Company Registration No. SC070429 (Scotland)

EXOVA (UK) LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

EXOVA (UK) LIMITED

COMPANY INFORMATION

Directors	William Winter Stuart Maddison
Company number	SC070429
Registered office	Lochend Industrial Estate Queen Anne Drive Newbridge EH28 8LP United Kingdom
Auditor	Ernst & Young LLP 1 More London Place London SE1 2AF United Kingdom

EXOVA (UK) LIMITED

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EXOVA (UK) LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2020

The Directors present their report and financial statements of Exova (UK) Limited for the financial year ended 31 December 2020. This report has been prepared in accordance with the special provisions of Part 15 of the Companies Act 2006 relating to small companies. The Directors have taken advantage of section 414B whereby the Company is exempt from preparing a strategic report.

Principal activities

Exova (UK) Limited 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 Exova Group (UK) Limited.

The principal activity of the Company throughout the current and prior year was to operate as an intermediary holding company.

On 14 June 2017, a fire broke out at the Grenfell Tower block of flats in North Kensington in London causing 72 deaths. The Grenfell Tower Inquiry was created to examine the circumstances leading up to and surrounding the fire. Sir Martin Moore-Bick, the Chairman of the Public Inquiry, made clear in his Phase 1 Report that the fire was caused by the installation of a cladding system which did not meet the requirements of Building Regulations. Exova (UK) Limited provided fire safety advice to the Royal Borough of Kensington & Chelsea principally in 2012 and 2013 in the pre-tender phase of the proposed Grenfell Tower refurbishment. The cladding system, however, was chosen in a later stage in 2014, once the lead contractor had been appointed with overall responsibility for design, construction and compliance. Exova (UK) Limited was not part of the process of selecting the cladding nor was it responsible for designing, installing, or approving the system. Exova (UK) Limited is a core participant in the Grenfell Tower Public Inquiry and has and will fully support the inquiry as required.

During the year the company has impaired its investment in Metallurgical Services Pvt Ltd due to the deterioration in the performance of the business in 2020 and an associated tax liability identified during 2020 . The investment value has been impaired in full based on the expected sale proceeds from the ongoing disposal process.

Directors

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

William Winter	
Stuart Maddison	(Appointed 2 March 2022)
Robert Veitch	(Resigned 24 November 2021)
Gary Keenan	(Resigned 10 December 2020)

Dividends

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

Political contributions

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

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**
Cash flow, credit and liquidity risk	In order to ensure that sufficient funds are available to fund ongoing operations and future developments, management regularly reviews cash flow forecasts and financing arrangements of the business to ensure that there is sufficient funding in place.
Exchange rate risk	The Company continues to monitor the risks associated with the revaluation of investments and intercompany balances, and the impact that this has on the Statement of profit and loss and Statement of financial position. Monitoring activities include the assessment of cash requirements and loan arrangements in place and taking actions to move funds as appropriate.

Principal risks and uncertainties (continued)

Risk	Mitigating factor
Operational performance of the companies from which balances are be recoverable	Management regularly review the cash flow forecasts and operational performance of the companies in which the underlying investments are held to ensure that no recoverability issues or indicators of impairment are present. Management account for any recoverability issues or impairment identified appropriately where or if applicable.
Prolonged pandemic impact	The Company has carried out a robust assessment of its financial position and in the event that investment performance fails to recover to pre Covid-19 levels.
Legal claims and associated costs	Before ceasing trading on 1 December 2018, the Company provided testing, certification and consulting services. The Company is party to a number of legal actions and claims which have arisen in the ordinary course of its business. These matters relate to alleged quality and other service issues and could give rise to material legal claims and associated costs.

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 manage risk appropriately. 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.

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.

In considering going concern status, the Directors have considered the principal risks and uncertainties discussed in the directors' report and assessed the impact. The period considered by the Directors in their going concern assessment is the period from the date of approval of the Annual report and Financial Statements until 30 June 2023.

Following a strategic review by the ultimate parent company, Element Materials Technology Group Limited ("Element"), a number of non-core assets including Exova (UK) Limited, have been identified for future action including but not limited to potential transfer out of the group. In performing their going concern assessment, the Directors have therefore considered both the scenario in which the Company remains within the Element group, and the scenario in which a change of ultimate parent takes place before the end of the going concern period. The Company's future viability is ultimately dependent on the performance of the wider trading group owned by the company's ultimate holding company, and group management's decisions on the flow of capital or the performance of the group owned by a future ultimate parent because the Company is no longer active and therefore does not generate profits or cash inflows and may need to rely on parental support to meet liabilities as they fall due.

The Directors believe that preparing the financial statements on the going concern basis is appropriate due to the continued financial support of Element or a future owner. The Directors have received confirmation that Element will, or the identified potential new ultimate parent will support the company as necessary and have 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

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

The Directors have, at the time of approving the financial statements, a reasonable expectation that the Group and the Company have adequate resources for the Company 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 to the financial statements.

Events after the reporting date
Subsequent to the year end, the Company decided, in April 2021, to sell its Indian subsidiary, Metallurgical Services Pvt Ltd.

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 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.

This report has been prepared in accordance with the provisions applicable to small companies within Part 15 of the Companies Act 2006.

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 on 24 May 2022 and signed on its behalf by:

William Winter (May 31, 2022 12:43 GMT+1)

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William Winter
Director
Date: 31 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). 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 judgements 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.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF EXOVA (UK) LIMITED

Opinion

We have audited the financial statements of Exova (UK) Limited (the 'Company') for the year ended 31 December 2020 which comprise the statement of comprehensive income, the statement of financial position, the statement of changes in equity and the related notes 1 to 27, 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 Financial Reporting Standard 101 'Reduced Disclosure Framework' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2020 and of its loss 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 a period to 30 June 2023.

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

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

We have nothing to report 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 our audit:

- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Directors' Report has 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 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; or
- the Directors' were not entitled to prepare the financial statements in accordance with the small companies' regime and take advantage of the small companies exemptions in preparing the Directors' Report and from the requirement to prepare a strategic report.

Responsibilities of Directors'

As explained more fully in the Directors' responsibilities statement set out on page 4, 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 direct and indirect tax compliance regulation in the UK.
- 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 minutes of board meeting 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 those charged with governance, management and the Element group's general counsel. 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 considering the risk of management override through internal team meetings, meeting with management and review of the Element group's policies and procedures including the Group Code of Conduct. We considered the controls that the Element group has established to prevent, deter or detect fraud, and how senior management monitors these controls.
- We designed our audit procedures to include an overall response to the risk of fraud which involved journal entry testing and enquiries of management.

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

Use of our report

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

Ernst & Young L.L.P.

Cameron Cartmell (Senior Statutory Auditor)
For and on behalf of Ernst & Young LLP
London
1 June 2022

EXOVA (UK) LIMITED

STATEMENT OF PROFIT OR LOSS

FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	2020 £	Restated Note 1.19 2019 £
Revenue	3	-	67,775
Cost of sales		-	(119,286)
Gross profit/(loss)		-	(51,511)
Administrative expenses		10,675	821,342
Other operating income	4	109,600	-
Operating profit/(loss)		120,275	769,831
Investment impairment	5	(9,135,972)	-
Finance income	9	861,168	1,019,695
Finance costs	10	(565,825)	(1,565,045)
(Loss)/profit before taxation		(8,720,354)	224,481
Taxation	11	(339,672)	(84,297)
(Loss)/profit for the financial year		(9,060,026)	140,184

All results are generated from continuing operations.

There is no Statement of other comprehensive income as all income and expenses for the current period are included in the Statement of profit or loss above.

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

EXOVA (UK) LIMITED

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2020

	Notes	2020 £	Restated Note 1.19 2019 £
Non-current assets			
Property, plant and equipment	12	1,000,081	1,046,855
Right of use assets	13	1,536,663	192,660
Amounts owed by group undertakings	16	51,732,183	53,120,071
Investments	14	-	9,135,973
Deferred tax	21	202,445	472,927
		54,471,372	63,968,486
Current assets			
Other receivables	17	16,561,129	16,929,806
Cash and cash equivalents	18	148,649	125,151
		16,709,778	17,054,957
Current liabilities			
Other payables	19	7,474,345	6,361,040
Lease liabilities	13	415,908	433,884
Provisions	22	350,988	290,865
		8,241,241	7,085,789
Net current assets		8,468,537	9,969,168
Total assets less current liabilities		62,939,909	73,937,653
Non-current liabilities			
Amounts owed to group undertakings	20	22,225,462	23,920,057
Lease liabilities	13	1,833,343	2,045,591
Provisions	22	1,464,496	1,495,371
		25,523,301	27,461,019
Net assets		37,416,608	46,476,634

EXOVA (UK) LIMITED

STATEMENT OF FINANCIAL POSITION (CONTINUED)

AS AT 31 DECEMBER 2020

	Notes	2020 £	Restated Note 1.19 2019 £
Shareholder's equity			
Share capital	**24**	10,000	10,000
Retained earnings		37,406,608	46,466,634
Total equity		**37,416,608**	**46,476,634**

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

This report has been prepared in accordance with the special provisions of Part 15 of the Companies Act 2006 relating to small companies.

The financial statements of Exova (UK) Limited (registered number SC070429) were approved by the Board of Directors' and authorised for issue on 24 May 2022 and were signed on its behalf by

William Winter (May 31, 2022 12:43 GMT+1)

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William Winter
Director
Date: 31 May 2022

Company Registration No. SC070429

EXOVA (UK) LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	Share capital £	Restated Note 1.19 Retained earnings £	Restated Note 1.19 Total £
Balance at 1 January 2019		10,000	46,326,450	46,336,450
Year ended 31 December 2019:				
Total comprehensive profit for the year (restated)		-	140,184	140,184
Balance at 31 December 2019		10,000	46,466,634	46,466,634
Year ended 31 December 2020:				
Total comprehensive loss for the year		-	(9,060,426)	(9,060,026)
Balance at 31 December 2020		**10,000**	**37,406,608**	**37,416,608**

1 Accounting policies

Company information

Exova (UK) Limited is a private limited company incorporated in Scotland, is domiciled in the UK and its registered office is Lochend Industrial Estate, Queen Anne Drive, Newbridge, United Kingdom, EH28 8LP.

The principal activity of the Company throughout the current and prior year was to operate as an intermediary holding company.

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. These financial statements have been prepared in accordance with the special provisions of Part 15 of the Companies Act 2006 relating to small companies.

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 Exova Group (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 27.

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 because that is the currency of the primary economic environment in which the Company operates.

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 £37,416,608 (2019: net assets of £46,476,634). The Company has no external loans or borrowings or complex financial instruments as at 31 December 2020. The Company generated a loss after tax of £(9,060,026) in the year ended 31 December 2020 (2019: profit after tax of £140,184).

Following a strategic review by the ultimate parent company Element Materials Technology Group Limited ("Element"), a number of non-core assets including Exova (UK) Limited, have been identified for future action including but not limited to potential transfer out of the group. In performing their going concern assessment, the Directors have therefore considered both the scenario in which the Company remains within the Element group, and the scenario in which a change of ultimate parent takes place before the end of the going concern period. The Company's future viability is ultimately dependent on the performance of the wider trading group owned by the company's ultimate holding company, and group management's decisions on the flow of capital or the performance of the group owned by a future ultimate parent because the Company is no longer active and therefore does not generate profits or cash inflows and may need to rely on parental support to meet liabilities as they fall due.

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 currently relies.

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 or a future owner. The Directors have received confirmation that Element or the identified potential new ultimate parent will support the company as necessary, and have 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.

Scenario A – continued ownership within the Element 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 ultimate parent company directors have prepared a detailed trading budget and cash flow forecast for the going concern review period through to 30 June 2023

On 25 January 2022, it was announced that Temasek has acquired a majority stake (subject to customary regulatory approvals) in the Element Group from funds advised by 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 during the going concern period, 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.

1 Accounting policies (continued)

1.2 Going concern (continued)

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

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

The Directors have considered the potential impacts of the conflict in Ukraine on 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 the period to 30 June 2023, the Directors have a reasonable expectation that the Group will be able to continue in operation, will have adequate liquidity to trade, will be able to settle its liabilities as they fall due, and will 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 Q2-2022 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 of 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 31st March 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.

Scenario B – transfer of the Company outside the Element group during the going concern period

As noted above, following a strategic review by the ultimate parent company, a number of non-core assets including Exova (UK) Limited, have been identified for future action including but not limited to potential transfer out of the group. The Directors have reviewed the ownership structure in the event of a potential divestment and discussed the future plans for the Company with a director of the potential new ultimate parent and are satisfied that intercompany loans or receivables would be cash or asset settled and a new Letter of Support will be provided by its new parent. In assessing the strength of a Letter of Support from a new owner, the Directors have reviewed base case and sensitised worst case cash flow projections under a new ownership structure and are satisfied that the owner will have sufficient assets to meet liabilities of Exova (UK) Ltd falling due on or before 30 June 2023. The going concern assessment for Exova (UK) Limited included consideration of potential cash outflow in relation to contingent liability (net of insurance proceeds). However, these contingent liabilities cannot be reliably quantified, and, in any event, have a remote likelihood of falling due until after 30 June 2023 due to the timeline of the legal process.

Therefore, as a result of the Going Concern assessment described above in scenario A and the expectations of the future ownership structure and support under scenario B, 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 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 other than land, at rates calculated to write off the cost or valuation, less estimated residual value, of each asset on a straight-line basis over its expected useful life, as follows:

Buildings	2% - 5%
Plant and equipment	6% - 33%

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)

1.4 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) 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 or the useful life of the asset. Lease payments are apportioned between finance charges and a reduction of the lease liability.

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

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

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

The 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 property leases. 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.

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.

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

1 Accounting policies (continued)

1.5 Investments in subsidiaries

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

1.6 Amounts owed by group undertakings

Amounts owed by group undertakings are carried by the Company at original invoice amount less any allowance for any non-collectable or impaired amounts if applicable. The Directors consider that the carrying amount of amounts owed by group undertakings is approximately equal to their fair value. Amounts owed by group undertakings are loans to Group companies which are interest free and have no fixed repayment date. The entity uses the IFRS 9 expected credit loss ("ECL") model to measure loss allowances at an amount equal to their lifetime expected credit loss.

1.7 Other receivables

Other 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 other 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.

1.8 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 and 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

1.9 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 other payables.

1 Accounting policies (continued)

1.10 Amounts owed to group undertakings

Amounts owed to Group undertakings are recognised initially at fair value and subsequently measured at amortised cost where applicable, using the effective interest method. Any interest-bearing loans are recorded at proceeds received, net of direct issue costs.

1.11 Other payables

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

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 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 of such 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).

1.14 Finance income

Finance income consists of interest income. Interest income is recognised when it is probable that the economic benefits will flow through to the Company and the amount of income receivable can be reliably measured. Interest income is accrued on a timely basis, by reference to the principal outstanding and at the effective interest rate applicable.

1.15 Finance costs

Finance costs comprise interest expenses and foreign exchange losses. Finance costs are recognised in profit or loss using the effective interest rate method.

1 Accounting policies (continued)

1.16 Taxation

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

Current tax

The tax currently payable is based on taxable profit for the period. Taxable profit differs from profit as reported in the 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.

Deferred tax

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

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, except where the 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 period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

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

Current and deferred tax for the year

Current and deferred tax are 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.

1.17 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 Accounting policies (continued)

1.18 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 periods 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 IFRS7: 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.

1.19 Prior year restatement

Onerous lease provision

The comparative figures in the Statement of Profit or Loss, Statement of Financial Position and the Statement of Changes in Equity have been restated to correct and remove an £1,880,182 increase in an onerous lease provision that was reported in the 2019 financial statements. The error arose as the onerous nature of the lease had already been reflected in its valuation on transition to IFRS 16, and therefore the onerous lease provision recorded in the 2019 financial statements was not required. The value of administration costs previously reported has therefore been reduced by £1,880,182 in the Statement of Profit or Loss and reduced in the provisions on the Statement of Financial Position and in the Statement of Changes in Equity. This restatement has no tax impact on the Statement of Profit or Loss Account for this entity.

2 Critical accounting estimates and judgements

In the application of the Company's accounting policies which are described in note 1 the Directors' are required to make judgements (other than those involving estimations) that have a significant impact on the amounts recognised 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 judgements 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) Impairment of investments in subsidiaries

Critical judgement is applied when determining whether there are indicators of impairment in relation to investments in subsidiaries. In making this judgement the directors have considered external factors impacting the investments market and whether the investments carrying amount is higher than the carrying value of the investment.

(b) Legal contingent liabilities

The Company is subject to litigation and other claims in the ordinary course of its business. Judgement is required in assessing the likelihood of cash outflows arising as a result of such matters and the timing of any potential outflows. Management bases its judgement on the circumstances relating to each specific claim or instance of litigation, internal and external legal advice, knowledge of the industries and markets, prevailing commercial terms and legal precedent, and evaluation of applicable insurance cover where appropriate. The process of making judgements in respect of these matters around the timing of potential outflows of cash and the likelihood of payment are complex. The Company's litigation and other claims are reviewed, at a minimum, on a quarterly basis by executive management. Further detail is provided in notes 22.

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.

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

	2020	2019
	£	£
Revenue	-	67,775
	-	67,775

The Company no longer generates revenue from trade. Any income earned is classified as Other operating income.

4 Other operating income

	2020	2019
	£	£
Property rental income	109,600	-
	109,600	-

Rental income of £67,775 was disclosed within Revenue in the 2019 financial statements

5 *Investment impairment*

	2020	2019
	£	£
Impairment of investments in subsidiaries held for sale	9,135,972	-
	9,135,972	-

The company has impaired its investment in Metallurgical Services Pvt Ltd due to the deterioration in the performance of the business in 2020 and an associated tax liability identified during 2020 . The investment value has been impaired in full based on the expected sale proceeds from the ongoing disposal process initiated in April 2021, as noted in note 14.

6 Operating Profit/(loss)

	2020	2019
	£	£
Operating Profit/(loss) for the year is stated after charging:		
Depreciation of property, plant and equipment (note 12)	46,774	61,109
Depreciation of right of use assets (note 13)	489,951	306,712

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 Company does not have any employees (2019: none) and as such has incurred no personnel expenses in the year (2019: £18,546).

Directors

The Directors received no remuneration in respect of their services to the Company (2019: nil)

The 3 Directors who served during the year were 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 Warrington Fire Testing & Certification Limited financial statements, of which £nil was paid through these financial statements.
- The remuneration of 1 of these is included in Element Materials Technology ME Limited financial statements, of which £nil 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).

9 Finance income

	2020	2019
	£	£
Interest receivable on loans to Group undertakings	861,168	1,019,695

10 Finance costs

	2020	2019
	£	£
Other interest payable	380,897	1,296,636
Interest expense on lease liabilities	184,928	268,409
	565,825	1,565,045

11 Taxation

	2020	Restated Note 1.19 2019
	£	£
Current tax		
Previous year	-	(372,812)
	-	(372,812)
Deferred tax		
Current year	270,482	376,134
Previous year	-	52,609
	270,482	428,743
Withholding tax written off	69,190	28,366
Total tax charge	339,672	84,297

The charge for the year can be reconciled to the Profit / (loss) per the income statement as follows:

	2020	2019
	£	£
Profit / (Loss) before taxation	(8,720,354)	224,481
Expected tax charge / (credit) based on a corporation tax rate of 19%	(1,656,867)	42,652
Group relief claimed / (surrendered) for nil consideration	90,725	373,270
Withholding tax written off	69,190	28,366
Adjustment in respect of prior years	-	(320,203)
Impairment of investment	(1,735,835)	-
Deferred tax rate change adjustment	(53,747)	(44,251)
Expenses not deductible for tax purposes	154,537	4,463
Taxation charge for the year	339,672	84,297

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

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/group's deferred tax balances at the period end were remeasured at 25% this would result in* a £63,930 increase to the net deferred tax asset.

12 Property, plant and equipment

	Buildings	Plant and equipment	Total
	£	£	£
Cost			
At 31 December 2019	2,078,331	995,100	3,073,431
At 31 December 2020	2,078,331	995,100	3,073,431
Accumulated depreciation and impairment			
At 31 December 2019	1,031,476	995,100	2,026,576
Charge for the year	46,774	-	46,774
At 31 December 2020	1,078,250	995,100	2,073,350
Carrying amount			
At 31 December 2020	1,000,081	-	1,000,081
At 31 December 2019	1,046,855	-	1,046,855

13 Lease arrangements

Right of use assets	**Property**
Cost	**£**
At 31 December 2019	2,864,098
Additions	1,548,810
Expiry	(460,590)
At 31 December 2020	3,952,318
Accumulated depreciation	
At 31 December 2019	2,671,438
Reduction to Impairment Provision	(514,511)
Charge for the year	489,951
Expiry	(231,223)
At 31 December 2020	2,415,655
Net book value	
At 31 December 2020	1,536,663
At 31 December 2019	192,660

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	415,908	433,884	1,833,343	2,045,591
	415,908	433,884	1,833,343	2,045,591

	Within 1 year	**2-5 years**	**5+ years**	**Total**
Property	415,908	962,145	871,198	2,249,251
Total	415,908	962,145	871,198	2,249,251

Interest expense

Interest expense on the lease liabilities recognised within finance costs was £184,928 (2019: £268,409).

14 Investments in subsidiaries

	2020 £	2019 £
Investments in group undertakings	9,135,973	9,135,973
Impairment of investments	(9,135,973)	-
	-	9,135,973

Subsequent to the year end, the Company decided, in April 2021, to sell its Indian subsidiary, Metallurgical Services Pvt Ltd.

15 Subsidiaries

A list of the investments in subsidiaries and joint ventures, including the name, registered office, country of incorporation and proportion of ownership interest is given below.

Subsidiary undertakings	Registered office	Country of Incorporation	Principal activity	Percentage holding (%)
Metallurgical Services Private Limited	Mehta House, Ashok Silk Mills Lane, Khatkopar (West),Mumbai, 40086	India	Testing	100
Warringtonfire Doha LLC	P.O. Box 24863, Doha	Qatar	Testing	49

16 Amounts owed by group undertakings

	2020 £	2019 £
Amounts owed by group undertakings	51,732,183	53,120,071
	51,732,183	51,732,183

Amounts owed by group undertakings falling due after more than one year are loans to Group companies. The loans are interest bearing and have no fixed repayment date. A list of the counterparties and the interest rates applicable to each loan is below.

Legal entity name	Interest rate	2020 £	2019 £
Exova Treasury Limited	3m CAD LIBOR no margin	9,089,500	9,502,197
Element Materials Technology Singapore Pte. Limited	3m SIBOR plus 4% margin	10,297,684	11,852,370
MTS Pendar Limited	3m GBP LIBOR plus 4% margin	2,103,653	2,006,151
Exova Treasury Limited	3m GBP LIBOR no margin	12,063,523	12,253,564
Exova Treasury Limited	3m AUD BBSW no margin	1,172,953	1,108,188
Exova Treasury Limited	3m EURIBOR no margin	12,725,303	11,941,808
Exova Treasury Limited	3m USD LIBOR no margin	4,279,567	4,455,793
		51,732,183	53,120,071

17 Other receivables

	2020	2019
	£	£
Amounts owed by group undertakings	16,323,863	16,696,098
Prepayments and other receivables	237,266	233,708
	16,561,129	16,929,806

No 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. Other receivables are stated after expected credit losses of £781,997 (2019: £1,092). The Company measures the loss allowance for other receivables and all amounts from related parties at an amount equal to lifetime ECL. In determining the recoverability of a 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 other receivables is approximately equal to their fair value.

18 Cash and cash equivalents

	2020	2019
	£	£
Cash at bank denominated in GBP	126,023	74,919
Cash at bank denominated in foreign currency	22,626	50,232
	148,649	125,151

19 Other payables

	2020	2019
	£	£
Amounts owed to group undertakings	7,130,770	6,147,478
Accruals and other payables	249,087	171,451
Taxation and social security	94,488	42,111
	7,474,345	6,361,040

Amounts owed to group undertakings falling due within one year are loans from Group companies which are interest free and repayable on demand.

20 Amounts owed to group undertakings

	2020	2019
	£	£
Amounts owed to group undertakings	22,225,462	23,920,057
	22,225,462	23,920,057

Amounts owed to group undertakings falling due after more than one year are loans from Group companies: £10,586,121 (2019: £12,183,570) loaned from Exova Treasury Limited (bearing interest at 3m SIBOR plus 4% margin per annum) and £11,639,341 (2019: £11,736,487) loaned from Element Materials Technology Canada Inc. (which bears interest at the CAD PLOI rate). The loans have no fixed repayment date.

21 Deferred taxation

	Fixed asset timing adjustments	Retirement benefit obligation	R&D expenditure credit	Total
	£	£	£	£
As at 31 December 2019	(131,795)	588,650	16,072	472,927
Deferred tax movements in current year				
Current year movement	(10,784)	(259,698)	-	(270,482)
Deferred tax asset /liability at 31 December 2020	(142,579)	328,952	16,072	202,445

22 Provisions

	2020	Restated Note 1.19 2019
	£	£
Dilapidations	1,379,835	490,718
Restructuring	435,649	1,295,519
	1,815,484	1,786,237

	Dilapidations	Restated Note 1.19 Restructuring	Restated Note 1.19 Total
	£	£	£
At 31 December 2019	**490,718**	**1,295,519**	**1,786,237**
Additions in year	1,046,609	-	1,046,609
Released during the year	-	(693,663)	(693,663)
Utilised during the year	(157,492)	(166,207)	(323,699)
At 31 December 2020	1,379,835	435,649	1,815,484
Current	350,000	7,900	350,988
Non-current	1,036,747	427,749	1,464,496
	1,379,835	435,649	1,815,484

Restructuring provisions relate to costs in relation to a property that may be incurred out with the terms of the sublease, within the next five years.

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 £1,379,835 (2019: £490,718). 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 13 is indicative of the likely approximate timing of utilisation of the dilapidations provision.

22 Contingent Liability

The Company ceased trading on 1 December 2018. The Company is involved in an investigation and a number of claims relating to fire safety advice and other services it has provided. This includes fire safety advice, mainly provided between 2012 and 2013, as part of the pre-tender phase of the proposed Grenfell Tower refurbishment. Therefore, the Company has potential 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. The Company and the Directors expect that insurance cover in place will mitigate any potential impact of cash out flows in relation to some of these matters. It is not currently possible to reliably estimate the quantum of any such contingent assets.

The company has given a guarantee in respect of the TTL Chiltern Pension scheme reported in WarringtonFire Testing and Certification Limited, another group company. The Company along with a number of other group companies has jointly and severally guaranteed to meet all present and future obligations and liabilities of the Scheme in the event of a default by Warringtonfire Testing and Certification Limited.

24 Share capital

	2020	2019
	£	£
Authorised, Issued and fully paid		
10,000 Ordinary shares of £1 each	10,000	10,000
	10,000	10,000

25 Events after the reporting date

Subsequent to the year end, the Company decided, in April 2021, to sell its Indian subsidiary, Metallurgical Services Pvt Ltd. The sale process is ongoing.

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.

26 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 with wholly owned group companies or key management personnel. There were no other related party transactions in the year (2019: none)

27 Ultimate holding and controlling party

The Company's immediate parent undertaking is Exova Group (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. 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. Element Materials Technology Group Limited's registered office address is 5 Fleet Place, London, England, EC4M 7RD.