (KDK), a market-leading calibration and measurement services provider, which significantly strengthened our calibration business in Germany. While we already held a strong share of the calibration market in northern Europe, we saw a significant growth opportunity in Germany as it was forecast to grow more rapidly than any other country in the region over the next five years. The acquisition also brought KDK's ISO 17025:2018 accreditation, which enabled us to offer a far broader range of capabilities to our existing customer base.

Further to these investments, we expanded our services in 2021 into Spain and France to support the operational expansion of one of our key customers.

### FIRE AND BUILDING PRODUCTS

Our Fire and Building Products business unit continues to perform well, with our European product certification business especially strong.

The overall market demand for passive fire protection services remains robust, due to regulatory changes and increases in market access requirements for building products, especially in the UK.

We have continued to make investments in this sector – including a commitment to the largest capital investment in Element's history, for a new testing laboratory in Warrington, UK, which will open in 2024. The new laboratory is part of a major science and business park, and will help us to meet rising demand for fire testing and certification services and demonstrate our leading expertise in the sector.

The proposed 139,000ft<sup>2</sup> laboratory will significantly increase facility size, increasing from the 78,000ft<sup>2</sup> that our current Warrington laboratory occupies. We will be recruiting a further 40 colleagues over the construction period and at time of opening, adding to the current team of more than 180. The new laboratory will build on the current service offering in Warrington, which includes fire resistance and reaction to fire testing, technical and assessment services, and certification.

2021 also saw the expansion of our Furniture Industry Research Association (FIRA) international furniture testing, with a new laboratory in Stevenage, UK.

As new regulations following Brexit came into effect, we achieved designation as a Notified Body in the Netherlands, to enable continued support to our customers across the UK and EU.

Australian operations were impacted throughout 2021 due to pandemic restrictions, although Q4 did see improvement in demand as some restrictions began to be lifted.

### ENERGY AND ENVIRONMENTAL EUROPE

Ongoing challenges in the European oil and gas market, with committed projects being delayed until 2022, was offset by strong growth in our environmental testing and compliance services.

We have continued to invest in capabilities in our environmental chemistry laboratories, particularly in marine testing and in testing for dioxins and furans. We have also launched our Sustainable Solutions suite of services to enable customers to meet their own sustainability targets, including our new Projection Zero projects.

Despite prices remaining very high in oil and gas, project delays impacted on our organic growth in 2021. We expect those projects to be delivered over the course of 2022.

In energy transition, the growth in the hydrogen sector is a key focus – our existing customers are at the forefront of the transition, and our core capabilities around fracture mechanics and corrosion are required to validate the use of existing infrastructure to transport hydrogen. We have committed to increase our capacity and capabilities to support development of this market

### ENERGY AND ENVIRONMENTAL MIDDLE EAST AND ASIA

Our business reflects many of the changes running through the energy sector. While we have seen a strong rebound in Qatar with new gas projects, oil and gas work has slowed across Saudi Arabia and the UAE. However, our environmental income is growing across the Middle East. We have invested in new laboratories in Qatar and Saudi Arabia to support this growth.

Our new Doha laboratory will provide a range of testing services, including soils, water, marine, food, environmental microbiology, air quality, occupational hygiene, and stack emissions monitoring. The Saudi Arabia laboratory will provide civils and environmental testing for the NEOM new city project. Wider success has been experienced across the region including new contracts with ARAMCO, Qatar Gas and Etihad Rail.

### LIFE SCIENCES

In 2021, we created the Life Sciences BU in the EMEA region with the acquisition of the Arch Sciences Group. Arch's 170 employees are split between the analytical services and laboratory solutions divisions. The analytical services division directly supports drug development and new product regulatory approval cycles; the technical laboratory solutions division supports a wide range of third-party laboratories.

Arch has already successfully integrated into Element and creates a strong platform for continued growth. The highly regulated and highly technical Life Sciences sector has strong synergies with Element's services, and growth in the sector will support our ambition to increase our own capability over the next few years.

### 2022

Next year we will build on the momentum from 2021, as we hope to recover from the pandemic and continue to win new projects.

We will continue to deliver on and benefit from our investments, including Connected Technologies and medical devices, while building on our new Life Sciences platform. We also plan to further increase our footprint in calibration and increase our scale in Singapore.

As across the whole Element business, digital innovation will remain at the forefront of our growth plans as we invest in robotics and new efficiencies.

We will also maintain our focus on our people, as recruiting and retaining the best and brightest engaged experts is key to our ongoing success. By continuing to improve engagement we will be able to grow both our business and our people.

# OUR PEOPLE

## OUR PURPOSE, VALUES AND AMBITION

In 2021 we shared our new purpose, values, and behaviors – these were co-created by the nearly 2,500 colleagues who were involved over the summer. Defining our purpose and values helps to clarify our ambition for the future, and by choosing emotive values about integrity, care and progress, we will deepen engagement with both our colleagues and our customers to drive our business forward.

We have also outlined our ambition to double the size of the business by 2025. We defined five strategic pillars that we believe will support us to grow as the trusted partner for customers in all our chosen end markets across the globe. One of the critical pillars is Our People: we will create an empowered and inclusive culture where people are highly engaged and enjoy coming to work to perform at their best.

We are underpinning this with our colleague value proposition and additional strategic pillars to specifically support our people strategy. We aim to:

- Attract, recruit and onboard the very best diverse talent for our business
- Provide continuous learning and development for colleagues to reach their full potential
- Continue increasing colleague engagement, motivation and retention by improving the overall employee experience at work
- Support colleagues to perform at their best by rewarding them fairly and consistently and recognizing them throughout the year for outperformance

By embedding our new values and behaviors as well as continuing our path of local empowerment, we have laid a strong foundation for our cultural evolution at Element. Our colleagues are the heart of the business and by genuinely caring about them to perform at their best we can make Element the best it can be.



## COLLEAGUE ENGAGEMENT

The most recent Your Voice colleague experience survey received a response rate of 89%, with solid improvements over 2020 results in engagement, inclusion, employee experience, innovation, benefits, and safety. The high response rate demonstrates trust in the process and our leadership, and our aim is to continue building on this as part of a structured colleague listening strategy. This will enable us to continue improving the overall colleague experience and make necessary changes and adjustments to drive higher levels of engagement. It also gives back to our colleagues by creating a feedback loop with local and regional leadership. We had thousands of constructive and insightful colleague comments, which have proved invaluable in better understanding our strengths and opportunities. Colleagues now know their views are heard and respected and that Element takes their opinions seriously, taking action to improve continuously.

In addition to the bi-annual Your Voice survey, we are now in a strong cadence of conducting quarterly global Town Halls for all colleagues; all-hands meetings at both the business unit and laboratory levels; regular lunch & learns; and 'Coffee with Leaders' sessions. Based on the colleague feedback collected, we continuously work to improve their experience at work by integrating what we hear into local action plans that drive engagement.

## DIVERSITY, EQUITY AND INCLUSION

We began our diversity, equity and inclusion (DE&I) journey in 2020 by assessing our baseline through listening sessions, surveys, and demographic analysis of our existing workforce. This, in addition to broader work on our ESG strategy, enabled us to create a 2025 ambition of achieving advanced and sustainable equity in the workplace.

In 2021, we launched five colleague affinity groups with strong uptake from colleagues as members and allies:

- LGBTQ+
- Black/African American
- Women
- Racial equality
- Disabilities

The aim of these resource networks is to understand the needs of all colleagues, provide yet another avenue for feedback and work to influence policies and procedures to improve diversity, equity and inclusion within Element. We also committed that final selection slates for key leadership positions must always include diverse candidates.

Our 2025 targets are:

- Increase the diversity and inclusion index in our colleague engagement survey to >80%
- Increase ethnic minority representation in leadership positions to 25% across North America and the UK by 2025
- Increase women in leadership positions globally to 30% by 2025

To support these DE&I efforts we have set up a range of HR initiatives focusing on employer branding, talent acquisition, learning & development, talent reviews with succession planning and total rewards. We have also embarked on training to raise awareness across the organization around unconscious bias and offered inclusive leadership training to all executives in 2021. This inclusive leadership training will be rolled out to the rest of the organization, starting in 2022.

## OUR PEOPLE

### LEADERSHIP DEVELOPMENT & LEARNING

Our Global Element Academy has proven successful, with extensive uptake across the business. It offers technical, functional and leadership e-learning courses to all employees around the world.

In addition to the Academy, we also designed a new Element learning & development framework which offers developmental programs to colleagues at key transitional roles across all career bands in Element. In 2021, we launched a top-level executive leadership development program for Executive VPs and Business Unit VPs. In addition, we designed a Leadership Development program for all our general managers and operational directors globally in collaboration with KornFerry. The Element Leadership Development program will be extended to all operations managers and new GMs in 2022.

We are also focused on supporting our colleagues with local as well as global Lunch & Learns and webinars on mental health & wellbeing, stress management, resilience training, colleague engagement, Objectives and Key Results (OKRs) & Performance Management as well as career navigation training.

### LOOKING AHEAD TO 2022

The year ahead will see us continue to strengthen our colleague listening strategy, with clear local action planning and ownership to continue to drive engagement and retention. We will also continue our HR digitalization journey through our global human resource information system for additional strategic and transactional people processes. We have made significant progress on digitalization in 2021 with the implementation of our global Element Academy; our Element Recognition Platform covering all of our recognition programs; and a new OKR/Performance Development & Merit Process.

We have also implemented a set of strong people analytics for better managerial decision making. Moving into 2022, we're looking to implement a digitally-enabled global organizational/talent review and succession planning process, and will drive decision making through predictive analytics for managers. We will also look to further streamline and simplify our transactional and administrative people processes and tools.

We will continue to move our total rewards offer forward through extensive benchmarking, as well as introducing various variable compensation plans for our colleagues. We will take our diversity, equity and inclusion agenda to the next level by focusing strongly on women and minority talent acquisition; continuing the unconscious bias and inclusive leadership training; launching a mentoring program for women; launching our "Smarter Working Policy"; and initiating two additional affinity groups – Generation Z and Asian. 2022 will also see us utilizing our paid volunteering time off policy, with an offer of 12 hours of paid volunteering time for each colleague per year.

Finally, it's important to note that the Covid-19 pandemic is not over and it continues to impact the daily lives of colleagues around the world. However, Element has made a strong recovery, and with our new employer brand and our continued ability to attract and retain the right talent, we are now back to our pre-pandemic headcount level of more than 6,900 colleagues across more than 30 countries.

We continue to evolve and grow – as an organization, as teams, and as individuals – through focusing on our unifying purpose of **Making Tomorrow Safer Than Today.**







## DIGITAL TRANSFORMATION

2021 SAW ELEMENT PROGRESS ITS DIGITAL TRANSFORMATION WITH INNOVATION AND ACQUISITIONS THAT HAVE BROUGHT EFFICIENCIES AND INCREASED ACCESS TO SERVICES FOR CUSTOMERS.

# DIGITAL TRANSFO



We have made strong progress in our digital transformation in the last year, with the focus on driving efficiency and value in the customer experience. We have continued to focus heavily on platform-based solutions, operational systems, infrastructure and progressing the roll out of robotic process automation (RPA). Our business is based on the digital platform, from which future growth will come, alongside improved customer experience.

Element has built on the strategy announced in 2020 to take steps towards digitalization and this focus is central to our cross-business alignment, global growth and integration of new businesses following M&A.

The main purpose of Element's digital strategy is to:

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

In 2021, Element launched Element Digital Engineering: created through the acquisition of Double Precision Consultancy in Cambridge, UK. It further expanded that service with the acquisition of Norton Straw, with plans to increase the geographical reach and expertise in 2022 and beyond.

### IMPROVED CUSTOMER EXPERIENCE

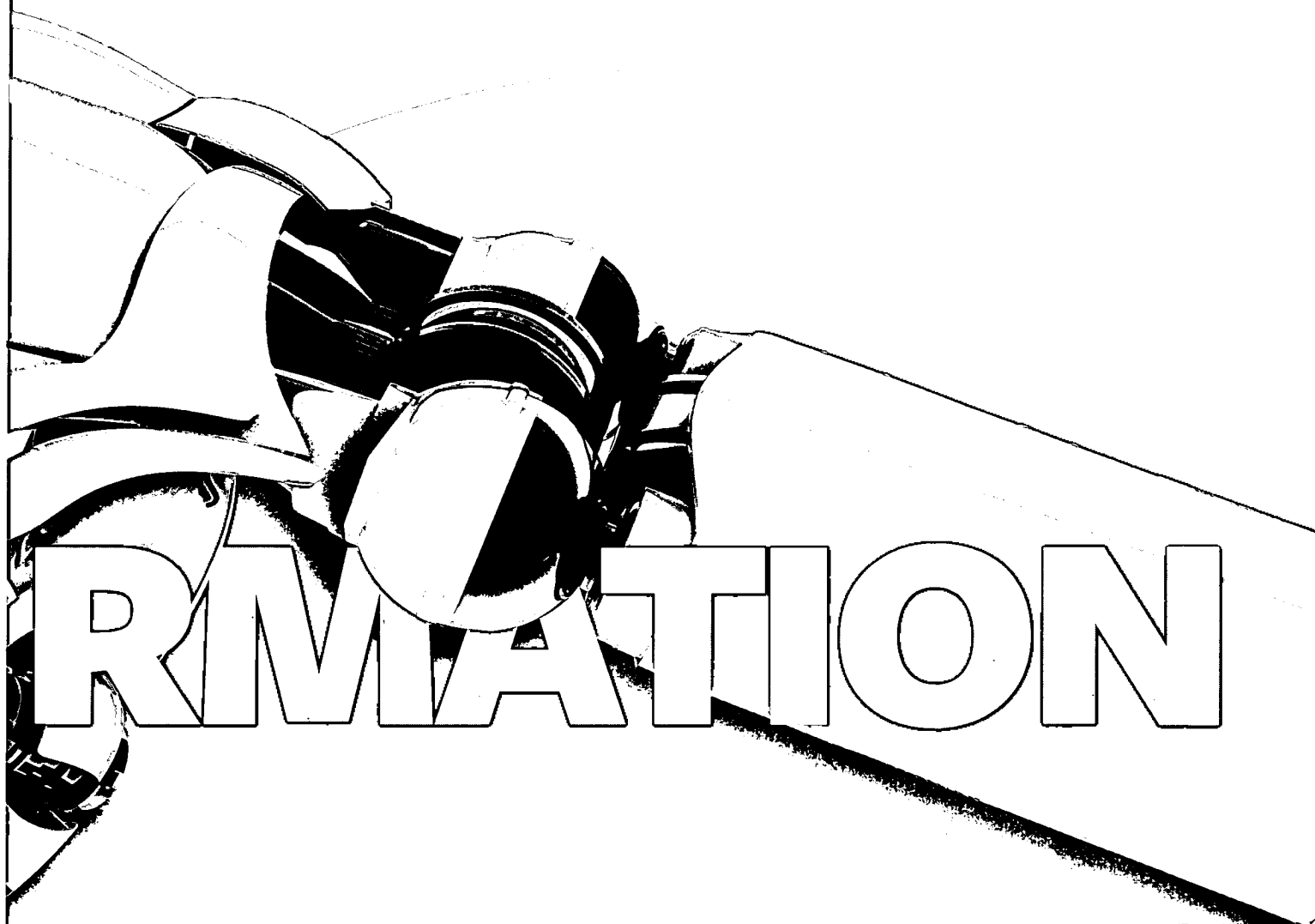
In 2021 we increased opportunities for customers to access data and services online. This has brought increased efficiency and, with the world still dealing with remote working, has allowed them greater remote access. This allows us to work with them to identify new methodologies and ways to work together, improving the overall customer experience.

### EXPANDED DIGITAL SERVICES

The launch of Element Digital Engineering took us further on our aim of market leadership in engineering simulation, modelling, data science and artificial intelligence (AI) to support safety and regulatory compliance for customer products.

Element Digital Engineering is focused on specific sectors: global medical device, energy transition, aerospace, consumer goods and mining markets, with a strategy to expand further over time.

In December 2021, we expanded Element Digital Engineering further with the acquisition of Norton Straw Consulting. This widened our engineering simulation, modelling, data science and AI services for customers. It brought additional innovation, digitalization and technical expertise in engineering mathematics and software.



As Element works with customers to solve complex industrial challenges and ensure the safety and regulatory compliance of their products, these new services offer a cost-effective and efficient forecasting solution through digital modelling techniques.

#### REMOTE WITNESSING

In 2021, we also expanded our digital remote witnessing capabilities for our customers. Accelerated by necessitated remote working driven by the pandemic, we had introduced the service in 2020. In 2021, the use of the new platform enabled customers to watch live testing of their materials and products remotely, to track testing programs, avoid travel and face to face meetings, and achieve better value from our business.

Expansion came through innovation: in our Edinburgh laboratory, the team identified a way to add a camera to a microscope so customers could have increased

access to imaging and analysis. Our remotely witnessed testing is performed in accordance with all the relevant certification and security conformance standards. The delivery of the service is supported by rigorous operating procedures and usage guides, designed to give the customers a high quality, efficient service.

#### IMPROVED COMMUNICATIONS AND EXPERIENCE

Our digital progression is already helping to align the business globally. This work continues, and a current focus is on using digitalization to further improve the way we communicate with our customers and each other. We will continue to monitor equipment efficiency through real time calibration and analysis.

This mindset is also being used in our back-office system, with a digital-first approach to sales, internal communications and account management. We are creating

a business framework to identify how, as a vertically-oriented business, we can align across Element globally and share innovation, expertise and knowledge.

#### 2022

Last year we made significant steps in our digital strategy with acquisitions and the introduction of new technologies for customers. In 2022, we will continue this growth and our focus will be to build Element Digital Engineering into a global service which will put Element on a roadmap for growth and market leadership. We will focus on offering customers greater access to information and to give them choices in how they communicate with us. This is particularly important as the world continues to deal with the pandemic. Through 2022 and into 2023 we will continue to embed digitalization into our operations and company culture.

ACQUISITIONS AND INTEGRATION

# ACQUISITION AND INTEGRATION



# ACQUISITIONS

ELEMENT HAS FOCUSED ON INNOVATIVE AND DIGITAL ACQUISITIONS IN 2021, WITH 12 NEW BUSINESSES BROUGHT INTO THE ELEMENT FAMILY. THIS SUPPORTS OUR STRATEGY FOR INORGANIC GROWTH TO ACHIEVE ALIGNMENT WITH OUR END MARKETS, WITH PARTICULAR FOCUS ON STRENGTHENING OUR OFFERING IN LIFE SCIENCES, CONNECTED TECHNOLOGY AND ELEMENT DIGITAL ENGINEERING.

## LIFE SCIENCES

Medical science, pharmaceuticals and medical device testing are a growing priority end market and we have substantially increased our footprint as a result. Following on from the acquisition of Analytical Lab Group (ALG) in 2020, which expanded our range of pharmaceutical laboratories in the US, Element implemented a strategy of growth through 2021 and acquired a further six Life Sciences businesses.

Our investments grew our Life Sciences BUs so substantially that it is now the largest global end market within Element. From just three laboratories in the US in 2019 to a global operation of 23 facilities with more than 1,000 people operating across Europe and the Americas, our geographical footprint and diversity of services set us apart from competitors. Looking ahead, we expect ongoing M&A opportunities to further expand our services.



AVOMEEN

### AVOMEEN – 2 FEBRUARY 2021

In early 2021 we announced the acquisition of Avomeen, a leader in analytical testing services for Life Sciences end markets, with a specific focus on pharmaceutical testing, biotechnology and FDA regulated consumer products. Avomeen brought bench strength and technical strength across scientific disciplines and growth areas, including formulation chemistry, product manufacturing, extractables & leachables, and large molecule testing.



### ORTHOKINETICS – 1 APRIL 2021

Introducing regulatory and consulting for medical devices and a strong reputation for device testing, Orthokinetics was acquired and brought into our Cincinnati site during 2021, adding further strength to our Life Sciences capability.



### ARCH SCIENCES – 19 JULY 2021

In July 2021 Element announced the acquisition of Arch Sciences Group (Arch), marking our entry into the European pharmaceutical market. This acquisition resulted in the Life Sciences end market becoming the largest within Element. With 170 employees across five locations in three countries, Arch has strong market positioning with two distinct divisions. The analytical services division directly supports drug development and new product regulatory approval cycles; and the technical laboratory solutions division supports a wide range of third-party laboratories. We now have an analytical services division with laboratories in the UK and US which provide advanced analytical services with expertise in extractables & leachables and the testing of FDA-regulated consumer products.

## ACQUISITIONS AND INTEGRATION



### IMPACT ANALYTICAL – 1 SEPTEMBER 2021

Further acquisitions through the second half of 2021 included Impact Analytical based in Midland, Michigan, which expanded our Life Sciences footprint in North America. Impact Analytical operates in the pharmaceutical, medical device, consumer product and specialty chemicals segments, with a strong presence in extractables & leachables. The business recently moved into the bio-analytical segment which supports our growth in this area.



### NANOSYN – 8 OCTOBER 2021

The full-service pharmaceutical contract development and manufacturing organization, Nanosyn in North America, joined our Life Sciences BU.

Nanosyn is a world leader in drug discovery and small-batch manufacturing of active pharmaceutical ingredients. With a team of more than 75 scientists and experts, Nanosyn increased Element's breadth of technical services, supporting pharmaceuticals and biopharmaceutical customers from early-stage discovery, through clinical trials, formulation, and regulatory approval.



### JMI LABORATORIES – 31 DECEMBER 2021

Our final Life Sciences acquisition of 2021 was that of JMI Laboratories based in North Liberty, Iowa, a move which supported our ambition to strengthen our offering for pharmaceutical and biopharmaceutical customers in North America and beyond.

JMI is a market leader in antimicrobial resistance monitoring studies utilized for US-FDA regulatory and new drug application submissions, through their proprietary SENTRY Antimicrobial Surveillance Program. It offers microbiology and molecular testing services to assist in the development of new antimicrobials and clinical trial support. The Company is CLIA accredited and able to test under GLP conditions.

The business brought its team of scientific and industry recognized experts, including 10 MD/PhDs with extensive knowledge of microbiology and antimicrobials. This expanded our expertise in scientific topics covering epidemiology, mechanisms of resistance in bacterial and fungal organisms, microbiology diagnostics and susceptibility testing methods.

## CONNECTED TECHNOLOGIES

Since the start of 2020, Element has invested over \$300m in connected technology to support our ambition to take market leadership in this important growth market. As Connected Technologies form a greater part of people's everyday lives, Element is strategically placed to lead this technological movement.

In 2021, Element took a strong leadership position in 5G, working on the most 5G grants in the US market. We are now a market leader on carrier approvals in North America and Japan; on regulatory capacity and relationships; and on 5G capabilities and expertise.

The acquisition of AIRCOM (30 April 2021) in Spring 2021, which was Element's sixth acquisition of the year at that point, was part of our connected technology investment strategy. A new center of excellence opened in Columbia, MD, alongside the acquisition and investment in accreditation, expertise and capacity. Since the investment program commenced, Element has worked on the most 5G grants in the US market and has enabled technology customers to reach their end markets quickly and competitively.

Integration of the AIRCOM Labs into Element has brought us a prominent position in the provision of carrier acceptance and conformance solutions, as we specialize in device testing for the world's leading Tier 1 mobile device manufacturers. We maintain approval with all three major US network operators, providing industry-validated testing methodologies to measure device performance on live operator networks, and maintaining industry certifications across all relevant test areas, including GCF, PTCRB and CTIA.

The Connected Technologies BUs now holds almost 500 experts working across the globe, with many of them active in industry and technical bodies to provide advisory services and insight on regulatory requirements and changes. Through the pandemic, when the performance of telecommunications has never been more important, we have created and grown employment opportunities alongside expanding our skillset and capacity, giving us a market leading position in the sector.

We now have 21 laboratories in the USA, UK, Germany, China, South Korea, and Japan. Element's global Connected Technologies testing capabilities include: electromagnetic compatibility (EMC) and radio frequency (RF) testing chambers; specific absorption rate (SAR) systems; OTA systems; industry conformance; hearing aid compatibility (HAC); as well as EMI/RF, RRM and Protocol conformance coverage across major US and Asia operators.

## AIRCOM LABS

## ELEMENT DIGITAL ENGINEERING

Another focus for 2021 has been on the development of Element Digital Engineering, moving us forward in our ambition to expand platform-based solutions, digitalization, operational systems and progressing the rollout of robotic process automation (RPA). This focus is bringing operational efficiencies and importantly, bringing new and improved access to our customers.

We launched Element Digital Engineering early in 2021 following the acquisition of Double Precision Consultancy (20 January 2021) in Cambridge, UK. This supported our strategy to establish market leadership in engineering simulation, modelling, data science and artificial intelligence. The acquisition brought additional capability in digital twinning, machine learning, and mathematical optimization, with particular focus on global medical device, energy transition, aerospace, consumer goods and mining markets.



At the end of 2021 we announced the acquisition of Norton Straw Consulting (1 December 2021) in the UK. This acquisition grew Element Digital Engineering further, bringing additional capability in engineering simulation, modelling, data science and artificial intelligence services. It also brought additional innovation, digitization and technical expertise in engineering mathematics and software.

Digital modelling is increasingly used to solve industrial challenges and forecasting in an efficient and reliable way. The strategy for 2022 will be to widen the geographical reach of Element Digital Engineering while making more services available across the customer base.



## enviroDAT

ENVIRODAT – 29 JANUARY 2021

EnviroDat is an industry leading environmental testing provider. The services of the Reading, UK-based company, including stack emissions testing and occupational hygiene, complement the range of services offered by Element's Energy & Environmental Europe BU.



KDK – 26 MARCH 2021

Element acquired Kalibrierdienst Kopp GmbH (KDK), a market-leading calibration and measurement services provider in Wiesloch, Germany during 2021. This strengthened our calibration business in the region and brought additional accreditation and capability to Element Metech's customer base. Germany is forecast to grow more rapidly than other countries in the region over the next five years and this strategic move strengthens a core business unit.

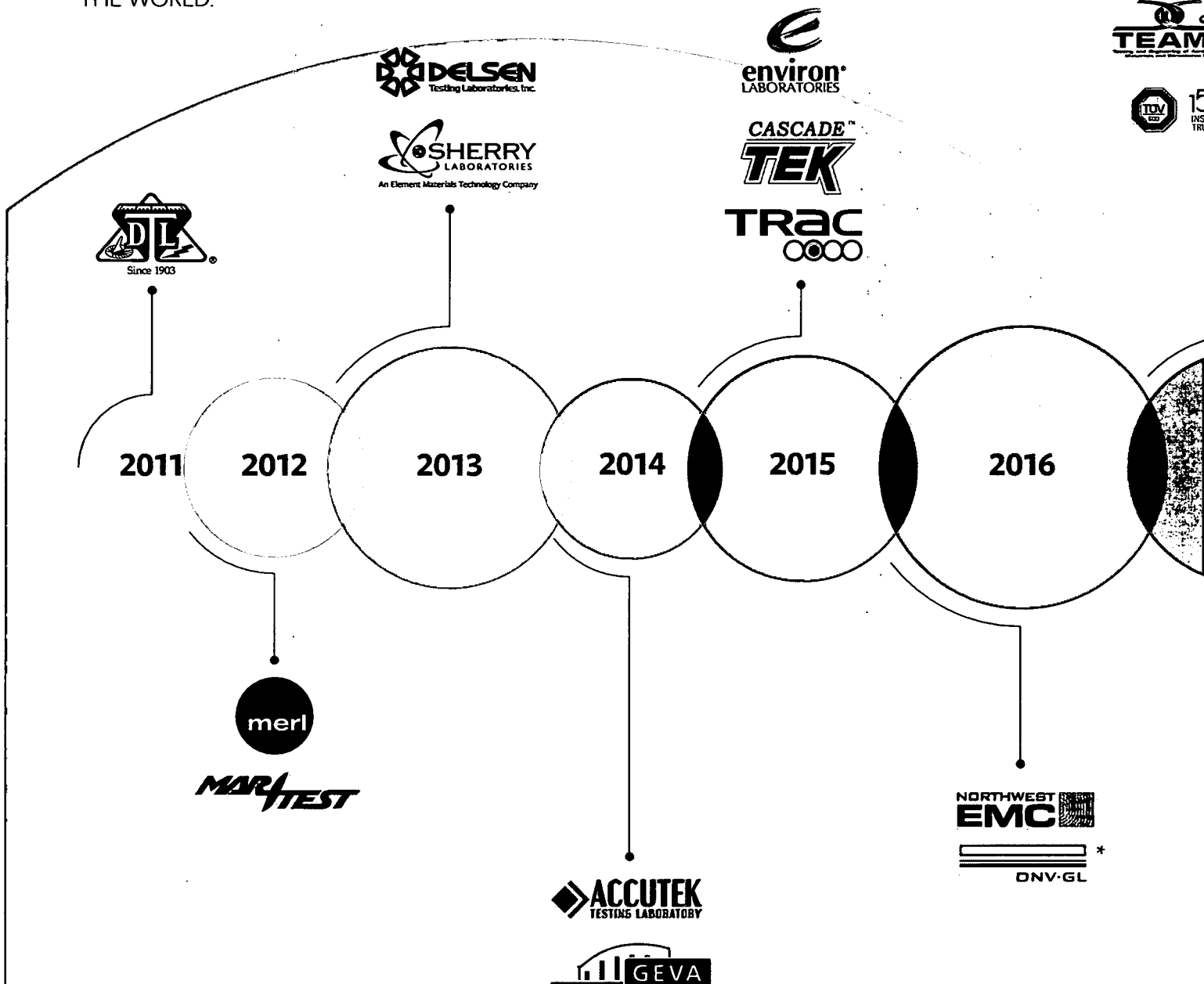


ARGEN – 7 SEPTEMBER 2021

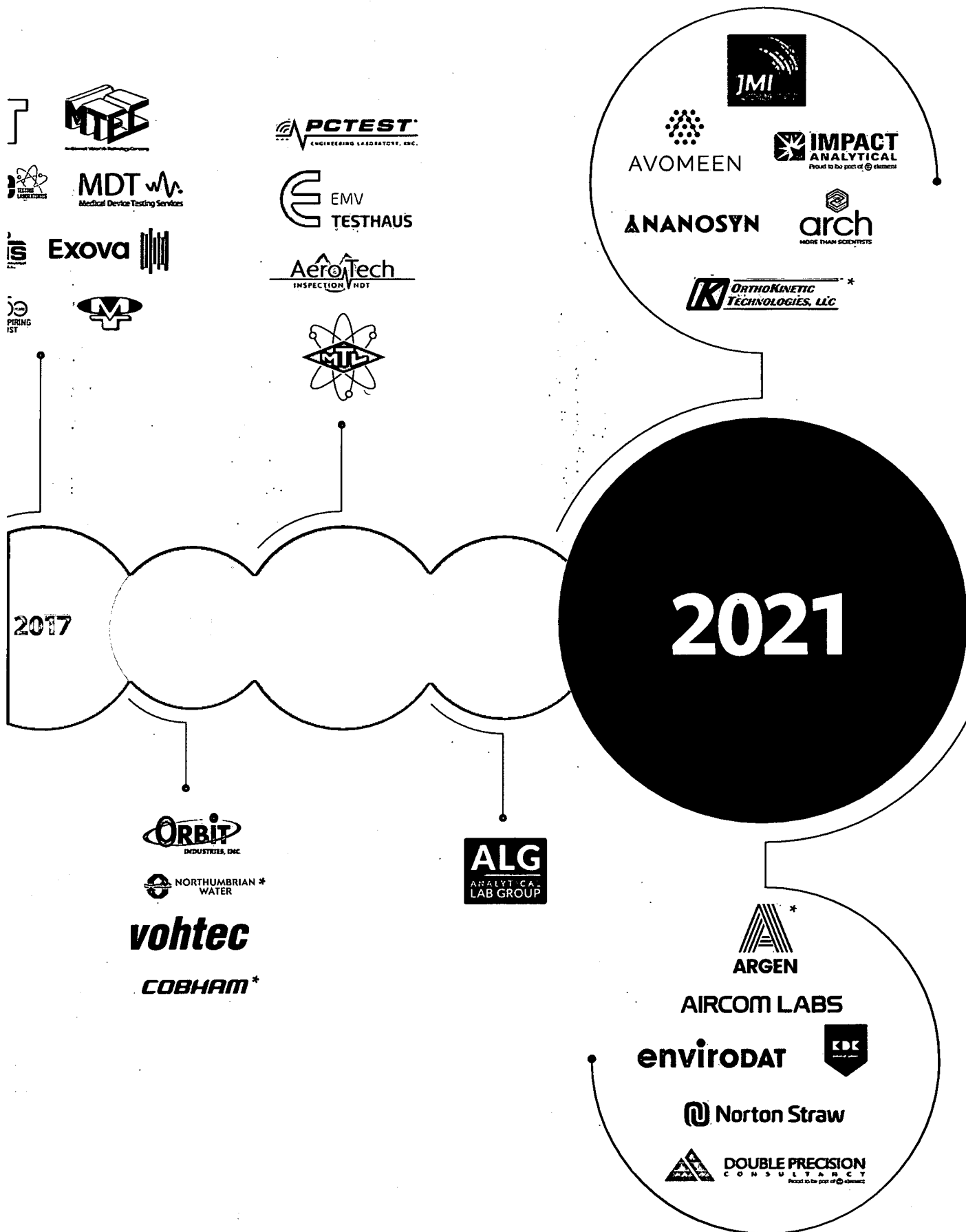
In a move which consolidated Element's position as a market leader in the energy sector, in September we acquired the assets of Argen Labs in Houston, Texas, expanding our capability in testing for the energy and infrastructure markets.

# ACQUISITIONS AND INTEGRATION

2021 SAW THE MOST ACQUISITIONS IN ONE CALENDAR YEAR THAN ANY IN ELEMENT'S PREVIOUS DECADE. THE TWELVE BUSINESSES THAT JOINED THE ELEMENT GROUP THIS YEAR SUPPORT OUR AMBITIOUS GROWTH STRATEGY AND A MOVE TOWARD SOLIDIFYING OUR PLACE AS LEADERS IN OUR TARGET END MARKETS. AS WE TRANSFORM OUR BUSINESS AND INCREASE OUR PROFILE IN THESE SECTORS, OUR INORGANIC GROWTH WILL CONTINUE TO SUPPORT NEW CAPABILITIES AND INCREASED FOOTPRINT TO SHARE MORE OF OUR CAPABILITIES WITH THE WORLD.







# BOARD OF DIRECTORS

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

JO WETZ,  
CEO



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

Jo has been instrumental in growing Element from 20 locations in five countries at the time of the buyout in 2010 into a global business with over 200 locations in 30 countries and more than 6,900 colleagues, through a combination of strong organic growth and the integration of more than 40 acquisitions. Over the last ten years at Element, he has led the buyouts with 3i, Bridgepoint and Temasek, as well as the take-private of Exova.

RUTH PRIOR,  
GROUP CFO  
(LEGAL DIRECTOR  
OF THE COMPANY)



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

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

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

CHRIS BUSBY,  
NON-EXECUTIVE  
DIRECTOR



Chris is a Partner of Bridgepoint with responsibility for investment activities across Northern Europe and the UK. Chris sits on the Firm's Executive Committee and is a member of its Investment Advisory Committee.

Chris joined Bridgepoint in the mid-90s and has since worked in the Nordics, UK, DACH, Benelux and the US. He has worked on a number of transactions including LGC, ERM, Pret A Manger and Pharmazell. Chris holds a BSc from Exeter University and is ACA qualified from his time spent working at PwC prior to joining Bridgepoint.

RAOUL HUGHES,  
NON-EXECUTIVE  
DIRECTOR



Raoul Hughes is Group Managing Partner of Bridgepoint, based in London. He is a member of the Bridgepoint Executive Committee, its Investment Advisory Committee and also Chairs Bridgepoint Development Capital.

Raoul joined Bridgepoint in 1988 and has worked extensively on investments across Europe. He has a degree in Business Administration from the University of Bath where he also supports a number of PhD programs.

# BOARD OF DIRECTORS



RANJIT DANDEKAR,  
NON-EXECUTIVE  
DIRECTOR

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

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

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



ALLAN LEIGHTON,  
NON-EXECUTIVE  
CHAIRMAN

Allan is a non-executive member of the Element Board. He has had an extensive and varied business career holding a series of high profile roles for major corporations in the food, retail, FMCG and communications sectors including those of Chief Executive of Asda and Pandora; Non-Executive Chair of the Co-operative Group; and Chairman of C & A AG, Pizza Express and Brewdog PLC.

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

## CHARLES NOALL, NON-EXECUTIVE DIRECTOR



Charles is a non-executive director and Board member at Element. Between 2003 and 2019, Charles was President and CEO of the Group.

After leading its predecessor, Stork Materials Technology for eight years, Charles successfully led the original management buy-out of Element from Stork BV in 2010. In the nine years that followed, an ambitious growth program saw Element become the fastest growing independent materials and product qualification testing company in the world, over 6,900 engaged experts in nearly 200 laboratories. Under his leadership, the Group's revenues grew from US \$60 million to US \$850 million as Element dramatically expanded its testing operations to cover five end markets across 30 countries.

In 2015, Charles led the transfer of the company's ownership from its original private equity sponsor, 3i, to its current financial sponsor Bridgepoint. Two years later, he drove the acquisition of Exova plc, a larger competitor and then oversaw a comprehensive integration program that culminated in Element becoming a truly global testing, inspection and certification partner serving over 50,000 customers worldwide. With a new minority investor, Temasek, on board and further funding for growth secured, Charles stepped down from his role as CEO in December 2019.

## NEIL MACLENNAN, GROUP GENERAL COUNSEL & COMPANY SECRETARY (LEGAL DIRECTOR OF THE COMPANY)

Neil was appointed as a director of Element Materials Technology Limited on 28 October 2020. Neil reports to Ruth Prior and is responsible for legal, compliance and company secretarial related matters of the Group. Neil joined the Element group via acquisition of Exova plc in 2017, and prior to that he was responsible for advising on corporate and commercial matters, legal risk management and corporate governance issues at Exova plc. Neil's experience includes a wide range of corporate and capital market transactions for public and private companies. Neil is a qualified solicitor in Scotland, England and Wales.

## THOMAS FOUNTAIN, GROUP FINANCE DIRECTOR (LEGAL DIRECTOR OF THE COMPANY)

Thomas (Tom) was appointed as Group Finance Director on 25 January 2021 and became director of Element Materials Technology Limited on 16 March 2021. Reporting to Ruth Prior, CFO, Tom is responsible for group analysis and reporting, tax, treasury, and global shared services across the Element group. Prior to joining Element, Tom was CFO, Europe and Middle East for Gategroup and he also held previous senior finance roles in the pharmaceutical industry. Tom is a qualified accountant with a degree in Chemistry from Durham University.

# OPERATING BOARD

THE OPERATING BOARD IS RESPONSIBLE FOR IMPLEMENTING STRATEGY, DIGITAL TRANSFORMATION, M&A, CULTURE AND VALUES, AND COMPLIANCE, AND IS COMPLEMENTED BY A FURTHER 25 OF THE MOST SENIOR LEADERS IN THE GROUP, INCLUDING ALL BU VICE PRESIDENTS, REGIONAL MANAGEMENT AND FUNCTIONAL DIRECTORS. LEAN SPECIALIST TEAMS IN CORPORATE AFFAIRS, CORPORATE DEVELOPMENT, FINANCE, HR AND LEGAL PROVIDE GROUP-WIDE CORPORATE SUPPORT.

JO WETZ,  
CEO



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

Jo has been instrumental in growing Element from 20 locations in five countries at the time of the buyout in 2010 into a global business with over 200 locations in 30 countries and more than 6,900 colleagues, through a combination of strong organic growth and the integration of more than 40 acquisitions. Over the last ten years at Element, he has led the buyouts with 3i, Bridgepoint and Temasek, as well as the take-private of Exova.

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

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

RICK SLUITERS,  
EVP AMERICAS



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

Rick was part of the management team that lead the buy-out from Stork in 2010 and in 2011, Rick took the position of Vice President of European Operations and formally joined the Element Executive Team. Rick became the Executive Vice President (EVP) of Aerospace in 2014. Under his leadership the global aerospace sector has more than tripled in size and successfully integrated over 10 acquisitions, adding capabilities, capacity and footprint to become the number one provider of aerospace testing services in the world. In October 2020, Rick was appointed EVP, Americas, with responsibility for all of Element's operations in the USA, Canada and Mexico, covering 82 laboratories across the Aerospace, Connected Technologies, Defense, Life Sciences and Transportation End Markets.

MATT HOPKINSON,  
EVP EMEAA



Matt joined Element in December 2018, bringing a wealth of testing experience and leadership to lead the global Energy sector. In October 2020, Matt was appointed EVP for the EMEAA region, with responsibility for five BUs covering testing, certification and inspection in the Aerospace, Connected Technologies, Life Sciences, Construction, Energy and Environmental End Markets across four continents. In addition, Matt is responsible for Element's China strategy.

Prior to joining Element, Matt held several operational and commercial leadership roles managing global laboratory networks in the Americas and Europe, as well as managing global teams focused on account management, technical governance, systems development and new growth initiatives. Before his role at Element, Matt was a member of the Group Executive Leadership Team at Bureau Veritas.

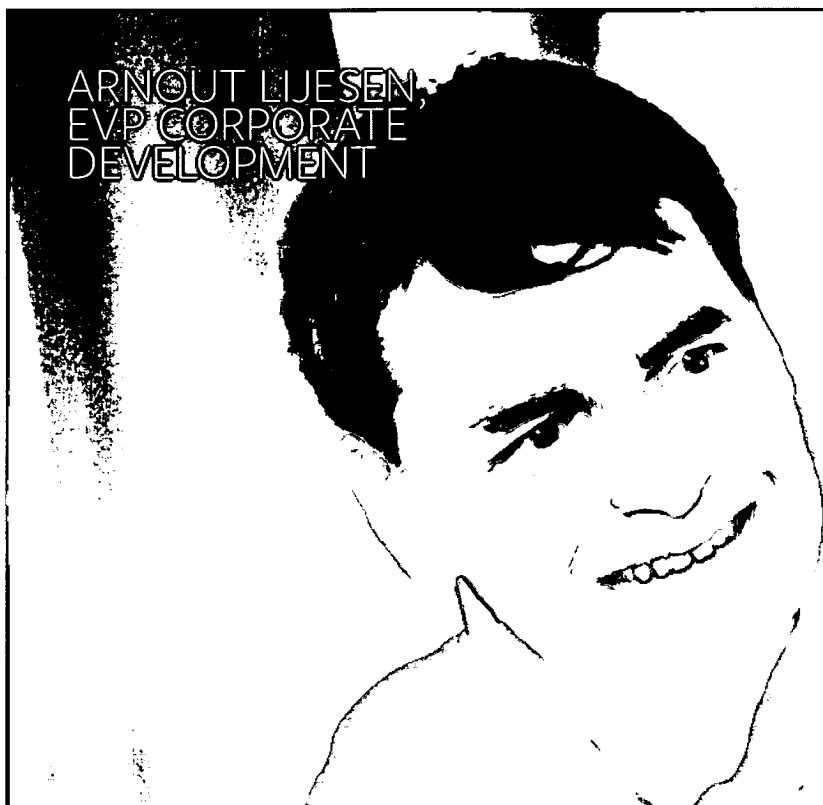
# OPERATING BOARD

NANCY GRÖSCH,  
CHIEF PEOPLE  
OFFICER



Nancy leads the Group HR function across all of Element's geographies, responsible for setting and executing the company's global people strategy. Nancy joined Element in September 2019. With over 20 years' global experience in HR, she brings deep expertise in linking culture, engagement and performance, as well as implementing large-scale change initiatives. Prior to joining Element, she worked in senior HR roles for global organizations such as Airbus and General Electric and was most recently Senior Vice President, Head of Global HR & Ethics Officer at Jet Aviation.

ARNOUT LIJSEN,  
EVP CORPORATE  
DEVELOPMENT



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

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

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



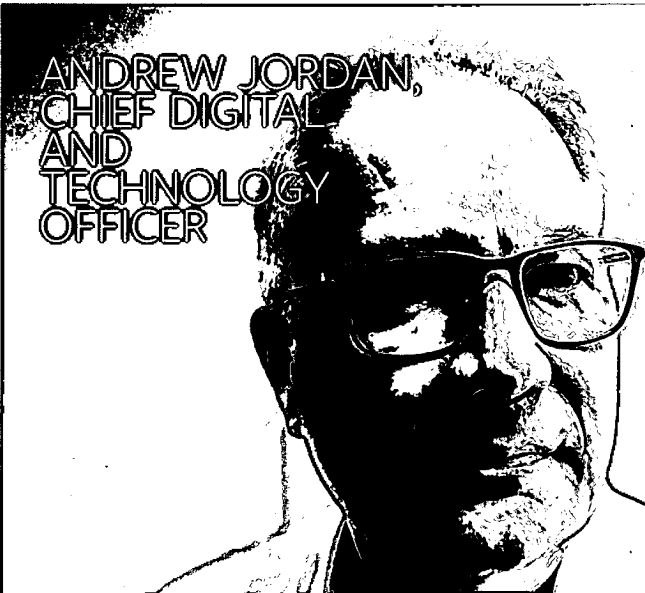
FRIDO LANGEDIJK,  
EVP COMMERCIAL  
EXCELLENCE



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

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

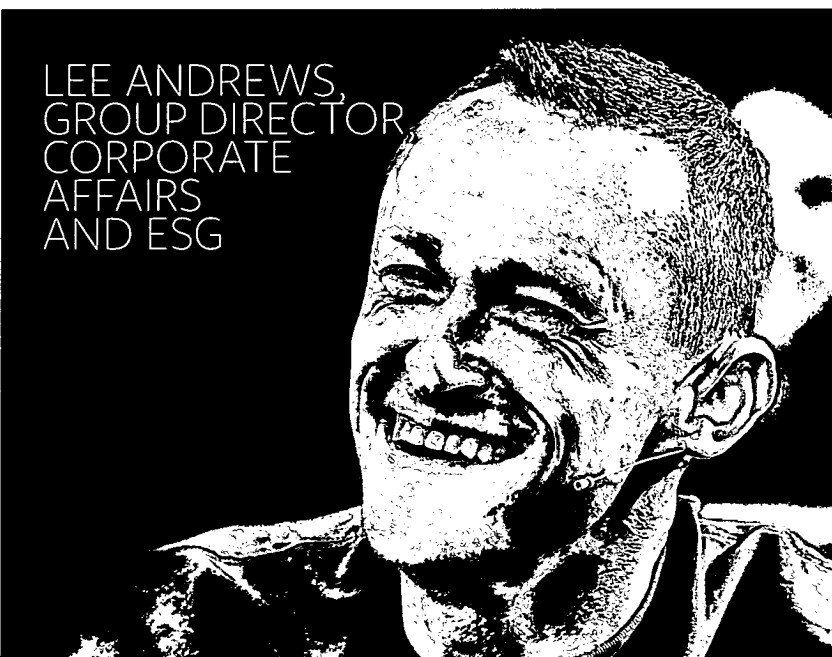
ANDREW JORDAN,  
CHIEF DIGITAL  
AND  
TECHNOLOGY  
OFFICER



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

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

LEE ANDREWS,  
GROUP DIRECTOR  
CORPORATE  
AFFAIRS  
AND ESG



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

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

# CORPORATE GOVERNANCE REPORT

## STATEMENT OF DIRECTORS' RESPONSIBILITIES FOR PREPARING THE FINANCIAL STATEMENTS

THE DIRECTORS PRESENT THEIR ANNUAL REPORT AND THE AUDITED FINANCIAL STATEMENTS FOR ELEMENT MATERIALS TECHNOLOGY LIMITED FOR THE YEAR ENDED 31 DECEMBER 2021. THE CORPORATE GOVERNANCE REPORT INCLUDES THE DIRECTORS' REPORT ON PAGES 70 TO 72 WHICH CONTAINS CERTAIN STATUTORY DISCLOSURES.

THE STRATEGIC REPORT ON PAGES 8 TO 53 CONTAINS A DESCRIPTION OF THE GROUP'S BUSINESS MODEL AND INFORMATION RELATING TO THE PERFORMANCE OF THE GROUP'S BUSINESS DURING THE FINANCIAL YEAR, THE POSITION OF THE GROUP AT THE END OF THE YEAR, AND LIKELY FUTURE DEVELOPMENTS.

## WATES CORPORATE GOVERNANCE PRINCIPLES FOR LARGE COMPANIES

The Element Group has over 6,900 colleagues working from over 200 facilities in countries around the world. Element is committed to operating in accordance with the highest standards of corporate governance. The Company is a holding company employing fewer than 2,000 employees. The Company does not meet the qualifying conditions for the financial year to report against the Wates Corporate Governance Principles for Large Private Companies published by the Financial Reporting Council in December 2018. The Board is, however, accountable to shareholders and given that on a consolidated basis the Group would meet the qualifying conditions, is committed to meeting the standards of corporate governance for large private companies as set out in the Wates Corporate Governance Principles for Large Private Companies. This report describes how the Board has applied the main principles of good corporate governance during the period of review, being the year ended 31 December 2021.

## PURPOSE AND LEADERSHIP

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

Our three new brand values drive our everyday behavior:

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

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

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

The Board meets every month to review the overall performance of the business and also to determine Group-wide strategies and performance. The Board ensures that the Group has the necessary financial and human resources in place to meet its objectives, review management performance and strategy against set objectives and help to deliver long-term success. Details of the matters specifically reserved for the Board are set out on page 70.

## BOARD COMPOSITION

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

The Board currently has seven members and includes a combination of Executive and Non-Executive Directors. It comprises the Non- Executive Chairman, two Executive Directors and four Non-Executive Directors. The Board benefits from the wide range of sector experience of its Directors. Details of the Directors and their biographies can be found on pages 54 to 57.

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

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

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

Chris Busby (a Non-Executive Director) and Raoul Hughes (a Non-Executive Director) are both partners at Bridgepoint which manages funds holding a majority shareholding in the Company. They both have extensive sector and international experience and make a significant contribution to the activities of and decisions made by the Board.

Ranjit Dandekar (a Non-Executive Director) is a representative of Temasek, a minority shareholder of the Company and brings significant international experience to the Group, in particular through Temasek's strong presence in Asia.

Charles Noall is a Non-Executive Director allowing the Group to benefit from his extensive industry knowledge and sector experience.

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

The Chairman is responsible for leadership of the Board and ensuring its effectiveness. The Chairman sets the agendas and timetables for Board meetings, facilitating debate and dialogue during the meetings. The Chief Executive Officer is responsible for the day-to-day leadership of the Group's business and managing it within the authorities delegated by the ongoing training and development is provided to all Directors to ensure that they keep abreast of relevant regulatory and legislative requirements. During 2021, the Board was briefed on a range of subjects including: ESG matters, monitoring risk management and internal controls; the Group's financial processes; operational excellence and safety initiatives; litigation and claims; taxation matters; the UK Modern Slavery Act 2015; compliance and whistleblowing.

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

## DIRECTOR RESPONSIBILITIES

### THE ACCOUNTABILITY

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

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

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

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

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

### COMMITTEES

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

### INTEGRITY OF INFORMATION

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

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

## OPPORTUNITY AND RISK

### OPPORTUNITY

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

### RISK

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

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

## RESPONSIBILITIES

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

## REMUNERATION

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

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

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

## STAKEHOLDER RELATIONSHIPS AND ENGAGEMENT

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

### OUR PEOPLE

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

### How we listen and engage:

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

Further information can be found at the Our People section on pages 42 to 45 and Directors' Report on pages 70 to 72.

### OUR CUSTOMERS

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

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

### OUR INVESTORS / SHAREHOLDERS

#### How we listen and engage:

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

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- Detailed papers and presentation materials are circulated in advance of Board and Committee meetings to each of the Directors; and
- Board approval of the full year results and the Annual Report and Accounts.

### OUR SUPPLY CHAIN

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

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

### COMMUNITY AND ENVIRONMENT

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

Further information can be found in the Corporate Responsibility section on pages 30 to 37.

### WHISTLEBLOWING HOTLINE

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

During 2021, Element received 13 whistleblowing reports through the external whistleblowing service. Most reports were of an HR nature but the hotline was also used to report quality and other issues. All reports were reviewed and investigated: 4 allegations were substantiated, 2 allegations were partially substantiated, 7 allegations were unsubstantiated. The results of the investigations were reported to the Audit Committee.



# PRINCIPAL RISKS AND UNCERTAINTIES

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

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

ENVIRONMENT, HEALTH AND SAFETY RISKS	
<p><b>RISK</b></p> <p><b>Workplace Health &amp; Safety</b></p> <p>The Group's operations involve working with materials and chemicals that by their nature have inherent safety risks.</p> <p>Incidents may occur which could result in harm to employees, the temporary shutdown of facilities or other disruption to processes. The Group may be exposed to financial loss, regulatory action and potential liabilities for workplace injuries and fatalities.</p>	<p><b>MITIGATING FACTORS/ACTIONS</b></p> <ul style="list-style-type: none"> <li>Safety is our chosen purpose and has been elevated from one of our core values in the year. The Group puts continued emphasis on the promotion of a culture which puts safety first and encourages employees to take personal responsibility for their actions.</li> <li>Health and safety guidelines are issued to all employees Group wide.</li> <li>The Group has also increased capital investment in legacy facilities to improve health and safety conditions.</li> </ul>
STRATEGIC RISKS	
<p><b>RISK</b></p> <p><b>Global Economic Recovery and Market Conditions</b></p> <p>Unmitigated delays in the receipt of orders or cancellation of existing contracts could affect the Group's financial performance. If the Group's businesses are unable to continue trading profitably during periods of lower order intake, financial performance will deteriorate, and assets may be impaired.</p>	<p><b>MITIGATING FACTORS/ACTIONS</b></p> <p>The strength of our end markets is an important driver for our growth. Our business is well diversified both geographically and by end customer. Our business activities expose us to a wide range of business practices. We have a strong Group culture of integrity and ethical behaviour to ensure a consistent approach regardless of local custom.</p> <p>We actively monitor lead economic indicators in the market. Given the nature of the business and its high variable cost base, this allows Management to control costs and limit the impact of any global downturn on our profitability.</p>

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

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

OPERATIONAL RISKS	
<p><b>RISK</b></p> <p><b>Delayed Aerospace Market Recovery</b></p> <p>Prolonged impact and loss of revenue from slow to recover end markets risks (in particular in the Aerospace market) the Group's ability to return to pre Covid-19 profitability levels in the short to medium term.</p>	<p><b>MITIGATING FACTORS/ACTIONS</b></p> <p>The Group has a strong presence in the TiC market and a roster of financially secure customers. The Group has carried out a robust assessment of its financial position and even if the commercial aerospace end market fails to recover as forecasted, the Group has sufficient liquidity to operate as a going concern. The Group have a global and diversified customer base which operate in several high growth markets. Strategic acquisitions have been made to broaden exposure towards the Life Sciences end markets and strengthen digital platform.</p>

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

## PRINCIPAL RISKS AND UNCERTAINTIES

OPERATIONAL RISKS	
<p><b>RISK</b></p> <p><b>Consolidation of Customer Base, Competition and Pricing Pressure</b></p> <p>Market consolidations and reduced customer base could lead to pressure in pricing.</p>	<p><b>MITIGATING FACTORS/ACTIONS</b></p> <p>The Group is improving its customer service, creating and expanding focused Strategic Accounts Management and Key Accounts Management programs and improving operational delivery and regularly monitoring performance against expectations.</p> <p>The Group continues to pursue a successful diversification strategy and maintain a diversified customer profile.</p>
FINANCIAL RISKS	
<p><b>RISK</b></p> <p><b>Liquidity and Cash Flow Risk</b></p> <p>The Group is exposed to a range of financial risks, both internally and externally driven, such as an unexpected movement in interest rates or fluctuation in foreign exchange rates.</p> <p>As a result of past events, the Group is exposed to a number of potential liabilities in the ordinary course of business. These potential liabilities may or may not result in future cash outflows. Where a cash outflow is considered probable, based on its best estimate of likely outcome for each material past event, the Group calculates and records a provision. Any potential future cash outflows could result in financial loss and adversely impact the Group's ability to compete for future contracts.</p> <p>Further details of the financial risks to which the Group is potentially exposed, and details of mitigating factors are set out in note 24 of the Group financial statements.</p>	<p><b>MITIGATING FACTORS/ACTIONS</b></p> <p>In order to ensure that sufficient funds are available to fund ongoing operations and future developments, Management regularly reviews the cash flow forecasts and financing arrangements of the business to ensure that there is sufficient funding in place.</p> <p>In the near to medium term, due to the likely weak global economic environment and relatively low interest rates, Management anticipates reduced interest rate risk.</p> <p>The Group closely monitors the exchange rate risks associated with servicing its debt and the potential impact on its statement of financial position.</p>
COMPLIANCE AND REGULATORY RISKS	
<p><b>RISK</b></p> <p><b>Ethics and Risk of Non-compliance</b></p> <p>Non-compliance with Element values and legislation, both within the Group and with trading partners, including non-adherence to legal competition requirements.</p>	<p><b>MITIGATING FACTORS/ACTIONS</b></p> <p>The executive management regularly holds town hall meetings and communicates the Group's values and ethical policies.</p> <p>Specific competition law matters and any changes to competition law are also communicated by the Group legal team.</p>



PEOPLE RISKS	
<p><b>RISK</b></p> <p><b>Recruitment and Retention of Key personnel</b></p> <p>Failure to recruit or retain qualified personnel in key areas of the business may result in the Group failing to achieve its future growth aspirations.</p>	<p><b>MITIGATING FACTORS/ACTIONS</b></p> <p>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.</p> <p>In addition the Group performs background checks of potential employees joining Element to ensure people with appropriate and relevant skill sets are recruited.</p> <p>Retention of team members is a key deliverable for Management. A range of programs are being delivered to help reduce employee turnover, including leader development programs; succession planning for senior leaders; formal employee feedback opportunities; employee assistance programs; and investments to support improved communications and engagement.</p>

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

In accordance with its risk management guidelines, the Group raises awareness of business risks at all operational management levels, and encourages all management teams to assess and minimize risk. The Group ensures the appropriate cover of all essential liability and claims risks. Further details can be found in our significant accounting policies on pages 83 to 95.

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

By order of the Board



Thomas Fountain, Director

31 March 2022

# DIRECTORS' REPORT

THE DIRECTORS PRESENT THEIR REPORT AND THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021. THE PRINCIPAL ACTIVITIES OF THE GROUP ARE MATERIALS AND PRODUCT QUALIFICATION TESTING. A DESCRIPTION AND REVIEW OF THE GROUP DURING THE FINANCIAL YEAR AND INDICATIONS OF FUTURE DEVELOPMENT IS SET OUT IN PAGES 8 TO 53 WITHIN THE STRATEGIC REPORT THAT ALSO INCORPORATES THE REQUIREMENTS OF THE COMPANIES ACT 2006.

## STATEMENT OF DIRECTORS' RESPONSIBILITIES FOR PREPARING THE FINANCIAL STATEMENTS

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

The Parent Company financial statements have been prepared in accordance with United 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 year and subsequently, were as follows:

- Thomas Fountain - appointed on 16 March 2021
- Neil MacLennan
- Ruth Prior - resigned on 16 March 2021, and re-appointed on 18 June 2021

## ORGANIZATIONAL STRUCTURE

Element Materials Technology is led by a dynamic group of individuals with years of experience in their respective leadership and management fields. The Board meets every month to review the overall performance of the business and also to determine group-wide strategies and priorities. Details of the Board members are set out on pages 54 to 57.

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

### THE BOARD'S RESPONSIBILITIES

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

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

### CHIEF EXECUTIVE OFFICER

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

### THE CHIEF EXECUTIVE OFFICER'S KEY RESPONSIBILITIES INCLUDE:

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

### BOARD RESERVED MATTERS

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

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

### ELEMENT OPERATING BOARD

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

### DISABLED EMPLOYEES

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

### EMPLOYEE CONSULTATION

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

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

### PROPOSED DIVIDEND

The Directors do not recommend the payment of a dividend (2020: \$nil).

### POLITICAL CONTRIBUTIONS

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

### STREAMLINED ENERGY AND CARBON REPORTING (SECR)

The Group understands the importance of responsible energy usage. The Group remains committed to presenting data appertaining to energy usage and carbon footprint. For two UK qualifying entities, details of their greenhouse gas emissions, energy consumption and energy efficiency improvement activities are set out in the Corporate Responsibility section on pages 30 to 37.

## DIRECTORS' REPORT

### PRINCIPAL RISKS AND UNCERTAINTIES

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

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

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

Details of the Group's financial risk management objectives and policies of the Group and exposure to foreign exchange risk, interest rate risk, credit risk and liquidity risk are given in note 24 to the consolidated financial statements.

#### GOING CONCERN

The Group's business activities, together with factors likely to affect its future development, performance and position are considered by the directors on an annual basis. In addition, notes 22 and 24 include details of the Group's treasury activities, long-term funding arrangements, financial instruments, and financial risk management activities.

On the 25th of January 2022, it was announced that Temasek had signed a deal to acquire a majority stake (subject to customary regulatory approvals) in the Element Group from Bridgepoint Group plc. This will be completed alongside a refinancing of the current debt structure and a Senior Commitment Letter has been signed in accordance with this. Given the significance and high likelihood of the Temasek acquisition (and associated refinancing) completing within a 3 to 6 month timeframe, two scenarios have been prepared in the going concern assessment, covering the period to 30 June 2023 from the approval of these financial statements, the first on the completion of the acquisition by Temasek and associated refinancing, and the second on continuing current funding and ownership.

Based on both these scenarios, the Group has sufficient financial resources which, together with internally generated cash flows and the ability to implement cost management plans if required, will continue to provide sufficient sources of liquidity to fund its current operations, including its contractual and commercial commitments as set out in note 24. The directors assess

forecasts and make financing and liquidity reviews on a regular basis.

The directors have, at the time of approving the financial statements, a reasonable expectation that the Group and the Company have adequate resources to continue to adopt the going concern basis of accounting in preparing these financial statements. Further detail is contained in the statement on going concern on page 84 (note 2.3).

#### FUTURE DEVELOPMENTS AND EVENTS AFTER THE BALANCE SHEET DATE

Details of future developments are discussed in the Chairman's, CEO and CFO Reports; after the reporting date can be found in note 31 of the notes accompanying the financial statements.

#### DIRECTORS' INSURANCE AND INDEMNITIES

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

#### DISCLOSURE OF INFORMATION TO AUDITORS

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

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

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

**This report was approved by the Board on 31 March 2022 and signed on its behalf.**



Thomas Fountain, Director



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

## OPINION

We have audited the financial statements of Element Materials Technology Limited ('the parent company') and its subsidiaries (the 'group') for the year ended 31 December 2021 which comprise the Consolidated statement of profit or loss, the Consolidated statement of comprehensive income, the Consolidated statement of changes in equity, the Consolidated statement of financial position, the Consolidated statement of cash flows and the related notes 1 to 33, including a summary of significant accounting policies, the Company statement of financial position, the Company statement of changes in equity and the related notes a to i, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and UK adopted International Accounting Standards and as regards the parent company financial statements, as applied in accordance with section 408 of the Companies Act 2006.

In our opinion:

- the financial statements give a true and fair view of the group's and of the parent company's affairs as at 31 December 2021 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with UK adopted International Accounting Standards;
- the parent company financial statements have been properly prepared in accordance with UK adopted International Accounting Standards as applied in accordance with section 408 of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

## BASIS FOR OPINION

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

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

## CONCLUSIONS RELATING TO GOING CONCERN

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

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group and parent company's ability to continue as a going concern for a period to 30 June 2023.

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

## OTHER INFORMATION

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

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

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

We have nothing to report in this regard.

# INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ELEMENT MATERIALS TECHNOLOGY LIMITED (CONTINUED)

## OPINIONS ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

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

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and directors' report have been prepared in accordance with applicable legal requirements.

## MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

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

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

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

## RESPONSIBILITIES OF DIRECTORS

As explained more fully in the directors' responsibilities statement set out on page 62, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

## AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

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

# INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ELEMENT MATERIALS TECHNOLOGY LIMITED (CONTINUED)

## EXPLANATION AS TO WHAT EXTENT THE AUDIT WAS CONSIDERED CAPABLE OF DETECTING IRREGULARITIES, INCLUDING FRAUD

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

Our approach was as follows:

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

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

## USE OF OUR REPORT

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

*Ernst & Young L.L.P.*

Cameron Cartmell (Senior statutory auditor)  
for and on behalf of Ernst & Young LLP, Statutory Auditor  
London  
1 April 2022



# CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2021

Continuing Operations	Note	Adjusted Results US \$million	Separately disclosed items (note 4, 12) US \$million	Total 2021 US \$million	Adjusted Results US \$million	Separately disclosed items (note 4, 12) US \$million	Total 2020 US \$million
<b>Revenue</b>	5	913.0	-	913.0	782.6	-	782.6
Operating expenses	6,12	(872.7)	(47.4)	(920.1)	(764.0)	(32.5)	(796.5)
Impairment of goodwill	13	-	(9.9)	(9.9)	-	(275.8)	(275.8)
Impairment of assets	6	-	(17.1)	(17.1)	-	(5.2)	(5.2)
Profit/(loss) on disposal of property, plant and equipment	6	-	0.1	0.1	-	(4.9)	(4.9)
<b>Operating (loss)/profit</b>	6	40.3	(74.3)	(34.0)	18.6	(318.4)	(299.8)
Finance income	8	34.2	0.2	34.4	0.4	2.0	2.4
Finance costs	9	(112.5)	-	(112.5)	(161.3)	-	(161.3)
Share of loss of an associate	16	(0.2)	-	(0.2)	-	-	-
<b>Loss before tax</b>		(38.2)	(74.1)	(112.3)	(142.3)	(316.4)	(458.7)
Tax credit	11	2.2	10.9	13.1	26.9	6.9	33.8
<b>Loss for the year</b>		(36.0)	(63.2)	(99.2)	(115.4)	(309.5)	(424.9)
<b>Attributable to:</b>							
Equity holders of the Parent		(37.1)	(63.2)	(100.3)	(116.0)	(309.5)	(425.5)
Non-controlling interest		1.1	-	1.1	0.6	-	0.6
<b>Loss for the year</b>		(36.0)	(63.2)	(99.2)	(115.4)	(309.5)	(424.9)

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2021

	Note	2021 US \$million	2020 US \$million
<b>Loss for the year</b>		<b>(99.2)</b>	<b>(424.9)</b>
<b>Items that will not be reclassified to profit or loss:</b>			
Actuarial gain on defined benefit pension schemes	26	4.8	0.6
Incremental liability on defined benefit pension obligation in foreign jurisdictions		-	(1.5)
Deferred tax (charge)/credit on items recognized in other comprehensive income	11	(1.2)	0.2
<b>Total items that will not be reclassified to profit or loss</b>		<b>3.6</b>	<b>(0.7)</b>
<b>Items that may be reclassified subsequently to profit or loss:</b>			
Current taxation items recognized in other comprehensive income	11	1.6	(4.4)
Foreign exchange translation difference of foreign operations		(32.1)	51.2
Foreign exchange translation difference of non-controlling interests		-	(0.3)
<b>Total items that may be reclassified subsequently to profit or loss</b>		<b>(30.5)</b>	<b>46.5</b>
<b>Total comprehensive loss for the year</b>		<b>(126.1)</b>	<b>(379.1)</b>
<b>Attributable to:</b>			
Equity holders of the Parent		(127.2)	(379.4)
Non-controlling interest		1.1	0.3
<b>Total comprehensive loss for the year</b>		<b>(126.1)</b>	<b>(379.1)</b>

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2021

	Note	Share Capital	Share Premium	Translation Reserve	Share based payment reserve	Accumulated losses	Non- controlling interests	Total US \$million
<b>As at 1 January 2020</b>		<b>0.1</b>	<b>793.7</b>	<b>22.0</b>	<b>6.4</b>	<b>(196.8)</b>	<b>12.0</b>	<b>637.4</b>
(Loss) / profit for the year		-	-	-	-	(425.5)	0.6	(424.9)
Other comprehensive profit / (loss)		-	-	51.2	-	(5.1)	(0.3)	45.8
Share based payment reserve	29	-	-	-	4.0	-	-	4.0
<b>As at 31 December 2020</b>		<b>0.1</b>	<b>793.7</b>	<b>73.2</b>	<b>10.4</b>	<b>(627.4)</b>	<b>12.3</b>	<b>262.3</b>
<b>As at 1 January 2021</b>		<b>0.1</b>	<b>793.7</b>	<b>73.2</b>	<b>10.4</b>	<b>(627.4)</b>	<b>12.3</b>	<b>262.3</b>
(Loss) / profit for the year		-	-	-	-	(100.3)	1.1	(99.2)
Other comprehensive profit / (loss)		-	-	(32.1)	-	5.2	-	(26.9)
Dividends paid to NCI	30	-	-	-	-	-	(1.6)	(1.6)
Share based payment reserve	29	-	-	-	7.0	-	-	7.0
<b>As at 31 December 2021</b>		<b>0.1</b>	<b>793.7</b>	<b>41.1</b>	<b>17.4</b>	<b>(722.5)</b>	<b>11.8</b>	<b>141.6</b>

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

	Note	2021 US \$million	2020 US \$million
<b>Non-current assets</b>			
Goodwill	13	1,437.7	1,184.3
Other intangible assets	14	764.7	794.5
Property, plant and equipment	15	338.2	326.9
Right of use asset	27	131.2	106.2
Investments	16	3.0	4.7
Government grants	17	3.6	5.3
		<b>2,678.4</b>	<b>2,421.9</b>
<b>Current assets</b>			
Trade and other receivables	18	208.8	169.4
Amounts receivable from other Group companies	18	11.3	12.2
Inventories		2.6	0.9
Contract assets		30.2	18.9
Current tax asset	11	8.4	16.7
Cash and cash equivalents	19	114.3	125.8
		<b>375.6</b>	<b>343.9</b>
<b>Current liabilities</b>			
Trade payables		(32.2)	(24.3)
Other payables	20	(117.0)	(95.3)
Lease liabilities	27	(23.4)	(21.6)
Amounts payable to other Group companies	22	(8.2)	(8.3)
Current tax liabilities	11	(9.0)	(4.3)
Provisions	21	(9.7)	(9.6)
Government grants	17	-	(1.4)
Deferred and contingent consideration	23	(10.4)	(9.2)
Interest bearing loans and borrowings	22	(193.8)	(88.3)
		<b>(403.7)</b>	<b>(262.3)</b>
<b>Net current (liabilities)/assets</b>		<b>(28.1)</b>	<b>81.6</b>
<b>Non-current liabilities</b>			
Interest bearing loans and borrowings	22	(1,992.2)	(1,756.8)
Amounts payable to other Group companies	22	(211.4)	(194.7)
Retirement benefit obligations	26	(1.6)	(9.1)
Provisions	21	(33.1)	(32.8)
Lease liabilities	27	(116.2)	(89.9)
Deferred and contingent consideration	23	(3.3)	-
Deferred tax liabilities	11	(135.5)	(144.9)
Non-current tax liabilities	11	(3.2)	(4.9)
Other payables	20	(12.2)	(8.1)
		<b>(2,508.7)</b>	<b>(2,241.2)</b>
<b>Net assets</b>		<b>141.6</b>	<b>262.3</b>

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

As at 31 December 2021

	Note	2021 US \$million	2020 US \$million
<b>Equity</b>			
Share capital	29	0.1	0.1
Share premium	29	793.7	793.7
Translation reserve		41.1	73.2
Share based payment reserve	29	17.4	10.4
Accumulated losses		(722.5)	(627.4)
<b>Equity attributable to equity holders of the Parent</b>		<b>129.8</b>	<b>250.0</b>
Non-controlling interests	30	11.8	12.3
<b>Total shareholders' equity</b>		<b>141.6</b>	<b>262.3</b>

The financial statements of Element Materials Technology Limited (Company registration number 09915810) were approved by the Board of Directors and authorized for issue on 31 March 2022. They were signed on its behalf by:



Thomas Fountain  
Director  
31 March 2022

# CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2021

	Note	2021 US \$million	2020 US \$million
<b>Cash flows from operating activities</b>		<b>(99.2)</b>	<b>(424.9)</b>
Net loss for the year			
<b>Adjustments for:</b>			
(Profit)/loss on disposal of property, plant and equipment	6	(0.1)	4.9
Finance income	8	(34.4)	(2.4)
Finance costs	9	112.5	161.3
Income tax credit recognized in profit and loss	11	(13.1)	(33.8)
Impairment of goodwill	13	9.9	275.8
Impairment of intangible assets	14	16.7	0.5
Amortization of other intangible assets	14	92.9	84.9
Impairment of property, plant and equipment	15	-	4.5
Depreciation of property, plant and equipment	15	55.4	52.0
Impairment of other assets		-	0.3
Share of loss of an associate	16	0.2	-
Fair value loss on distribution of shares	16	3.1	-
Fair value loss on contingent consideration re-measurement	23	0.7	-
Non-cash movement in defined benefit pension obligations	26	0.5	0.5
Depreciation of right of use assets	27	28.8	19.8
Right of use assets impairment charge/(reversal) (net)	27	0.4	(0.1)
Share based payment charge	29	7.0	4.0
		<b>181.3</b>	<b>147.3</b>
<b>Movements in working capital:</b>			
(Increase)/decrease in trade and other receivables		(24.5)	46.8
Decrease in trade and other payables		(3.3)	(9.5)
<b>Cash generated from operations</b>		<b>153.5</b>	<b>184.6</b>
Income taxes received/(paid)		0.7	(9.6)
<b>Net cash generated by operating activities</b>		<b>154.2</b>	<b>175.0</b>
<b>Cash flows from investing activities</b>			
Purchase of intangible assets	14	(8.5)	(2.0)
Purchase of property, plant and equipment	15	(78.7)	(55.5)
Proceeds from disposal of property, plant and equipment		24.8	1.7
Cash outflow on deferred and contingent consideration	23	(9.2)	(1.7)
Funds received from/(paid into) escrow		-	9.5
Cash outflow on settlement of business acquisition consideration		-	(0.1)
Cash outflow on business acquisitions (net of cash acquired)	25	(344.9)	(90.8)
<b>Net cash used in investing activities</b>		<b>(416.5)</b>	<b>(138.9)</b>
<b>Cash flows from financing activities</b>			
Interest paid	9	(97.0)	(94.3)
Drawdown of borrowings	22	657.7	310.9
Repayment of borrowings	22	(280.4)	(203.7)
Borrowings from Group companies	22	14.6	47.7
Payment for debt issue costs	22	(8.4)	(2.7)
Payment of principal portion of lease liabilities	22	(32.9)	(29.1)
Dividends paid to non-controlling interests	30	(1.6)	-
<b>Net cash generated by financing activities</b>		<b>252.0</b>	<b>28.8</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(10.3)</b>	<b>64.9</b>
<b>Cash and cash equivalents at the beginning of the year</b>		<b>125.8</b>	<b>66.1</b>
<b>Effects of exchange rates on cash and cash equivalents</b>		<b>(1.2)</b>	<b>(5.2)</b>
<b>Cash and cash equivalents at the end of the year</b>	<b>19</b>	<b>114.3</b>	<b>125.8</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 1. STATEMENT OF COMPLIANCE AND PRESENTATION OF FINANCIAL STATEMENTS

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

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

The Company and entities controlled by the Company (its subsidiaries, together the “Group”) are disclosed in Appendix 1.

The Company is a private company incorporated and domiciled in England and Wales. The Company’s registered office is 5 Southampton Street, London, United Kingdom, WC2E 7HA.

The financial statements were approved by the Board of Directors and authorized for issue on 31 March 2022.

## 2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

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

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

### 2.1 BASIS OF PREPARATION

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

### 2.2 BASIS OF CONSOLIDATION

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

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

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

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

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with the Group’s accounting policies. All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between the members of the Group are eliminated on consolidation. Non-controlling interests in subsidiaries are identified separately from the Group’s equity therein. The interests of non-controlling shareholders that represent ownership interests entitling their holders to a proportionate share of net assets upon liquidation may initially be measured at fair value or at the non-controlling interests’ proportionate share of the fair value of the acquiree’s identifiable net assets.

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

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## 2.2 BASIS OF CONSOLIDATION (CONTINUED)

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

The Group's subsidiaries and associated companies which are included in the consolidated financial statements are listed in Appendix 1.

## 2.3 GOING CONCERN

A full description of the Group's business activities, financial position, cash flows, liquidity position, committed facilities and borrowing position, together with the factors likely to affect its future development and performance, is set out in the Strategic Report, including the Financial Review, and in note 24 to the financial statements.

The Group's business activities, together with factors likely to affect its future development, performance and position are considered by the Directors on an annual basis. In addition, notes 22 and 24 include details of the Group's treasury activities, long-term funding arrangements, financial instruments, and financial risk management activities.

During the 2021 financial year the Group incurred a loss of US \$99.2 million (2020: US \$424.9 million) which is mainly driven by finance costs of US \$112.5 million (2020: US \$161.3 million) and non-cash items such as depreciation of US \$84.0 million (2020: US \$71.8 million), amortization of US \$92.9 million (2020: US \$84.9 million), impairment of intangible assets of US \$16.7 million (2020: US \$0.5 million), and impairment of goodwill of US \$9.9 million (2020: US \$275.8 million). Management's key focus is the adjusted EBITDA which has increased since prior year to US \$221.2 million (2020: US \$175.3 million). The operating loss for the year was US \$34.0 million (2020: operating loss US \$299.8 million).

The net current liability position as of 31 December 2021 was US \$28.1 million (2020: net current asset US \$81.6 million) and overall net debt (excluding deferred financing fees) was US \$2,313.1 million (2020: US \$1,942.3 million). Net cash generated through operating activities was US \$154.2 million (2020: US \$175.0 million) with closing cash of US \$114.3 million in 2021 (2020: US \$125.8 million).

As highlighted in note 24 to the Group financial statements, the Group meets its day-to-day working capital requirements from the positive cash flows generated by its trading activities and its available cash resources. These are supplemented when required by additional drawings under the Group's revolving credit facilities and capex/acquisition facilities. On the 31st December 2021, the Group had credit facilities of US \$2,289.0 million (2020: US \$2,063.8 million), of which US \$2,204.4 million (2020: US \$1,861.8 million) had been drawn down leaving US \$84.6 million (2020: US \$202.0 million) undrawn facility available under the Senior Facilities Agreement (SFA). At the date of signing these accounts the undrawn facility available has reduced to US \$48.6 million as a result of a further drawdown of US \$36.0 million from the capex/acquisition facilities. The drawdown was made to fund future investments. The Group held cash of US \$114.8 million as at the 28th of February 2022.

On 25th January 2022, it was announced that Temasek has acquired a majority stake (subject to customary regulatory approvals) in the Element Group from Bridgepoint Group plc. This will be completed alongside a refinancing of the current debt structure and a Senior Commitment Letter has been signed in accordance with this. Given the significance and high likelihood of the Temasek acquisition (and associated refinancing) completing within a 3 to 6 month time frame, management has prepared two scenarios in their assessment: the first on the completion of the acquisition by Temasek and associated refinancing, and the second on continuing current funding and ownership.

The Directors believe that the Group is well placed to manage its business risks successfully. The Group's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Group should be able to operate within the level of its refinanced and current committed facilities. As part of a regular assessment of the Group's working capital and financing position, the Directors have prepared a detailed trading budget and cash flow forecast for the going concern review period through to 30 June 2023, being at least fifteen months after the date of approval of the financial statements.

The directors have chosen a fifteen-month period to assess going concern to reflect the characteristics of the Group's end markets and their contracting arrangements. These range from multi-year customer contracts to shorter-term orders. In considering going concern status, the directors have considered the principal risks and uncertainties discussed in the strategic report and assessed the impact.

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

- The likelihood of the acquisition by Temasek (and associated refinancing) completing within the next 3 to 6 months
- Global economic downturn impacting underlying end-markets
- Recovery of underlying aerospace production being delayed
- The status of the Group's existing and future credit arrangements under current and refinanced scenarios
- Technological disruption due to simulation and software potentially reducing traditional testing and/or outsourcing of testing activities
- Difficulties in recruiting/retaining technical talent to support organic growth, and
- Overall margin pressure due to significant cost inflation and the availability of mitigating actions including price increases and managing capital expenditure



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## 2.3 GOING CONCERN (CONTINUED)

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

Under the new debt commitments associated with the Temasek acquisition, additional RCF and ACF facilities will be available to the Group with a capacity of up to US \$200 million each, which will be available until 2029.

The going concern assessment considers the Group's cash flow and available undrawn credit facilities. Based on the going concern assessment performed over a fifteen-month period to 30 June 2023, the Directors have a reasonable expectation that the Group will be able to continue in operation, adequate liquidity to trade, settle its liabilities as they fall due, and remain compliant with banking facilities.

Included within the base case is the acquisition of a US Corporation ("Target"). Element signed an Acquisition Agreement (the agreement and plan of merger between Element Materials Technology Group US Holdings Inc. and the Target) on the 16th of December 2021 (subject to regulatory approval). The acquisition will be financed by new debt facilities and equity funding from existing owners and other external lenders and is fully considered within the sale and purchase agreement and associated debt commitment of the acquisition by Temasek. The Group is aiming to acquire the Target in Q3-2022 and has included the acquisition within base case sensitivity analysis. Further acquisitions planned for Q1-2022 have been included in the base case going concern model.

Sensitivity analyses have been performed on the forecasts to consider the impact of severe, but plausible, reasonable worst-case scenarios on the headroom on cash and available credit facilities. These scenarios, which sensitized the forecasts for specific identified risks, modelled the reduction in anticipated levels of underlying EBITDA and the associated increase in net debt. This scenario is the sustained decline in Group performance due to a variety of macroeconomic issues including, but not limited to, slower than expected recovery of the commercial aerospace market and sustained Covid-19 impact, and is modelled on an 11% reduction in EBITDA in 2022 and 5% reduction to 30 June 2023.

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

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

Management's assessment is that the Temasek acquisition is highly likely to complete because of the receipt of financing commitment letters and the progress in obtaining the required regulatory approvals. However, given the remote possibility that the Temasek acquisition (and associated refinancing) may not be completed within the period of the going concern assessment, a second scenario had been prepared using consistent forecast trading information but with the current debt structure.

Under the current financing arrangements, the ACF facility is available till June 2024 for capital expenditures and permitted acquisitions. At the date of signing these financial statements, the Group has access to US \$7.0 million undrawn ACF funds. The Group has a revolving credit facility ("RCF") of US \$100.0 million of which, as of the date of signing these financial statements it has drawn down US \$34.0 million leaving the remaining undrawn balance of US \$41.6 million (including undrawn US \$24.4 million letters of credit). The RCF facility has a leverage ratio covenant attached, however based on all of management's scenarios no additional draw down is required. The RCF facility is available until 29 June 2023. The Group has considered the maturity date of the existing RCF and believes, based on the Group's proven record of raising funding, that it would be able to refinance this ahead of maturity. In this scenario a number of cost mitigation actions have been identified that could be implemented if required, including:

- developing and implementing cost reduction programs and operational improvements within management's control; and
- mitigating actions should business activities fall behind current expectations, including the deferral of discretionary overheads, capital expenditure and restricting cash flows

to ensure that the group has sufficient cash resources to meet financial liabilities as they fall due in the unlikely event that the RCF was not refinanced.

Based on the consolidated financial impact of the considerations referred to above and associated mitigating management actions that are either now in place or could be implemented, the Directors have been able to conclude that the Group will be able to maintain sufficient cash and banking facilities to meet its funding needs to 30 June 2023.

Therefore, the Directors continue to adopt the going concern basis of accounting in preparing the financial statements.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## 2.4 ADOPTION OF NEW AND REVISED ACCOUNTING STANDARDS

Standards and amendments effective for the year

The Group has adopted all the new and revised UK adopted International Accounting Standards and interpretations that are relevant to its operations and effective for accounting periods covered by the financial statements. The adoption of these standards and interpretations does not have an impact on the consolidated financial statements of the Group:

- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform – Phase 2

Standards, amendments and interpretations not yet effective

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

- Amendments to IFRS 3 Business Combinations – effective from periods beginning on or after 1 January 2022
- Amendments to IAS 16 Property, Plant and Equipment – effective from periods beginning on or after 1 January 2022
- Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets – effective from periods beginning on or after 1 January 2022
- Annual Improvements to IFRSs 2018-2020 cycle – effective from periods beginning on or after 1 January 2022
- Amendments to IAS 1 Presentation of Financial Statements – effective from periods beginning on or after 1 January 2023
- Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors – effective from periods beginning on or after 1 January 2023

It is not expected that the adoption of these standards and amendments will have a material impact on the consolidated financial statements of the Group.

## 2.5 REVENUE FROM CONTRACTS WITH CUSTOMERS

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

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

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

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## 2.6 BUSINESS COMBINATIONS

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

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

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

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

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

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

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

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

## 2.7 GOODWILL AND INTANGIBLES

### Goodwill

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

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

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

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## 2.7 GOODWILL AND INTANGIBLES (CONTINUED)

### Intangible Assets

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

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

Customer relationships	5 - 20 years
Customer contracts	5 - 10 years
Technology know how & process	5 - 10 years
Trade names	10 years
Other intangible assets (includes backlog and covenant not to compete)	1 - 5 years
Software & Computer licenses	1 - 4 years

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

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

## 2.8 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.

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 post-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 recognized immediately in the statement of profit or loss.

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## 2.9 FOREIGN CURRENCY TRANSLATION

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

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

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

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

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

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

## 2.10 FINANCIAL INSTRUMENTS – DERIVATIVES

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

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

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

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## 2.11 FINANCIAL LIABILITIES AND EQUITY INSTRUMENTS

### Classification as debt or equity

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

### Equity instruments

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

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

### Debt issuance costs

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

### Other financial liabilities

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

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

### Derecognition of financial liabilities

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

## 2.12 PROPERTY, PLANT AND EQUIPMENT

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

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

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

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

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

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## 2.13 PROVISIONS

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

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

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

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

## 2.14 LEASE ACCOUNTING

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

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

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

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

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

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

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

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

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

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

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## 2.14 LEASE ACCOUNTING (CONTINUED)

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

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

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

## 2.15 EMPLOYEE BENEFIT PLANS

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

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

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

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

Net interest expense or income is recognized within finance costs.

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

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

## 2.16 SHARE BASED PAYMENTS

As described in note 29, certain employees and Directors of the Group are holders of certain ordinary shares that are considered equity-settled share-based payment transactions.

The Group provides benefits to employees and Directors in the form of equity-settled share-based payment transactions, whereby employees and Directors render services in exchange for shares.

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



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## 2.17 SHORT TERM EMPLOYEE BENEFITS

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

## 2.18 CASH AND CASH EQUIVALENTS

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

## 2.19 GOVERNMENT GRANTS

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

## 2.20 RELATED PARTIES

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

## 2.21 TRADE RECEIVABLES

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

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

## 2.22 TRADE PAYABLES

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

## 2.23 BORROWINGS

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## 2.24 TAXATION

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

### Current tax

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

### Deferred tax

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

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

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

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

### Current and deferred tax for the year

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

## 2.25 JOINT VENTURES AND INTEREST IN ASSOCIATES

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

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

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

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## 2.26 DIVIDEND INCOME

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

## 2.27 CONTINGENT CONSIDERATION

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

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

## 2.28 ALTERNATIVE PERFORMANCE MEASURES

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

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

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

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

1. A transaction that results from a corporate activity that has neither a close relationship to our businesses' operations nor any associated operational cash flows (for example, costs incurred in connection with a refinancing activity)
2. A transaction that is so material in size and/or nature that it would obscure an understanding of underlying outcomes and trends in revenues, costs or other components of performance (for example, restructuring activities and reversals of any provisions for the costs of restructuring)

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

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

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## 3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION

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

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

### 3.1 CRITICAL ACCOUNTING JUDGEMENTS

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

#### a) Separately disclosed items

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

Further detail is provided in note 12.

#### b) Goodwill and other intangible assets

When the Group makes an acquisition, management determines initially whether any intangibles assets should be recognized separately from goodwill, and the provisional amounts at which to recognize the assets. During the first 12 months of ownership, intangible assets are reviewed to determine whether any additional information exists that supports amendments to that original assessment, including new intangible assets.

#### c) Share based payments

In estimating the fair value for its equity-settled share-based payment transactions, the Group has exercised judgment in the determination of the most appropriate inputs to the valuation model including the expected volatility, expected term and dividend yield. The basis for these key inputs and assumptions are described in note 29.

#### d) Legal provisions

The Group is subject to litigation and other claims in the ordinary course of its business. Judgement is required in assessing the likelihood of cash outflows arising as a result of such matters and the timing of any potential outflows. Management bases its judgement on the circumstances relating to each specific claim or instance of litigation, internal and external legal advice, knowledge of the industries and markets, prevailing commercial terms and legal precedent, and evaluation of applicable insurance cover where appropriate. The process of making judgements in respect of these matters around the timing of potential outflows of cash and the likelihood of payment are complex. The Group's litigation and other claims are reviewed, at a minimum, on a quarterly basis by executive management. Further detail is provided in notes 21 and 33.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## 3.2 KEY SOURCES OF ESTIMATION

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

### a) Impairment of goodwill

Goodwill is tested annually for impairment or more frequently when there is an indication that the goodwill allocated to a group of CGUs may be impaired. Determining whether goodwill is impaired requires an estimation of the value in use. The value in use calculation requires estimation of future cash flows as well as the assumptions about growth rates expected to arise from the group of cash-generating units and a suitable discount rate in order to calculate present value. The Group performed sensitivity analysis to identify risk associated with goodwill impairment. Note 13 provides further details of the key assumptions used for the impairment assessment.

### b) Taxation

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

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

### c) Defined benefit plans

The present value of the defined benefit 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 year. 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 defined pension plans are based in part on current market conditions. Further detail provided in note 26.

### d) Contingent consideration

Contingent consideration is tied to future performance of acquired entities. The fair value of the contingent consideration determined at 31 December 2021 is the present value of expected future cash flows based on the latest forecasts of future performance.

Contingent consideration can also be based on management's intention for the use of certain assets specified in the sale and purchase agreement. Here the contingent consideration is based on management's intention of the use of the specified assets. Further detail on the contingent consideration at year end along with the range of the contingent consideration subject to management estimation is shown in note 23.

### e) Dilapidation provision

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

In estimating the dilapidation liability, management uses their best estimate regarding cost of restoring operating sites to their original condition in accordance with the terms of the lease contracts where relevant. These estimates are reviewed annually, and the amount expected to be paid on termination or expiry of the leased property is recognized as a dilapidation provision as at year end. There are significant uncertainties with regards to the timing and final amounts of any future payments. These uncertainties can also result in the reversal of previously established provisions once final settlement is reached with the third party. Given the nature of the provision, it is not possible to estimate the exact timing of cash flows.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## 4. ADJUSTED EBITDA AND SEPARATELY DISCLOSED ITEMS

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

Reconciliation of consolidated statement of profit or loss to non-statutory measures	Note	2021 US \$million	2020 US \$million
Operating loss		(34.0)	(299.8)
Add: Separately disclosed items*	12	47.4	32.5
Add: Impairment of goodwill*	13	9.9	275.8
Add: Amortization of intangible assets	14	92.9	84.9
Add: Impairment of intangible assets*	14	16.7	0.5
Add: Depreciation of property, plant and equipment	15	55.4	52.0
Add: Impairment of property, plant and equipment *	15	-	4.5
Add: (Profit)/loss on disposal of property, plant and equipment*		(0.1)	4.9
Add: Impairment of other assets*		-	0.3
Add: Fair value loss on distribution of shares	16	3.1	-
Add: Fair value loss on contingent consideration re-measurement	23	0.7	-
Add: Depreciation of right of use assets	27	28.8	19.8
Add: Right of use assets impairment charge/(reversal) (net)*	27	0.4	(0.1)
<b>Adjusted EBITDA (Alternative performance measure as defined in note 2.28)</b>		<b>221.2</b>	<b>175.3</b>
<b>Adjusted EBITDA margin</b>		<b>24.2%</b>	<b>22.4%</b>

\*These items are included as separately disclosed items in the consolidated statement of profit or loss.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## 5. REVENUE ANALYSIS

The following is an analysis of the Group's revenue for the year from continuing operations:

	2021 US \$million	2020 US \$million
Revenue from services rendered	913.0	782.6
<b>Geographic analysis</b>		
United States and Canada	476.4	415.2
United Kingdom	173.6	130.4
Europe	174.5	150.5
Rest of the world	88.5	86.5
<b>Total</b>	<b>913.0</b>	<b>782.6</b>

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

	2021 US \$million	2020 US \$million
Americas	482.5	425.0
EMEA	430.5	357.6
<b>Total</b>	<b>913.0</b>	<b>782.6</b>

Set out below is the amount of revenue recognized from:

	2021 US \$million	2020 US \$million
Amounts included in contract liabilities at the beginning of the year	14.4	10.4

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## 6. OPERATING (LOSS)/PROFIT

Operating (loss)/profit is stated after charging/(crediting):

	Note	2021 US \$million	2020 US \$million
Net foreign exchange gain		-	(0.3)
Staff costs	10	456.8	407.5
Separately disclosed items*	12	47.4	32.5
Impairment of goodwill*	13	9.9	275.8
Impairment of intangible assets*	14	16.7	0.5
Amortization of intangible assets	14	92.9	84.9
Impairment of property, plant and equipment*	15	-	4.5
Depreciation of property, plant and equipment	15	55.4	52.0
Impairment of other assets*		-	0.3
(Profit)/loss on disposal of property, plant and equipment*		(0.1)	4.9
Fair value loss on distribution of shares	16	3.1	-
Government grant income	17	(2.5)	(8.8)
Fair value loss on contingent consideration re-measurement	23	0.7	-
Right of use assets impairment charge/(reversal) (net)*	27	0.4	(0.1)
Depreciation of right of use assets	27	28.8	19.8
Rental income on leased properties	27	(1.6)	(1.2)

\*These items are included as separately disclosed items in the consolidated statement of profit or loss.

## 7. AUDITOR REMUNERATION

During the year the Group obtained the following services from the Group's auditor and its associates:

	2021 US \$million	2020 US \$million
Audit fees	3.1	1.7
<b>Fees paid for audit services provided to Group</b>	<b>3.1</b>	<b>1.7</b>
Tax compliance fees	0.4	-
Tax advisory fees	0.2	0.3
Transaction advisory and due diligence fees	6.3	0.5
<b>Fees paid for non-audit services provided to Group</b>	<b>6.9</b>	<b>0.8</b>
<b>Total</b>	<b>10.0</b>	<b>2.5</b>



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## 8. FINANCE INCOME

	Adjusted Results US \$million	Separately disclosed items US \$million	Total 2021 US \$million
Interest income	0.1	-	0.1
Gain on re-measurement and disposal of right of use assets	-	0.2	0.2
Foreign exchange gain	34.1	-	34.1
<b>Total</b>	<b>34.2</b>	<b>0.2</b>	<b>34.4</b>

	Adjusted Results US \$million	Separately disclosed items US \$million	Total 2020 US \$million
Interest income	0.4	-	0.4
Gain on re-measurement and disposal of right of use assets	-	0.6	0.6
Gain on derivative instruments at fair value through profit or loss	-	1.4	1.4
<b>Total</b>	<b>0.4</b>	<b>2.0</b>	<b>2.4</b>

Gain on re-measurement and disposal of right of use assets represents gains and losses resulting from changes in terms and conditions of lease contracts. The Directors' consider these items material by nature and should be presented separately from adjusted results.

## 9. FINANCE COSTS

	2021 US \$million	2020 US \$million
Bank loan interest	95.4	93.6
Priority share interest	2.0	5.0
Loan notes interest	0.2	0.1
Amortization of deferred finance costs	6.5	5.4
Interest on defined benefit obligation	0.1	0.2
Interest expense on lease liabilities	8.1	7.4
Other finance costs	0.2	0.5
Unwind of provision discount	-	0.1
Foreign exchange loss	-	49.0
<b>Total</b>	<b>112.5</b>	<b>161.3</b>

In the year the Group recognized US \$97.0 million (2020: US \$94.3 million) cash outflow in relation to interest payments.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## 10. STAFF COSTS

	2021 US \$million	2020 US \$million
Wages and salary expenses*	404.6	362.1
Social security expenses	37.9	32.2
Pension cost – defined contribution plans	13.7	12.7
Pension cost – defined benefit plans	0.6	0.5
<b>Total</b>	<b>456.8</b>	<b>407.5</b>

\*The 2021 wages and salary expense is shown net of the US \$2.1 million (2020: US \$8.5 million) received as Covid-19 support for employee costs.

Group employee numbers	2021	2020
United States and Canada	2,797	2,284
United Kingdom	1,795	1,543
Europe	1,301	1,275
Rest of the world	1,050	1,009
<b>Total</b>	<b>6,943</b>	<b>6,111</b>
<b>Average</b>	<b>6,493</b>	<b>6,511</b>

Directors' remuneration	2021 US \$million	2020 US \$million
Aggregate emoluments	0.6	1.3
	<b>0.6</b>	<b>1.3</b>
<b>Highest paid Director remuneration</b>		
Aggregate emoluments	0.3	0.5
	<b>0.3</b>	<b>0.5</b>

In 2021 the Group issued no unsecured redeemable loan notes to a non-executive director (2020: US \$2.1 million) (note 22). At 31 December 2021 US \$2.4 million (2020: US \$2.2 million) is outstanding with the movement in the year due to interest accrued of US \$0.2 million.

There are no retirement benefits accruing to Directors under pension schemes as at 31 December 2021 (2020: nil). The employment benefits other than salary of directors and other members of key management were:

	2021 US \$million	2020 US \$million
Short term employment benefits	0.1	0.2
	<b>0.1</b>	<b>0.2</b>

A total of three directors were remunerated by the Group during the year (2020: four directors), the remaining Directors were remunerated US \$0.5million (2020: US \$0.5 million) for their services by companies outside the group to which the group made payments for these services.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## 11. INCOME TAXES

	2021 US \$million	2020 US \$million
<b>Income tax recognized in the statement of profit or loss</b>		
<b>Current tax</b>		
Tax charge	10.9	1.2
Current tax (credit)/charge in respect of unrealized foreign exchange movements	1.6	(4.4)
Current tax (credit)/charge in respect of the prior period	1.1	(6.8)
Withholding tax written off	0.7	0.5
	<b>14.3</b>	<b>(9.5)</b>
<b>Deferred tax</b>		
Deferred tax credit recognized in the year	(30.3)	(20.9)
Adjustments to deferred tax attributable to changes in tax rates and laws	2.6	(6.3)
Deferred tax expense in respect of prior period	0.3	2.9
	<b>(27.4)</b>	<b>(24.3)</b>
<b>Total tax credit recognized in the year</b>	<b>(13.1)</b>	<b>(33.8)</b>
<b>The income tax (credit)/charge for the year can be reconciled to the accounting loss as follows:</b>		
Loss before tax from continuing operations	(112.3)	(458.7)
Income tax credit calculated at 19.0% (2020: 19.0%)	(21.3)	(87.2)
Effects of expenses that are not deductible for tax purposes	10.8	57.1
Effects of expenses that are not deductible for interest expense	0.9	-
Effects of unused tax losses and tax offsets not recognized as deferred tax assets	4.1	20.9
Effects of different tax rates on subsidiaries operating in other jurisdictions	(3.4)	(6.2)
Effect of change in tax rate in deferred tax balances	2.6	(6.3)
Overseas withholding tax	0.7	0.4
Effect of non-taxable income	(1.6)	(0.4)
Prior year adjustment – current tax	1.1	(6.8)
Losses received free of charge	(7.3)	(8.3)
Prior year adjustment – deferred tax	0.3	2.9
Other	-	0.1
	<b>(13.1)</b>	<b>(33.8)</b>
<b>Income tax recognized directly in equity</b>		
<b>Current tax</b>		
Local tax charge/(credit) on unrealized foreign exchange movements	(1.6)	4.4
	<b>(1.6)</b>	<b>4.4</b>
<b>Deferred tax</b>		
Defined benefit pensions obligation	1.2	(0.2)
	<b>1.2</b>	<b>(0.2)</b>
<b>Current tax assets</b>	<b>2021 US \$million</b>	<b>2020 US \$million</b>
Income tax receivable	8.4	16.7
<b>Current tax liabilities</b>		
Income tax payable	(9.0)	(4.3)
<b>Non-Current tax liabilities</b>		
Corporation tax payable	(3.2)	(4.9)

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## 11. INCOME TAXES (CONTINUED)

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

Deferred tax balances	2021 US \$million	2020 US \$million
Deferred tax liabilities	(135.5)	(144.9)
<b>Total</b>	<b>(135.5)</b>	<b>(144.9)</b>

US \$million	At 31 December 2020	Acquisitions	Tax rate change	Current year (charge) / credit	Prior year (charge) / credit	Recognized in OCI	Foreign exchange	At 31 December 2021
Net operating loss	17.7	-	2.7	(5.4)	(0.8)	-	(0.1)	14.1
Accrued expenses	3.1	-	0.4	0.8	1.9	-	-	6.2
Prepaid expenses	(0.4)	-	(0.1)	-	(0.1)	-	-	(0.6)
Property, plant and equipment	(21.8)	(3.0)	1.9	1.0	(3.3)	-	0.1	(25.1)
Intangible assets	(169.2)	(16.8)	(11.3)	20.5	0.4	-	3.6	(172.8)
Research and development	(1.7)	-	-	0.2	-	-	-	(1.5)
Provisions / accruals	1.3	-	0.2	0.8	1.8	-	(0.1)	4.0
Retirement benefit obligations	2.1	-	0.2	(1.1)	-	(1.2)	(0.1)	(0.1)
Restricted interest	21.2	-	2.6	13.0	-	-	-	36.8
Other	2.8	-	0.8	0.5	(0.2)	-	(0.4)	3.5
<b>Total</b>	<b>(144.9)</b>	<b>(19.8)</b>	<b>(2.6)</b>	<b>30.3</b>	<b>(0.3)</b>	<b>(1.2)</b>	<b>3.0</b>	<b>(135.5)</b>

### Deferred taxes

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

At the statement of financial position date, the Group did not recognize a deferred tax asset of US \$51.2 million (2020: US \$39.1 million) relating to tax losses, due to uncertainty over the availability of future taxable profits. The material components of the unrecognized deferred tax asset comprise US \$17.9 million relating to UK tax losses, US \$10.1 million relating to Dutch tax losses (which will expire by 2025), US \$7.0 million relating to Swedish tax losses and US \$5.9 million relating to German tax losses.

The Group also has an unrecognized deferred tax asset of US \$42.4 million (2020: US \$30.1 million) relating to interest carried forward, arising in the UK as a result of the corporate interest restriction provisions and US \$2.5 million (2020: US \$2.2 million) relating to accrued interest in the US arising as a result of the s. 163j interest limitation provisions. There is uncertainty as to when the interest amounts will be available to deduct against taxable profits.

No deferred tax liability has been recognized in respect of unremitted earnings of subsidiaries. It is likely that the majority of the overseas earnings will qualify for the UK dividend exemption and the Group can control the distribution of dividends by its subsidiaries. In some jurisdictions local tax is payable on the remittance of a dividend. If dividends were remitted from subsidiaries in these countries the additional tax payable would be US \$6.8 million (2020: US \$6.5 million) with the gross timing difference being US \$136.8 million (2020: US \$129.7 million).

A UK budget resolution was announced on 3rd March 2021 and substantively enacted on 24th May 2021, increasing the UK corporation tax rate from 19% to 25%, effective from 1st April 2023. UK deferred tax balances within the accounts have been calculated using a corporation tax rate of 25%. The rate increase has resulted in a P&L charge of US \$4.9 million.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## 12. SEPARATELY DISCLOSED ITEMS

	2021 US \$million	2020 US \$million
Acquisition and new business setup costs	17.4	8.2
Strategic projects, restructuring and reorganization of the Group	12.1	15.4
Share based payment charge	7.0	4.0
Costs relating to legal matters	5.1	2.6
Costs related to the change in ownership of the business	0.8	-
Reorganization and integration costs related to the acquisition of Exova plc	-	1.4
Other	5.0	0.9
<b>Total</b>	<b>47.4</b>	<b>32.5</b>

Separately disclosed items are items which by their size and/or nature, in the opinion of the Directors, should be excluded from the adjusted EBITDA to provide readers with a clear and consistent view of the business performance of the Group and its operations.

### Acquisition and new business setup costs

In 2021 the Group had an exceptional year for merger & acquisition activity, completing twelve acquisitions. Directly attributable transaction fees linked to these successful acquisitions totaled US \$7.6 million. Refer to note 25 for further detail. These costs relate to due diligence and third party legal and professional fees.

Furthermore, US \$0.4 million integration costs were incurred relating to the one strategic acquisition from 2020 and residual costs of integrating previous business combinations from previous years of US \$1.6 million were incurred. Included within these costs are US \$0.6 million of dual running costs relating to the delayed IT infrastructure migration of Exova plc, as a result of Covid-19.

The Group also incurred US \$6.8 million of ongoing due diligence and professional fees associated with potential future acquisitions. Of these total transaction fees, US \$6.3 million relates to a signed acquisition agreement on the 16th of December 2021 to acquire a US corporation ("US Target") which is currently pending regulatory approval. Further, the Group incurred US \$0.6 million relating to aborted acquisitions during the year.

In addition to acquisition costs, the Group continued with setting up new greenfield sites in 2021. Set up costs for these sites have been treated as separately disclosed until they become fully operational. The Directors consider a new site to be fully operational when the sites are substantially accredited with the necessary regulatory approvals. The Directors do not consider costs associated with the setting up of a new facility or entering a new region to be in the ordinary course of business and therefore these costs are presented as separately disclosed items. The Group incurred a total of US \$0.4 million set up costs in 2021.

### Strategic projects, restructuring and reorganization of the Group

In September 2020, management announced a substantial strategic reorganization program to transform the operations. This resulted in the group reorganizing from five sectors into a regional structure with ten business units. A strategic review was launched in 2020 which considered how the Group will further develop its existing service offerings as well as rationalizing the Group's global footprint. The scale of the changes and costs incurred up to 31 December 2021 were material and the program of activity was substantially complete in 2021.

Over the life of the strategic transformation program, the costs have been significant in value and, given the level of change, they are material in nature. Therefore, the Group considers them separately disclosed items. The costs include severance payments in relation to permanent reduction in headcount, associated legal and professional fees incurred during the consultation process, site closure costs and relocation expenses. Included within the reorganization costs are the exit of non-core businesses. Total costs incurred for the year ended 31 December 2021 in connection with permanent headcount reduction totaled US \$10.3 million (2020: US \$7.5 million).

The Group also incurred US \$1.3 million (2020: US \$0.6 million) of costs relating to strategic relocation projects within the Fire & Building Products business unit. The costs incurred relate to dual running costs of multiple locations whilst the transitions complete, internal staff time and third-party costs required to project manage the relocations.

Further, the Group incurred US \$0.5 million (2020: US \$0.3 million) relating to the alignment of testing certifications with the requirements of foreign accreditation bodies in response to one-off regulatory changes in the market.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## 12. SEPARATELY DISCLOSED ITEMS (CONTINUED)

### Share based payment charge

The Group provides benefits to employees (including Directors) in the form of equity-settled share-based payment transactions, whereby employees (including Directors) render services in exchange for shares. In valuation of share-based payments, the fair value of the employee services rendered is determined by reference to the fair value of the shares awarded or options granted, excluding the impact of any non-market vesting conditions.

All share awards are valued using an option-pricing model (Black-Scholes or Monte Carlo). This fair value is charged to the income statement over the vesting period of the share-based payment scheme. The value of the charge is adjusted in the income statement over the remainder of the vesting period to reflect expected and actual levels of options vesting, with the corresponding adjustments made in equity and accruals.

The Group recognized US \$7.0 million (2020: US \$4.0 million) of share-based payment charge (note 29) related to share-based payment transactions during the financial year.

### Costs relating to legal matters

The Group incurred US \$5.1 million (2020: US \$2.6 million) of legal expenses which are considered material by virtue of their nature and based on management's assessment of the subject matter the Group considers such items are not in the ordinary course of business and, therefore they are presented as separately disclosed items. Included within the \$5.1 million are US \$2.7 million legal costs relating to employee litigation, trademark disputes and corporate matters which were one off in nature. The other expenses within this category were US \$2.4 million legal costs and internal staff time incurred in relation to providing support and input into a multi-party regulatory matter, and other activities linked to this matter, which is one-off in nature.

### Costs related to the change in ownership of the business

In January 2022, Temasek which has been a minority shareholder in the Group since 2019 announced that it has agreed to acquire a majority shareholding in the Element Group from Bridgepoint. The transaction remains subject to customary regulatory approvals. However, in 2021 the Group incurred directly attributable transaction fees such as professional fees and commercial, financial, legal and tax due diligence costs of US \$0.8 million. It is expected that further transaction fees linked to the sale of the business will be incurred in 2022 as the transaction comes to final completion.

### Other

#### 1) Transaction fees and costs related to the refinancing of the business

In 2021 the Group completed an interim refinancing of its existing debt facilities whereby additional external financing was obtained via Note Purchase Agreements. The additional drawdowns were utilized to repay outstanding amounts on the Capex and Revolving Credit facilities. This included the drawdown of an additional US \$280 million via a Note Purchase Agreement. As a result of the refinancing the Group incurred legal and professional fees associated to the funding totaling US \$1.5 million (2020: \$1.5 million). The Directors do not consider these costs to be in the ordinary course of business and therefore they are presented separately.

#### 2) Costs associated with the pension renegotiation

The Group operates a defined benefit pension scheme in the UK which is subject to a full actuarial valuation every three years using assumptions which have to be agreed between the trustees and the Group management. The most recent valuation has been performed in 2020 and 2021 for the period ended 31 December 2019. In performing the actuarial valuation, the Group incurred material and one-off professional fees of US \$1.0 million (2020: \$0.6 million) attributable to the renegotiation of a new Funding and Covenant Agreement including increased security. The Directors do not consider these to be in the ordinary course of business and therefore they are presented separately.

#### 3) Other costs

Other costs include board management fees of US \$0.8 million (2020: \$1.1 million) with respect to non-executive directorship fees and monitoring fees, which the Directors consider to be related to the structure of the business and separately disclosed.

In response to the prolonged impact of Covid-19, additional health and safety measures were implemented across certain jurisdictions in EMEAA. Such costs totaled US \$0.4 million for the year ended 31 December 2021 (2020: \$0.7 million). These are considered material by virtue of their nature and therefore separately disclosed.

In addition, there are US \$1.3 million (2020: US \$3.0 million credit) of various professional fees, contractor costs, legal expenses, and other costs included in the other category which management classified as separately disclosed. The 2020 amount includes a US \$3.0 million credit as a result of management's review of the dilapidation provision.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## 13. GOODWILL

Cost	Goodwill US \$million	Acquisition Intangible Assets (note 14) US \$million	Total US \$million
As at 1 January 2020	1,364.8	1,007.0	2,371.8
Acquisitions	67.4	14.3	81.7
Disposals	(0.2)	(0.1)	(0.3)
Exchange movements	28.1	28.8	56.9
<b>As at 31 December 2020</b>	<b>1,460.1</b>	<b>1,050.0</b>	<b>2,510.1</b>
Acquisitions (note 25)	279.7	74.9	354.6
Exchange movements	(16.4)	(16.0)	(32.4)
<b>As at 31 December 2021</b>	<b>1,723.4</b>	<b>1,108.9</b>	<b>2,832.3</b>
<b>Accumulated amortization and impairment</b>			
As at 1 January 2020	-	189.9	189.9
Amortization charge	-	75.6	75.6
Impairment charge	275.8	-	275.8
Exchange movements	-	5.0	5.0
<b>As at 31 December 2020</b>	<b>275.8</b>	<b>270.5</b>	<b>546.3</b>
Amortization charge	-	81.8	81.8
Impairment charge	9.9	16.7	26.6
Exchange movements	-	(3.5)	(3.5)
<b>As at 31 December 2021</b>	<b>285.7</b>	<b>365.5</b>	<b>651.2</b>
<b>Net book value</b>			
<b>As at 31 December 2020</b>	<b>1,184.3</b>	<b>779.5</b>	<b>1,963.8</b>
<b>As at 31 December 2021</b>	<b>1,437.7</b>	<b>743.4</b>	<b>2,181.1</b>

Typically, acquisitions are integrated into existing business units and goodwill acquired in a business combination is allocated, to the cash generating units (CGUs) or group of units that are expected to benefit from the synergies of that business combination. Goodwill arising on the business combination of a foreign operation and any fair value adjustments to the carrying amount of assets and liabilities arising on the acquisition of that foreign operation are treated as assets and liabilities of the foreign operation. Accordingly, they are expressed in the functional currency of the individual CGUs and translated at the foreign exchange rates as at the statement of financial position date. Goodwill is allocated to CGUs based on the enterprise value of the acquired business determined at the date of acquisition and held in the functional currency of the acquired business.

For the purposes of impairment testing, the Group allocated the goodwill to the ten business units.

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

The recoverable amounts of the groups of CGUs are determined from value in use calculations based on discounted cash flow forecasts prepared in accordance with IAS 36.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## 13. GOODWILL (CONTINUED)

### Key assumptions used in determining the value-in-use:

- The Directors determined the ten business units (operating under two regional management structures) as the appropriate level at which the impairment assessment should be performed.
- The Directors have prepared a calculation of the present value of expected future cash flows based on the Board approved 2022 budget and a 5-year forecast plan for 2022 - 2026 including, where appropriate, cash flows discounted to perpetuity.
- The key assumptions within the forecast growth in the cash flows over a period of up to five years are revenue growth, operating profit margin and cash conversion. Revenue growth and operating profit margin forecasts for each group of CGUs are derived from past results adjusted by Directors based on salient current and future considerations. The average revenue growth rates applied range from 3.1% to 7.8% (2020: 3.9% to 11.6%).
- A long-term growth rate of 2.3% has been applied for the business units in the EMEAA region (2020: 2.0%) and 2.3% for business units in the Americas region (2020: 3.0%), adjusted for terminal growth rate to perpetuity. Growth rates generally approximate to the long-term average rates for the markets in which the Group operates, adjusted for future expectations taking account of the current economic climate.
- Cash conversion rates for each group of CGUs are based on historical cash conversion rates. The margins are assumed to increase across all business units. The increase in the margins over the forecast period ranges between 2.7% and 6.0%.
- Pre-tax discount rates reflect current market assessments of the time value of money and the risks specific to the Group as a whole. The pre-tax discount rates used are based on the Group's weighted average cost of capital, adjusted to reflect a risk premium specific to each group of CGUs. The Group's weighted average cost of capital is derived from a risk-free rate, a market risk premium, a risk adjustment (beta) and a cost of debt adjustment.
- The pre-tax discount rates used for the business units range between 8.4% and 11.1% (2020: 11% to 13.5%).

### Sensitivity to changes in assumptions

The Directors have conducted a sensitivity analysis against the cash flow projections to assess whether changes in key assumptions would reduce the calculated value in use to such a level that an impairment charge could arise.

Sensitivity analyses were conducted using the following key assumptions:

- Decreasing the long-term growth rate by 50 bps
- Increasing the discount rate assumption by 50 bps
- Decreasing the forecast revenue assumption by the % variance between the FY21 budget, and FY21 actuals. Variances range from 10% to 15%.
- Decreasing the forecast EBITDA assumption by the % variance between the FY21 budget, and FY21 actuals. Variances range from 7% to 19%.

Applying the above sensitivities in isolation to the cash flow forecasts would result in the following impairment charges:

- Decreasing the forecast EBITDA in the Energy & Environmental Europe BU by the % variance between FY21 budget and FY21 actuals would result in an impairment of US \$10.6 million in this business unit. The carrying value of goodwill is US \$109.4 million and the carrying value of other intangible assets is US \$61.8 million.

### Aerospace and Defense BU

The carrying amount of goodwill and intangible assets with indefinite useful lives allocated to the Aerospace and Defense BU is significant in comparison with the Group's total carrying amount of goodwill or intangible assets with indefinite useful lives. The recoverable amount of the Aerospace and Defense BU is determined based on a value in use calculation using cash flow projections from financial budgets approved by senior management covering a five-year period. The carrying value of goodwill is US \$301.9 million and the carrying value of other intangible assets is US \$215.8 million. The pre-tax discount rate applied to the cash flow projections is 10.3% (2020: 13.0%). The growth rate used to extrapolate the cash flows of the unit beyond the five-year period is 2.3%. As a result of the analysis, there is sufficient headroom and management did not identify an impairment for this BU.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 13. GOODWILL (CONTINUED)

#### Impairment charges

During 2021, the group decided to exit legacy non-core businesses, which do not form part of the Group's future plans. An impairment charge of US \$6.3 million has been recognized in Fire & Building Products; an impairment charge of US \$2.5 million has been recognized in Energy & Environmental MEAP; an impairment charge of US \$0.8 million has been recognized in Life Sciences Americas; and an impairment charge of US \$0.3 million has been recognized in Aerospace and Connected Technologies Europe. These exits have occurred during the year and represent the total goodwill allocated to the individual CGUs. Therefore, their recoverable value was determined to be nil.

These impairment charges have been recorded in a separate line in the consolidated statement of profit or loss.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## 14. OTHER INTANGIBLE ASSETS

Cost	Customer relationships	Customer contracts	Technology know how & process	Trade names	Other	Total Acquisition Intangibles	Software & Computer licenses	Intangibles Under Construction	Total US \$million
<b>As at 1 January 2020</b>	<b>774.6</b>	<b>9.4</b>	<b>198.4</b>	<b>21.0</b>	<b>3.6</b>	<b>1,007.0</b>	<b>30.7</b>	<b>-</b>	<b>1,037.7</b>
Acquisitions	10.0	0.1	3.4	0.1	0.7	14.3	-	-	14.3
Additions	-	-	-	-	-	-	1.8	-	1.8
Transfers from assets under construction	-	-	-	-	-	-	8.5	-	8.5
Disposals	(0.1)	-	-	-	-	(0.1)	(0.3)	-	(0.4)
Exchange movements	22.8	0.9	4.8	0.3	-	28.8	1.5	-	30.3
<b>As at 31 December 2020</b>	<b>807.3</b>	<b>10.4</b>	<b>206.6</b>	<b>21.4</b>	<b>4.3</b>	<b>1,050.0</b>	<b>42.2</b>	<b>-</b>	<b>1,092.2</b>
Acquisitions (note 25)	55.7	-	11.1	6.0	2.1	74.9	5.9	-	80.8
Additions	-	-	-	-	-	-	7.7	0.2	7.9
Transfers from assets under construction	-	-	-	-	-	-	4.0	-	4.0
Disposals	-	-	-	-	-	-	(1.0)	-	(1.0)
Exchange movements	(12.3)	(0.6)	(2.7)	(0.4)	-	(16.0)	(0.7)	-	(16.7)
<b>As at 31 December 2021</b>	<b>850.7</b>	<b>9.8</b>	<b>215.0</b>	<b>27.0</b>	<b>6.4</b>	<b>1,108.9</b>	<b>58.1</b>	<b>0.2</b>	<b>1,167.2</b>
<b>Accumulated Amortization and Impairment</b>									
<b>As at 1 January 2020</b>	<b>123.7</b>	<b>1.4</b>	<b>56.6</b>	<b>7.5</b>	<b>0.7</b>	<b>189.9</b>	<b>16.6</b>	<b>-</b>	<b>206.5</b>
Charge for the year	50.4	1.1	20.7	2.5	0.9	75.6	9.3	-	84.9
Impairment charge	-	-	-	-	-	-	0.5	-	0.5
Disposals	-	-	-	-	-	-	(0.3)	-	(0.3)
Exchange movements	3.4	0.1	1.4	0.1	-	5.0	1.1	-	6.1
<b>As at 31 December 2020</b>	<b>177.5</b>	<b>2.6</b>	<b>78.7</b>	<b>10.1</b>	<b>1.6</b>	<b>270.5</b>	<b>27.2</b>	<b>-</b>	<b>297.7</b>
Charge for the year	54.3	1.1	21.6	2.4	2.4	81.8	11.1	-	92.9
Impairment charge	13.4	-	3.3	-	-	16.7	-	-	16.7
Disposals	-	-	-	-	-	-	(0.6)	-	(0.6)
Exchange movements	(2.3)	(0.2)	(0.9)	(0.1)	-	(3.5)	(0.7)	-	(4.2)
<b>As at 31 December 2021</b>	<b>242.9</b>	<b>3.5</b>	<b>102.7</b>	<b>12.4</b>	<b>4.0</b>	<b>365.5</b>	<b>37.0</b>	<b>-</b>	<b>402.5</b>
<b>Net book value</b>									
<b>As at 31 December 2020</b>	<b>629.8</b>	<b>7.8</b>	<b>127.9</b>	<b>11.3</b>	<b>2.7</b>	<b>779.5</b>	<b>15.0</b>	<b>-</b>	<b>794.5</b>
<b>As at 31 December 2021</b>	<b>607.8</b>	<b>6.3</b>	<b>112.3</b>	<b>14.6</b>	<b>2.4</b>	<b>743.4</b>	<b>21.1</b>	<b>0.2</b>	<b>764.7</b>

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

During 2021, the group decided to exit legacy non-core businesses, which do not form part of the Group's future plans. An impairment charge of US \$5.5 million has been recognized in Fire & Building Products; an impairment charge of US \$3.4 million has been recognized in Energy & Environmental MEAP; an impairment charge of US \$3.3 million has been recognized in Life Sciences Americas; an impairment charge of US \$2.5 million has been recognized in Energy & Environmental Europe; and an impairment charge of US \$2.0 million has been recognized in Aerospace and Connected Technologies Europe. These exits have occurred during the year and represent the total intangible assets allocated to the individual CGUs. Therefore, their recoverable value was determined to be nil.

These impairment charges have been recorded in a separate line in the consolidated statement of profit or loss.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## 15. PROPERTY, PLANT AND EQUIPMENT

Cost	Land & Buildings	Leasehold Improvements	Plant & Equipment	Assets under Construction	Total US \$million
<b>As at 1 January 2020</b>	<b>68.3</b>	<b>37.8</b>	<b>308.3</b>	<b>32.7</b>	<b>447.1</b>
Acquisitions	-	1.2	3.1	-	4.3
Additions	1.2	3.9	25.7	24.9	55.7
Transfers	0.4	8.6	22.0	(31.0)	-
Transfers to intangible assets	-	-	-	(8.5)	(8.5)
Disposals	(0.9)	(0.9)	(10.1)	(4.5)	(16.4)
Exchange movements	2.2	1.3	13.6	0.3	17.4
<b>As at 31 December 2020</b>	<b>71.2</b>	<b>51.9</b>	<b>362.6</b>	<b>13.9</b>	<b>499.6</b>
Acquisitions (note 25)	0.3	4.8	19.1	-	24.2
Additions	0.5	7.0	33.9	36.7	78.1
Transfers	0.7	0.8	15.7	(17.2)	-
Transfers to intangible assets	-	-	-	(4.0)	(4.0)
Disposals	(16.6)	(2.4)	(20.1)	(1.2)	(40.3)
Exchange movements	(1.0)	(1.0)	(8.8)	(5.0)	(15.8)
<b>As at 31 December 2021</b>	<b>55.1</b>	<b>61.1</b>	<b>402.4</b>	<b>23.2</b>	<b>541.8</b>
<b>Accumulated Depreciation and Impairment</b>					
As at 1 January 2020	5.6	8.9	100.4	-	114.9
Charge for the year	1.6	5.7	44.7	-	52.0
Disposals	(0.7)	(0.6)	(8.3)	-	(9.6)
Impairment charge	-	-	4.5	-	4.5
Exchange movements	0.9	0.7	9.3	-	10.9
<b>As at 31 December 2020</b>	<b>7.4</b>	<b>14.7</b>	<b>150.6</b>	<b>-</b>	<b>172.7</b>
Charge for the year	2.0	6.2	47.2	-	55.4
Disposals	(3.4)	(1.2)	(12.4)	-	(17.0)
Exchange movements	(0.4)	(0.6)	(6.5)	-	(7.5)
<b>As at 31 December 2021</b>	<b>5.6</b>	<b>19.1</b>	<b>178.9</b>	<b>-</b>	<b>203.6</b>
<b>Net book value</b>					
<b>As at 31 December 2020</b>	<b>63.8</b>	<b>37.2</b>	<b>212.0</b>	<b>13.9</b>	<b>326.9</b>
<b>As at 31 December 2021</b>	<b>49.5</b>	<b>42.0</b>	<b>223.5</b>	<b>23.2</b>	<b>338.2</b>

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## 16. INVESTMENTS

	2021 US \$million	2020 US \$million
<b>As at 1 January</b>	<b>4.7</b>	<b>0.3</b>
Additions	1.5	4.4
Share of loss of associate	(0.2)	-
Disposals	(3.1)	-
Exchange movements	0.1	-
<b>As at 31 December</b>	<b>3.0</b>	<b>4.7</b>

During the year the Group acquired a 25% shareholding in OpenBuilt Limited, a company incorporated in Ireland, for EUR €0.4 million (US \$0.5 million). Subsequent to this investment, a new investor has acquired a stake in OpenBuilt, reducing the Group's shareholding to 20%.

During the year the Group have exercised the option to acquire a further 10% of the Ordinary Shares of Plastometrex Limited for GBP £0.8 million (US \$1.0 million). A financial liability has been recognized as at 31 December 2021 for this amount.

For the year ended 31 December 2021, the Group has recognized a share of the loss of Plastometrex of US \$0.2 million.

During the year a number of shares held by the Employee Benefit Trust were disposed of via an issuance to employees of Element Materials Technology Group Limited. The shares issued relate to the equity of Element Materials Technology Group Limited, the ultimate parent entity. As a result, a loss of US \$3.1 million has been recognized in the Consolidated Statement of Profit or Loss.

## 17. GOVERNMENT GRANTS

	2021 US \$million	2020 US \$million
At 1 January	3.9	4.2
Amount earned in the year	0.1	0.3
Utilized during the year	(0.5)	(0.6)
Exchange movements	0.1	-
<b>As at 31 December</b>	<b>3.6</b>	<b>3.9</b>
<b>Included in:</b>		
Current liabilities	-	(1.4)
Non-current assets	3.6	5.3
<b>As at 31 December</b>	<b>3.6</b>	<b>3.9</b>

Government grants are receivable in relation to research and development (R&D) expenditure. Accumulated tax credits (Scientific Research and Experimental Development) from R&D expenditure in Canada can be used to settle future cash tax liabilities and can be carried forward for up to 20 years. A provision has been booked against the R&D credits carried forward to provide against uncertainties in prior year claims that remain open to challenge from the Canadian tax authorities.

The Group has applied for government subsidies in certain countries for which a scheme has been put in place to subsidize employment costs due to the Covid-19 pandemic. This government grant income recognized for the year amount to US \$2.5 million (2020: US \$8.8 million), of which US \$2.1 million (2020: US \$8.5 million) is presented as a deduction of salaries and wages expenses. Conditions attached to the grants differ from one country to another and the Group recognizes the grant income only when those conditions are met.

Covid-19 government grants receivable recognized in the statement of financial position is US \$0.2 million (2020: US \$0.5 million) and represent amounts due from various country governments in 2021. These are classified within other receivables.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## 18. TRADE RECEIVABLES AND OTHER RECEIVABLES

	2021 US \$million	2020 US \$million
Trade receivables	176.4	147.3
Prepayments	26.9	19.1
Other receivables	5.5	3.0
Amount receivable from Group companies	11.3	12.2
<b>As at 31 December</b>	<b>220.1</b>	<b>181.6</b>

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

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

The aging of trade receivables not impaired is as follows:

	2021 US \$million	2020 US \$million
Not past due	104.8	94.5
Past due 0-30 days	40.4	25.6
Past due 31-60 days	13.6	12.1
Past due 61-90 days	7.2	6.3
Past due 90 days	13.3	11.8
Less: expected credit loss	(2.9)	(3.0)
	<b>176.4</b>	<b>147.3</b>

	2021 US \$million	2020 US \$million
<b>Receivables split by currency is as follows:</b>		
U.S. Dollar	89.4	66.6
Pound Sterling	31.2	25.0
Euro	17.6	18.2
Canadian Dollars	8.6	7.2
Swedish Krona	7.9	9.4
Other currencies	21.7	20.9
<b>Total</b>	<b>176.4</b>	<b>147.3</b>

	2021 US \$million	2020 US \$million
<b>Movements in the expected credit losses</b>		
At 1 January	3.0	2.6
Reversal of expected credit losses during the year	(1.3)	(0.8)
Increase in expected credit loss during the year	1.1	3.2
Acquisitions	0.7	0.3
Receivables written off during the year as uncollectable	(0.6)	(2.3)
<b>Total</b>	<b>2.9</b>	<b>3.0</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## 19. CASH AND CASH EQUIVALENTS

	2021 US \$million	2020 US \$million
U.S. Dollar	58.9	72.1
Euro	14.6	11.9
Pound Sterling	13.6	11.4
Other currencies	27.2	30.4
<b>Total</b>	<b>114.3</b>	<b>125.8</b>

## 20. OTHER PAYABLES

Current	2021 US \$million	2020 US \$million
Accrued bonuses, wages and personnel costs	41.8	31.5
Other accrued liabilities	43.9	44.3
Contract liabilities	24.2	14.0
Customer deposits	7.1	5.5
<b>Total</b>	<b>117.0</b>	<b>95.3</b>

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

Non-Current	2021 US \$million	2020 US \$million
Other liabilities	12.2	8.1
<b>Total</b>	<b>12.2</b>	<b>8.1</b>

US \$6.7 million (2020: US \$6.4 million) of other accrued liabilities relates to employment liabilities accrued in accordance with regulatory requirements in foreign jurisdictions.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## 21. PROVISIONS

	<b>Dilapidation provisions</b>	<b>Other provisions</b>	<b>Total US \$million</b>
<b>As at 1 January 2020</b>	<b>21.0</b>	<b>5.7</b>	<b>26.7</b>
Acquisitions	0.4	-	0.4
Additions	14.6	4.7	19.3
Utilized during the year	(2.9)	(1.6)	(4.5)
Exchange movements	0.5	-	0.5
<b>As at 31 December 2020</b>	<b>33.6</b>	<b>8.8</b>	<b>42.4</b>
Acquisitions (note 25)	2.1	0.1	2.2
Additions	1.6	2.3	3.9
Utilized during the year	(1.1)	(3.9)	(5.0)
Exchange movements	(0.6)	(0.1)	(0.7)
<b>As at 31 December 2021</b>	<b>35.6</b>	<b>7.2</b>	<b>42.8</b>
<b>Included in:</b>			
Current liabilities	3.7	5.9	9.6
Non-current liabilities	29.9	2.9	32.8
<b>As at 31 December 2020</b>	<b>33.6</b>	<b>8.8</b>	<b>42.4</b>
<b>Included in:</b>			
Current liabilities	3.5	6.2	9.7
Non-current liabilities	32.1	1.0	33.1
<b>As at 31 December 2021</b>	<b>35.6</b>	<b>7.2</b>	<b>42.8</b>

### Dilapidation provision

The dilapidation provisions represent management's best estimate of restoration costs with respect to leased properties for which a present obligation exists and a reliable estimate can be made. As at 31 December 2021, the dilapidation provisions increased to US \$35.6 million (2020: US \$33.6 million). The timing of the cash outflows is expected to be over the next 1-15 years as leases expire.

### Other provisions

Included in other provisions, US \$3.8 million (2020: US \$4.0 million) relates to restructuring provision, US \$1.7 million (2020: US \$3.1 million) relates to legal provisions and the remaining US \$1.7 million (2020: US \$1.7 million) relates to various other provisions.

### Restructuring provision

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

### Legal provision

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## 22. INTEREST BEARING LOANS AND BORROWINGS

	2021			2020		
	Current	Non-Current	Total US \$million	Current	Non-Current	Total US \$million
Term B loan	8.7	1,465.7	1,474.4	8.7	1,509.1	1,517.8
Loan notes	2.4	1.1	3.5	-	3.3	3.3
Second lien loan	-	259.0	259.0	-	259.0	259.0
Capex/acquisition and revolving credit facilities	191.0	-	191.0	85.0	-	85.0
Note purchase agreement	-	280.0	280.0	-	-	-
Deferred financing costs	(8.3)	(13.6)	(21.9)	(5.4)	(14.6)	(20.0)
<b>Interest bearing loans and borrowings</b>	<b>193.8</b>	<b>1,992.2</b>	<b>2,186.0</b>	<b>88.3</b>	<b>1,756.8</b>	<b>1,845.1</b>
Amounts payable to other Group companies	8.2	211.4	219.6	8.3	194.7	203.0
<b>Total</b>	<b>202.0</b>	<b>2,203.6</b>	<b>2,405.6</b>	<b>96.6</b>	<b>1,951.5</b>	<b>2,048.1</b>

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

### BANK LOANS

#### Term B Loan

The Term B loans consist of the following facilities:

- US \$770 million principal amount was drawn on 29 June 2017. The loan has an annual repayment of 1% of the original principal per annum. The remaining balance is repayable in full on maturity (28 June 2024). The loan carries variable interest at Libor plus 3.5% margin. The outstanding principal as at 31 December 2021 is US \$742.1 million (2020: US \$746.9 million).
- A further US \$100 million was raised on 23 January 2020 and was an extension to the original draw down with the interest and repayment terms remaining unchanged. The outstanding principal as at 31 December 2021 is US \$95.1 million (2020: US \$99.0 million).
- Gross GBP loan of £160 million was drawn on 29 June 2017 and is repayable on 28 June 2024. The interest is variable and is charged at Libor plus 4.25% margin. As at 31 December 2021, the outstanding GBP loan is US \$214.8 million (2020: US \$215.1 million). The change is due to foreign exchange movements in the year.
- Gross EUR loan of €213.7 million was drawn on 29 June 2017 and is repayable on 27 June 2024. The interest is variable and is charged at Euribor plus 3.25% margin.
- A further EUR €70.2m and EUR €90.0 million were raised on 14 December 2019 and 23 January 2020, respectively. The additional funding were extensions to the original draw down with the interest and repayment terms remaining unchanged.
- As at 31 December 2021, the total amount outstanding on EUR loan is US \$422.4 million (2020: US \$456.8 million). The movement year on year is due to foreign exchange.

#### Second Lien Loan

- The principal amount of the facility is US \$220 million and was drawn on 29 June 2017. The outstanding loan is repayable in full on 27 June 2025. The interest is variable and is charged at Libor plus 7.0%.
- A further US \$39.0 million was raised on 24 December 2019 and was an extension to the original draw down with the interest and repayment terms remaining unchanged.
- As at 31 December 2021, the total amount outstanding on the Second lien loan is US \$259.0 million (2020: US \$259.0 million).



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## 22. INTEREST BEARING LOANS AND BORROWINGS (CONTINUED)

### Capex/acquisition and revolving credit facilities

A series of drawdowns and payments were made on the capex/acquisition and revolving credit facilities during 2020 and 2021, which in part remain unpaid as at 31 December 2021. The interest paid on the capex/acquisition facility is variable and is charged at Libor plus 3.5% (2020: 3.5%) margin. Interest on the revolving credit facility is variable and is charged at Libor plus 3.25% (2020: 3.25%).

#### The following drawdowns and payments occurred during 2020:

##### Capex/acquisition:

- US \$5.0 million was drawn on 20 March 2020. US \$5.0 million was repaid in July 2021.
- US \$72.0 million was drawn on 23 July 2020. US \$26.0 was repaid in September 2020, and US \$46.0 million was repaid in July 2021.

##### Revolving credit facility:

- US \$34.0 million was drawn on 20 March 2020. At 31 December 2021, the outstanding amount is US \$34.0 million (2020: US \$34.0 million). The revolving credit facility has a maturity date of 29 June 2023.

#### The following drawdowns and payments occurred during 2021:

##### Capex/acquisition:

- US \$61.0 million was drawn on 1 February 2021. US \$61.0 million was repaid in July 2021.
- US \$40.0 million was drawn on 29 April 2021. US \$40.0 million was repaid in July 2021.
- US \$130.0 million was drawn on 9 July 2021. US \$21.7 million was repaid in July 2021. US \$98.0 million was repaid in December 2021.
- US \$15.0 million was drawn on 27 September 2021. US \$15.0 million was repaid in October 2021.
- US \$49.0 million was drawn on 29 September 2021. US \$49.0 million was repaid in October 2021.
- US \$64.0 million was drawn on 29 October 2021.
- US \$27.7 million was drawn on 1 December 2021.
- US \$55.0 million was drawn on 23 December 2021.

As at 31 December 2021, the outstanding amount of the capex/acquisition facility is US \$157.0 million (2020: US \$51.0 million). The capex/acquisition facility has a maturity date of 28 June 2024.

### Note purchase agreement

- US \$110.0 million principal amount was drawn on 2 July 2021. The balance is repayable in full on maturity (29 June 2024). The loan carries variable interest at Libor plus 4.5% margin. The outstanding principal as at 31 December 2021 is US \$110.0 million (2020: nil)
- US \$70.0 million principal amount was drawn on 14 July 2021. The balance is repayable in full on maturity (29 June 2024). The loan carries variable interest at Libor plus 5.5% margin. The outstanding principal as at 31 December 2021 is US \$70.0 million (2020: nil)
- US \$100.0 million principal amount was drawn on 22 December 2021. The balance is repayable in full on maturity (29 June 2024). The loan carries variable interest at Libor plus 5.5% margin. The outstanding principal as at 31 December 2021 is US \$100.0 million (2020: nil)

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## 22. INTEREST BEARING LOANS AND BORROWINGS (CONTINUED)

### Loan notes

The Group issued US \$2.1 million unsecured redeemable loan notes on 6 April 2020 at an issue price of US \$1 per note which are redeemable on 2 January 2022 at par value plus all rolled up interest of 8 per cent annum. The loans were issued for non-cash consideration and were in exchange for the buyback of shares. At 31 December 2021 US \$2.4 million (2020: US \$2.2 million) is outstanding with the movement in the year due to interest accrued of US \$0.2 million (2020: US \$0.1 million).

The Group issued US \$1.1 million unsecured redeemable loan notes on 13 November 2020 at an issue price of US \$1 per note which are redeemable on 13 November 2030 at par value plus all rolled-up interest of 5 per cent annum. The loans were issued for non-cash consideration and were in exchange for the buyback of shares. At 31 December 2021 US \$1.1 million (2020: US \$1.1 million) is outstanding.

### Amounts payable to other Group companies

- Element Materials Technology Group Limited has principal owing of US \$23.0 million (2020: US \$9.1 million).
- EMT Finance 1 Limited has principal owing of US \$184.3 million (2020: \$183.6 million). Interest is accruing on US \$70.1 million of this balance at a rate of 6.83%. Interest is also accruing on US \$46 million of this balance at a rate of LIBOR + 1.5%. Total interest accrued is US \$12.3 million (2020: US \$10.3 million). There is no interest on the US \$67.5 million (2020: US \$ 67.5 million) portion of this balance.

### Changes in liabilities arising from financing activities

	At 1 January 2021	Draw- downs	Repay- ments	Interest	Amortization	Exchange movements	Lease additions and acquisitions	Lease disposals	At 31 December 2021
Term B loan	1,517.8	-	(8.7)	-	-	(34.7)	-	-	1,474.4
Second lien loan	259.0	-	-	-	-	-	-	-	259.0
Note purchase agreement	-	280.0	-	-	-	-	-	-	280.0
Capex/acquisition and revolving credit facilities	85.0	377.7	(271.7)	-	-	-	-	-	191.0
Loan notes	3.3	-	-	0.2	-	-	-	-	3.5
Deferred financing costs	(20.0)	(8.4)	-	-	6.5	-	-	-	(21.9)
<b>Interest bearing loans and borrowings</b>	<b>1,845.1</b>	<b>649.3</b>	<b>(280.4)</b>	<b>0.2</b>	<b>6.5</b>	<b>(34.7)</b>	<b>-</b>	<b>-</b>	<b>2,186.0</b>
Amounts payable to other Group companies	203.0	14.6	-	2.0	-	-	-	-	219.6
<b>Total borrowings</b>	<b>2,048.1</b>	<b>663.9</b>	<b>(280.4)</b>	<b>2.2</b>	<b>6.5</b>	<b>(34.7)</b>	<b>-</b>	<b>-</b>	<b>2,405.6</b>
Lease liabilities	111.5	-	(32.9)	8.1	-	(2.8)	58.1	(2.4)	139.6
<b>Total</b>	<b>2,159.6</b>	<b>663.9</b>	<b>(313.3)</b>	<b>10.3</b>	<b>6.5</b>	<b>(37.5)</b>	<b>58.1</b>	<b>(2.4)</b>	<b>2,545.2</b>

In the year the Group recognized US \$97.0 million cash outflow in relation to interest payments.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## 22. INTEREST BEARING LOANS AND BORROWINGS (CONTINUED)

### Analysis of borrowings by currency:

	GBP	EUR	USD	Total US \$million
Second lien loan (net of deferred financing costs)	-	-	258.3	258.3
Term B loan (net of deferred financing costs)	213.4	419.6	828.0	1,461.0
Loan Notes	-	-	3.5	3.5
Note purchase agreement (net of deferred financing costs)	-	-	272.6	272.6
Capex/acquisition and revolving credit facility (net of deferred financing costs)	-	-	190.6	190.6
<b>As at 31 December 2021</b>	<b>213.4</b>	<b>419.6</b>	<b>1,553.0</b>	<b>2,186.0</b>

	GBP	EUR	USD	Total US \$million
Second lien loan (net of deferred financing costs)	-	-	254.3	254.3
Term B loan (net of deferred financing costs)	213.1	452.9	836.5	1,502.5
Loan Notes	-	-	3.3	3.3
Capex/acquisition and revolving credit facility	-	-	85.0	85.0
<b>As at 31 December 2020</b>	<b>213.1</b>	<b>452.9</b>	<b>1,179.1</b>	<b>1,845.1</b>

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

	2021 US \$million	2020 US \$million
Capex/acquisition	43.0	149.0
Revolving credit facility	41.6	53.0
<b>Total</b>	<b>84.6</b>	<b>202.0</b>

The available undrawn facilities are multi-currency.

At 31 December 2021, the Group has a US \$13.4 million (2020: US \$13.0 million), and a US \$11.0 million (2020: nil) letter of credit outstanding (refer to note 33).

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

	2021 %	2020 %
Loans from other Group companies	6.8	6.8
Loan notes	8.9	8.0
Bank loans	4.7	5.4

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## 23. DEFERRED AND CONTINGENT CONSIDERATION

	<b>Total US \$million</b>
<b>As at 1 January 2020</b>	<b>10.5</b>
Acquisitions	0.3
Payment of deferred and contingent consideration	(1.7)
Exchange movements	0.1
<b>As at 31 December 2020</b>	<b>9.2</b>
Acquisitions	13.0
Fair value re-measurement	0.7
Payment of deferred and contingent consideration	(9.2)
<b>As at 31 December 2021</b>	<b>13.7</b>
<b>Included in:</b>	<b>US \$million</b>
Current liabilities	9.2
Non-current liabilities	-
<b>As at 31 December 2020</b>	<b>9.2</b>
Current liabilities	10.4
Non-current liabilities	3.3
<b>As at 31 December 2021</b>	<b>13.7</b>

The fair value of the contingent consideration determined at 31 December 2021 is the present value of expected future cash flows based on the latest forecasts of future performance. Changes to the original present value of the expected future cash flows are recognized in the consolidated statement of profit or loss.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## 23. DEFERRED AND CONTINGENT CONSIDERATION (CONTINUED)

Included within deferred consideration as at December 2020 which was paid in 2021 is the following:

The consideration to acquire Defire Holdings Pty Limited included contingent consideration based on future targets being met. The contingent consideration range was between a minimum of \$nil and a maximum of US \$1.4 million. The fair value of the contingent consideration was US \$0.7 million as at 31 December 2020. This amount was paid in January 2021.

The consideration to acquire PC TEST Engineering Laboratory Inc. included contingent consideration that's range was between a minimum of \$nil and a maximum of US \$15.0 million. The fair value of the contingent consideration was US \$8.2 million. This amount was paid in full in April 2021.

The consideration to acquire a minority shareholding in Plastometrex Limited included contingent consideration of US \$0.3 million. This amount was paid in January 2021.

Included within deferred consideration as remaining as at 31 December 2021 is the following:

The option to acquire a further 10% in Plastometrex Limited has been exercised during the year. The amount of this option is US \$1.0 million. This amount was paid in February 2022.

The consideration to acquire OrthoKinetics International Inc. included deferred consideration in the form of a holdback payment. The deferred consideration is for an amount of US \$0.5 million. This amount was paid in January 2022.

The consideration to acquire Aircom International Inc. included contingent consideration based on future EBITDA targets being met, as well as deferred consideration in the form of a holdback payment. The contingent consideration range is between a minimum of \$nil and a maximum of US \$9.8 million. The fair value of the contingent consideration was US \$2.5 million as at 31 December 2021. Of this amount, US \$2.0 million was paid in March 2022. The deferred consideration is for an amount of US \$1.5 million. This amount is due to be paid in April 2022.

The consideration to acquire Impact Analytical Inc. included contingent consideration based on future EBITDA targets being met. The contingent consideration range is between a minimum of \$nil and a maximum of US \$8.5 million. The fair value of the contingent consideration determined at the date of acquisition was US \$6.3 million. Based on updated expected future cash flows, the fair value of the contingent was adjusted to US \$7.0 million as at 31 December 2021. US \$0.7 million has been recognized in the consolidated statement of profit or loss. Of this US \$7.0 million, a total of US \$3.7 million was paid in March 2022. The remainder of the balance is due to be paid in 2023.

The consideration to acquire Argen Labs LLC included contingent consideration based on future EBITDA targets being met. The contingent consideration range is between a minimum of \$nil and a maximum of US \$1.7 million. The fair value of the contingent consideration was US \$0.8 million as at 31 December 2021. US \$0.5 million of this balance was paid in January 2022. The remainder of the balance is due to be paid in 2023.

The consideration to acquire Norton Straw Limited included deferred consideration in the form of a holdback payment. The deferred consideration is for an amount of US \$0.4 million (GB £0.3 million). This amount is due to be paid in March 2023.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## 24. FINANCIAL INSTRUMENTS

### Financial risk management objectives and policies

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

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

### Fair value measurements

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

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

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

Financial assets / (Financial liabilities)	Fair value hierarchy	Fair value as at 31 December		Carrying amount as at 31 December	
		31 December 2021	31 December 2020	31 December 2021	31 December 2020
Contingent consideration in a business combination	Level 3	(13.7)	(9.2)	(13.7)	(9.2)

At 31 December 2021 and 31 December 2020, the Group held all financial instruments at level 2 fair value measurement for the purposes of disclosing their fair value, with the exception of trade receivables and payables, cash and cash equivalents and contingent consideration. Between 31 December 2020 and 31 December 2021, there were no transfers between level 1 and level 2 fair value measurements and no transfers into or out of level 3 fair value measurements.

At 31 December 2021 and 31 December 2020, there is one level 3 fair value measurement which relates to contingent consideration liabilities resulting from acquisition activity. The fair value of the contingent consideration liabilities is based on an assessment of the probability of possible outcomes discounted to net present value. Subsequent changes to the fair value of the contingent consideration liabilities are adjusted against the cost of acquisition where they qualify as measurement period adjustments. All other subsequent changes in the fair value of contingent consideration liabilities are accounted for in accordance with relevant IFRSs and designated through the statement of profit or loss.

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

The methods and assumptions used to estimate the fair values shown above are:

- other financial instruments – discounting the expected future cash flows at prevailing interest rates.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## 24. FINANCIAL INSTRUMENTS (CONTINUED)

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

### Credit risk

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

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

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

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

Group rating	Gross exposure US \$million	Loss allowance US \$million	Net Exposure US \$million
1	104.8	-	104.8
2	40.4	-	40.4
3	13.6	-	13.6
4	7.2	-	7.2
5	13.3	(2.9)	10.4
<b>Total</b>	<b>179.3</b>	<b>(2.9)</b>	<b>176.4</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## 24. FINANCIAL INSTRUMENTS (CONTINUED)

### Liquidity risk

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

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

At 31 December 2021, the Group had credit facilities of US \$2,289.0 million (2020: US \$2,063.8 million), of which US \$2,204.4 million (2020: US \$1,861.8 million) had been drawn down leaving US \$84.6 million (2020: US \$202.0 million) undrawn facility available under the Senior Facilities Agreement (SFA). The Group held cash of US \$114.5 million (2020: US \$141.1 million) at year end.

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

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

	Less than one year	Between one and two years	Between two and three years	Between three and five years	More than five years	Total US \$million
Senior Facilities Agreement: secured	8.7	8.7	1,716.0	-	-	1,733.4
Amounts payable to other Group companies	8.2	-	-	-	211.4	219.6
Capex/acquisition and revolving credit facility	191.0	-	-	-	-	191.0
Trade payables	32.2	-	-	-	-	32.2
Other payables	117.0	2.6	0.5	0.2	8.9	129.2
Note purchase agreement	-	-	280.0	-	-	280.0
Loan notes	2.4	-	-	-	1.1	3.5
Lease liabilities	31.7	25.6	21.8	35.4	65.9	180.4
<b>As at 31 December 2021</b>	<b>391.2</b>	<b>36.9</b>	<b>2,018.3</b>	<b>35.6</b>	<b>287.3</b>	<b>2,769.3</b>
Senior Facilities Agreement: secured	8.7	8.7	8.7	1,750.7	-	1,776.8
Amounts payable to other Group companies	8.3	-	-	-	194.7	203.0
Capex/acquisition and revolving credit facility	85.0	-	-	-	-	85.0
Trade payables	24.3	-	-	-	-	24.3
Other payables	95.3	-	-	-	8.1	103.4
Loan notes	-	3.3	-	-	-	3.3
Lease liabilities	28.6	22.0	17.1	25.8	51.9	145.4
<b>As at 31 December 2020</b>	<b>250.2</b>	<b>34.0</b>	<b>25.8</b>	<b>1,776.5</b>	<b>254.7</b>	<b>2,341.2</b>



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## 24. FINANCIAL INSTRUMENTS (CONTINUED)

### Market risk

The business activities of the Group expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates.

There has been no change to the Group's exposure to market risks or the manner in which these risks are managed and measured.

### Interest rate risk

The Group is exposed to interest rate risks on its secured bank loans (note 22). Management closely monitors the market changes in interest rates and any potential impact the changes have on its ability to service its debt facility.

In addition to the available cash and cash from operations, the Group uses short and long-term debt to finance business activities. Interest rates on bank borrowings range between 3.25% and 8.00% (2020: 3.09% - 8.92%). The Group is exposed to interest rate risk on its debt obligations.<sup>1</sup>

### Interest rate sensitivity

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

	Increase/decrease in basis points	Effect on profit before tax US \$million	Effect on pre-tax equity US \$million
<b>2021</b>			
US Dollar	+50	(8.4)	(8.4)
Pound	+50	(1.1)	(1.1)
Euro	+50	(2.1)	(2.1)
US Dollar	-50	6.7	6.7
Pound	-50	0.2	0.2
Euro	-50	-	-
<b>2020</b>			
US Dollar	+50	(6.5)	(6.5)
Pound	+50	(1.1)	(1.1)
Euro	+50	(2.3)	(2.3)
US Dollar	-50	6.3	6.3
Pound	-50	0.1	0.1
Euro	-50	0.2	0.2

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## 24. FINANCIAL INSTRUMENTS (CONTINUED)

### Foreign currency risk

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

### Foreign currency sensitivity

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

	Change in GBP rate	Effect on profit before tax US \$million	Effect on pre-tax equity US \$million
2021	+5%	(10.2)	(10.2)
	-5%	11.3	11.3
2020	+5%	(10.1)	(10.1)
	-5%	11.2	11.2
	Change in Euro rate	Effect on profit before tax US \$million	Effect on pre-tax equity US \$million
2021	+5%	(20.1)	(20.1)
	-5%	22.2	22.2
2020	+5%	(21.6)	(21.6)
	-5%	23.8	23.8

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

### Capital management

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

The capital structure of the Group consists of net debt (borrowings disclosed in note 22 after deducting cash and cash equivalents) and equity of the Group (as disclosed in the statement of changes in equity).

The Group is not subject to any externally imposed capital requirements.

The Group's risk to the capital structure is reviewed on a regular basis. As part of this review, the Group consider the cost of capital and the risks associated with each class of capital.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## 25. BUSINESS COMBINATIONS

The primary strategic reasons for the following acquisitions and key benefits to the Group are set out on pages 48 to 53.

### Double Precision Consultancy Limited ("DPC")

On 20 January 2021, the Group acquired 100% of the voting share capital of DPC in the United Kingdom. Total consideration was US \$2.1 million (GB £1.5 million) paid on the completion day.

Acquisition expenses of US \$0.7 million were incurred in respect of this acquisition and expensed to the consolidated statement of profit or loss.

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.

DPC	Book value US \$million	Fair value US \$million
Intangible assets	-	0.3
Trade and other receivables	0.3	0.3
Trade and other payables	(0.1)	(0.1)
Deferred tax	-	(0.1)
<b>Net assets acquired</b>	<b>0.2</b>	<b>0.4</b>
Goodwill		1.7
		<b>2.1</b>
Satisfied by:		
Cash paid		2.1
<b>Total consideration</b>		<b>2.1</b>

From the date of acquisition to 31 December 2021, DPC contributed US \$0.7 million to revenue and US \$0.4 million to loss before tax. If the acquisition had been made at the beginning of the financial year, the business would have contributed US \$0.7 million to revenue, US \$0.4 million to loss before tax and US \$0.0 million to adjusted EBITDA. 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 year.

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## 25. BUSINESS COMBINATIONS (CONTINUED)

### Envirodat Limited

On 29 January 2021, the Group acquired 100% of the voting share capital of Envirodat Limited in the United Kingdom. Total consideration was US \$2.9 million (GB £2.1 million), consisting of US \$3.4 million (GB £2.5 million) paid in cash and net of cash acquired of US \$0.5 million (GB £0.4 million).

Acquisition expenses of US \$0.4 million were incurred in respect of this acquisition and expensed to the consolidated statement of profit or loss.

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.

Envirodat Limited	Book value US \$million	Fair value US \$million
Intangible assets	-	1.6
Property, plant and equipment	0.1	0.1
Trade and other receivables	0.3	0.3
Trade and other payables	(0.4)	(0.4)
Deferred tax	-	(0.4)
<b>Net assets acquired</b>	<b>-</b>	<b>1.2</b>
Goodwill		1.7
		<b>2.9</b>
Satisfied by:		
Cash paid		3.4
Cash acquired		(0.5)
<b>Total consideration</b>		<b>2.9</b>

From the date of acquisition to 31 December 2021, Envirodat Limited contributed US \$0.4 million to revenue and US \$0.1 million to profit before tax. If the acquisition had been made at the beginning of the financial year, the business would have contributed US \$0.4 million to revenue, US \$0.1 million to profit before tax and US \$0.2 million to adjusted EBITDA. 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 year.

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## 25. BUSINESS COMBINATIONS (CONTINUED)

### Avomeen LLC

On 2 February 2021, the Group acquired 100% of the voting share capital of Avomeen LLC in the United States. Total consideration was US \$54.5 million, consisting of US \$59.7 million paid in cash and net of cash acquired of US \$5.2 million.

Acquisition expenses of US \$0.7 million were incurred in respect of this acquisition and expensed to the consolidated statement of profit or loss.

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.

Avomeen LLC	Book value US \$million	Fair value US \$million
Intangible assets	0.2	8.6
Property, plant and equipment	3.2	3.2
Right of use asset	3.4	3.4
Trade and other receivables	2.1	2.1
Lease liability	(3.4)	(3.4)
Trade and other payables	(8.7)	(8.7)
Deferred tax	-	(0.2)
<b>Net assets acquired</b>	<b>(3.2)</b>	<b>5.0</b>
Goodwill		49.5
		<b>54.5</b>
Satisfied by:		
Cash paid		59.7
Cash acquired		(5.2)
<b>Total consideration</b>		<b>54.5</b>

From the date of acquisition to 31 December 2021, Avomeen LLC contributed US \$19.1 million to revenue and US \$5.7 million to profit before tax. If the acquisition had been made at the beginning of the financial year, the business would have contributed US \$20.6 million to revenue, US \$5.7 million to profit before tax and US \$7.7 million to adjusted EBITDA. 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 year.

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## 25. BUSINESS COMBINATIONS (CONTINUED)

### KDK Kalibrierdienst Kopp GmbH ("KDK Kopp")

On 26 March 2021, the Group acquired 100% of the voting share capital of KDK Kopp in Germany. Total consideration was US \$5.5 million (EUR €5.1 million), consisting of US \$6.0 million (EUR €5.6 million) paid in cash and net of cash acquired of US \$0.5 million (EUR €0.5 million).

Acquisition expenses of US \$0.1 million were incurred in respect of this acquisition and expensed to the consolidated statement of profit or loss.

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.

KDK Kopp	Book value US \$million	Fair value US \$million
Intangible assets	-	3.3
Property, plant and equipment	0.4	0.4
Right of use asset	0.2	0.2
Trade and other receivables	0.5	0.5
Lease liability	(0.2)	(0.2)
Trade and other payables	(0.7)	(0.7)
Deferred tax	-	(1.0)
<b>Net assets acquired</b>	<b>0.2</b>	<b>2.5</b>
Goodwill		3.0
		<b>5.5</b>
Satisfied by:		
Cash paid		6.0
Cash acquired		(0.5)
<b>Total consideration</b>		<b>5.5</b>

From the date of acquisition to 31 December 2021, KDK Kopp contributed US \$3.1 million to revenue and US \$0.2 million to profit before tax. If the acquisition had been made at the beginning of the financial year, the business would have contributed US \$3.6 million to revenue, US \$0.2 million to profit before tax and US \$0.8 million to adjusted EBITDA. 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 year.

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## 25. BUSINESS COMBINATIONS (CONTINUED)

### Aircom International Inc. ("Aircom")

On 30 April 2021, the Group acquired 100% of the voting share capital of Aircom in the United States. Total consideration was US \$39.6 million, consisting of US \$37.1 million paid in cash, net of cash acquired of US \$1.5 million, deferred consideration of US \$1.5 million, and contingent consideration of US \$2.5 million.

Acquisition expenses of US \$1.4 million were incurred in respect of this acquisition and expensed to the consolidated statement of profit or loss.

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.

Aircom	Book value US \$million	Fair value US \$million
Intangible assets	2.7	7.1
Property, plant and equipment	5.0	5.0
Right of use asset	1.2	1.2
Trade and other receivables	3.8	3.8
Lease liability	(1.2)	(1.2)
Trade and other payables	(4.6)	(4.6)
Deferred tax	-	(2.9)
<b>Net assets acquired</b>	<b>6.9</b>	<b>8.4</b>
Goodwill		31.2
		<b>39.6</b>
Satisfied by:		
Cash paid		37.1
Cash acquired		(1.5)
Deferred consideration		1.5
Contingent consideration		2.5
<b>Total consideration</b>		<b>39.6</b>

From the date of acquisition to 31 December 2021, Aircom contributed US \$13.1 million to revenue and US \$0.1 million to loss before tax. If the acquisition had been made at the beginning of the financial year, the business would have contributed US \$19.2 million to revenue, US \$0.7 million to profit before tax and US \$3.6 million to adjusted EBITDA. 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 year.

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## 25. BUSINESS COMBINATIONS (CONTINUED)

### Arch Life Sciences Group Limited ("Arch")

On 19 July 2021, the Group acquired 100% of the voting share capital of Arch in the United Kingdom. Total consideration was US \$130.8 million (GB £94.1 million), consisting of US \$135.2 million (GB £97.3 million) paid in cash and net of cash acquired of US \$4.4 million (GB £3.2 million).

Acquisition expenses of US \$2.3 million were incurred in respect of this acquisition and expensed to the consolidated statement of profit or loss.

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.

Arch	Book value US \$million	Fair value US \$million
Intangible assets	0.6	52.8
Property, plant and equipment	9.0	9.0
Right of use asset	6.1	6.1
Trade and other receivables	11.8	11.8
Lease liability	(6.1)	(6.1)
Trade and other payables	(14.1)	(14.1)
Deferred tax	(0.7)	(13.2)
<b>Net assets acquired</b>	<b>6.6</b>	<b>46.3</b>
Goodwill		84.5
		<b>130.8</b>
Satisfied by:		
Cash paid		135.2
Cash acquired		(4.4)
<b>Total consideration</b>		<b>130.8</b>

From the date of acquisition to 31 December 2021, Arch contributed US \$21.2 million to revenue and US \$3.7 million to profit before tax. If the acquisition had been made at the beginning of the financial year, the business would have contributed US \$46.4 million to revenue, US \$6.9 million to profit before tax and US \$8.9 million to adjusted EBITDA. 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 year.

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



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## 25. BUSINESS COMBINATIONS (CONTINUED)

### Impact Analytical Inc. ("Impact")

On 1 September 2021, the Group acquired 100% of the voting share capital of Impact in the United States. Total consideration was US \$10.6 million, consisting of US \$5.5 million paid in cash, net of cash acquired of US \$1.2 million, and contingent consideration of US \$6.3 million.

Acquisition expenses of US \$0.2 million were incurred in respect of this acquisition and expensed to the consolidated statement of profit or loss.

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.

Impact	Book value US \$million	Fair value US \$million
Intangible assets	-	1.4
Property, plant and equipment	2.6	2.6
Right of use asset	1.1	1.1
Trade and other receivables	1.2	1.2
Lease liability	(1.1)	(1.1)
Trade and other payables	(1.8)	(1.8)
Deferred tax	-	(0.5)
<b>Net assets acquired</b>	<b>2.0</b>	<b>2.9</b>
Goodwill		7.7
		<b>10.6</b>
Satisfied by:		
Cash paid		5.5
Contingent consideration		6.3
Cash acquired		(1.2)
<b>Total consideration</b>		<b>10.6</b>

From the date of acquisition to 31 December 2021, Impact contributed US \$2.0 million to revenue and US \$0.4 million to profit before tax. If the acquisition had been made at the beginning of the financial year, the business would have contributed US \$5.5 million to revenue, US \$0.7 million to profit before tax and US \$1.1 million to adjusted EBITDA. 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 year.

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## 25. BUSINESS COMBINATIONS (CONTINUED)

### Nanosyn LLC ("Nanosyn")

On 8 October 2021, the Group acquired 100% of the voting share capital of Nanosyn in the United States. Total consideration was US \$47.4 million, consisting of US \$50.6 million paid in cash, and net of cash acquired of US \$3.2 million.

Acquisition expenses of US \$0.4 million were incurred in respect of this acquisition and expensed to the consolidated statement of profit or loss.

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.

Nanosyn	Book value US \$million	Provisional fair value US \$million
Intangible assets	0.7	0.7
Property, plant and equipment	0.8	0.8
Right of use asset	13.5	13.5
Trade and other receivables	2.4	2.4
Lease liability	(13.5)	(13.5)
Trade and other payables	(3.1)	(3.1)
Deferred tax	0.1	(0.2)
<b>Net assets acquired</b>	<b>0.9</b>	<b>0.6</b>
Goodwill		46.8
		<b>47.4</b>
Satisfied by:		
Cash paid		50.6
Cash acquired		(3.2)
<b>Total consideration</b>		<b>47.4</b>

From the date of acquisition to 31 December 2021, Nanosyn contributed US \$4.5 million to revenue and US \$0.7 million to profit before tax. If the acquisition had been made at the beginning of the financial year, the business would have contributed US \$17.8 million to revenue, US \$2.1 million to profit before tax and US \$2.6 million to adjusted EBITDA. 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 year.

Any fair value adjustments are provisional and will be finalized within 12 months of the acquisition date. An assessment of the fair value of the intangible assets and property, plant and equipment is incomplete at the date of these consolidated financial statements and as such the carrying value of the acquired assets has been used in the completion of these statements. When the final valuation work is concluded, an adjustment to property, plant and equipment and intangible asset values and a corresponding adjustment in goodwill is anticipated.

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## 25. BUSINESS COMBINATIONS (CONTINUED)

### Norton Straw Limited ("Norton Straw")

On 1 December 2021, the Group acquired 100% of the voting share capital of Norton Straw in the United Kingdom. Total consideration was US \$5.6 million (GB £4.1 million), consisting of US \$7.1 million (GB £5.3 million) paid in cash, net of cash acquired of US \$1.9 million (GB £1.5 million), and deferred consideration of US \$0.4 million (GB £0.3 million).

Acquisition expenses of US \$0.1 million were incurred in respect of this acquisition and expensed to the consolidated statement of profit or loss.

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.

	Book value US \$million	Provisional fair value US \$million
<b>Norton Straw</b>		
Intangible assets	0.8	0.8
Property, plant and equipment	0.1	0.1
Right of use asset	0.4	0.4
Trade and other receivables	0.9	0.9
Lease liability	(0.4)	(0.4)
Trade and other payables	(1.1)	(1.1)
Deferred tax	-	-
<b>Net assets acquired</b>	<b>0.7</b>	<b>0.7</b>
Goodwill		4.9
		<b>5.6</b>
Satisfied by:		
Cash paid		7.1
Deferred consideration		0.4
Cash acquired		(1.9)
<b>Total consideration</b>		<b>5.6</b>

From the date of acquisition to 31 December 2021, Norton Straw contributed US \$0.2 million to revenue and US \$0.0 million to profit before tax. If the acquisition had been made at the beginning of the financial year, the business would have contributed US \$3.0 million to revenue, US \$0.9 million to profit before tax and US \$1.0 million to adjusted EBITDA. 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 year.

Any fair value adjustments are provisional and will be finalized within 12 months of the acquisition date. An assessment of the fair value of the intangible assets and property, plant and equipment is incomplete at the date of these consolidated financial statements and as such the carrying value of the acquired assets has been used in the completion of these statements. When the final valuation work is concluded, an adjustment to property, plant and equipment and intangible asset values and a corresponding adjustment in goodwill is anticipated.

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## 25. BUSINESS COMBINATIONS (CONTINUED)

### Jones Microbiology Institute, Inc ("JMI")

On 31 December 2021, the Group acquired 100% of the voting share capital of JMI in the United States. Total consideration was US \$50.5 million, consisting of US \$52.2 million paid in cash, and net of cash acquired of US \$1.7 million.

Acquisition expenses of US \$0.4 million were incurred in respect of this acquisition and expensed to the consolidated statement of profit or loss.

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.

JMI	Book value US \$million	Provisional fair value US \$million
Intangible assets	1.0	1.0
Property, plant and equipment	1.2	1.2
Right of use asset	1.4	1.4
Trade and other receivables	6.8	6.8
Lease liability	(1.4)	(1.4)
Trade and other payables	(4.7)	(4.7)
Deferred tax	-	-
<b>Net assets acquired</b>	<b>4.3</b>	<b>4.3</b>
Goodwill		46.2
		<b>50.5</b>
Satisfied by:		
Cash paid		52.2
Cash acquired		(1.7)
<b>Total consideration</b>		<b>50.5</b>

From the date of acquisition to 31 December 2021, JMI contributed US \$0.0 million to revenue and US \$0.0 million to profit before tax. If the acquisition had been made at the beginning of the financial year, the business would have contributed US \$20.0 million to revenue, US \$4.8 million to profit before tax and US \$4.8 million to adjusted EBITDA. 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 year.

Any fair value adjustments are provisional and will be finalized within 12 months of the acquisition date. An assessment of the fair value of the intangible assets and property, plant and equipment is incomplete at the date of these consolidated financial statements and as such the carrying value of the acquired assets has been used in the completion of these statements. When the final valuation work is concluded, an adjustment to property, plant and equipment and intangible asset values and a corresponding adjustment in goodwill is anticipated.

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## 25. BUSINESS COMBINATIONS (CONTINUED)

### Other business combinations in the year

On 1 April 2021, the Group through Element Materials Technology Cincinnati Inc., acquired the assets of OrthoKinetics, as an asset purchase agreement for a net cash consideration of US \$1.5 million.

Consideration of US \$1.0 million for this asset acquisition was paid in cash and funded by the Group's existing cash and borrowing resources. US \$0.5 million has been recognized contingent consideration as at 31 December 2021 (note 23).

On 7 September 2021, the Group through Element Materials Technology Houston LLC, acquired the assets of Argen Labs LLC, as an asset purchase agreement for a net cash consideration of US \$5.9 million.

Consideration of US \$5.1 million for this asset acquisition was paid in cash and funded by the Group's existing cash and borrowing resources. US \$0.8 million has been recognized contingent consideration as at 31 December 2021 (note 23).

## 26. RETIREMENT BENEFIT OBLIGATIONS

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

### Defined contribution pension schemes

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognized as an employee benefit expense in the statement of profit or loss when employees have rendered service entitling them to the contributions. The total employee benefit expense recognized in 2021 was US \$13.8 million (2020: US \$13.2 million). The Group made US \$13.2 million (note 10) payment to defined contribution plans in 2021 (2020: US \$12.7 million).

### Defined benefit pension schemes

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

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

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

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

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

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## 26. RETIREMENT BENEFIT OBLIGATIONS (CONTINUED)

The Scheme is subject to a full actuarial valuation every three years using assumptions agreed between the Trustee and the Group management. The purpose of this valuation is to design a funding plan to ensure that the pension scheme has sufficient funds available to meet future benefit payments. The most recent valuation was carried out by an independent professionally qualified actuary as at 31 December 2019 and revealed a funding deficit of GB £8.3 million (US \$11.2 million). The Group agreed to pay monthly contributions of GBP £0.1 million (US \$0.1 million) payable from 1 October 2021, ceasing on 31 January 2025 in line with the recovery plan dated 6 October 2021. In 2021, the Group made contributions of US \$2.0 million to the UK scheme (2020: US \$2.3 million). The Group expects to make contributions of US \$1.2 million in 2022.

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

The liabilities of the Scheme are based on the current value of expected benefit payment cashflows to members of the Scheme. On the chosen IAS 19 assumptions the average duration of the liabilities to the beneficiaries at 31 December 2021 is approximately 19 years (2020: 19 years).

### Total pension cost

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

	2021 US \$million	2020 US \$million
<b>Defined benefit schemes</b>		
Defined benefit scheme – current service cost	0.5	0.4
Defined benefit scheme – past service cost (GMP equalization cost)	-	0.1
Net pension interest cost	0.1	0.2
<b>Total pension cost</b>	<b>0.6</b>	<b>0.7</b>

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

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

	2021 US \$million	2020 US \$million
Cumulative losses at 1 January	(4.6)	(5.2)
Recognized gain/(loss) in the year	4.8	0.6
<b>Cumulative gain/(loss) as at 31 December</b>	<b>0.2</b>	<b>(4.6)</b>

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

	2021 US \$million	2020 US \$million
Net remeasurement – financial	(1.2)	5.7
Net remeasurement – demographic	2.3	0.3
Net remeasurement – experience	0.3	(1.1)
Return on assets – excluding interest income	(6.2)	(5.5)
<b>Total remeasurement of the net defined liability shown in the group statement of other comprehensive income</b>	<b>(4.8)</b>	<b>(0.6)</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## 26. RETIREMENT BENEFIT OBLIGATIONS (CONTINUED)

### Employer contributions

In 2021, the Group made contributions of US \$2.5 million (2020: US \$2.9 million) to all defined benefit schemes of which US \$2.0 million relates to the UK scheme.

### Pension liability for defined benefit schemes

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

	2021 US \$million	2020 US \$million
Fair value of scheme assets	87.4	81.0
Present value of funded defined benefit obligations	(89.0)	(90.1)
<b>Net liability in the statement of financial position</b>	<b>(1.6)</b>	<b>(9.1)</b>

The fair value changes in the schemes are shown below:

	Fair value of plan assets 2021	Defined benefit obligation 2021	Total US \$million
<b>As at 1 January 2021</b>	<b>81.0</b>	<b>(90.1)</b>	<b>(9.1)</b>
Current service cost	-	(0.5)	(0.5)
Net interest cost	1.1	(1.2)	(0.1)
Actuarial gains / (losses)	6.4	(1.6)	4.8
Contributions by the employer	2.5	-	2.5
Benefits paid	(3.1)	3.1	-
Effect of exchange rate changes	(0.5)	1.3	0.8
<b>As at 31 December 2021</b>	<b>87.4</b>	<b>(89.0)</b>	<b>(1.6)</b>

	Fair value of plan assets 2020	Defined benefit obligation 2020	Total US \$million
<b>As at 1 January 2020</b>	<b>71.5</b>	<b>(83.1)</b>	<b>(11.6)</b>
Current service cost	-	(0.4)	(0.4)
Past service cost	-	(0.1)	(0.1)
Net interest cost	1.4	(1.5)	(0.1)
Actuarial gains / (losses)	5.4	(4.8)	0.6
Contributions by the employer	2.9	-	2.9
Benefits paid	(3.4)	3.4	-
Closure of foreign jurisdiction scheme	-	0.3	0.3
Effect of exchange rate changes	3.2	(3.9)	(0.7)
<b>As at 31 December 2020</b>	<b>81.0</b>	<b>(90.1)</b>	<b>(9.1)</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## 26. RETIREMENT BENEFIT OBLIGATIONS (CONTINUED)

Composition of scheme assets in each category:

	UK scheme 2021 US \$million	Sweden scheme 2021 US \$million
Equities	41.8	1.6
Bonds	8.3	3.8
Property	9.6	-
LDI	21.2	-
Structured products	-	0.8
Cash	0.2	0.1
	<b>81.1</b>	<b>6.3</b>

	UK scheme 2020 US \$million	Sweden scheme 2020 US \$million
Equities	36.3	1.7
Bonds	9.0	3.7
Property	12.0	-
LDI	17.6	-
Structured products	-	0.5
Cash	0.1	0.1
	<b>75.0</b>	<b>6.0</b>

The equities and bonds held within the UK and Swedish scheme are all quoted in active markets. The other schemes have no assets.

The actual return on scheme assets was as follows:

	UK scheme 2021 US \$million	Sweden scheme 2021 US \$million
Actual return	(6.1)	(0.3)

	UK scheme 2020 US \$million	Sweden scheme 2020 US \$million
Actual return	(5.3)	(0.1)



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## 26. RETIREMENT BENEFIT OBLIGATIONS (CONTINUED)

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

	UK scheme 2021 US \$million	Sweden scheme 2021 US \$million	Germany schemes 2021 US \$million
Present value of funded defined benefit obligations	(76.0)	(12.0)	(0.5)
Present value of unfunded defined benefit obligations	-	-	(0.5)
Fair value of scheme assets	81.1	6.3	-
<b>Net defined benefit obligation</b>	<b>5.1</b>	<b>(5.7)</b>	<b>(1.0)</b>

	UK scheme 2020 US \$million	Sweden scheme 2020 US \$million	Germany schemes 2020 US \$million
Present value of funded defined benefit obligations	(76.5)	(12.6)	(0.5)
Present value of unfunded defined benefit obligations	-	-	(0.5)
Fair value of scheme assets	75.0	6.0	-
<b>Net defined benefit obligation</b>	<b>(1.5)</b>	<b>(6.6)</b>	<b>(1.0)</b>

Principal actuarial assumptions:

	UK scheme 2021	Sweden scheme 2021	Germany schemes 2021
Discount rate	1.9%	1.9%	1.2%
Inflation rate	3.3%	2.3%	2.0%
Rate of salary increases	0.0%	2.5%	2.0%
Life expectancy for pensioners at the age of 65 (years):			
Male	22.3	22.0	20.5
Female	24.6	24.0	23.9

	UK scheme 2020	Sweden scheme 2020	Germany schemes 2020
Discount rate	1.5%	1.1%	1.0%
Inflation rate	2.8%	1.5%	2.0%
Rate of salary increases	0.0%	1.7%	2.0%
Life expectancy for pensioners at the age of 65 (years):			
Male	21.7	22.0	20.3
Female	23.7	24.0	23.8

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## 26. RETIREMENT BENEFIT OBLIGATIONS (CONTINUED)

Changes in significant assumptions would have the following impact on the defined benefit obligations at 31 December 2021:

	UK Scheme		Sweden Scheme	
	0.25% Increase US \$million	0.25% Decrease US \$million	0.50% Increase US \$million	0.50% Decrease US \$million
<b>Assumptions</b>				
Inflation rate	2.0	(2.0)	1.1	(1.0)
Discount rate	(2.7)	2.7	(1.3)	1.4
Rate of salary increase	n/a	n/a	0.5	(0.4)
	<b>Increase by one year US \$million</b>	<b>Decrease by one year US \$million</b>	<b>Increase by one year US \$million</b>	<b>Decrease by one year US \$million</b>
Assumed life expectancy at age 65	2.7	n/a	0.6	(0.6)

Changes in significant assumptions would have the following impact on the defined benefit obligations at 31 December 2020:

	UK Scheme		Sweden Scheme	
	0.25% Increase US \$million	0.25% Decrease US \$million	0.50% Increase US \$million	0.50% Decrease US \$million
<b>Assumptions</b>				
Inflation rate	2.0	(2.0)	0.9	(0.8)
Discount rate	(3.0)	3.0	(1.1)	1.2
Rate of salary increase	n/a	n/a	0.4	(0.3)
	<b>Increase by one year US \$million</b>	<b>Decrease by one year US \$million</b>	<b>Increase by one year US \$million</b>	<b>Decrease by one year US \$million</b>
Assumed life expectancy at age 65	2.7	n/a	0.5	(0.5)

The sensitivity analyses above have been determined based on a method that extrapolates the impact on the defined benefit obligation as a result of reasonable changes in key assumptions occurring at the end of the reporting period.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## 27. LEASE ARRANGEMENTS

<b>Right of use asset</b>	<b>Property</b>	<b>Non-property</b>	<b>Total US \$million</b>
<b>Cost</b>			
<b>As at 1 January 2020</b>	<b>120.5</b>	<b>11.2</b>	<b>131.7</b>
Acquisitions	2.2	0.3	2.5
Additions	48.6	2.2	50.8
Disposals	(6.6)	(3.4)	(10.0)
Exchange movements	5.6	0.4	6.0
<b>As at 31 December 2020</b>	<b>170.3</b>	<b>10.7</b>	<b>181.0</b>
Acquisitions (note 25)	26.9	0.6	27.5
Additions	28.8	1.9	30.7
Disposals	(9.7)	(3.9)	(13.6)
Exchange movements	(4.3)	(0.3)	(4.6)
<b>As at 31 December 2021</b>	<b>212.0</b>	<b>9.0</b>	<b>221.0</b>
<b>Accumulated Depreciation</b>			
<b>As at 1 January 2020</b>	<b>54.6</b>	<b>5.2</b>	<b>59.8</b>
Charge for the year	16.4	3.4	19.8
Disposals	(3.5)	(3.4)	(6.9)
Exchange movements	2.0	0.2	2.2
Impairment	0.5	-	0.5
Impairment reversal	(0.6)	-	(0.6)
<b>As at 31 December 2020</b>	<b>69.4</b>	<b>5.4</b>	<b>74.8</b>
Charge for the year	25.7	3.1	28.8
Disposals	(8.8)	(3.7)	(12.5)
Impairment	0.4	-	0.4
Exchange movements	(1.5)	(0.2)	(1.7)
<b>As at 31 December 2021</b>	<b>85.2</b>	<b>4.6</b>	<b>89.8</b>
<b>Net book value</b>			
<b>As at 31 December 2020</b>	<b>100.9</b>	<b>5.3</b>	<b>106.2</b>
<b>As at 31 December 2021</b>	<b>126.8</b>	<b>4.4</b>	<b>131.2</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## 27. LEASE ARRANGEMENTS (CONTINUED)

Lease Liabilities	2021 US \$million	2020 US \$million
<b>Current</b>		
Property	21.3	19.1
Non-property	2.1	2.5
	<b>23.4</b>	<b>21.6</b>
<b>Non-current</b>		
Property	114.5	87.6
Non-property	1.7	2.3
	<b>116.2</b>	<b>89.9</b>
<b>Total</b>		
Property	135.8	106.7
Non-property	3.8	4.8
	<b>139.6</b>	<b>111.5</b>

Lease Liabilities	Within 1 year	2 - 5 years	5+ years	Total US \$million
Property	21.3	60.2	54.3	135.8
Non-property	2.1	1.7	-	3.8
<b>31 December 2021</b>	<b>23.4</b>	<b>61.9</b>	<b>54.3</b>	<b>139.6</b>

Interest expense on the lease liabilities recognized within finance costs was US \$8.1 million (2020: US \$7.4 million). As at 31 December 2021, there were no leases which the Group was committed to with future cash flows (2020: nil) which have not been accounted for.

The Group also has certain leases with lease terms of 12 months or less and leases of office equipment with low value. The total expense recognized for these leases was US \$0.5 million (2020: US \$0.2 million). The Group holds no variable leases.

There are three properties that are vacant and are actively being marketed as at 31 December 2021 (2020: 5 properties). As these properties were vacant as at 31 December 2021 and not expected to generate any future revenue, management have recognized a US \$0.4 million impairment charge (2020: US \$0.5 million). The recoverable amount of these properties is US \$0.7 million.

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

Lease income	2021 US \$million	2020 US \$million
Income recognized in relation to lease receivables	1.6	1.2
<b>Total</b>	<b>1.6</b>	<b>1.2</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## 28. UNCOMPLETED PERFORMANCE OBLIGATIONS

The table below represents uncompleted performance obligations at the end of the reporting period. This is total revenue which is contractually due to the Group, subject to the performance of the obligations of the Group related to these revenues.

	2021 US \$million	2020 US \$million
<b>Total contracted revenue</b>	93.1	40.4

The total contracted revenue with customers as at 31 December 2021 with local currency amounts converted at the applicable spot rate for US dollars on 31 December 2021 held constant is below. Contracted revenue calculation split between current and non-current assumes: (i) no changes in service fees, (ii) no changes to the performance obligations in the master service agreements ("MSAs") otherwise described elsewhere in these financial statements, (iii) customers do not utilize any cancellation allowances set forth in their MSAs and (iv) customers do not terminate MSAs early for any reason.

	Current US \$million	Non-current US \$million
<b>Total 2021 contracted revenue</b>	63.5	29.6

## 29. SHARE CAPITAL AND RESERVES

### Share capital

Type	Nominal value	2021 Issued number	2021 Total US \$	2020 Issued number	2020 Total US \$
Ordinary	0.0001	793,748,095	79,375	793,748,095	79,375
<b>As at 31 December</b>		<b>793,748,095</b>	<b>79,375</b>	<b>793,748,095</b>	<b>79,375</b>

	2021 \$'000	2020 \$'000
<b>Authorized, issued and fully paid, as at 31 December</b>	79	79

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## 29. SHARE CAPITAL AND RESERVES (CONTINUED)

### Share premium

The share premium reserve contains the premium arising on issue of equity shares, net of issue expenses.

### Share based payment reserve

The ultimate parent company, Element Materials Technology Group Limited has issued B, B1, B2, and B3 Ordinary shares ("B shares") and E Ordinary Shares ("E Shares") to certain employees and Directors. Pursuant to the terms set out in the Articles of Association the pay-out for these B and E shares are based on a calculation dependent on the enterprise exit value of the Group and are subject to meeting certain hurdle rates. These shares are treated as equity-settled share-based payments, where the grant date fair value is spread over the period between the grant date and the best estimate of the anticipated exit date.

An option pricing model is used to determine the fair value at grant date. The key inputs and assumptions include:

- Expected volatility – the Group applied re-levered equity volatility based on historical equity volatility of publicly traded peer companies.
- Expected term – the period until an exit event which is estimated to be 4 to 6 years from the initial investment by the majority shareholder.
- Risk free interest rate – determined by reference to US Treasury yield curve for the period commensurate with the expected timing of exit.
- A total of 2.1 million B shares has been issued as at 31 December 2021 (including 459,470 shares issued during 2021). The fair value at grant date was determined to be US \$5.40 per share for those shares issued in 2018. The 2019 share issues have the following fair values at grant date: B Ordinary shares US \$58.50 per share, B2 Ordinary shares US \$10.90 per share and B3 Ordinary shares US \$47.80 per share. The 2021 share issues have the following fair values at grant date: B Ordinary shares US \$35.60 per share, B2 Ordinary shares US \$7.80 per share and B3 Ordinary shares US \$27.80 per share.
- A total of 0.1 million E shares has been issued as at 31 December 2021 (97,647 shares issued during 2021). The fair value at grant date was determined to be US \$67.90 per share.

Based on the above, the Group recognized a share-based payment expense of US \$7.0 million in the year ended 31 December 2021 (2020: US \$4.0 million).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## 30. NON-CONTROLLING INTERESTS

The Group holds equity interests of less than 51% in the following companies where it exercises control:

	% shareholding
Element Doha LLC	24.5%
Al Futtaim Elements Material Technology Dubai LLC	49.0%
Exova Warringtonfire Middle East LLC	49.0%
Element (Saudi Arabia) Company Limited	50.0%
Warringtonfire Doha	49.0%

During 2021, the following entities approved and paid dividends: Element Doha LLC US \$1.1 million (2020: nil) and Element (Saudi Arabia) Company Limited US \$0.5 million (2020: nil) to its non-controlling interest.

The Group is exposed, or has rights, to variable returns from its involvement with the equity interests and has the ability to affect those returns through its power over the equity interests. Based on this, the Directors have determined that the Group has control over these equity interests and therefore consolidates them within the financial statements.

The Group has interests in joint venture arrangements in the following companies:

Name	Principal place of business or registration	Group ownership interest	Held by
BM Trada RKCA Certifications Private Limited	India	50%	BM TRADA Overseas Limited
FIRA – CMA Testing Services Limited	Hong Kong	50%	BM TRADA Overseas Limited
Standard BM TRADA Belgelendirme AS	Turkey	50%	BM TRADA Overseas Limited
BM TRADA RKCA Lanka Certifications (Private) Limited	Sri Lanka	50%	BM TRADA RKCA Certification Private Limited
Tianjin C-Kai BM TRADA Certification Company Limited	China	40%	BM TRADA Certification Limited

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## 31. EVENTS AFTER THE REPORTING DATE

On 25th January 2022, it was announced that Temasek has acquired a majority stake (subject to customary regulatory approvals) in the Element Group from Bridgepoint Group plc.

On the 29th March 2022, the undrawn facility available under the Senior Facilities Agreement (Note 22), has reduced to US \$48.6 million as a result of a further drawdown of US \$36 million from the capex/acquisition facilities.

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

## 32. 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.

Bridgepoint Advisers Limited and Temasek International (Europe) Limited are entitled to a fee related to board services. Total monitoring fees of US \$0.5 million (2020: US \$0.5 million) were incurred in the year.

Remuneration to key management personnel is disclosed in note 10. The key management personnel are directors and non-executive directors of the Company. The remuneration of non-executive directors comprises fees for services, and benefits primarily related to their directorships. Other than those disclosed in note 10, no loans, advances or guarantees have been provided on behalf of any Director.

## 33. COMMITMENTS AND CONTINGENT LIABILITIES

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

At 31 December 2021, the Group has a US \$13.4 million (2020: US \$13.0 million), and a US \$11.0 million (2020: nil) letter of credit outstanding.

The Group is involved in a number of claims and an investigation in relation to advisory services, in the Built Environment end-market, provided in the ordinary course of its business. Therefore, the Group has contingent liabilities, in respect of these matters and outflows of cash are possible. At this time, any potential liability cannot be reliably estimated, nor the timing of possible outflows be determined, as the Group is not yet in receipt of all the relevant information for these matters. The Group and the Directors expects that insurance cover in place will mitigate any potential impact of cash out flows in relation to some of these matters. It is not currently possible to reliably estimate the quantum of any such contingent assets.

Capital commitments of the Group as at 31 December 2021 is US \$13.6 million (31 December 2020: US \$5.9 million).



# COMPANY STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

	Note	2021 US \$million	2020 US \$million
<b>Non-current assets</b>			
Investments in subsidiaries	e	224.7	224.7
Investments in joint ventures		0.5	-
Amounts receivable from Group companies	f	924.4	914.2
		<b>1,149.6</b>	<b>1,138.9</b>
<b>Non-current liabilities</b>			
Amounts owed to Group companies		(47.4)	(46.2)
		<b>(47.4)</b>	<b>(46.2)</b>
<b>Net assets</b>		<b>1,102.2</b>	<b>1,092.7</b>
<b>Equity</b>			
Share capital	g	0.1	0.1
Share premium	g	793.7	793.7
Retained earnings		308.4	298.9
<b>Total shareholders' equity</b>		<b>1,102.2</b>	<b>1,092.7</b>

The Company's profit after tax for the year ended 31 December 2021 was US \$9.5 million (2020: US \$62.6 million).

The financial statements of Element Materials Technology Limited (Company registration number 09915810) were approved by the Board of Directors and authorized for issue on 31 March 2022. They were signed on its behalf by:



Thomas Fountain  
Director  
31 March 2022

# COMPANY STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2021

	Share capital	Share premium	Treasury shares	Total US \$million
As at 1 January 2020	0.1	793.7	236.3	1,030.1
Total Comprehensive profit	-	-	62.6	62.6
<b>As at 31 December 2020</b>	<b>0.1</b>	<b>793.7</b>	<b>298.9</b>	<b>1,092.7</b>
Total Comprehensive profit	-	-	9.5	9.5
<b>As at 31 December 2021</b>	<b>0.1</b>	<b>793.7</b>	<b>308.4</b>	<b>1,102.2</b>

The notes on the following pages form part of these financial statements.

# NOTES TO THE COMPANY FINANCIAL STATEMENTS

## A) ACCOUNTING POLICIES

### (i) Basis of accounting

These financial statements have been prepared on a going concern basis and under the historical cost convention in accordance with the Companies Act 2006 and applicable FRS 101 "Reduced Disclosure Framework". As permitted by section 408 of the Companies Act 2006, no separate statement of profit or loss account is presented for the Company.

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to the presentation of a statement of profit or loss, statement of cash-flow, financial instruments, standards not yet effective, impairment of assets and related party transactions. Where required, equivalent disclosures are given in the Group accounts of Element Materials Technology Limited.

#### Going concern

The company's future viability is ultimately dependent on the performance of the wider trading group owned by the company's ultimate holding company, Element Materials Technology Group Limited ("Element"), and group management's decisions on the flow of capital. The Directors have carried out a review, including consideration of appropriate forecasts and sensitivities, which indicates that the company will have adequate resources to continue to trade for the foreseeable future.

A full description of the Group's business activities, financial position, cash flows, liquidity position, committed facilities and borrowing position, together with the factors likely to affect its future development and performance, is set out in the Strategic Report, including the Financial Review, in note 2.3 and in note 22 to the financial statements.

The financial statements of the Company have been prepared on a going concern basis. The directors have a reasonable expectation that the Company has access to adequate resources to continue in operational existence for the foreseeable future. The Company has a net asset position of US \$1,102.2 million. The Directors considered going concern status of Element Materials Technology Limited and on the basis that this company is a holding company for the Group's operating entities, going concern assumptions and sensitivities discussed in this annual statement are applicable from a standalone company perspective. On that basis, the Directors are satisfied that the Company is a going concern from the date of signing these accounts to 30 June 2023.

### (ii) Investments

Investments are stated at cost less provision for impairment.

### (iii) Other Receivables

Other receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less allowance. The Company applies IFRS 9 to measure expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets.

### (iv) Dividends

Dividend income from investments is recognized when received.

Final dividend distributions are recognized in the Company's financial statements in the year 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 10 of the Consolidated Group Financial Statements. The Company has no employees.

### c) Related parties

The Company has taken advantage of the exemptions contained within paragraphs 8 (j) and (k) of FRS 101, and has not disclosed transactions entered into with wholly owned group companies or key management personnel. There were no other related party transactions in the period (2020: nil).

# NOTES TO THE COMPANY FINANCIAL STATEMENTS (CONTINUED)

## A) ACCOUNTING POLICIES (CONTINUED)

### d) Auditor's remuneration

Fees payable to Ernst & Young LLP for the audit of the Company's financial statements were borne by other companies within the Group and disclosed in Note 7 of the Consolidated Group Financial Statements. Fees payable in the prior year were also borne by other companies within the Group. There were no non-audit services provided to the Company during the year (2020: nil).

### e) Investments in subsidiaries

	2021 US \$million	2020 US \$million
Investments	224.7	224.7
	<b>224.7</b>	<b>224.7</b>

The investment relates to direct holdings in EMT 2 Holdings Limited. Details of the subsidiaries directly and indirectly held by the Company are included in Appendix 1.

### f) Amounts receivable from Group companies

	2021 US \$million	2020 US \$million
Amounts owed by Group companies	924.4	914.2

This amount relates to one intercompany loan that Element Materials Technology Limited holds with EMT 2 Holdings Limited. This loan is a US \$924.4 million (2020: US \$914.2 million) receivable. The interest rate accruing on this loan is 11% and the loan is repayable on 22 March 2026.

### g) Share capital and share premium

#### Share capital

Type	Nominal value	2021 Issued number	2021 Total US \$	2020 Issued number	2020 Total US \$
Ordinary	0.0001	793,748,095	79,375	793,748,095	79,375
<b>As at 31 December</b>		<b>793,748,095</b>	<b>79,375</b>	<b>793,748,095</b>	<b>79,375</b>

	2021 \$'000	2020 \$'000
Authorized, issued and fully paid, as at 31 December	79	79

### h) Events after the reporting date

No significant events have occurred after 31 December 2021 other than those disclosed in the consolidated group financial statements.

### i) Ultimate holding company and controlling party

The immediate parent undertaking is EMT Finance 2 Limited, which is incorporated in England and Wales, United Kingdom. Element Materials Technology Group Limited is the ultimate holding company and the largest group for which Group accounts are prepared. Element Materials Technology Limited is the smallest group for which consolidated financial statements are prepared which includes the company. The ultimate controlling party of Element Materials Technology Group Limited is Bridgepoint Europe V Fund, which is in turn managed by Bridgepoint Advisers Limited, a company incorporated in England. Copies of the Group financial statements including the company are available from Companies House, Crown Way, Cardiff CF14 3UZ.

# NOTES TO THE COMPANY FINANCIAL STATEMENTS (CONTINUED)

## APPENDIX 4. SUBSIDIARIES AND ASSOCIATED COMPANIES

The Group's and Company's subsidiaries are listed below. All of these subsidiary undertakings are controlled by Element Materials Technology Group Limited and were consolidated at 31 December 2021 in the Group accounts.

<b>Name</b> <b>Continuing businesses</b>	<b>Country of incorporation or registration</b>	<b>Proportion Held</b>	<b>Activity</b>	<b>Registered Address</b>
Agrius Group, LLC	United States	100%	Testing	1209 Orange Street, Wilmington DE 19801
Analytical Lab Group, LLC	United States	100%	Holding Company	1209 Orange Street, Wilmington DE 19801
Aviary Acquisition Sub Inc.	United States	100%	Holding Company	1209 Orange Street, Wilmington DE 19801
Avomeen, LLC	United States	100%	Testing and inspection operations	4840 Venture Drive, Ann Arbor MI 48108
BM TRADA Certification North America Inc.	United States	100%	Testing	820 Bear Tavern Road, Mercer County, West Trenton NJ 08628
Cascade Methods, LLC	United States	100%	Dormant	780 Commercial Street SE, Suite 100, Salem OR 97301
Chemvent, LLC	United States	100%	Testing	2479 Woodview Lane, Ann Arbor MI 48108
CS USA Corporation	United States	100%	Certification	601 SW Second Ave Ste 2100, Portland OR 97204
CTS MC Inc.	United States	100%	Certification	251 Little Falls Drive, Wilmington, Delaware, 19808
Element Materials Technology Aerospace US LLC	United States	100%	Testing	1209 Orange Street, Wilmington DE 19801
Element Materials Technology Boston-Acton Inc.	United States	100%	Testing	155 Federal Street, Suite 700, Boston MA 02110
Element Materials Technology Broken Arrow, LLC	United States	100%	Testing and inspection operations	1833 South Morgan Road, Oklahoma City OK 73128
Element Materials Technology Chicago LLC	United States	100%	Testing	334 North Senate Avenue, Indianapolis IN 46204
Element Materials Technology Cincinnati Inc.	United States	100%	Testing and inspection operations	4400 Easton Commons Way, Suite 125, Columbus OH 43219
Element Materials Technology Cleveland - Middleburg Heights Inc.	United States	100%	Testing	4400 Easton Commons Way, Suite 125, Columbus OH 43219
Element Materials Technology Cleveland Inc.	United States	100%	Testing and inspection operations	160 Mine Lake Court, Suite 200, Raleigh NC 27615
Element Materials Technology Dallas Inc.	United States	100%	Testing and inspection operations	19111 Dallas Parkway Suite 320, Dallas TX 75287
Element Materials Technology Detroit LLC	United States	100%	Testing and inspection operations	40600 Ann Arbor Road, East Suite 201, Plymouth MI 48170
Element Materials Technology Food US LLC	United States	100%	Certification	1209 Orange Street, Wilmington DE 19801
Element Materials Technology Fort Wayne LLC	United States	100%	Testing and inspection operations	334 North Senate Avenue, Indianapolis IN 46204

# NOTES TO THE COMPANY FINANCIAL STATEMENTS (CONTINUED)

## APPENDIX 1. SUBSIDIARIES AND ASSOCIATED COMPANIES (CONTINUED)

<b>Name</b> <b>Continuing businesses</b>	<b>Country of incorporation or registration</b>	<b>Proportion Held</b>	<b>Activity</b>	<b>Registered Address</b>
Element Materials Technology Group US Holdings Inc.	United States	100%	Holding Company	1209 Orange Street, Wilmington DE 19801
Element Materials Technology Hartford Inc.	United States	100%	Testing	One Constitution Plaza, Hartford CT 06103-1919
Element Materials Technology Holding USA Inc.	United States	100%	Holding Company	1209 Orange Street, City of Wilmington, County New Castle DE 19801
Element Materials Technology Houston LLC	United States	100%	Testing and inspection operations	160 Mine Lake Court, Suite 200, Raleigh NC 27615
Element Materials Technology Huntington Beach LLC	United States	100%	Testing and inspection operations	160 Mine Lake Court, Suite 200, Raleigh NC 27615
Element Materials Technology Jupiter LLC	United States	100%	Testing and inspection operations	1200 South Pine Island Road, Plantation FL 33324
Element Materials Technology Lafayette, LLC	United States	100%	Testing and inspection operations	3867 Plaza Tower Drive, Baton Rouge LA 70816
Element Materials Technology Life Sciences LLC	United States	100%	Certification	1209 Orange Street, Wilmington DE 19801
Element Materials Technology Los Angeles LLC	United States	100%	Testing and inspection operations	330 N Brand Blvd., Glendale CA 91203-2336
Element Materials Technology Minneapolis - Eagan Inc.	United States	100%	Testing and inspection operations	1209 Orange Street, Wilmington DE 19801
Element Materials Technology Minneapolis Inc.	United States	100%	Testing and inspection operations	1010 Dale Street North, Saint Paul MN 55117
Element Materials Technology Minneapolis LLC	United States	100%	Testing and inspection operations	1010 Dale Street North, Saint Paul MN 55117
Element Materials Technology New Berlin Inc.	United States	100%	Testing and inspection operations	301 S Bedford Street, Suite 1, Madison WI 53703
Element Materials Technology Oakland - Concord Inc.	United States	100%	Testing and inspection operations	1285 Corporate Center Drive, Suite 110, Eagan MN 55121
Element Materials Technology Pharma US LLC	United States	100%	Certification	1209 Orange Street, Wilmington DE 19801
Element Materials Technology Portland - Evergreen Inc.	United States	100%	Testing and inspection operations	780 Commercial Street SE, Suite 100, Salem OR 97301
Element Materials Technology Portland Inc.	United States	100%	Testing and inspection operations	780 Commercial Street SE, Suite 100, Salem OR 97301
Element Materials Technology St. Paul Inc.	United States	100%	Testing and inspection operations	160 Mine Lake Court, Suite 200, Raleigh NC 27615
Element Materials Technology Transportation US LLC	United States	100%	Testing	1209 Orange Street, Wilmington DE 19801
Element Materials Technology Wilmington Inc.	United States	100%	Testing	1209 Orange Street, Wilmington DE 19801
Element Materials Technology Wixom Inc.	United States	100%	Testing and inspection operations	306 West Main Street, Suite 512, Frankfort KY 40601
EMT Finance Inc.	United States	100%	Holding Company	1209 Orange Street, Wilmington DE 19801

# NOTES TO THE COMPANY FINANCIAL STATEMENTS (CONTINUED)

## APPENDIX 1. SUBSIDIARIES AND ASSOCIATED COMPANIES (CONTINUED)

<b>Name</b> <b>Continuing businesses</b>	<b>Country of incorporation or registration</b>	<b>Proportion Held</b>	<b>Activity</b>	<b>Registered Address</b>
Exova (US) Holdings Inc.	United States	100%	Holding Company	1209 Orange Street, Wilmington DE 19801
Exova, Inc.	United States	100%	Testing	1209 Orange Street, Wilmington DE 19801
Front Range Methods, LLC	United States	100%	Dormant	780 Commercial Street SE, Suite 100, Salem OR 97301
Greenrock Finance, Inc.	United States	100%	Holding Company	1209 Orange Street, Wilmington DE 19801
Herculean US Holdings, Inc.	United States	100%	Holding Company	1209 Orange Street, Wilmington DE 19801
Impact Analytical, Inc.	United States	100%	Testing	1940 N Stark Road, Midland MI 48641
Jones Microbiology Institute Inc.	United States	100%	Testing and inspection operations	400 E Court Avenue, Des Moines IA 50309
Linbob, LLC	United States	100%	Dormant	447 Center Street, Manchester CT 06040
McCloy Engineering, LLC	United States	100%	Dormant	4400 Easton Commons Way, Suite 125, Columbus OH 43219
Morel Ventures, LLC	United States	100%	Dormant	4400 Easton Commons Way, Suite 125, Columbus OH 43219
MRA Acquisition Corp.	United States	100%	Holding Company	1209 Orange Street, Wilmington DE 19801
Nanoscale Combinatorial Synthesis, Inc.	United States	100%	Testing and inspection operations	3800 North Central Avenue, Suite 460, Phoenix AZ 85012
PCAS-Nanosyn, LLC	United States	100%	Testing	1209 Orange Street, Wilmington DE 19801
Element Materials Technology Washington DC LLC (previously called PCTEST Engineering Laboratory, LLC)	United States	100%	Testing	1209 Orange Street, Wilmington DE 19801
PCTEST Holdings Inc.	United States	100%	Holding Company	1209 Orange Street, Wilmington DE 19801
Validation Resources, LLC	United States	100%	Testing	601 SW Second Ave Ste 2100, Portland OR 97204
Accusense Systems Limited**	United Kingdom	100%	Dormant	3rd Floor, Davidson Building, 5 Southampton Street, London, WC2E 7HA
Aerotech Inspection & NDT Limited	United Kingdom	100%	Testing	3rd Floor, Davidson Building, 5 Southampton Street, London, WC2E 7HA
Agile Five Ltd	United Kingdom	100%	Certification	3rd Floor, Davidson Building, 5 Southampton Street, London, WC2E 7HA
Anatune Limited	United Kingdom	100%	Certification	3rd Floor, Davidson Building, 5 Southampton Street, London, WC2E 7HA
Arch Sciences Group Limited***	United Kingdom	100%	Testing and inspection operations	3rd Floor, Davidson Building, 5 Southampton Street, London, WC2E 7HA

# NOTES TO THE COMPANY FINANCIAL STATEMENTS (CONTINUED)

## APPENDIX 1. SUBSIDIARIES AND ASSOCIATED COMPANIES (CONTINUED)

<b>Name</b> <b>Continuing businesses</b>	<b>Country of incorporation or registration</b>	<b>Proportion Held</b>	<b>Activity</b>	<b>Registered Address</b>
BM TRADA Certification Limited**	United Kingdom	100%	Dormant	3rd Floor, Davidson Building, 5 Southampton Street, London, WC2E 7HA
BM TRADA Group Limited**	United Kingdom	100%	Dormant	3rd Floor, Davidson Building, 5 Southampton Street, London, WC2E 7HA
BM TRADA Overseas Limited***	United Kingdom	100%	Holding Company	3rd Floor, Davidson Building, 5 Southampton Street, London, WC2E 7HA
Catalyst Environmental Limited**	United Kingdom	100%	Dormant	3rd Floor, Davidson Building, 5 Southampton Street, London, WC2E 7HA
CCB Evolution Limited**	United Kingdom	100%	Dormant	Chiltern House Stocking Lane, Hughenden Valley, High Wycombe, Buckinghamshire, HP14 4ND
Certifire Limited**	United Kingdom	100%	Dormant	3rd Floor, Davidson Building, 5 Southampton Street, London, WC2E 7HA
Chiltern International Fire Limited**	United Kingdom	100%	Dormant	3rd Floor, Davidson Building, 5 Southampton Street, London, WC2E 7HA
Crawford Scientific Holdings Limited	United Kingdom	100%	Holding Company	Rosewell House, 2A (1F) Harvest Drive, Newbridge, Midlothian, EH28 8QJ, Scotland
Crawford Scientific Limited	United Kingdom	100%	Testing	Rosewell House, 2A (1F) Harvest Drive, Newbridge, Midlothian, EH28 8QJ, Scotland
Element Materials Technology (Mexico) Ltd.***	United Kingdom	100%	Holding Company	3rd Floor, Davidson Building, 5 Southampton Street, London, WC2E 7HA
Element Materials Technology Aberdeen Ltd	United Kingdom	100%	Testing and inspection operations	3rd Floor, Davidson Building, 5 Southampton Street, London, WC2E 7HA
Element Materials Technology Aerospace UK Limited	United Kingdom	100%	Testing	3rd Floor, Davidson Building, 5 Southampton Street, London, WC2E 7HA
Element Materials Technology Cambridge UK Limited	United Kingdom	100%	Testing	3rd Floor, Davidson Building, 5 Southampton Street, London, WC2E 7HA
Element Materials Technology China Holding Limited	United Kingdom	100%	Holding Company	3rd Floor, Davidson Building, 5 Southampton Street, London, WC2E 7HA
Element Materials Technology Environmental UK Limited	United Kingdom	100%	Testing	3rd Floor, Davidson Building, 5 Southampton Street, London, WC2E 7HA
Element Materials Technology G.C. Ltd	United Kingdom	100%	Testing and inspection operations	3rd Floor, Davidson Building, 5 Southampton Street, London, WC2E 7HA
Element Materials Technology Group Holdings CC1 Limited***	United Kingdom	100%	Holding Company	3rd Floor, Davidson Building, 5 Southampton Street, London, WC2E 7HA
Element Materials Technology Group Holdings CC2 Limited***	United Kingdom	100%	Holding Company	3rd Floor, Davidson Building, 5 Southampton Street, London, WC2E 7HA
Element Materials Technology Group Holdings Limited***	United Kingdom	100%	Holding Company	3rd Floor, Davidson Building, 5 Southampton Street, London, WC2E 7HA
Element Materials Technology Hitchin Limited	United Kingdom	100%	Testing and inspection operations	3rd Floor, Davidson Building, 5 Southampton Street, London, WC2E 7HA



# NOTES TO THE COMPANY FINANCIAL STATEMENTS (CONTINUED)

## APPENDIX 1. SUBSIDIARIES AND ASSOCIATED COMPANIES (CONTINUED)

<b>Name</b> <b>Continuing businesses</b>	<b>Country of incorporation or registration</b>	<b>Proportion Held</b>	<b>Activity</b>	<b>Registered Address</b>
Element Materials Technology Holding UK Ltd	United Kingdom	100%	Holding Company	3rd Floor, Davidson Building, 5 Southampton Street, London, WC2E 7HA
Element Materials Technology Limited	United Kingdom	100%	Holding Company	3rd Floor, Davidson Building, 5 Southampton Street, London, WC2E 7HA
Element Materials Technology Oil & Gas UK Limited	United Kingdom	100%	Testing	3rd Floor, Davidson Building, 5 Southampton Street, London, WC2E 7HA
Element Materials Technology Shared Services Limited	United Kingdom	100%	Non-Trading	3rd Floor, Davidson Building, 5 Southampton Street, London, WC2E 7HA
Element Materials Technology Sheffield Ltd	United Kingdom	100%	Testing and inspection operations	3rd Floor, Davidson Building, 5 Southampton Street, London, WC2E 7HA
Element Materials Technology Warwick Ltd	United Kingdom	100%	Testing and inspection operations	3rd Floor, Davidson Building, 5 Southampton Street, London, WC2E 7HA
Element Materials Technology Wednesbury Limited	United Kingdom	100%	Testing	3rd Floor, Davidson Building, 5 Southampton Street, London, WC2E 7HA
EMC Projects Limited**	United Kingdom	100%	Dormant	3rd Floor, Davidson Building, 5 Southampton Street, London, WC2E 7HA
EMT 2 Holdings Limited***	United Kingdom	100%	Holding Company	3rd Floor, Davidson Building, 5 Southampton Street, London, WC2E 7HA
EMT FX EUR Limited***	United Kingdom	100%	Holding Company	3rd Floor, Davidson Building, 5 Southampton Street, London, WC2E 7HA
EMT FX GBP Limited**	United Kingdom	100%	Dormant	3rd Floor, Davidson Building, 5 Southampton Street, London, WC2E 7HA
EMT FX USD Limited**	United Kingdom	100%	Dormant	3rd Floor, Davidson Building, 5 Southampton Street, London, WC2E 7HA
Envirodat Limited	United Kingdom	100%	Testing and inspection operations	3rd Floor, Davidson Building, 5 Southampton Street, London, WC2E 7HA
Environmental Evaluation Limited**	United Kingdom	100%	Dormant	3rd Floor, Davidson Building, 5 Southampton Street, London, WC2E 7HA
Exova (UK) Limited	United Kingdom	100%	Holding Company	Lochend Industrial Estate, Queen Anne Drive, Newbridge, Midlothian, EH28 8LP
Exova 2014 Limited***	United Kingdom	100%	Testing	3rd Floor, Davidson Building, 5 Southampton Street, London, WC2E 7HA
Exova Group (UK) Limited***	United Kingdom	100%	Testing	3rd Floor, Davidson Building, 5 Southampton Street, London, WC2E 7HA
Exova Group Limited	United Kingdom	100%	Testing	3rd Floor, Davidson Building, 5 Southampton Street, London, WC2E 7HA
Exova Treasury Limited***	United Kingdom	100%	Non-Trading	3rd Floor, Davidson Building, 5 Southampton Street, London, WC2E 7HA

# NOTES TO THE COMPANY FINANCIAL STATEMENTS (CONTINUED)

## APPENDIX 1. SUBSIDIARIES AND ASSOCIATED COMPANIES (CONTINUED)

<b>Name</b> <b>Continuing businesses</b>	<b>Country of incorporation or registration</b>	<b>Proportion Held</b>	<b>Activity</b>	<b>Registered Address</b>
FIRA International Limited	United Kingdom	100%	Testing	3rd Floor, Davidson Building, 5 Southampton Street, London, WC2E 7HA
Firas Limited**	United Kingdom	100%	Dormant	3rd Floor, Davidson Building, 5 Southampton Street, London, WC2E 7HA
Friiscan Limited	United Kingdom	100%	Testing and inspection operations	3rd Floor, Davidson Building, 5 Southampton Street, London, WC2E 7HA
Greenrock Bidco Limited***	United Kingdom	100%	Holding Company	3rd Floor, Davidson Building, 5 Southampton Street, London, WC2E 7HA
Greenrock Midco Limited***	United Kingdom	100%	Holding Company	3rd Floor, Davidson Building, 5 Southampton Street, London, WC2E 7HA
Greenrock Topco Limited***	United Kingdom	100%	Holding Company	3rd Floor, Davidson Building, 5 Southampton Street, London, WC2E 7HA
Hall Analytical Laboratories Limited	United Kingdom	100%	Testing and inspection operations	3rd Floor, Davidson Building, 5 Southampton Street, London, WC2E 7HA
Insight N.D.T. Limited**	United Kingdom	100%	Dormant	3rd Floor, Davidson Building, 5 Southampton Street, London, WC2E 7HA
Jones Environmental Forensics Limited**	United Kingdom	100%	Dormant	3rd Floor, Davidson Building, 5 Southampton Street, London, WC2E 7HA
LCP Bidco Limited***	United Kingdom	100%	Holding Company	3rd Floor, Davidson Building, 5 Southampton Street, London, WC2E 7HA
Materials Engineering Research Laboratory Limited**	United Kingdom	100%	Dormant	3rd Floor, Davidson Building, 5 Southampton Street, London, WC2E 7HA
MERL Technology Limited**	United Kingdom	100%	Dormant	3rd Floor, Davidson Building, 5 Southampton Street, London, WC2E 7HA
MTS Pendar Limited***	United Kingdom	100%	Holding Company	3rd Floor, Davidson Building, 5 Southampton Street, London, WC2E 7HA
N.D.T. (Holdings) Limited***	United Kingdom	100%	Holding Company	3rd Floor, Davidson Building, 5 Southampton Street, London, WC2E 7HA
N.D.T. Limited	United Kingdom	100%	Testing and inspection operations	3rd Floor, Davidson Building, 5 Southampton Street, London, WC2E 7HA
Norton Straw Consultants Ltd	United Kingdom	100%	Testing	3rd Floor, Davidson Building, 5 Southampton Street, London, WC2E 7HA
TRaC EMC & Safety Limited**	United Kingdom	100%	Dormant	3rd Floor, Davidson Building, 5 Southampton Street, London, WC2E 7HA
TRaC Environmental and Analysis Ltd**	United Kingdom	100%	Dormant	3rd Floor, Davidson Building, 5 Southampton Street, London, WC2E 7HA
TRaC Global Limited**	United Kingdom	100%	Dormant	3rd Floor, Davidson Building, 5 Southampton Street, London, WC2E 7HA
TRaC Telecoms & Radio Limited**	United Kingdom	100%	Dormant	3rd Floor, Davidson Building, 5 Southampton Street, London, WC2E 7HA
TRADA Certification Limited**	United Kingdom	100%	Dormant	3rd Floor, Davidson Building, 5 Southampton Street, London, WC2E 7HA
TRADA Technology Limited**	United Kingdom	100%	Dormant	3rd Floor, Davidson Building, 5 Southampton Street, London, WC2E 7HA

# NOTES TO THE COMPANY FINANCIAL STATEMENTS (CONTINUED)

## APPENDIX 1. SUBSIDIARIES AND ASSOCIATED COMPANIES (CONTINUED)

<b>Name</b> <b>Continuing businesses</b>	<b>Country of incorporation or registration</b>	<b>Proportion Held</b>	<b>Activity</b>	<b>Registered Address</b>
U.K. First Limited**	United Kingdom	100%	Dormant	3rd Floor, Davidson Building, 5 Southampton Street, London, WC2E 7HA
Warrington Apt Laboratories Limited**	United Kingdom	100%	Dormant	3rd Floor, Davidson Building, 5 Southampton Street, London, WC2E 7HA
Warrington Certification Limited**	United Kingdom	100%	Dormant	Holmesfield Road, Warrington, Cheshire, WA1 2DS
Warrington Fire & Building Products UK Limited	United Kingdom	100%	Holding Company	3rd Floor, Davidson Building, 5 Southampton Street, London, WC2E 7HA
Warrington Fire Research Centre (London) Limited**	United Kingdom	100%	Dormant	3rd Floor, Davidson Building, 5 Southampton Street, London, WC2E 7HA
Warrington Fire Research Centre Limited**	United Kingdom	100%	Dormant	3rd Floor, Davidson Building, 5 Southampton Street, London, WC2E 7HA
Warrington Fire Research Consultants Limited**	United Kingdom	100%	Dormant	3rd Floor, Davidson Building, 5 Southampton Street, London, WC2E 7HA
Warrington Fire Research Group Limited	United Kingdom	100%	Holding Company	3rd Floor, Davidson Building, 5 Southampton Street, London, WC2E 7HA
Warringtonfire Consulting Limited	United Kingdom	100%	Testing	3rd Floor, Davidson Building, 5 Southampton Street, London, WC2E 7HA
Warringtonfire Testing and Certification Limited	United Kingdom	100%	Testing	3rd Floor, Davidson Building, 5 Southampton Street, London, WC2E 7HA
Western Technical Services Limited**	United Kingdom	100%	Dormant	3rd Floor, Davidson Building, 5 Southampton Street, London, WC2E 7HA
DEFIRE (ACT) PTY LTD	Australia	100%	Dormant	Unit 2, 409-411 Hammond Road, Dandenong VIC 3175
DEFIRE (NSW) PTY LTD	Australia	100%	Dormant	Unit 2, 409-411 Hammond Road, Dandenong South VIC 3175
DEFIRE (QLD) PTY LTD	Australia	100%	Dormant	Unit 2, 409-411 Hammond Road, Dandenong South VIC 3175
DEFIRE (WA) PTY LTD	Australia	100%	Dormant	Unit 2, 409-411 Hammond Road, Dandenong South VIC 3175
DEFIRE Holdings PTY LTD	Australia	100%	Holding Company	Unit 2, 409-411 Hammond Road, Dandenong South VIC 3175
Exova Certfire Pty Ltd	Australia	100%	Dormant	Unit 2, 409-411 Hammond Road, Dandenong VIC 3175
Warringtonfire Australia Pty Ltd	Australia	100%	Testing	Unit 2, 409-411 Hammond Road, Dandenong VIC 3175
Element Materials Technology Antwerpen N.V.	Belgium	100%	Testing and inspection operations	Herentalsebaan 406, 2160 Wommelgem
WFRGent NV	Belgium	100%	Testing	Ottergemsesteenweg-Zuid 711 Ghent, Flemish Region 9000
BM TRADA Certification Canada Inc	Canada	100%	Certification	398-2416 Main Street, Vancouver BC V5T 3E2
Element Materials Technology Canada Inc.	Canada	100%	Testing	2395 Speakman Drive, Mississauga ON L5K 1B3

# NOTES TO THE COMPANY FINANCIAL STATEMENTS (CONTINUED)

## APPENDIX 1. SUBSIDIARIES AND ASSOCIATED COMPANIES (CONTINUED)

<b>Name Continuing businesses</b>	<b>Country of incorporation or registration</b>	<b>Proportion Held</b>	<b>Activity</b>	<b>Registered Address</b>
Exova Property Holdings Inc	Canada	100%	Property Holding Company	2395 Speakman Drive, Mississauga ON L5K 1B3
Element Materials Technology ME Limited	Cayman Islands	100%	Holding Company	PO Box 309, Ugland House, Grand Cayman, KY1-1104
Warringtonfire Limited	Cayman Islands	100%	Dormant	PO Box 309, Ugland House, Grand Cayman, KY1-1104
Element Materials Technology (Shanghai) Co., Ltd.	China	100%	Testing and inspection operations	1st Floor, Building No. 7, No. 398 Songying Road, Qingpu District, Shanghai
Element Materials Technology (Suzhou) Co., Ltd.	China	100%	Testing	No. 39 Qiming Road, Shengpu Town, Suzhou Industrial Park, Suzhou, Jiangsu Province
Element Materials Technology Shenzhen Ltd	China	100%	Testing	B818, Languang Technology Park, No. 7 Xinxu Road, High-tech Industrial Park, Nanshan, Shenzhen, 518000
Element Metech Measurement Technology Services (Tianjin) Co., Ltd.	China	100%	Testing	Room 1719, 17F, C1, TEDA MSD, No.79 First Avenue, TEDA, Tianjin, 300457
Tianjin C-Kai BM TRADA Certification Company Limited-	China	40%	Certification	Room 708, Suite F Hai Tai Plaza, No.8 Hua Tian Road, Tianjin , Hua Yuan Industrial Zone
Element Materials Technology Pilsen s.r.o.	Czech Republic	100%	Testing	Podnikatelska 1184/39, Plzen, 301 00
Element Metech s.r.o.	Czech Republic	100%	Testing	Toužimská 767, Letňany, Praha 9, 19900
Element Metech A/S	Denmark	100%	Testing	Flyvestation, Karup, DK-7470, Herningvej 30, Karup
Element Metech Oy	Finland	100%	Testing	Kuormakuja, Nummela, 03100
Element Materials Technology France SAS	France	100%	Testing	3 Avenue André Marie Ampère, Zone d'Activité Commerciale du Perget , 31770, Colomiers
Element Materials Technology Toulouse SAS	France	100%	Testing	3 Avenue André Marie Ampère, Zone d'Activité Commerciale du Perget , 31770, Colomiers
Element Materials Technology Aalen GmbH	Germany	100%	Testing	Carl-Zeiss-Straße 17, 73431 , Aalen
Element Materials Technology Berlin GmbH	Germany	100%	Testing and inspection operations	Friedrich-Wohler-Str. 1, 12489, Berlin
Element Materials Technology Hamburg GmbH	Germany	100%	Testing and inspection operations	Tempowerking 11, 21079, Hamburg
Element Materials Technology Holding Germany GmbH	Germany	100%	Testing and inspection operations	Tempowerkring 11, D-21079, Hamburg
Element Materials Technology Straubing GmbH	Germany	100%	Testing and inspection operations	Gustav-Hertz-Strasse. 35, 94315, Straubing, Bavaria
Element Metech GmbH	Germany	100%	Testing	Hans-Bockler, Ring 9, D-22851, Norderstedt

# NOTES TO THE COMPANY FINANCIAL STATEMENTS (CONTINUED)

## APPENDIX 1. SUBSIDIARIES AND ASSOCIATED COMPANIES (CONTINUED)

<b>Name</b> <b>Continuing businesses</b>	<b>Country of incorporation or registration</b>	<b>Proportion Held</b>	<b>Activity</b>	<b>Registered Address</b>
KDK Kalibrierdienst Kopp GmbH	Germany	100%	Certification	In den Ziegelwiesen 25, 69168 , Wiesloch
Warringtonfire Frankfurt GmbH	Germany	100%	Testing	Industriepark, Hochst, Geb. C369, am Main, 65926 Frankfurt
Warringtonfire Holdings GmbH	Germany	100%	Holding Company	Industriepark, Hochst, 65926, Geb. C369, Frankfurt
Warringtonfire Consulting ME Limited	Guernsey	100%	Testing	PO Box 286, Floor 2 , Trafalgar Court, Les Banques , St Peter Port, GY1 4LY
Certifire (Hong Kong) Limited	Hong Kong	100%	Holding Company	Unit C, 18/F Infotech Centre, 21 Hung To Road, Kwun Tong, Kowloon
FIRA-CMA Testing Services Limited-	Hong Kong	50%	Testing	Room 1401-3 Yan Hing Centre, 9-13 Wong Chuk Yeung Street, Fo Tan, Shatin
Warringtonfire Certification and Inspection Hong Kong Limited	Hong Kong	100%	Dormant	Unit C, 18/F Infotech Centre, 21 Hung To Road, Kwun Tong, Kowloon
Warringtonfire Hong Kong Limited	Hong Kong	100%	Testing	Unit C, 18/F Infotech Centre, 21 Hung To Road, Kwun Tong, Kowloon
BM TRADA RKCA Certifications Private Limited-	India	50%	Certification	515 Tulsiani Chambers, Nariman Point, Mumbai, 400021, India
Metallurgical Services Private Limited	India	100%	Testing	Mehta House, Ashok Silk Mills Lane, Khatkopar (West), Mumbai, 40086
Apex Scientific Limited	Ireland	100%	Testing	Unit F12, Maynooth Business Campus, Maynooth, Co. Kildare, WR23R1H2
Element Materials Technology Ireland Limited	Ireland	100%	Testing	Unit D8, North City Business Park, North Road, Finglas, Dublin 11, D11Y267
Warringtonfire Consulting Ireland Limited	Ireland	100%	Testing	Unit D8, North City Business Park, North Road, Finglas, Dublin 11, D11 Y267
C.T.R. S.R.L.	Italy	100%	Testing	Via Visco 7/A, 35010, Limena (PD)
Element Materials Technology Milan S.r.l.	Italy	100%	Testing	Via della Pierina 9/11, 26013, Crema
Element Kamisu Japan (previous name PCTEST Japan)	Japan	100%	Testing and inspection operations	1797-8 Ohata, Kamisu-shi, Ibaraki-ken
PCTEST Korea Co., Ltd.	Republic of Korea	100%	Testing	13, Heungdeok 1-ro, Giheung-gu, Yongin-si, Gyeonggi-do
ADMATERIALS TECHNOLOGIES SDN. BHD.	Malaysia	100%	Testing	2C Jalan Giam, Taman Majidee, 80250 Johor Bahru, Johor
Exova (Malaysia) Sdn. Bhd.	Malaysia	100%	Testing	Suite 13.03, 13th Floor, Menara Tan & Tan, 207 Jalan Tun Razak, 50400 Kuala Lumpur
Element Materials Technology Monterrey, S. DE R.L. DE C.V.	Mexico	100%	Testing	Carretera Monterrey-Salttillo 3279 B, Privada de Santa Catarina, Santa Catarina, Nuevo Leon, C.P. 66367
Element Materials Technology Holding Netherlands B.V.	Netherlands	100%	Holding Company	Zekeringstraat 33, 1014 BV, Amsterdam

# NOTES TO THE COMPANY FINANCIAL STATEMENTS (CONTINUED)

## APPENDIX 1. SUBSIDIARIES AND ASSOCIATED COMPANIES (CONTINUED)

<b>Name</b> <b>Continuing businesses</b>	<b>Country of incorporation or registration</b>	<b>Proportion Held</b>	<b>Activity</b>	<b>Registered Address</b>
Element Materials Technology Rotterdam B.V.	Netherlands	100%	Testing and inspection operations	Sevillaweg 46, 3047 AL, Rotterdam
Herculean Testing Group B.V.	Netherlands	100%	Holding Company	Herikerbergweg 238, Luna Arena, 1101 CM, Amsterdam
Exova Metech AS	Norway	100%	Testing and inspection operations	Bygning 3, Fabrikkvegen 11, Raufoss, 2830
Element Materials Technology ME Limited LLC*	Oman	70%	Testing	Muscat Governorate/Bawshar/Ghala, PO Box 3552, PC 112
Element Doha LLC*	Qatar	24.50%	Testing	Street 46, Gate 16, Salwa Industrial Area, P.O. Box 23650
Warringtonfire Doha*	Qatar	49%	Testing	P.O. Box 24863, Doha
Element Saudi Arabia Company Limited*	Saudi Arabia	50%	Testing	Dammam, 2nd Industrial City, Road 76-27
Admaterials Technologies Pte. Ltd.	Singapore	100%	Testing	58 Sungei Kadut Loop, Prospa Industrial Building, Singapore, 729501
Element Materials Technology Singapore Pte. Ltd.	Singapore	100%	Testing	106 Tuas South Avenue 2, West Point Bizhub, 637158
Warringtonfire Singapore Pte. Ltd.	Singapore	100%	Testing	9 Raffles Place, #26-01 Republic Plaza, Singapore, 048619
Element Materials Technology South Africa Proprietary Limited*	South Africa	89.55%	Testing	Unit D2 and D5, 9 Quantum Road, Firgrove Business PA, Somerset West, Western Cape, 7130
Element Materials Technology Seville S.L.U.	Spain	100%	Testing	Wilburg y Orville Wright 1, Aeropolis, Seville, 41309, La Rinconada
BM TRADA RKCA Lanka Certifications (Private) Limited-	Sri Lanka	100%	Certification	No. 1041-2/1 Maradana Road, Borella, Columbo 8
CSM NDT Certification AB*	Sweden	80%	Testing	Artilleriplan 4 691, 50, Karlskoga
Element Materials Technology AB	Sweden	100%	Testing	Box 1340, 581 13, Linköping
Element Materials Technology Sweden Holdings AB	Sweden	100%	Holding Company	Box 1340, 581 13, Linköping
Element Metech AB	Sweden	100%	Testing	Box 1340, 581 13, Linköping
Standart BM TRADA Belgelendirme A.S. ~	Turkey	50%	Certification	CEVİZLİ MH, TUGAY YOLU CD, N.20/B OFİSİM İST, İŞM.K.7, MALTEPE, N.42
Al Futtaim Element Materials Technology Dubai L.L.C.*	United Arab Emirates	49%	Testing and inspection operations	Dubai Investments Park, P.O. Box 34924, Dubai
Exova Warringtonfire Middle East LLC*	United Arab Emirates	49%	Non-Trading	Dubai Investments Park, P.O. Box 34924, Dubai

# NOTES TO THE COMPANY FINANCIAL STATEMENTS (CONTINUED)

## APPENDIX 1. SUBSIDIARIES AND ASSOCIATED COMPANIES (CONTINUED)

\* These companies are treated as subsidiaries in the results of the Group as effective control over their operations exists, as described in the shareholder and management services agreements with the related parties.

\*\* For the year ending 31 December 2021 this subsidiary of the Group was entitled to exemption from audit under s480 of the Companies Act 2006 relating to subsidiary dormant companies.

\*\*\* For the year ending 31 December 2021, all the members of this subsidiary agreed to the audit exemption under section 479A of the Companies Act 2006 and have given a parent guarantee required under section 479C of the Companies Act 2006.

- These are companies where the Group exercises joint control.

## DIRECTORS AND ADVISORS

### DIRECTORS

**Neil MacLennan**

**Thomas Fountain**  
(appointed 16 March 2021)

**Ruth Prior**  
(resigned 16 March 2021, appointed 18 June 2021)

### COMPANY SECRETARY

**Neil MacLennan**

### REGISTERED OFFICE

3rd Floor Davidson Building,  
5 Southampton Street,  
London, England,  
United Kingdom,  
WC2E 7HA

### COMPANY REGISTRATION NUMBER

09915810

### AUDITOR

**Ernst and Young LLP**  
1 More London Place  
London  
SE1 2AF  
United Kingdom

### SOLICITORS TO THE GROUP

**Allen & Overy LLP**  
One Bishop Square  
London  
EC1 6AD

### PRINCIPAL BANKERS

**ING Bank N.V., London Branch**  
8-10 Moorgate, London EC2R 6DA  
United Kingdom







2021 Element Materials Technology Limited  
**Consolidated Financial Statements and Annual Report**

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