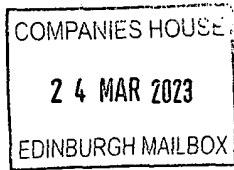


Company Registration No. SC070429 (Scotland)



**EXOVA (UK) LIMITED**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2021**



## **EXOVA (UK) LIMITED**

### **COMPANY INFORMATION**

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**Directors**

Christopher Pillar  
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

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# **EXOVA (UK) LIMITED**

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# EXOVA (UK) LIMITED

## DIRECTORS' REPORT

### FOR THE YEAR ENDED 31 DECEMBER 2021

The Directors present their report and financial statements of Exova (UK) Limited ("the Company") for the financial year ended 31 December 2021. 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

The principal activity of the Company throughout the current and prior year was to operate as an intermediary holding company. At the balance sheet date the Company was a wholly owned subsidiary of Exova Group (UK) Limited. Following the strategic review and review of ownership structure by the group during 2022, a number of non-core assets including Exova (UK) limited has been transferred under new immediate parent company, Stockbridge 2022 Limited ("Stockbridge") a wholly owned subsidiary of EM Topco Limited ("the Group")

#### Business review

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 a provision of £6.8m was recorded for amounts that can be estimated reliably for the future cost of settling claims relating to fire safety advice. In the prior year the company 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 of £9.1m was 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	(Resigned 13 July 2022)
Stuart Maddison	(Appointed 2 March 2022)
Robert Veitch	(Resigned 24 November 2021)
Christopher Pillar	(Appointed 6 July 2022)

#### Dividends

The Directors' do not recommend payment of a dividend (2020: £nil).

#### Political contributions

The Company made no political donations and incurred no political expenditure during the year (2020: £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.

**EXOVA (UK) LIMITED****DIRECTORS' REPORT (CONTINUED)****FOR THE YEAR ENDED 31 DECEMBER 2021****Principal risks and uncertainties (continued)**

<b>Risk</b>	<b>Mitigating factor</b>
Exchange rate risk	The Company continues to monitor the risks associated with the revaluation of 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.
Operational performance of the companies from which balances are be recoverable	Management regularly reviews 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.
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, EM Topco 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. The financial statements of the Company have been prepared on a going concern basis, as the Directors have received a letter of support from its immediate parent, Stockbridge.

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 31 March 2024.

The Directors believe that preparing the financial statements on the going concern basis is appropriate due to the continued financial support of the parent company, Stockbridge 2022 Limited ('Stockbridge'). The Directors have received confirmation that Stockbridge 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 31 March 2024.

The Directors have, at the time of approving the financial statements, a reasonable expectation that Stockbridge and the Company have the 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.

## **EXOVA (UK) LIMITED**

### **DIRECTORS' REPORT (CONTINUED)**

#### **FOR THE YEAR ENDED 31 DECEMBER 2021**

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##### **Events after the reporting date**

On the 29 March 2022 the Company ceased to be a guarantor for the Group's debt facilities from this date and was not required to provide guarantees for the new facilities.

On 31 May 2022, the Company was released from its obligations as a Guarantor under the guarantee in respect of the TTL Chiltern Pension Scheme reported in Warringtonfire Testing and Certification Limited, another group company.

On 13<sup>th</sup> June 2022, Exova Group (UK) Limited transferred its shareholding in the Company to Stockbridge 2022 Limited. On the same date the Company entered into a share purchase agreement re Element Materials Technology Aalen Limited. The Company subsequently agreed to transfer certain property related assets and leases at fair market value to other group companies. No impairment arose in the Company as a result of these transactions.

On 6th July 2022, the Company's ultimate parent undertaking, Element Materials Technology Group Limited was acquired by EM Bidco Limited. EM Bidco Limited is owned by EM Topco Limited and the Company's ultimate parent undertaking changed to Temasek Holdings (Private) Limited, a company incorporated in Singapore, on the same date.

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, the Group 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:

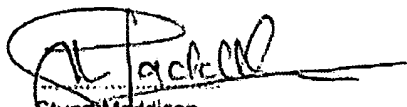
- so far as that Director is aware, there is no relevant material audit information of which the Company's auditor is unaware; and
- the Director has taken all the steps that ought to have taken as a director in order to be aware of any relevant audit information and to establish that the Company's auditor 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 467 of the Companies Act 2006.

Approved by the Board and signed on its behalf by:

  
Stuart Maddison  
Director  
Date: 9 March 2023

## **EXOVA (UK) LIMITED**

### **DIRECTORS' RESPONSIBILITIES STATEMENT**

#### **FOR THE YEAR ENDED 31 DECEMBER 2021**

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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**

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### **Opinion**

We have audited the financial statements of Exova (UK) Limited (the 'Company') for the year ended 31 December 2021 which comprise the statement of profit or loss, 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 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 2021 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 below. 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 31 March 2024.

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



## **INDEPENDENT AUDITOR'S REPORT (CONTINUED)**

### **TO THE MEMBERS OF EXOVA (UK) LIMITED**

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#### **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 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.

## INDEPENDENT AUDITOR'S REPORT (CONTINUED)

### TO THE MEMBERS OF EXOVA (UK) LIMITED

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***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 meetings and consideration of the results of our audit procedures for the Company.
- 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 impact of any such non-compliance, as included in notes 21 and 22, 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, enquiry of management and review of the Element group's policies and procedures including the Group Code of Conduct. Where the risk was considered to be higher, we performed audit procedures to address each fraud risk.
- We designed our audit procedures to include an overall response to the risk of fraud. As part of the overall response to the risk of fraud, we performed journal entry testing, review of significant contracts 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.

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DocuSigned by:

Ernst & Young LLP

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

Date 15 March 2023

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**EXOVA (UK) LIMITED****STATEMENT OF PROFIT OR LOSS****FOR THE YEAR ENDED 31 DECEMBER 2021**

		<b>2021</b>	<b>2020</b>
	<b>Notes</b>	<b>£</b>	<b>£</b>
Administrative expenses		(6,399,590)	10,675
Other operating income	<b>3</b>	<u>307,514</u>	<u>109,600</u>
<b>Operating (loss)/profit</b>		(6,092,076)	120,275
Investment impairment	<b>4</b>	-	(9,135,972)
Finance income	<b>8</b>	672,029	861,168
Finance costs	<b>9</b>	<u>(1,926,193)</u>	<u>(565,825)</u>
<b>(Loss) before taxation</b>		(7,346,240)	(8,720,354)
Taxation	<b>10</b>	<u>(390,544)</u>	<u>(339,672)</u>
<b>(Loss) for the financial year</b>		<u><u>(7,736,784)</u></u>	<u><u>(9,060,026)</u></u>

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 2021**

	Notes	2021 £	2020 £
<b>Non-current assets</b>			
Property, plant and equipment	11	955,773	1,000,081
Right of use assets	12	1,142,627	1,536,663
Amounts owed by group undertakings	15	51,055,160	51,732,183
Investments	13	-	-
Deferred tax	20	-	202,445
		<u>53,153,560</u>	<u>54,471,372</u>
<b>Current assets</b>			
Other receivables	16	16,378,604	16,561,129
Cash and cash equivalents	17	39,221	148,649
		<u>16,417,825</u>	<u>16,709,778</u>
<b>Current liabilities</b>			
Other payables	18	6,527,325	7,474,345
Lease liabilities	12	251,512	415,908
Provisions	21	352,984	350,988
		<u>7,131,821</u>	<u>8,241,241</u>
<b>Net current assets</b>		<u>9,286,004</u>	<u>8,468,537</u>
<b>Total assets less current liabilities</b>		<u>62,439,564</u>	<u>62,939,909</u>
<b>Non-current liabilities</b>			
Amounts owed to group undertakings	19	22,736,032	22,225,462
Lease liabilities	12	1,581,831	1,833,343
Provisions	21	8,276,352	1,464,496
Deferred tax	20	165,525	-
		<u>32,759,740</u>	<u>25,523,301</u>
<b>Net assets</b>		<u>29,679,824</u>	<u>37,416,608</u>

# EXOVA (UK) LIMITED

## STATEMENT OF FINANCIAL POSITION (CONTINUED)

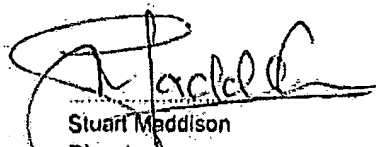
AS AT 31 DECEMBER 2021

	Notes	2021 £	2020 £
<b>Shareholder's equity:</b>			
Share capital	23	10,000	10,000
Retained earnings		29,669,824	37,406,608
<b>Total equity</b>		<b>29,679,824</b>	<b>37,416,608</b>

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 8 March 2023 and were signed on its behalf by

  
 Stuart Maddison  
 Director  
 Date: 9 March 2023

Company Registration No. SC070429

**EXOVA (UK) LIMITED****STATEMENT OF CHANGES IN EQUITY****FOR THE YEAR ENDED 31 DECEMBER 2021**


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	Notes	Share capital £	Retained earnings £	Total £
<b>Balance at 1 January 2020</b>		10,000	46,466,634	46,476,634
Loss for the year		-	(9,060,026)	(9,060,026)
<b>Balance at 31 December 2020</b>		10,000	37,406,608	37,416,608
Loss for the year		-	(7,736,784)	(7,736,784)
<b>Balance at 31 December 2021</b>		10,000	29,669,824	29,679,824

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# EXOVA (UK) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2021

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#### 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, EH2 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 was a wholly owned subsidiary of Exova Group (UK) Limited at the balance sheet date. 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.

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# EXOVA (UK) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2021

#### 1 Accounting policies (Continued)

##### 1.2 Going concern

In line with the Financial Reporting Council's guidance on going concern issued in April 2016 and the requirements of the Companies Act 2006, 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 received a letter of support from its immediate parent Stockbridge 2022 Limited.

The Company has, as at 31 December 2021, net assets of £29,679,824 (2020: net assets of £37,416,608). The Company has no external loans or borrowings or complex financial instruments as at 31 December 2021. The Company generated a loss after tax of £7,736,784 in the year ended 31 December 2021 (2020: loss after tax of £9,060,026).

The Company's future viability is ultimately dependent on a letter of support from the parent, Stockbridge 2022 Limited, 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 the parent company, Stockbridge 2022 Limited ("Stockbridge"). The Directors have received confirmation, through a letter of support, that Stockbridge 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 31 March 2024.

In assessing the Letter of Support from Stockbridge 2022 Limited, the Directors have reviewed base case and sensitised worst case cash flow projections the subgroup headed by Stockbridge 2022 Limited and are satisfied that the parent will have sufficient assets to meet liabilities of Exova (UK) Ltd. The going concern assessment for Exova (UK) Limited included consideration of potential cash outflows in relation to contingent liability legal claims (net of insurance proceeds) within the going concern period. Legal claims, noted in note 21 and 22, that may crystallise within the going concern assessment period are not expected to exceed the Insurance coverage (and hence no net cash outflow) and all other contingent liabilities cannot be reliably quantified, and, in any event, are not expected to fall due until after 31 March 2024 due to the timeline of the legal process.

Therefore, as a result of the going concern assessment described above 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 31 March 2024.

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.



## EXOVA (UK) LIMITED

### NOTES TO THE FINANCIAL STATEMENTS

#### FOR THE YEAR ENDED 31 DECEMBER 2021

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#### 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.

## EXOVA (UK) LIMITED

### NOTES TO THE FINANCIAL STATEMENTS

#### FOR THE YEAR ENDED 31 DECEMBER 2021

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#### 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.

## **EXOVA (UK) LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS**

#### ***FOR THE YEAR ENDED 31 DECEMBER 2021***

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#### **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 and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the 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 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.

##### **1.14 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.

## **EXOVA (UK) LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

#### **FOR THE YEAR ENDED 31 DECEMBER 2021**

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#### **1 Accounting policies (continued)**

##### **1.15 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.

##### **1.16 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.

## **EXOVA (UK) LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

#### **FOR THE YEAR ENDED 31 DECEMBER 2021**

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#### **1 Accounting policies (continued)**

##### **1.17 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 9, IAS 39 and IFRS7: Interest Rate Benchmark Reform
- Amendments to IFRS 4: Extension of the Temporary Exemption from Applying IFRS 9

###### **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.

## **EXOVA (UK) LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

#### **FOR THE YEAR ENDED 31 DECEMBER 2021**

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## **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 and provisions**

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 note 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.

#### **(a) 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. Further detail is provided in note 21.

**EXOVA (UK) LIMITED****NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****FOR THE YEAR ENDED 31 DECEMBER 2021****3 Other operating income**

	2021	2020
	£	£
Property rental income	307,514	109,600
	<u>307,514</u>	<u>109,600</u>

**4 Investment impairment**

	2021	2020
	£	£
Impairment of investments in subsidiaries held for sale	-	9,135,972
	<u>-</u>	<u>9,135,972</u>

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.

**5 Operating (loss)**

	2021	2020
	£	£
Operating (loss) for the year is stated after charging:		
Depreciation of property, plant and equipment (note 11)	44,308	46,774
Depreciation of right of use assets (note 12)	394,420	489,951
	<u>438,728</u>	<u>536,725</u>

**EXOVA (UK) LIMITED****NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****FOR THE YEAR ENDED 31 DECEMBER 2021****6 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 (2020: £ nil).

**7 Employees and Directors****Employees**

The Company does not have any employees (2020: none) and as such has incurred no personnel expenses in the year (2020: nil).

**Directors**

The Directors received no remuneration in respect of their services to the Company (2020: nil)

The 2 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.

There were no other short-term employee benefits in the year (2020: nil) and there were no retirement benefits accruing to Directors under pension schemes as at 31 December 2021 (2020: nil).

**8 Finance income**

	2021 £	2020 £
Interest receivable on loans to Group undertakings	672,029	861,168

**9 Finance costs**

	2021 £	2020 £
Other interest payable	1,780,341	380,897
Interest expense on lease liabilities	145,852	184,928
	<u>1,926,193</u>	<u>565,825</u>



**EXOVA (UK) LIMITED****NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****FOR THE YEAR ENDED 31 DECEMBER 2021****10 Taxation**

Tax charge in the statement of profit or loss:

	2021	2020
	£	£
<b>Current tax</b>		
Previous year	-	-
	-	-
<b>Deferred tax</b>		
Current year	367,970	270,482
Previous year	-	-
	367,970	270,482
Withholding tax written off	22,574	69,190
<b>Total tax charge</b>	390,544	339,672

The tax assessed for the year differs from the standard rate of corporation tax in the UK of 19% (2020: 19%). The differences are explained below:

	2021	2020
	£	£
(Loss) before taxation	(7,346,240)	(8,720,354)
Expected tax (credit) based on a corporation tax rate of 19% (2020: 19%)	(1,395,786)	(1,656,867)
Group relief (claimed) / surrendered for nil consideration	513,714	90,725
Withholding tax written off	22,574	69,190
Adjustment in respect of prior years		-
Impairment of investment	-	1,735,835
Deferred tax rate change adjustment	43,584	(53,747)
Expenses not deductible for tax purposes	1,206,457	154,536
<b>Taxation charge for the year</b>	390,544	339,672

At the statement of financial position date, the Company had an unrecognised deferred tax asset of £nil (2020: £nil).

A UK budget resolution was announced on 3rd March 2021 increasing the UK corporation tax rate to 25%, effective from 1st April 2023. This was substantively enacted into UK law on 10th June 2021. Deferred tax balances within the accounts have been calculated using a corporation tax rate of 25%.

**EXOVA (UK) LIMITED****NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****FOR THE YEAR ENDED 31 DECEMBER 2021****11 Property, plant and equipment**

	<b>Buildings</b>	<b>Plant and equipment</b>	<b>Total</b>
	<b>£</b>	<b>£</b>	<b>£</b>
<b>Cost</b>			
At 31 December 2020	2,078,331	995,100	3,073,431
At 31 December 2021	2,078,331	995,100	3,073,431
<b>Accumulated depreciation and impairment</b>			
At 31 December 2020	1,078,250	995,100	2,073,350
Charge for the year	44,308	-	44,308
At 31 December 2021	1,122,558	995,100	2,117,658
<b>Carrying amount</b>			
At 31 December 2021	955,773	-	955,773
At 31 December 2020	1,000,081	-	1,000,081

**EXOVA (UK) LIMITED****NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****FOR THE YEAR ENDED 31 DECEMBER 2021****12 Lease arrangements**

<b>Right of use assets</b>	<b>Property</b>
<b>Cost</b>	<b>£</b>
At 31 December 2020	3,952,318
Additions	384
Expiry / disposals	(634,721)
	<hr/>
At 31 December 2021	3,317,981
	<hr/>
<b>Accumulated depreciation</b>	
At 31 December 2020	2,415,655
Charge for the year	394,420
Expiry / disposals	(634,721)
	<hr/>
At 31 December 2021	2,175,354
	<hr/>
<b>Net book value</b>	
At 31 December 2021	1,142,627
	<hr/>
At 31 December 2020	1,536,663
	<hr/>

**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:

	<b>Current</b>		<b>Non-current</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Property	251,512	415,908	1,581,831	1,833,343
	<hr/>	<hr/>	<hr/>	<hr/>
Total	251,512	415,908	1,581,831	1,833,343
	<hr/>	<hr/>	<hr/>	<hr/>
	<b>Within 1 year</b>	<b>2-5 years</b>	<b>5+ years</b>	<b>Total</b>
Property	251,512	932,494	649,337	1,833,343
	<hr/>	<hr/>	<hr/>	<hr/>
Total	251,512	932,494	649,337	1,833,343
	<hr/>	<hr/>	<hr/>	<hr/>

**Interest expense**

Interest expense on the lease liabilities recognised within finance costs was £145,852 (2020: £184,928).

**EXOVA (UK) LIMITED****NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****FOR THE YEAR ENDED 31 DECEMBER 2021****13 Investments in subsidiaries**

	2021 £	2020 £
Investments in group undertakings	9,135,973	9,135,973
Impairment of investments	(9,135,973)	(9,135,973)
	<u>-</u>	<u>-</u>

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

**14 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

**15 Amounts owed by group undertakings**

	2021 £	2020 £
Amounts owed by group undertakings	51,055,160	51,732,183
	<u>51,055,160</u>	<u>51,732,183</u>

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	2021 £	2020 £
Exova Treasury Limited	3m CAD LIBOR no margin	9,204,796	9,089,500
Element Materials Technology Singapore Pte. Limited	3m SIBOR plus 4% margin	9,847,510	10,297,684
MTS Pendar Limited	3m GBP LIBOR plus 4% margin	2,191,622	2,103,653
Exova Treasury Limited	3m GBP LIBOR no margin	11,950,633	12,063,523
Exova Treasury Limited	3m AUD BBSW no margin	1,130,624	1,172,953
Exova Treasury Limited	3m EURIBOR no margin	12,492,330	12,725,303
Exova Treasury Limited	3m USD LIBOR no margin	4,237,645	4,279,567
		<u>51,055,160</u>	<u>51,732,183</u>

**EXOVA (UK) LIMITED****NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****FOR THE YEAR ENDED 31 DECEMBER 2021****16 Other receivables**

	2021 £	2020 £
Amounts owed by group undertakings	16,133,828	16,323,863
Trade receivables	52,506	47,597
Prepayments and other receivables	192,270	189,669
	<u>16,378,604</u>	<u>16,561,129</u>

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 £135,308 (2020: £781,997). 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.

**17 Cash and cash equivalents**

	2021 £	2020 £
Cash at bank denominated in GBP	791	126,023
Cash at bank denominated in foreign currency	38,430	22,626
	<u>39,221</u>	<u>148,649</u>

**18 Other payables**

	2021 £	2020 £
Amounts owed to group undertakings	6,231,264	7,130,770
Accruals and other payables	182,083	249,087
Taxation and social security	113,978	94,488
	<u>6,527,325</u>	<u>7,474,345</u>

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

**19 Amounts owed to group undertakings**

	2021 £	2020 £
Amounts owed to group undertakings	22,736,032	22,225,462
	<u>22,736,032</u>	<u>22,225,462</u>

Amounts owed to group undertakings falling due after more than one year are loans from Group companies: £10,804,308 (2020: £10,586,121) loaned from Exova Treasury Limited (bearing interest at 3m SIBOR plus 4% margin per annum) and £11,931,724 (2020: £11,639,341) loaned from Element Materials Technology Canada Inc. (which bears interest at the CAD PLOI rate). The loans have no fixed repayment date.

**EXOVA (UK) LIMITED****NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****FOR THE YEAR ENDED 31 DECEMBER 2021****20 Deferred taxation**

The following are the major deferred assets and (liabilities) recognised by the Company and movements thereon during the current and prior reporting period

	Fixed asset timing adjustments	Retirement benefit obligation	R&D expenditure credit	Total
	£	£	£	£
As at 31 December 2020	(142,579)	328,952	16,072	202,445
<b>Deferred tax movements</b>				
Current year	(39,020)	(328,950)	-	(367,970)
<b>Deferred tax asset / (liability) at 31 December 2021</b>	<b>(181,599)</b>	<b>2</b>	<b>16,072</b>	<b>(165,525)</b>

**21 Provisions**

	2021	2020
	£	£
Dilapidations	1,380,219	1,379,835
Restructuring	569,761	435,649
Litigation and Claims Provision	6,679,356	-
	<b>8,629,336</b>	<b>1,815,484</b>

	Litigation and Claims £	Dilapidations £	Restructuring £	Total £
<b>At 31 December 2020</b>	-	<b>1,379,835</b>	<b>435,649</b>	<b>1,815,484</b>
Additions in year	6,679,356	384	137,682	6,817,422
Utilised during the year	-	-	(3,570)	(3,570)
<b>At 31 December 2021</b>	<b>6,679,356</b>	<b>1,380,219</b>	<b>569,761</b>	<b>8,629,336</b>
Current	-	350,000	2,984	352,984
Non-current	6,679,356	1,030,219	566,777	8,276,352
<b>At 31 December 2021</b>	<b>6,679,356</b>	<b>1,380,219</b>	<b>569,761</b>	<b>8,629,336</b>

**EXOVA (UK) LIMITED****NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****FOR THE YEAR ENDED 31 DECEMBER 2021****21 Provisions (continued)**

Restructuring provisions relate to costs in relation to a property that may be incurred outwith 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 2021, the dilapidation provisions increased to £1,380,219 (2020: £1,379,835). 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.

The litigation and claims provision includes amounts that can be estimated reliably for the future cost of settling claims relating to fire safety advice which are all expected to be settled in the next 24 months. The Company and the Directors expect that insurance in place will adequately cover the impact of the settlements. No asset relating to insurance recovery is recognised as at the year end because it has not reached the recognition threshold for a contingent asset.

**22 Contingent Liability**

The Company ceased trading on 1 December 2018. The Company is involved in investigations and a number of potential claims relating to fire safety advice, assessment 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. The Company provided for its best estimate of amounts expected to be paid that can be measured reliably (ref Note 21). It is not possible, at this time, to measure reliably other possible outflows arising from these claims, nor can the timing of possible outflows be determined, as the Company is not yet in receipt of all the relevant information for these matters. Therefore, the Company has contingent liabilities, in respect of these matters and outflows of cash are possible. The Company and the Directors expect that insurance cover in place will mitigate any potential impact of cash outflow in relation to some of these matters. It is not currently possible to reliably estimate the quantum of any such contingent asset.

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.

The company has given a guarantee in respect of the Senior Facilities Agreement (SFA) of Greenrock Midco Limited, another group company. At 31 December 2021, the Company along with a number of other group companies has jointly and severally guaranteed \$671.9m (2020: \$671.9m) 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 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 SFA.

<b>23 Share capital</b>	<b>2021</b>	<b>2020</b>
	<b>£</b>	<b>£</b>
<b>Authorised, Issued and fully paid</b>		
10,000 Ordinary shares of £1 each	10,000	10,000
	<u>10,000</u>	<u>10,000</u>

## **EXOVA (UK) LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

#### **FOR THE YEAR ENDED 31 DECEMBER 2021**

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#### **24 Events after the reporting date**

On the 29 March 2022 the Company ceased to be a guarantor for the Group's debt facilities from this date and was not required to provide guarantees for the new facilities.

On 31 May 2022, the Company was released from its obligations as a Guarantor under the guarantee in respect of the TTL Chiltern Pension Scheme reported in Warringtonfire Testing and Certification Limited, another group company.

On 13<sup>th</sup> June 2022, Exova Group (UK) Limited transferred its shareholding in the Company to Stockbridge 2022 Limited. On the same date the Company entered into a share purchase agreement re Element Materials Technology Aalen Limited. The Company subsequently agreed to transfer certain property related assets and leases at fair market value to other group companies. No impairment arose in the Company as a result of these transactions.

On 6th July 2022, the Company's ultimate parent undertaking, Element Materials Technology Group Limited was acquired by EM Bidco Limited. EM Bidco Limited is owned by EM Topco Limited who became the ultimate parent company of the Group on the same date.

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 with wholly owned group companies or key management personnel. There were no other related party transactions in the year (2020: none)

#### **26 Ultimate holding and controlling party**

The Company's immediate parent undertaking is Stockbridge 2022 Limited, a company registered in Jersey.

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.

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.

Copies of the 31 December 2021 Group financial statements of Element Materials Technology Limited and 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 3rd Floor Davidson Building, 5 Southampton Street, London, United Kingdom, WC2E 7HA.

Following the acquisition on 6<sup>th</sup> July 2022, the Company's intermediate parent undertaking changed to EM Topco Limited, a company incorporated in the United Kingdom. The ultimate controller of EM Topco Limited is Temasek Holdings (Private) Limited, a company incorporated in Singapore.