Company Registration No. 11371436 (England and Wales)

WARRINGTONFIRE TESTING AND CERTIFICATION LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

WARRINGTONFIRE TESTING AND CERTIFICATION LIMITED

COMPANY INFORMATION

Directors	William Winter Matthew Hopkinson Jonathan Lessimore
Secretary	Neil MacLennan
Company number	11371436
Registered office	3rd Floor Davidson Building 5 Southampton Street London WC2E 7HA United Kingdom
Auditor	Ernst & Young LLP 1 More London Place London United Kingdom SE1 2AF

WARRINGTONFIRE TESTING AND CERTIFICATION LIMITED

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WARRINGTONFIRE TESTING AND CERTIFICATION LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2020

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

Review of the business
Warringtonfire Testing and Certification Limited (the "Company") is part of a global network of laboratories with experts specialising in materials testing, product qualification testing and failure analysis. The Company is a wholly owned subsidiary of Warrington Fire & Building Products UK Limited.

The 2020 results were impacted by Covid-19, as can be seen in the comparative KPIs tabled below. The main impact was to revenue was within Q2 of 2020, when lockdown restrictions closed client sites, reducing testing requirements and preventing non-essential personnel from attending client sites to perform audits. However, the Company adapted to new ways of working quickly, and revenue recovered to pre-pandemic levels, and beyond, towards the end of the year. Operating profit was lower in 2020, due in part to one-off costs. The impact on profits due to the pandemic was in part off-set by receipt of furlough income from the UK government. Overall, the business achieved a positive outcome within both operating profit and profit before tax as reported within these financial statements.

The principal activity is to provide specialist fire testing and certification of both products and management systems.

Key performance indicators
The Directors monitor the Company's performance in a number of ways including key performance indicators. The key financial performance indicators for the period to 31 December 2020 are as follows:

	2020	**2019**
	£	**£**
Revenue	42,061,501	43,380,436
Operating profit	9,497,736	11,732,951
Total Shareholder's equity	37,779,842	28,291,013

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

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

Risk	Mitigating factor
Innovation and digitisation: The risk that new entrants or new ways of working could seriously disrupt the testing and certification sector.	Digitisation and novel ways of delivery to customers could in the longer term provide growth and position the Company well against its competitors. The Group (the "Group" being the whole group of companies, headed by Element Materials Technology Group Limited) has established new ways of working, to develop digital transformation strategies both externally and internally.
Prolonged pandemic impact: Prolonged impact and loss of revenue from risks the Company' ability to return to pre Covid-19 profitability levels in the short to medium term.	The Company has carried out a robust assessment of its financial position and in the event that revenues fail to recover to pre Covid-19 levels, the Company has support from the ultimate parent Company Element Materials Technology Group Limited to continue to operate as a going concern.
Loss of reputation due to quality issues: The Company is exposed to potential liabilities arising from quality issues in the provision of services.	The Company has quality control procedures and operational KPIs in place to mitigate this risk which are under constant review and subject to regular external audit by accreditation bodies and customers. Strict quality control measures as well as deployment of experienced quality control expertise enables the Company to maintain standard operating procedures.
Consolidation of customer base, competition and pricing pressure: Market consolidations and reduced customer base could lead to pressure in pricing.	The Company is improving its customer service, creating and expanding focused Key Accounts Management programmes and improving operational delivery and regularly monitoring performance against expectations.
Liquidity and cashflow: The Company is exposed to a range of financial risks, both internally and externally driven, such as non-repayment of debt or fluctuation in foreign exchange rates.	In order to ensure that sufficient funds are available to fund ongoing operations and future developments, Management regularly reviews the cash flow forecasts and financing arrangements of the business to ensure that there is sufficient funding in place. This includes reviews of the cash flow forecasts and operational performance of the entities from which the intercompany debt is due to monitor recoverability issues or the presence of indicators of impairment.
Business continuity: Failure to recruit or retain qualified personnel in key areas of the business may result in the Company failing to achieve its future growth aspirations.	The Company intends to continue investing in recruiting and retaining the best technical experts and ensuring that the management team and other highly skilled personnel are invested in the business. In addition, the Group performs background checks of potential employees joining Element to ensure people with appropriate and relevant skill sets are recruited. Retention of team members is a key deliverable for Management. A range of programmes are being delivered to help reduce employee turnover, including leader development programmes; succession planning for senior leaders; formal employee feedback opportunities; employee assistance programs; and investments to support improved communications and engagement.

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

In accordance with its risk management guidelines, the Company raises awareness of business risks at all operational management levels and encourages all management teams to assess and minimise risk. The Company's ultimate holding company, Element Materials Technology Group limited, ensures that appropriate insurance cover is in place for the Company and its subsidiaries in respect of customarily insured liabilities and claims. The risks are monitored by the Directors on a continual basis.

Corporate Responsibility: Section 172(1) Statement

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

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

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

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

<u>General confirmation of Directors duties</u>

The Directors are aware of their duty under s.172(1) of the Companies Act 2006 to act when making decisions, in the way they consider, in good faith, would most likely promote the Company's success for the benefit of its members as a whole, and in doing so have regards to:

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

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

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

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

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

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

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

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

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

The Company's approach to corporate responsibility is founded on Element's values: Integrity, Care and Progress. In 2020 corporate responsibility played a central role in ensuring we met stakeholder expectations and our commitment to conduct business responsibly and ethically to protect the health and safety of our team members, visitors and the communities in which we operate.

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

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

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

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

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

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

Corporate Responsibility: Section 172(1) Statement (continued)
The Company also considers s172(1) matters where appropriate as part of decision making.

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

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

Key Stakeholders	Principal decision	Impact on the business	Stakeholder considerations	Outcomes and actions
Employees, customers	How to manage changes in demand driven by Covid-19	Demand reduction, and changing customer needs	Requirement to adapt workforce to meet changing customer needs	Cost reduction and cashflow management, and after consulting with impacted employees and others, redundancy programmes.
Employees, customers, other external stakeholders	Ongoing suitability of Warrington test facilities	Site capacity and location	Requirement to invest capital to meet future demand, impact on workforce and existing location	Decision taken to relocate Warrington test facilities after spending time and money investigating the most appropriate way forward.
Employees, customers	Maintaining the health and safety of Company employees, and ensuring business continuity	Interrupted supply and employee team operating at reduced capacity	Prioritising health and mitigating risk of the spread of Covid-19 while continuing to support customers	Enhanced processes (such as remote working), restrictions put in place in respect of business travel, additional safety measures put in place to protect staff and customers.

These are examples of how the Directors have had regard to the s.172(1) Matters.

Approved by the Board and signed on its behalf by:

William Winter (May 5, 2022 23:01 GMT+1)

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William Winter
Director
Date: 5 May 2022

The Directors present their report and financial statements of Warringtonfire Testing and Certification Limited for the financial year ended 31 December 2020.

Principal activities
The Company's principal activity is to provide specialist fire testing and certification of both products and management systems.

Directors
The Directors who held office during the year and up to the date of signature of the financial statements were as follows:

Robert Veitch	(Resigned 24 November 2021)
William Winter	
Jonathan Lessimore	(Appointed 8 November 2021)
Matthew Hopkinson	(Appointed 18 December 2020)
Jo Wetz	(Resigned 28 October 2020)
Niall McCallum	(Resigned 9 October 2020)

Dividends
The Directors do not recommend payment of a dividend (2019 £nil).

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

Political contributions
The Company made no political donations and incurred no political expenditure during the year (2019: £nil).

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

Employee consultation
The Company places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on the various factors affecting the performance of the Company. This is achieved through formal and informal meetings, the Group's intranet and internet sites, and presentations for employees of the financial performance of the Group. Employee representatives are consulted regularly on a wide range of matters affecting their current and future interests.

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

The Directors believe that preparing the financial statements on the going concern basis is appropriate due to the continued financial support of the ultimate parent company, Element Materials Technology Group Limited ("Element"). The directors have received confirmation that Element will support the company as necessary and has the ability to do so to 30 June 2023.

This financial support is required as the Company is a participant in the Element Group cash pooling arrangement and therefore as a result, ultimately linked to the liquidity of the Group.

The Directors have, at the time of approving the financial statements, a reasonable expectation that the Company has 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 within note 1.2.

Streamlined Energy and Carbon Reporting (SECR)
The Company meets the qualifying criteria for compliance with Streamlined Energy and Carbon Reporting (SECR). The Company has chosen to disclose its electricity, gas and transport energy consumption within the consolidated Element Materials Technology Group Limited accounts.

Events after the reporting date
The triennial actuarial valuation of the TTL Chiltern defined benefit pension scheme as at 31 December 2019 was completed during 2021. Board meetings were held to approve documented outcomes were held on 30 September 2021. Relevant updates from this valuation are included within Note 20 to the financial statements.

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

In August 2021, the company entered into Agreements for Lease relating to the design and construction of two properties in a new business park in Warrington, in order to significantly increase capacity for the testing and certification businesses. Subject to the Landlord delivering the base builds in line with the Agreements for Lease, the Company will enter into separate 20-year leases on those properties..

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 Company, the results of those operations, or the state of affairs of the Company in future financial years.

Future developments
The Directors are not aware, at the date of this report, of any likely major changes in the Company's activities in the next year.

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

Statement of disclosure to auditor
Each of the persons who are Directors at the time when this Directors Report was approved has confirmed that:

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

Auditor reappointment

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

Approved by the Board and signed on its behalf by:

William Winter

William Winter (May 5, 2022 23:01 GMT+1)

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William Winter
Director
Date: 5 May 2022

DIRECTORS' RESPONSIBILITIES STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2020

The Directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), 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 period.

In preparing these 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.

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.

Opinion

We have audited the financial statements of Warringtonfire Testing and Certification Limited (the company) for the year ended 31 December 2020 which comprise the Statement of Profit or Loss and Other Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity and the related notes 1 to 26, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 101 "Reduced Disclosure Framework (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 31 December 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

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

Conclusions relating to going concern

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

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

Other information

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

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

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006
In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- *the strategic report and directors' report 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 company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or directors' report.

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

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 8, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the most significant are those that relate to the reporting framework (FRS 101 and the Companies Act 2006) and the relevant tax compliance regulations. In addition, we concluded that there are certain significant laws and regulations relating to health and safety, employee matters, environmental matters and anti-bribery and corruption practices across the various jurisdictions in which the company operates. In 2020 the company has also participated in government support schemes arising due to the COVID-19 pandemic and therefore is required to comply with the rules of these schemes;
- We understood how the company is complying with those frameworks by making enquiries of management including those responsible for legal and compliance procedures and the Company Secretary. We corroborated our enquiries through our review of board meeting minutes and consideration of the results of our audit procedures for the company;
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved a review of board minutes to identify any non-compliance with laws and regulations and enquiries of general counsel, those charged with governance and management. 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 company'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, reviewing documentation of the company's policies and procedures including the Code of Conduct and assessing whistleblowing incidences for those with a potential financial reporting impact. We also considered performance targets and whether they might influence management to override controls to manipulate revenue. As a result, we identified a fraud risk relating to inappropriate revenue recognition, specifically in relation to revenue cut-off. We considered the controls that the company has established to address the risk identified, or that otherwise prevent, deter or detect fraud and how senior management monitors those controls; and
- We designed our audit procedures to respond to the identified risk relating to revenue cut-off, including understanding the revenue process and timing of revenue recognition. We analysed pre and post year end revenue entries by account and day to determine unusual and material items for detailed testing. This testing involved obtaining evidence such as test certificates and invoices to determine whether the revenue was recognised in the appropriate year. We also reviewed credit notes raised post year end and sampled material items to obtain evidence supporting the transaction and recognition date. We also, as part of the overall response to the risk of fraud, performed journal entry testing using our journal analytics tool.

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

Use of our report

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

Ernst & Young LLP

Judith Smith (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London
Date: 6 May 2022

WARRINGTONFIRE TESTING AND CERTIFICATION LIMITED

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	Year ended 31 December 2020 £	Year ended 31 December 2019 £
Revenue	3	42,061,501	43,380,436
Cost of sales		(25,710,027)	(25,627,079)
Gross profit		16,351,474	17,753,357
Administrative expenses		(5,579,118)	(6,165,506)
Other operating income	4	616,864	145,100
Separately disclosed items	5	(1,891,484)	-
Operating profit	6	9,497,736	11,732,951
Finance costs	9	(227,109)	(224,748)
Profit before taxation		9,270,627	11,508,203
Taxation	10	(108,228)	(739,521)
Profit for the financial year		9,162,399	10,768,682
Other comprehensive income:			
Items that will not be reclassified to profit			
Actuarial gain / (loss) on defined benefit pension schemes		403,000	(2,511,000)
Deferred tax relating to items not reclassified	20	(76,570)	449,820
Total items that will not be reclassified to profit		326,430	(2,061,180)
Total other comprehensive gain / (loss) for the year		326,430	(2,061,180)
Total comprehensive gain / (loss) for the year		9,488,829	8,707,502

All results are generated from continuing operations.

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

WARRINGTONFIRE TESTING AND CERTIFICATION LIMITED

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2020

	Notes	2020 £	2019 £
Non-current assets			
Goodwill	11	19,299,909	19,299,909
Other intangible assets	11	3,477,710	4,502,615
Property, plant and equipment	12	4,250,006	3,971,148
Right of use assets	13	3,410,383	3,082,153
Deferred tax asset	18	-	175,403
		30,438,008	31,031,228
Current assets			
Trade and other receivables	15	29,252,848	15,746,601
Cash and cash equivalents	16	412,316	54
		29,665,164	15,746,655
Current liabilities			
Trade and other payables	17	16,819,010	11,078,109
Lease liabilities	13	231,650	250,096
		17,050,660	11,328,205
Net current assets		12,614,504	4,418,450
Total assets less current liabilities		43,052,512	35,449,678
Non-current liabilities			
Lease liabilities	13	2,614,153	2,803,013
Deferred tax liability	18	445	-
Retirement benefit obligations	20	1,151,000	3,221,000
Provisions	19	1,507,072	1,134,652
		5,272,670	7,158,665
Net assets		37,779,842	28,291,013

WARRINGTONFIRE TESTING AND CERTIFICATION LIMITED

STATEMENT OF FINANCIAL POSITION (CONTINUED)

AS AT 31 DECEMBER 2020

	Notes	2020 £	2019 £
Shareholder's equity			
Share capital	**21**	2	2
Share premium account	**22**	20,802,861	20,802,861
Retained earnings		16,976,979	7,488,150
Total shareholder's equity		37,779,842	28,291,013

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

The financial statements of Warringtonfire Testing and Certification Limited (registered number 11371436) were approved by the Board of Directors and authorised for issue on 5 May 2022 and were signed on its behalf by;

William Winter (May 5, 2022 23:01 GMT+1)

....

William Winter
Director
Date: 5 May 2022

Company Registration No. 11371436

WARRINGTONFIRE TESTING AND CERTIFICATION LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2020

	Share capital	Share premium account	Retained earnings	Total
	£	£	£	£
Period ended 31 December 2019:				
Balance at 1 January 2019	**2**	**20,802,861**	**(1,219,352)**	**19,583,511**
Year ended 31 December 2019				
Profit for the year	-	-	10,768,682	10,768,682
Other comprehensive income:				
Actuarial (loss) on defined benefit plans	-	-	(2,511,000)	(2,511,000)
Deferred tax effect of actuarial loss obligations	-	-	449,820	449,820
Total comprehensive income for the period	-	-	8,707,502	8,707,502
Balance at 31 December 2019	2	20,802,861	7,488,150	28,291,013
Profit for the year	-	-	9,162,399	9,162,399
Other comprehensive income:				
Actuarial gain on defined benefit plans	-	-	403,000	403,000
Deferred tax effect of actuarial gain	-	-	(76,570)	(76,570)
Total comprehensive income for the year	-	-	9,488,829	9,488,829
Balance at 31 December 2020	**2**	**20,802,861**	**16,976,979**	**37,779,842**

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

1 Accounting policies

Company information

Warringtonfire Testing and Certification Limited is a private limited company incorporated in England and Wales. The Company is domiciled in the UK and its registered office is 3rd Floor Davidson Building, 5 Southampton Street, London, England, United Kingdom, WC2E 7HA.

The principal activity is to provide specialist fire testing and certification of both products and management systems.

1.1 Basis of preparation

The Company meets the definition of a qualifying entity under Financial Reporting Standard 101 Reduced Disclosure (FRS 101) issued by the Financial Reporting Council. These financial statements were prepared in accordance with FRS 101 and the provisions of the Companies Act 2006.

The financial statements have been prepared under the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

As permitted by Section 400 of the Companies Act 2006, consolidated accounts have not been prepared as the Company is a wholly owned subsidiary of Warrington Fire & Building Products UK Limited. The parent company of the smallest group of which the Company is a member and for which group financial statements are prepared is Element Materials Technology Limited. The group financial statements of Element Materials Technology Limited are available to the public and can be obtained as set out in Note 26.

The accounting policies have been consistently applied throughout the current and prior year. The financial statements have been prepared on a going concern basis. The reasons for this are outlined in Note 1.2. The financial statements are presented in pounds sterling which is also the Company's functional currency.

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to:

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

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

1 Accounting policies (continued)

1.2 Going concern

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

The Company has, as at 31 December 2020, net assets of £37,779,842 (2019: £28,291,013). The Company has no external loans or borrowings or complex financial instruments as at 31 December 2020. The Company generated a profit after tax of £9,162,399 in the year ended 31 December 2020 (2019: Profit after tax of £10,768,682).

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 believe that preparing the financial statements on the going concern basis is appropriate due to the continued financial support of the ultimate parent company. The Directors have received confirmation that Element will support the company as necessary, and has the ability to do so, until the end of the period considered by the Directors in their going concern assessment, being the period from the date of approval of the Annual report and Financial Statements until 30 June 2023.

This financial support is required as the Company is a participant in the Element Group cash pooling arrangement and therefore as a result, ultimately relies on the liquidity of the Group.

The 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.

The Directors have chosen the period to 30 June 2023 to assess going concern because this is the end date of the period used for the going concern assessment of the Group headed by Element Materials Technology Group Limited, the ultimate parent, upon whose continued financial support the Company relies. In considering going concern status, the directors have considered the principal risks and uncertainties discussed in the strategic report and assessed the impact.

On 25 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.

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 costs inflation and the availability of mitigating actions including price increases and managing capital expenditure

1 Accounting policies (continued)

1.2 Going concern (continued)

The Directors have considered the potential impacts of the conflict in Ukraine the Group's 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.

1 Accounting policies (continued)

1.2 Going concern (continued)

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 $2.0 million undrawn ACF funds. The Group has a revolving credit facility ("RCF") of US $100.0 million of which, as of 28 February 2022 it has drawn down US $34.0 million leaving the remaining undrawn balance of US $41.6 million (including undrawn US $23.4 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 managements 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.

As a result of the Groupwide Going Concern assessment described above and the confirmation received that Element will support the company as necessary and has the ability to do so, to 30 June 2023, the Directors are satisfied that the Company has access to adequate resources to continue in operational existence for the foreseeable future and will be able to meet its liabilities as they fall due during the period from the date of approval of these financial statement to 30 June 2023.

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

1.3 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.

Goodwill is tested for impairment annually, or more frequently when there is an indication that it may be impaired. Any impairment loss for goodwill is recognised directly in the statement of profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent years.

1 Accounting policies (continued)

1.4 Intangible assets

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

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

Customer relationships	5 - 20 years
Computer software	1 - 4 years

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

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

1.5 Property, plant and equipment

Property, plant and equipment is stated at historical cost, less accumulated depreciation and impairment. The cost of property, plant and equipment is the purchase cost, together with any directly attributable costs. Depreciation is provided on all property, plant and equipment, 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%
Plant and machinery	6% - 33%

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

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

1 Accounting policies (continued)

1.6 Lease arrangements

The Company holds leases on assets used in the ordinary course of business. The Company recognises a right-of-use asset and a lease liability at the commencement date of the contract for all leases conveying the right to control the use of an identified asset for a period of time. The commencement date is the date on which a lessor makes an underlying asset available for use by a lessee.

All leases where the Company is the lessee (except for low-value lease arrangements and those with less than a 12 month duration) are recognised in the statement of financial position. A lease liability is recognised based on the present value of the future lease payments, and a corresponding right-of-use asset is recognised. The right-of-use asset is depreciated over the shorter of the lease term and 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 Company depreciates the right-of-use asset from the commencement date to the end of the lease term. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. These include:

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

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

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

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

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

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

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

1 Accounting policies (continued)

1.7 Investments in subsidiaries

Investments in subsidiaries are stated at cost less, where appropriate, provisions for impairment.

1.8 Impairment of non-financial assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, the Company makes an estimate of the asset's recoverable amount compared to the carrying value.

The recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use. Value in use is defined as the present value of future cash flows before interest and tax.

Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount through the Statement of Profit or Loss.

1.9 Trade and other receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance. The Company applies IFRS 9 to measure expected credit losses (ECL) which uses a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, trade receivables and contract assets are Grouped based on shared credit risk characteristics and the days past due. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same type of contracts. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables represented by trade receivables, other receivables, and cash and cash equivalents are measured at amortised cost, less any impairment.

1.10 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Where relevant, bank overdrafts are presented within Trade and other payables.

1.11 Trade and other payables

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

1 Accounting policies (continued)

1.12 Provisions

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

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting end date, taking into account the risks and uncertainties surrounding the obligation. Where 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 some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

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

1.13 Revenue from contracts with customers

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

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

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

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

1.14 Government assistance Covid-19 furlough income

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

1 Accounting policies (continued)

1.15 Employee benefit plans

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

The Company operated a defined benefit plan which required contributions to be made to a separately administered fund. The cost of providing benefits under the defined benefit plan is 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 recognised 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 recognised 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:

- service cost and gains and losses on curtailments and settlements;
- net interest expense or income; and
- re-measurement.

The first two components of defined benefit costs are presented within administrative expenses in the Statement of profit or loss. Curtailment gains and losses are accounted for as past-service costs.
Net interest expense or income is recognised within finance costs.

The retirement benefit obligation recognised in the Statement of financial position represents the deficit or surplus in the Company's defined benefit scheme. Any surplus resulting from this calculation is limited to the present value of economic benefits available in the form of refunds from the scheme or reductions in the future contributions to the scheme.

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

The retirement benefit obligation for the defined benefit plan operated by the Company at 31 December 2020 was £1.2m (2019: £3.2m).

1.16 Separately disclosed items

In order to present the performance of the Company 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 nature or size, in the opinion of the Directors, should be excluded from the other lines in the statement of profit or loss to provide readers with a clear and consistent view of the business performance of the Company.

The Directors define separately disclosed items as those expense and income items which fall into one or both of 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 is so material in size and 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).

1 Accounting policies (continued)

1.17 Finance costs

Defined benefit pension scheme interest is included in Finance Costs. In addition finance costs includes interest on lease liabilities and other finance costs which are recognised in profit or loss using the effective interest rate method.

1.18 Taxation

The tax charge represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on the taxable profit for the year. Taxable profit or loss differs from profit or loss as reported in the Statement of profit or loss because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Company's liability for current tax is measured at the effective tax rate.

Deferred tax

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

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.
The carrying amount of deferred tax assets is reviewed at the end of each reporting year and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

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

Current and deferred tax for the year

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

1 Accounting policies (continued)

1.20 Foreign currency translation

Foreign currency transactions are translated into the functional currency of the Company using the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the rates of exchange ruling at the Statement of Financial Position date. Differences arising on translation are charged or credited to the Statement of profit or loss.

1.21 Adoption of new and revised accounting standards

Standards and amendments effective for the year

The Company has adopted all the new and revised Standards and interpretations issued by the International Accounting Standards Board ("IASB") and International Financial Reporting Interpretations Committee ("IFRIC") of the IASB that are relevant to its operations and effective for accounting years covered by the financial statements. The adoption of these standards and interpretations does not have an impact on the financial statements of the Company:

- Amendment to IFRS 16 Leases Covid 19-Related Rent Concessions
- Amendments to IFRS 3 Business Combinations
- Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform
- Amendments to IAS 1 and IAS 8: Definition of Material
- Amendments to References to the Conceptual Framework in IFRS Standards

Standards, amendments and interpretations not yet effective

A number of amendments and interpretations have been issued that are not expected to have any material impact on the accounting policies and reporting. The Company has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

2 Critical accounting judgements and key sources of estimation

In the application of the Company's accounting policies which are described in note 1, the Directors are required to make 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 recognised in the year in which the estimate is revised if the revision affects only that year, or in the year of the revision and future periods if the revision affects both current and future periods.

2.1 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 Company's accounting policies and that have the most significant effect on the amounts recognised in financial statements.

(a) Separately disclosed items

In order to present the performance of the Company 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 nature or size, in the opinion of the Directors, should be excluded from the other lines in the statement of profit or loss to provide readers with a clear and consistent view of the business performance of the Company.

(b) Goodwill and other intangible assets

When the Company makes an acquisition, management determines initially whether any intangible assets should be recognised separately from goodwill, and the provisional amounts at which to recognise 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.

2.2 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) Taxation

At the balance sheet date, tax liabilities and assets are based on management's best estimate of the future amounts that will be settled. While the Company aims to ensure that the estimates recorded are accurate, the actual amounts could be different from those expected. The Company recognises deferred income tax assets for deductible temporary differences and tax loss carry forwards to the extent that it deems probable such assets will be recovered in the future. Further detail is provided in note 10

(b) Impairment of goodwill

Goodwill is tested annually for impairment or more frequently when there is an indication that it may be impaired. Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating unit to which goodwill has been allocated. The value in use calculation requires the Directors to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. The outbreak of the Covid-19 pandemic has increased the level of estimation uncertainty in relation to assumptions used in impairment assessments (e.g., cash flow projections, long-term growth, discount rates). Note 10 provides details of the carrying value of the assets at the year end.

The impairment assessment is based on a projected cashflow over a five-year period and the key assumptions utilised in the model are the discount rate and short-term average growth rate in the five-year period which were 13.5% and 12.1% respectively. In order for an impairment to be required the discount rate applied would need to be increased to 96.2% or the growth rate would need to show average declines in excess of 50%.

2 Critical accounting judgements and key sources of estimation (continued)

(c) Defined Benefit Pension Plan

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 Company 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 Company 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 is provided in note 20.

(d) Dilapidations provision

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

3 Revenue

Analysis of revenue by geography:

	2020	2019
	£	£
United Kingdom	34,611,316	34,038,269
Rest of Europe	4,284,384	5,702,241
Rest of World	3,165,801	3,639,926
	42,061,501	43,380,436

Set out below is the amount of revenue recognised from:

	2020	2019
	£	£
Amounts included in contract liabilities at the beginning of the year	4,322,781	3,875,169

The table below represents performance obligations, that have not yet been invoiced, at the end of the reporting period. This is total revenue, which is contractually due to the Company, subject to the performance of the obligations of the Company related to these revenues.

	2020	2019
	£	£
Amounts included in contract assets at the end of the year	81,230	289,145

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

4 Other operating income

	2020	2019
	£	£
Government assistance Covid-19 furlough income	525,740	-
Other operating income	91,124	145,100
	616,864	145,100

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

5 Separately disclosed items

	2020	2019
	£	£
Warrington site relocation	488,354	-
Post Brexit compliance costs	112,330	-
Providing support and input into a multi-party regulatory matter	1,200,171	-
Other	90,629	-
	1,891,484	-

6 Operating profit

Operating profit for the period is stated after charging/(crediting):

	2020	2019
	£	£
Amortisation of intangible assets (note 11)	1,037,295	1,013,853
Depreciation of property, plant and equipment (note 12)	655,235	611,809
Depreciation of right of use assets (note 13)	350,008	239,144
Government assistance Covid-19 furlough income (note 4)	(525,740)	-

7 Auditor's remuneration

Fees payable to Ernst & Young LLP for the audit of the Company were borne by other companies within the Group and disclosed in the consolidated financial statements of Element Materials Technology Group Limited, the ultimate parent. 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 (2019: £ nil).

8 Employees and directors

Employees

The average monthly number of persons (including executive directors) employed by the Company during the year was:

	2020	2019
Production and distribution	281	248
Administration	58	68
	339	316

	2020 £	2019 £
Wages and salaries	11,799,883	11,083,722
Social security costs	1,308,082	1,190,570
Pension costs	764,734	552,929
	13,872,699	12,827,221

**The 2020 wages and salary expense is shown net of the £525,740 received as Covid-19 support for employee costs*

Directors

The 5 directors who served during 2020 are also directors of a number of other group companies and do not consider it possible to identify the proportion of their remuneration relating to their roles as Directors of this company.

- The remuneration of 2 of these is included in the disclosure in the Element Materials Technology Limited financial statements.
- The remuneration of 3 of these was £763,008 for services to the Element Materials Technology Group as a whole, of which £393,921 (2019: 465,965) was paid through these financial statements.

There were no other short-term employee benefits in the year (2019: nil) and there were no retirement benefits accruing to Directors under pension schemes as at 31 December 2020 (2019: nil).

The amounts paid to the highest paid Director was £369,068 (2019: £255,817)

9 Finance costs

	2020 £	2019 £
Interest expense on lease liabilities	169,353	114,992
Defined benefit pension scheme interest	47,000	99,000
Other Interest payable	10,756	10,756
	227,109	224,748

10 Taxation

	2020	2019
	£	£
Current tax		
Withholding tax written off	8,950	10,465
Deferred tax		
Current year movement	10,233	714,069
Adjustment in respect of prior years	89,045	14,987
	99,278	729,056
Total tax charge in the Statement of profit or loss	108,228	739,521

The charge for the year can be reconciled to the profit per the Statement of Profit or Loss as follows:

	2020	2019
	£	£
Profit before taxation	9,270,627	11,508,203
Expected tax charge based on a corporation tax rate of 19%	1,761,419	2,186,558
Group relief (claimed) for nil consideration	(1,871,420)	(1,444,656)
Withholding tax written off	8,950	10,464
Adjustments in respect of prior years – deferred tax	89,045	14,988
Deferred tax rate change adjustment	(10,160)	(84,008)
Expenses not deductible for tax purposes	130,394	56,175
Taxation charge for the period	108,228	739,521
Income tax recognised directly in equity		
Deferred tax: defined benefit pensions obligation	76,570	(449,820)
Total tax charge/(credit)	76,570	(449,820)

At the Statement of financial position date, the Company had an unrecognised deferred tax asset of £nil (2019: £nil).

Factors that may affect future tax charges
The UK Budget 2021 announcements on 3 March 2021 included measures to support economic recovery as a result of the ongoing COVID-19 pandemic. These included an increase to the UK's main corporation tax rate to 25%, which is due to be effective from 1 April 2023. The Finance Bill 2021 was substantively enacted on 24 May 2021 and given Royal Assent on 10 June 2021. However as this was not substantively enacted at the balance sheet date this has not been reflected in the measurement of deferred tax balances at the period end. If the Company's deferred tax balances at the period end were remeasured at 25% this would result in a deferred tax credit of £141.

11 Goodwill and other intangibles

	Goodwill	Computer software	Customer relationships	Total
	£	£	£	£
Cost				
At 31 December 2019	19,299,909	383,746	5,216,626	24,900,281
Additions	-	12,390	-	12,390
At 31 December 2020	19,299,909	396,136	5,216,626	24,912,671
Amortisation and impairment				
At 31 December 2019	-	56,418	1,041,339	1,097,757
Charge for the year	-	76,059	961,236	1,037,295
At 31 December 2020	-	132,477	2,002,575	2,135,052
Carrying amount				
At 31 December 2020	19,299,909	263,659	3,214,051	22,777,619
At 31 December 2019	19,299,909	327,328	4,175,287	23,802,524

The customer relationships have a remaining amortisation period of 3.3 years (2019: 4.3 years) on a straight-line basis. There are no other individually material intangible assets.

12 Property, plant and equipment

	Buildings	Plant and machinery	Assets under construction	Total
	£	£	£	£
Cost				
At 1 January 2020	1,059,393	3,549,968	17,458	4,626,819
Additions	445,818	489,997	41,719	977,534
Disposals	-	(59,188)	-	(59,188)
Transfers	-	17,458	(17,458)	-
At 31 December 2020	1,505,211	3,998,235	41,719	5,545,165
Accumulated depreciation				
At 1 January 2020	51,603	604,068	-	655,671
Charge for the year	48,313	606,922	-	655,235
Disposals		(15,747)	-	(15,747)
At 31 December 2020	99,916	1,195,243	-	1,295,159
Net Book Value				
At 31 December 2020	1,405,295	2,802,992	41,719	4,250,006
At 31 December 2019	1,007,790	2,945,900	17,458	3,971,148

13 Lease arrangements

Right of use assets

	Property	Non-property	Total
Cost	**£**	**£**	**£**
At 31 December 2019	2,961,928	340,275	3,302,203
Additions	602,172	76,066	678,238
Expiry	-	(50,638)	(50,638)
At 31 December 2020	3,564,100	365,703	3,929,803
Accumulated depreciation			
At 31 December 2019	117,343	102,707	220,050
Charge for the year	193,420	156,588	350,008
Expiry	-	(50,638)	(50,638)
At 31 December 2020	310,763	208,657	519,420
Net book value			
At 31 December 2020	3,253,337	157,046	3,410,383
At 31 December 2019	2,844,585	237,568	3,082,153

Lease liabilities

Lease liabilities are classified based on the amounts that are expected to be settled within the next 12 months and after more than 12 months from the reporting date, as follows:

	Current		Non-current	
	2020	**2019**	**2020**	**2019**
	£	**£**	**£**	**£**
Property	139,165	131,111	2,543,524	2,682,688
Non-property	92,485	118,985	70,630	120,325
	231,650	250,096	2,614,154	2,803,013

	Within 1 year	2-5 years	5+ years	Total
Property	139,165	393,591	2,149,931	2,682,687
Non-property	92,485	70,632	-	163,117
Total	231,650	464,223	2,149,931	2,845,804

Interest expense

Interest expense on the lease liabilities recognised within finance costs was £169,353 (2019: £114,992).

14 Subsidiaries

Warringtonfire Testing and Certification Limited's shareholdings in subsidiary Companies are listed below. The carrying amount of these investments is £nil (2019: £nil).

Subsidiary undertaking	Registered Office	Country of incorporation	Principal activity	Percentage holding
Trada Technology Limited	3rd Floor Davidson Building, 5 Southampton Street, London, WC2E 7HA	UK	Dormant	100
Chiltern International Fire Limited	3rd Floor Davidson Building, 5 Southampton Street, London, WC2E 7HA	UK	Dormant	100
BM Trada Certification Limited	3rd Floor Davidson Building, 5 Southampton Street, London, WC2E 7HA	UK	Dormant	100

15 Trade and other receivables

	2020	2019
	£	£
Trade receivables	5,095,797	4,348,242
Amounts owed by group undertakings	23,796,773	10,776,356
Contract assets	81,230	289,145
Prepayments and other receivables	279,048	332,858
	29,252,848	15,746,601

No trade receivables fall due after more than one year. Amounts owed by group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand. Trade receivables are stated after expected credit loss of £414,073 (2019: £359,683). The total closing trade receivables and contract assets balances relate to contracts with customers.

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

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

16 Cash and cash equivalents

	2020	2019
	£	£
Cash at Bank denominated in GBP	412,316	-
Cash at Bank denominated in foreign currency	-	54
	412,316	54

17 Trade and other payables

	2020	2019
	£	£
Trade payables	2,056,240	1,367,236
Contract liabilities	6,663,747	4,322,781
Amounts owed to group undertakings	1,299,223	2,502,317
Cash at bank and in hand	-	23,935
Taxation and social security	4,141,936	882,295
Accruals and other payables	2,657,864	1,979,545
	16,819,010	11,078,109

Amounts owed to group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand. The total closing trade payables and contract liabilities balances relate to contracts with customers.

18 Deferred taxation

The following are the deferred tax liabilities and assets recognised by the Company and movements thereon during the current reporting year:

	Fixed Asset timing differences	Intangible asset timing differences	Retirement benefit obligation	Total
	£	£	£	£
Deferred tax asset/(liability) at 31 December 2019	314,682	(709,800)	570,521	175,403
Deferred tax movements in current				
Current year movement	142,948	99,129	(252,310)	(10,233)
Adjustment in respect of prior years	(66,095)	-	(22,950)	(89,045)
Recognised through SOCI		-	(76,570)	(76,570)
Deferred tax asset/(liability) at 31 December 2020	391,535	(610,671)	218,691	(445)

19 Provisions

	2020	2019
	£	£
Dilapidations	1,154,187	451,767
Environmental	352,885	352,885
Legal	-	330,000
	1,507,072	1,134,652

Movements on provisions:

	Dilapidations	Environmental	Restructuring	Legal	Total
	£	£	£	£	£
At 31 December 2018	441,011	352,885	35,228	-	829,124
Additions	10,756	-	-	330,000	340,756
Utilisation	-	-	(35,228)	-	(35,228)
At 31 December 2019	451,767	352,885	-	330,000	1,134,652
Additions	702,420	-	-		702,420
Utilisation	-	-	-	(330,000)	(330,000)
At 31 December 2020	1,154,187	352,885	-	-	1,507,072

	2020	2019
	£	£
Current	-	-
Non-current	1,507,072	1,134,652
	1,507,072	1,134,652

The dilapidations provision represents management's best estimate of restoration costs with respect to leased properties for which a present obligation exists and a reliable estimate can be made. As at 31 December 2020, the dilapidation provisions increased to £1,154,187 (2019: £451,767). The additional liability was recognised in the year as a result of a general increase in management's best estimate of which leases will lead to restoration expenditure. Given the nature of the provision, it is not possible to estimate the exact timing of cash flows but the lease liability maturity analysis in note 12 is indicative of the likely approximate timing of utilisation of the dilapidations provision.

The environmental provisions at 31 December 2020 and 2019 represent the present value of the estimated cost of restoration of the land on which the leased properties are situated, until expiry of the contractual lease terms. Lease term expiry is outlined as disclosed in Note 13.

20 Retirement benefit obligations

Defined contribution schemes

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an employee benefit expense in the statement of profit or loss as incurred. The Company made £764,734 contribution to defined contribution plans in the year to 31 December 2020 (£552,929 2019). At the year end, contributions of £104,474 (2019: £101,463) due in respect of the current reporting period had not been paid over to the scheme. These balances are reported within Trade and other payables, within Accruals and other payables.

Defined benefit schemes

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

The Company'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 unrecognised past service costs and the fair values of any plan assets are deducted.

Warringtonfire Testing and Certification became the principal employer of the TTL Chiltern Group Pension Scheme in place of Exova (UK) Limited, and the scheme was transferred on 1 December 2018. The assets of this scheme are administered by trustees in a fund independent from those of the Company 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 index-linked gilts or other inflation linked assets and 24.5% allocated to corporate bonds). This strategy reflects the Scheme's liability profile and the Trustees' and Company's attitude to risk.

The last funding valuation of the Scheme was as at 31 December 2016 and revealed a funding deficit of £22.6 million. Payment of monthly contributions of £147,000 was agreed, payable from 1 October 2018, increasing at a rate of 3% per annum each 1 January, ceasing on 31 December 2025 in line with the recovery plan dated 15 October 2018. From 1 December 2018, the Company took over responsibility for contributions.

20 Retirement benefit schemes (continued)

In addition, Scheme expenses, Pension Protection Fund Levies and insurance premiums are paid directly by the Company. Contributions to the Scheme are subject to review at future actuarial valuations and subsequent certification of a new schedule of contributions. The triennial actuarial valuation as at 31 December 2019 was completed during 2021. As anticipated by the Company and the Trustees, the outcome was an improvement compared to the 2016 actuarial valuation. These actuarial valuations are carried out in accordance with the requirements of the Pensions Act 2004 and so include deliberate margins of prudence. This contrasts with these accounting disclosures, which are determined using best estimate assumptions.

As part of the triennial actuarial valuation of the scheme completed during 2021, underlying membership data has been updated as at 31 December 2020. Pension commitments recognised in these financial statements have been calculated based on that updated membership data.

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 at 31 December 2020 is approximately 19 years (31 December 2019: 19 years).

Defined benefit schemes	**2020**	**2019**
The amounts recognised in the statement of profit or loss were as follows:	**£**	**£**
Net pension interest cost	47,000	99,000
Past service costs	50,000	-
	97,000	99,000

Net pension interest cost is included in net finance costs.

Actuarial losses are recognised directly in the Company statement of comprehensive income:

	2020	**2019**
	£	**£**
Actuarial gain / (loss)	403,000	(2,511,000)
Deferred tax effect of actuarial gain / (loss)	(76,570)	449,820
	326,430	(2,061,180)

Employer contributions

The Company made contributions of £1.8m in 2020 (2019: £5.8m, including a one-off funding deficit contribution of £4.0m which was paid in April 2019). The Company made contributions of £1.5m in 2021.

Pension liability for defined benefit schemes

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

	2020	**2019**
	£	**£**
Fair value of scheme assets	55,779,000	51,507,000
Present value of funded defined benefit obligations	(56,930,000)	(54,728,000)
Net liability in the statement of financial position	(1,151,000)	(3,221,000)

20 Retirement benefit schemes (continued)

The fair value changes in the scheme are shown below:

	Fair value of plan assets	Defined benefit obligation	
	2020	2020	Total
	£	£	£
As at 1 January 2020	51,507,000	(54,728,000)	(3,221,000)
Net interest cost	1,021,000	(1,068,000)	(47,000)
Actuarial gains / (losses)	4,190,000	(3,787,000)	403,000
Contributions by the employer	1,764,000	-	1,764,000
Benefits paid	(2,703,000)	2,703,000	-
Past service	-	(50,000)	(50,000)
As at 31 December 2020	55,779,000	(56,930,000)	(1,151,000)

	Fair value of plan assets	Defined benefit obligation	
	2019	2019	Total
	£	£	£
Transfer in from Exova (UK) Limited 1 December 2019	42,337,000	(48,712,000)	(6,375,000)
Net interest cost	1,257,000	(1,356,000)	(99,000)
Actuarial gains / (losses)	4,388,000	(6,899,000)	(2,511,000)
Contributions by the employer	5,764,000	-	5,764,000
Benefits paid	(2,239,000)	2,239,000	-
As at 31 December 2019	51,507,000	(54,728,000)	(3,221,000)

Composition of scheme assets in each category

	2020	2019
	£	£
Equities	26,954,000	26,457,000
Bonds	6,707,000	7,382,000
Property	8,927,000	8,474,000
Liability driven investment (LDI)	13,093,000	8,679,000
Cash	98,000	515,000
Fair value of scheme assets	55,779,000	51,507,000

The equities and bonds held are all quoted in active markets.

The actual return on scheme assets was as follows:	2020	2019
	£	£
Actual return	(4,190,000)	(4,388,000)

20 Retirement benefit schemes (continued)

The pension deficit was as follows:

Present value of funded defined benefit obligations	(56,930,000)	(54,728,000)
Fair value of scheme assets	55,779,000	51,507,000
Net defined benefit obligation	(1,151,000)	(3,221,000)

Principal actuarial assumptions:

	2020	**2019**
Discount rate	1.45%	2.0%
Inflation rate	2.75%	2.9%
Rate of salary increases	0.0%	0.0%
Life expectancy for pensioners at the age of 65 (years):		
Male	21.80	21.80
Female	23.70	23.70

Changes in significant assumptions and the impact on the defined benefit obligations are presented below.

Assumptions	**31-Dec 2020**	**31-Dec 2020**	**31-Dec 2019**	**31-Dec 2019**
	Increase by 0.25%	Decrease by 0.25%	Increase by 0.25%	Decrease by 0.25%
Inflation rate (RPI)	(1,500,000)	1,500,000	(1,500,000)	1,500,000
Discount rate	2,200,000	(2,200,000)	2,600,000	(2,600,000)
Rate of salary increase	n/a	n/a	n/a	n/a
	Increase by 1 year	Decrease by 1 year	Increase by 1 year	Decrease by 1 year
Assumed life expectancy at age 65	2,000,000	n/a	1,900,000	n/a

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.

21 Share capital

	2020	**2019**
	£	**£**
Issued and fully paid		
2 Ordinary shares of £1 each	2	2

22 Share premium account

	2020	2019
	£	£
At beginning of period	20,802,861	20,802,861
At end of period	20,802,861	20,802,861

On 1 December 2018, the former parent company, Exova (UK) Limited, contributed assets at book value in return for one share in the company creating the share premium account.

23 Commitments and contingent liabilities

Capital Commitments

At 31 December 2020, the Company had capital commitments as follows:

	2020	2019
	£	£
Contracted for but not provided	187,313	206,950

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

Contingent Liabilities

The company has given a guarantee in respect of the Senior Facilities Agreement (SFA) of Greenrock Midco Limited, another group company. At 31 December 2020, the Company along with a number of other group companies has jointly and severally guaranteed \$671.9m (2019: \$567.1m) which is secured by a charge on the Company's assets. Security will only be enforceable on the occurrence of an Event of Default as defined by the SFA.

The company is involved in a number of claims in relation to advisory services provided in the ordinary course of its business. Therefore, the company 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 company is not yet in receipt of all the relevant information for these matters.

24 Events after the reporting date

The triennial actuarial valuation of the TTL Chiltern defined benefit pension scheme as at 31 December 2019 was completed during 2021. Board meetings to approve documented outcomes were held on 30 September 2021. Relevant updates from this valuation are included within Note 20 to the financial statements.

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

In August 2021, the company entered into Agreements for Lease relating to the design and construction of two properties in a new business park in Warrington, in order to significantly increase capacity for the testing and certification businesses. Subject to the Landlord delivering the base builds in line with the Agreements for Lease, the Company will enter into separate 20-year leases on those properties.

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 Company, the results of those operations, or the state of affairs of the Company in future financial years.

25 Related party transactions

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

The Company is disclosing here transactions entered into with one partially owned group company. During the financial year to 31 December 2020, the Company purchased £369,719 from Warringtonfire Certification and Inspection Hong Kong.

There were no other related party transactions in the year (2019: nil)

26 Ultimate holding company and controlling party

The Company's immediate parent company is Warrington Fire & Building Products UK Limited, registered in England and Wales.

The parent company of the smallest group of which the Company is a member, and for which group financial statements are prepared, is Element Materials Technology Limited, a company incorporated in England and Wales.

Copies of the group financial statements of Element Materials Technology Limited can be obtained from Companies House, Crown Way, Cardiff, CF14 3UZ, United Kingdom. Element Materials Technology Limited's registered office address is 3rd Floor Davidson Building, 5 Southampton Street, London, United Kingdom, WC2E 7HA.

The ultimate parent undertaking of the largest Group which includes the Company and for which Group financial statements are prepared is Element Materials Technology Group Limited, a company incorporated in England and Wales. 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 and Wales.

Copies of the Group financial statements of Element Materials Technology Group Limited are available from Companies House, Crown Way, Cardiff, CF14 3UZ, United Kingdom. Element Materials Technology Group Limited's registered office address is 5 Fleet Place, London, EC4M 7RD, United Kingdom.