Company Registered Number: 00638315

INSPECTORATE INTERNATIONAL LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

INSPECTORATE INTERNATIONAL LIMITED

COMPANY INFORMATION

Directors	R Bryan D Lappage R Downs
Company secretary	D Lappage
Registered number	00638315
Registered office	Unit 1d 1 Wheaton Road Witham Essex CM8 3UJ
Independent auditor	Ernst Young LLP One Cambridge Business Park Cambridge Cambridgeshire CB4 0WZ
Bankers	HSBC Reading Berkshire RG1 2BU

INSPECTORATE INTERNATIONAL LIMITED

CONTENTS

STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2018

Introduction

The directors present their strategic report of the company for the year ended 31 December 2018.

Review of the business and future developments

The company's key financial and other performance indicators during the year were as follows:

	2018	2017	Change
	£'000	£'000	%
Turnover	61,399	59,176	4%
Operating profit/(loss)	6,717	(129)	5,307%
Profit before tax	8,581	4,262	101%
Net assets	44,310	40,875	8%
Current assets as percentage of current liabilities	169%	214%	(21)%
Average number of employees	473	467	1%

The profit on ordinary activities before taxation of £8,581k has increased from the prior year profit of £4,262k. There has been a 4% increase in turnover from the prior year, due to increased activity in all of our sectors. In particular, revenues from commodity testing increased with the continuing expansion of the laboratory facilities. The average number of Employees of 473 has increased from the prior year of 467, due to an increase in operational employees in line with the increase of activity in all of our sectors and the expansion of the laboratory facilities.

The Administrative expenses include an impairment of the investment in Inspectorate Singapore following an annual review of future discounted cash flows arising from this investment. During the year ended 31 December 2018, the investment in Singapore was impaired by £3,265k (2017: £4,692k), following the need to refinance the company to continue its operations.

The current assets as a percentage of current liabilities has decreased to 169% (214% in 2017).

Despite the challenging environment in the commodities market, the budget for 2019 forecasts an improvement in turnover and profitability, and there are projects underway to deliver the improved results.

Principal risks and uncertainties

Principal risks and uncertainties include:

- commodity prices, in particular gold, silver and copper, where a fall in the commodity price can affect demand for the company's services; and
- foreign exchange fluctuations, where movements in exchange rates between various currencies and sterling can lead to a significant impact on company's result.

Financial risk management

Financial risk management, including the use of financial instruments and the related currency, liquidity, credit and interest rate risks, is not carried out by the company, but is managed on a group-wide basis by other group companies.

STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2018

The company's operations expose it to a variety of financial risks that includes currency, liquidity, credit and interest rate risks.

Currency risk

The company operates internationally, giving rise to exposures to changes in foreign exchange rates between a number of currencies, particularly to changes between sterling and the US dollar. The company does not take out hedging instruments to mitigate the risk. All strategies to manage currency are managed at a group level.

All treasury functions are dealt with by other group companies.

Liquidity risk

The company retains cash and borrowing facilities to ensure it has sufficient funds for operations.

Credit risk

The company has policies in place to perform credit checks on potential customers before sales commence and cash is only held with institutions of specified credit ratings.

Interest rate risk

The company has interest bearing borrowings from group companies. As the borrowings are from other group companies, the directors do not feel it is necessary to use hedging instruments to mitigate the risk of changes in interest rates.

Brexit risk

The decision to leave the EU has resulted in continued political and economic uncertainty including currency exchange fluctuations. Although it is unknown what the final future relationship will be with the EU it is possible there will be changes in regulatory complexities.

These factors could impact customer demand, our relationship with our customers and suppliers and our business and financial statements.

On review of the risks the directors do not believe it will have a short term impact on the company's operations and financial performance, depending on the outcome of the negotiation, it might have a long term impact to the company. The company is considering arrangements that could be put in place to mitigate any adverse impacts.

This report was approved by the board on and signed on its behalf.

R Bryan
Director

9 December 2019

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2018

The directors present their report and the financial statements for the year ended 31 December 2018.

Principal activities

The company operates in the UK as well as through branches outside the European Union, including branches in Dubai, Kuwait and Fujairah. The principal activities of the company are inspection and testing services over a range of commodities as follows:

Metals and minerals

Sampling, quality and quantity control of bulk materials and assaying of precious metals and base metals.

Oil and petrochemicals

Quality and quantity control of crude oil and related products.

Results and dividends

The profit for the year, after taxation, amounted to £8,300k *(2017: £3,822k)*.

The directors paid a dividend in the year of £6,243k (2017: £4,939k).

Directors

The directors who served during the year were:

R Bryan
D Lappage
R Downs
M Hopkinson (resigned 2 November 2018)

Insurance of directors

The company maintains insurance for the directors in respect of their duties as directors of the company.

Employment of disabled persons

The company's policy is to give full consideration to applications from disabled persons and to ensure that those recruited receive training, career development and promotion which is similar to that of other employees. Career opportunities are made available, where possible, for employees who become disabled while in the employment of the company.

Future developments

The directors do not foresee changes in the business for the foreseeable future.

Employee involvement

The directors believe in keeping employees informed on matters relevant to the business and a regular newsletter is circulated by the Bureau Veritas SA group (the company's parent undertaking). The company encourages the involvement of employees in the company's performance with regular management briefings and full year performance being fed back though the Bureau Veritas newsletter. It is the company's policy to consult employees regularly on the matters that concern them.

Going concern

At 31 December 2018 the company's current assets exceeded its current liabilities by £26,347k (2017: £18,521k). The financial statements have been prepared on a going concern basis which assumes that the company will continue in operational existence for the foreseeable future. The company participates in centralised treasury arrangements with the parent company Bureau Veritas SA with a formal cash current account.

Directors' responsibilities statement

The directors are responsible for preparing the Strategic report, the Directors' 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 applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. 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 for the Company's financial statements and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- 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 to 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.

Disclosure of information to auditor

Each of the persons who are directors at the time when this Directors' report is approved has confirmed that:

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

Auditor

The auditor, Ernst Young LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on 9 December 2019 and signed on its behalf.

R Bryan
Director

Opinion

We have audited the financial statements of Inspectorate International Limited for the year ended 31 December 2018, which comprise the Statement of comprehensive income, the Balance sheet, the Statement of changes in equity and the related notes 1 to 21, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102 "The Financial Reporting Standard applicable in the UK" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 31 December 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report 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

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

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.

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 the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 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.

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

Use of our report

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

Ernst & Young LLP

Rachel Wilden (Senior Statutory Auditor)

for and on behalf of Ernst & Young LLP, Statutory Auditor
Cambridge
Date: 10 December 2019

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	2018 £000	*2017 £000*
Turnover	3	**61,399**	*59,176*
Cost of sales		**(43,097)**	*(39,159)*
Gross profit		**18,302**	*20,017*
Administrative expenses			
- Profit from sale of subsidiary		**6,321**	-
- Impairment of investment		**(3,265)**	*(4,692)*
- Impairment of intangible assets		-	*(437)*
- Other		**(14,641)**	*(15,017)*
Operating profit/(loss)		**6,717**	*(129)*
Income from shares in group undertakings		**1,691**	*4,421*
Interest receivable and similar income	7	**650**	*283*
Interest payable and similar charges	8	**(477)**	*(313)*
Profit before tax	6	**8,581**	*4,262*
Tax on profit	9	**(281)**	*(440)*
Profit for the financial year		**8,300**	*3,822*
Other comprehensive income for the year			
Foreign exchange gain/(loss) on retranslation of overseas branches		**1,041**	*(1,961)*
Other comprehensive income/(loss) for the year		**1,041**	*(1,961)*
Total comprehensive income for the year		**9,341**	*1,861*

The notes on pages 12 to 30 form part of these financial statements.

The Statement of Comprehensive Income has been prepared on the basis that all operations are continuing.

INSPECTORATE INTERNATIONAL LIMITED
REGISTERED NUMBER:00638315

BALANCE SHEET
AS AT 31 DECEMBER 2018

	Note		2018		2017
			£000		£000
Fixed assets					
Intangible assets	10		5,449		5,076
Tangible assets	11		8,311		8,871
Investments	12		6,621		10,437
			20,381		24,384
Current assets					
Debtors: amounts falling due within one year	13	64,013		34,321	
Cash at bank and in hand		476		388	
		64,489		34,709	
Creditors: amounts falling due within one year	14	(38,142)		(16,188)	
Net current assets			26,347		18,521
Total assets less current liabilities			46,728		42,905
Provisions for liabilities					
Other provisions	15	(2,418)		(2,030)	
			(2,418)		(2,030)
Net assets			44,310		40,875
Capital and reserves					
Called up share capital	18		34,590		34,590
Capital contribution reserve	18		52		52
Other reserves	18		(909)		(1,246)
Profit and loss account	18		10,577		7,479
			44,310		40,875

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 9/12/19

R Bryan
Director

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2018

	Called up share capital	Capital contribution reserve	Other reserves	Profit and loss account	Total equity
	£000	£000	£000	£000	£000
At 1 January 2017	34,590	52	(632)	10,557	44,567
Comprehensive income for the year					
Profit for the year	-	-	-	3,822	3,822
Foreign exchange loss on retranslation of overseas branches	-	-	-	(1,961)	(1,961)
Total comprehensive income for the year	-	-	-	1,861	1,861
Dividends	-	-	-	(4,939)	(4,939)
Share based payments - amount charged / accrued payable to parent	-	-	(1,249)	-	(1,249)
Share based payment in the year	-	-	635	-	635
At 1 January 2018	34,590	52	(1,246)	7,479	40,875
Comprehensive income for the year					
Profit for the year	-	-	-	8,300	8,300
Foreign exchange loss on retranslation of overseas branches	-	-	-	1,041	1,041
Total comprehensive income for the year	-	-	-	9,341	9,341
Dividends	-	-	-	(6,243)	(6,243)
Share based payments - amount charged / accrued payable to parent	-	-	(332)	-	(332)
Share based payment in the year	-	-	669	-	669
At 31 December 2018	34,590	52	(909)	10,577	43,310

The notes on pages 12 to 30 form part of these financial statements.

1. General information

Inspectorate International Limited ("the Company") is a private limited company domiciled and incorporated in England.

The address of the Company's registered office and principal place of business is Unit 1d, 1 Wheaton Road, Witham, Essex, CM8 3UJ.

The Company's principal activities and the nature of its operations are described in the Strategic Report and the Directors' Report on pages 1 to 5.

2. Accounting convention

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Company's accounting policies. In accordance with FRS 102, the Company has taken advantage of the exemptions from the following disclosure requirements:

- Section 7 'Statement of Cash Flows' and Section 3 Financial Statement Presentation Paragraph 3.17(d);
- Section 11 'Basic Financial Instruments' & Section 12 'Other Financial Instrument Issues' – The requirements of paragraphs 11.42, 11.44, 11.45, 11.47, 11.48(a)(iii), 11.48(a)(iv), 11.48(b), 11.48(c), 12.26, 12.27, 12.29(a), 12.29(b) and 12.29A;
- Section 26 'Share based Payment' – The requirements of paragraphs 26.18(b), 29.19 to 26.21 and 26.23; and
- Section 33 'Related Party Disclosures' paragraph 33.7.

Consolidated group financial statements have not been prepared as the Company is a subsidiary of an undertaking established in the EU and is included in the consolidated financial statements of the company's parent, namely Bureau Veritas SA, a company incorporated in France. Its group financial statements are available from the company's registered office, at 40/52 boulevard du Parc, 92200 Neuilly-sur-Seine, France.

Monetary amounts in these Financial Statements are rounded to the nearest £'000 unless otherwise stated.

The results of branches acquired in the year are included in the Income Statement from the date they are acquired. On acquisition, all of the branches' assets and liabilities that exist at the date of acquisition are recorded at their fair values reflecting their condition at that date.
The following principal accounting policies have been applied:

2. Accounting convention (continued)

2.2 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

Included in the 2018 year end balance is an amount of £35k (2017: £39k) which relates to cash held overseas which was subject to restrictions for remittance to the UK.

2.3 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.
Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Freehold property	- 2%
Plant, equipment and motor vehicles	- 10 - 33%

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Statement of comprehensive income.

2.4 Valuation of investments

Investments are valued at cost, except where the directors consider that there has been an impairment in value. Provision is made against the cost of an investment to reduce its value where an impairment is considered to have occurred.

2.5 Intangible assets

Goodwill

Goodwill represents the excess of cost of acquisition over the fair value of the separable net assets of businesses acquired. Goodwill is amortised through the income statement in equal instalments over its useful economic life, which has been determined to be 20 years. The Company evaluates the carrying value of goodwill in each financial year to determine if there has been an impairment in value, which would result in the inability to recover the carrying amount. When it is determined that the carrying value exceeds the recoverable amount, the excess is written off to the income statement.

2. Accounting convention (continued)

2.5 Intangible assets (continued)

Other intangible assets

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

Software development costs are recognised as an intangible asset. Amortisation is charged so as to write-off the cost of the intangible assets, less their residual values, over their estimated useful life. The principal annual rate used for software is 14%.

2.6 Operating leases

Costs in respect of operating leases are charged to the Income Statement on a straight line basis over the lease term.

2.7 Turnover

Turnover, which excludes value added tax, represents the value of services supplied. Turnover arising from inspections and analyses is recognised when the inspection and/or analysis is complete.

2.8 Cost of sales

Cost of sales represents amounts paid for salaries, direct costs of running the laboratories, and amounts due to external third parties for inspection services directly related to turnover.

2.9 Provisions

Provisions are made when a present obligation as a result of a past event exists and where the amount of the obligation can be reliably estimated. Where liabilities are expected to be discharged over a number of years, the provisions are discounted using an appropriate risk free rate. In the case of claims against the Company, provisions are made on a case by case basis.

2.10 Taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Statement of comprehensive income, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the Company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Balance sheet date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

2. Accounting convention (continued)

2.10 Taxation (continued)

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

2.11 Foreign currency translation

Functional and presentation currency

The Company's functional and presentational currency is GBP.

Transactions and balances

Transactions denominated in foreign currencies are recorded in the local currency at actual exchange rates as at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rates ruling at the reporting date. Any gain or loss arising from a change in the exchange rates subsequent to the date of the transaction is included as an exchange gain or loss in the Income Statement.

The Company's financial statements are presented in pounds sterling which, is considered to be the company's functional currency. Profits and losses of overseas branches are expressed in sterling at average exchange rates for the year and their balance sheets are expressed in sterling at year end exchange rates. Exchange differences arising on the translation of overseas branches are recorded in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

2.12 *Pension scheme arrangements*

The Company contributes to two group personal pension plans. These are defined contribution schemes, and contributions made by the Company on behalf of employees are charged to the Income Statement. One of the two schemes was closed to new participants in 2000.

Defined contribution pension plan

The Company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. Once the contributions have been paid the Company has no further payment obligations.

The contributions are recognised as an expense in the Statement of comprehensive income when they fall due. Amounts not paid are shown in accruals as a liability in the Balance sheet. The assets of the plan are held separately from the Company in independently administered funds.

2. Accounting convention (continued)

2.13 Financial instrument

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument, and are offset only when the Company currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Financial assets

Trade, group and other debtors

Trade, group and other debtors (including accrued income) which are receivable within one year and which do not constitute a financing transaction are initially measured at the transaction price and subsequently measured at amortised cost, being the transaction price less any amounts settled and any impairment losses.

A provision for impairment of trade debtors is established when there is objective evidence that the amounts due will not be collected according to the original terms of the contract. Impairment losses are recognised in profit or loss for the excess of the carrying value of the trade debtor over the present value of the future cash flows discounted using the original effective interest rate. Subsequent reversals of an impairment loss that objectively relate to an event occurring after the impairment loss was recognised, are recognised immediately in profit or loss.

Financial liabilities and equity

Financial instruments are classified as liabilities and equity instruments according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities.

Equity instruments

Financial instruments classified as equity instruments are recorded at the fair value of the cash or other resources received or receivable, net of direct costs of issuing the equity instruments.

Trade, group and other creditors

Trade, group and other creditors (including accruals) payable within one year that do not constitute a financing transaction are initially measured at the transaction price and subsequently measured at amortised cost, being transaction price less any amounts settled.

Where the arrangement with a creditor constitutes a financing transaction, the creditor is initially measured at the present value of future payments discounted at a market rate of interest for a similar instrument and subsequently measured at amortised cost.

Borrowings

Borrowings are initially recognised at the transaction price, including transaction costs, and subsequently measured at amortised cost using the effective interest method. Interest expense is recognised on the basis of the effective interest method and is included in interest payable and other similar charges.

2. Accounting convention (continued)

2.13 Financial instruments (continued)

Derecognition of financial assets and liabilities

A financial asset is derecognised only when the contractual rights to cash flows expire or are settled, or substantially all the risks and rewards of ownership are transferred to another party, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party. A financial liability (or part thereof) is derecognised when the obligation specified in the contract is discharged, cancelled or expires.

2.14 Share based payments - equity settled

The cost of shares which will be awarded under the Free Share and Stock Option Plans is measured at fair value. Fair value for the Free Share Plan is calculated based on the anticipated number of shares to be issued and the share price on grant date. For Stock Option Plans, the value is based on the difference between the option price and share price at grant date. For all schemes, Bureau Veritas SA will bear the cost at maturity or exercise date. The fair value of shares in each scheme is spread over the vesting period and reported in the wages and salaries expense with a corresponding entry to other reserves. The free share plan is a group wide plan and it is equity settled. There is a four-year vesting period for every scheme.

The Company had 16 employees (2017: 16) with unvested shares in Free Share Plans and Stock Option Plans vesting between 22 July 2014 and 31 December 2018. The total number of free shares and share options unvested at 31 December 2018 was 128,700 and 172,600 respectively (2017: 128,700 and 172,600).

Inspectorate International Limited will bear the cost of employers' national insurance at the maturity or exercise date. The liability is calculated by reference to the market value of the shares at the year end date. The liability is accrued between the grant date and the maturity date for the free share and stock option plans and reported in accruals with a corresponding entry to the income statement.

In the year of settlement, the Company is recharged for the cost of exercise by its parent undertaking. As a result, the company accrues for this over the vesting period, based on the year end share price, with corresponding entries to the other reserves. Any difference between the amounts accrued and finally settled are recognised within the other reserves.

There were no cancellations or modifications to the share based payment awards in 2018 or 2017.

2.15 Critical estimate and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates and assumptions will, by definition, seldom equal the related actual results.

A provision of £290k has been made for dilapidations on leased properties where the lease contract requires the property to be returned in its original condition. Management has determined this estimate by assessing the work required and expected cost thereof.

2. Accounting convention (continued)

2.15 Critical estimate and judgements (continued)

The recoverability of debtors is considered by management and an estimate is made with regards to the amounts which may not be recoverable and are therefore provided against. In making this estimate management considers knowledge of the debtors, past experience and the ageing of the debt owed, as well as all relevant correspondence with the individual debtors.

In categorising leases as finance leases or operating leases, management makes judgements as to whether significant risks and rewards of ownership have transferred to the Company.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

3. Turnover

The directors are of the opinion that the Company has only one class of business being inspection and testing services. The analysis by geographical area of the Company's turnover, by destination (which is considered to be the same as origin), is set out below:

	2018	*2017*
	£000	*£000*
United Kingdom	**8,108**	*6,396*
Rest of World	**36,951**	*18,564*
Middle East	**16,340**	*34,216*
	61,399	*59,176*

4. Directors' remuneration

The remuneration of the directors for their qualifying services to the Company was as follows:

	2018	*2017*
	£000	*£000*
Directors' emoluments	**211**	*209*
Company contributions to defined contribution pension schemes	**6**	*6*
	217	*215*
Number of directors who exercised share options	-	-
Number of directors who received shares for qualifying services	3	2

During the year retirement benefits were accruing to 4 directors *(2017: 4)* in respect of defined contribution pension schemes.

The directors of the company received total remuneration of £1,090k (2017: £1,065k) including contributions to defined contribution pension schemes of £13k (2017: £36k). The highest paid director received total remuneration of £328k (2017: £332k) including contributions to a defined contribution pension scheme of £4k (2017: £2k) and have received shares for qualifying services in the current and prior year. The directors of the company, however, not only provide services to the company but also to other companies within the Bureau Veritas SA group. The remuneration as shown in the table above represents the estimated remuneration for qualifying services specifically provided to Inspectorate International Limited.

5. Employees

Staff costs, including directors' remuneration, were as follows:

	2018 £000	2017 £000
Wages and salaries	14,979	16,611
Share based payments - equity settled	337	635
Social security costs	922	982
Cost of defined contribution scheme	852	648
	17,090	18,876

The average monthly number of employees, including the directors, during the year was as follows:

	2018 No.	2017 No.
Operational	285	291
Administrative	188	176
	473	467

6. Profit on ordinary activities before taxation

The profit on ordinary activities before taxation is stated after charging/(crediting):

	2018 £000	2017 £000
Amortisation of purchased goodwill	-	56
Amortisation of other intangibles	855	655
Impairment of Investments	3,265	4,692
Impairment of Intangible	-	437
Depreciation of tangible assets	1,656	1,666
Hire of other assets under operating leases	992	578
Auditor's remuneration — audit of financial statements	74	63
Foreign exchange loss/(gains)	(234)	465
Profit on disposed investments	(6,321)	(96)

7. Interest receivable and similar income

	2018 £000	*2017 £000*
Interest received on loan with group undertakings	650	*283*

8. Interest payable and similar charges

	2018 £000	*2017 £000*
Payable to group undertakings	477	*313*

9. Taxation

	2018 £000	*2017 £000*
Corporation tax		
Current tax on profits for the year	80	*270*
Adjustment in respect of PY	(81)	*-*
Foreign tax on income for the year	295	*281*
Total current tax	294	*551*
Deferred tax		
Origination and reversal of timing differences	(45)	*(11)*
Adjustment in respect of prior years	32	*(100)*
Total deferred tax	(13)	*(111)*
Taxation on profit on ordinary activities	281	*440*

9. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is lower than *(2017 - lower than)* the standard rate of corporation tax in the UK of 19% *(2017 - 19.25%)*. The differences are explained below:

	2018 £000	*2017* *£000*
Profit on ordinary activities before tax	**8,581**	*4,262*
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2017 - 19.25 %)	**1,630**	*820*
Effects of:		
Expenses not deductible for tax purposes	**617**	*1,003*
Adjustments to tax charge in respect of prior periods	**(49)**	*2*
Non-taxable income	**(2,217)**	*(1,668)*
Overseas tax	**295**	*281*
Effects of tax rate changes	**5**	*2*
Total tax charge for the year	**281**	*440*

Factors that may affect future tax charges

In his budgets of 8 July 2015, the Chancellor of the Exchequer announced a reduction in the corporation tax rate to 19% for the Financial Year beginning 1 April 2017 and a further reduction to 18% for the Financial Year beginning 1 April 2020. The Finance Bill 2016 provides for a further reduction in the Corporation tax rate to 17%. This rate was substantively enacted on 6th September 2016. Deferred tax has been calculated accordingly.

10. Intangible assets

	Purchased bespoke software £000	Purchased software license £000	Purchased goodwill £000	Total £000
Cost				
At 1 January 2018	5,501	149	1,017	6,667
Additions	1,638	-	-	1,638
Disposals	(522)	(12)	-	(534)
Exchange adjustments	-	6	-	6
At 31 December 2018	6,618	143	1,017	7,777
Amortisation				
At 1 January 2018	759	132	700	1,591
Charge for the year	847	8	-	855
On disposals	(121)	(3)	-	(124)
Exchange adjustments	-	(1)	7	6
At 31 December 2018	1,485	136	707	2,328
Net book value				
At 31 December 2018	5,133	7	309	5,449
At 31 December 2017	*4,742*	*17*	*317*	*5,076*

11. Tangible fixed assets

	Land and building £000	Plant, equipment and motor vehicles £000	Total £000
Cost or valuation			
At 1 January 2018	5,770	18,624	24,394
Additions	124	861	985
Disposals	-	(952)	(952)
Exchange adjustments	190	385	575
At 31 December 2018	6,084	18,918	25,002
Depreciation			
At 1 January 2018	2,009	13,514	15,523
Charge for the year	321	1,335	1,656
Disposals	-	(776)	(776)
Exchange adjustments	39	249	288
At 31 December 2018	2,369	14,322	16,691
Net book value			
At 31 December 2018	3,715	4,596	8,311
At 31 December 2017	*3,761*	*5,110*	*8,871*

The net book value of land and buildings may be further analysed as follows:

	2018 £000	*2017 £000*
Freehold	3,715	*3,761*

12. Fixed asset investments

	Shares in subsidiary undertaking £000	Shares in associated undertakings £000	Shares in participating undertakings £000	Total £000
Cost or valuation				
At 1 January 2018	14,509	551	69	15,129
Disposals	-	(551)	-	(551)
At 31 December 2018	14,509	-	69	14,578
Impairment				
At 1 January 2018	4,692	-	-	4,692
Charge for the period	3,265	-	-	3,265
At 31 December 2018	7,957	-	-	7,957
Net book value				
At 31 December 2018	6,552	-	69	6,621
At 31 December 2017	*9,817*	*551*	*69*	*10,437*

Disposal:

Inspectorate R (formerly Rosinspectorate) ZAO was sold during the year for £6,872k resulting in a profit on sale of investment of £6,321k.

Provision for impairment has been made for £7,957k against the investment in Inspectorate Singapore Pte Ltd following review of the entities estimated future cash flows expected to arise from the investments and suitable discount rates in order to calculate present values.

12. Fixed asset investments (continued)

Subsidiary undertakings

The following were subsidiary undertakings of the Company:

Name	Registered office	Class of shares	Holding
Inspectorate Singapore Pte Ltd	Singapore	Ordinary	100%
Inspectorate India Pvt Ltd	India	Ordinary	100%
Inspectorate International (Saudi Arabia) Co. Ltd	Saudi Arabia	Ordinary	65%
Inspectorate Malta Ltd	Malta	Ordinary	100%

Participating Interests

Inspectorate International Limited Qatar LLC	Qatar	Ordinary	49%
Inspectorate (Malaysia) Sdn bhd	Malaysia	Ordinary	49%

13. Debtors

	2018 £000	2017 £000
Trade debtors	10,889	8,461
Amounts owed by group undertakings	48,241	21,447
Prepayments and accrued income	3,963	3,670
Corporation tax	320	-
Deferred taxation	272	259
Other debtors	328	484
	64,013	34,321

Included within amounts owed by group undertakings is a balance of £44,564k (2017: £16,043k) due from Bureau Veritas SA which is unsecured, interest bearing and is repayable on demand.

14. Creditors: Amounts falling due within one year

	2018 **£000**	*2017* *£000*
Trade creditors	**2,407**	*2,198*
Amounts owed to group undertakings	**32,567**	*9,684*
Corporation tax	**115**	*69*
Other taxation and social security	**517**	*579*
Obligations under finance lease and hire purchase contracts	**2**	*5*
Other creditors	**63**	*37*
Accruals and deferred income	**2,471**	*3,616*
	38,142	*16,188*

The amounts owed to group undertakings are unsecured, have no fixed dated of repayment and incur interest at loan currency LIBOR plus 2%.

15. Provisions

	Terminal benefits £000	**Dilapidations £000**	**Total £000**
At 1 January 2018	**1,740**	**290**	**2,030**
Charged to profit or loss	**388**	**-**	**388**
At 31 December 2018	**2,128**	**290**	**2,418**

The provision for dilapidations is created due to the requirement to return leased properties to their original state at the end of the leases. The leases are due to expire within the next 5 years.

The Terminal Benefits provision is for an End of Service obligation the Company has to employees of the branches in the Middle East. The provision will be utilised when employees leave the company.

16. Deferred taxation

	2018 **£000**
At beginning of year	**259**
Credited in year	**13**
At end of year	**272**

16. Deferred taxation (continued)

The deferred tax asset is made up as follows:

	2018	*2017*
	£000	*£000*
Decelerated capital allowances	6	*6*
Effect of other short term timing differences	266	*253*
	272	*259*

17. Pension costs

The Company contributes to group personal pension plans, which are defined contribution in nature. The pension cost charge for the year amounted to £852k (2017: £648k). Amounts remaining unpaid at the year end were £nil (2017: £nil).

18. Share capital

	2018	*2017*
	£000	*£000*
Allotted, called up and fully paid		
34,590,512 *(2017 :- 34,590,512)* Ordinary shares of £1.00 each	34,590	*34,590*

The Company's ordinary shares, which carry no right to fixed income, each carry the right to one vote at general meetings of the Company.

Capital contribution reserve:
This reserve comprises a non-returnable gift of capital.

Other reserves:
This reserve comprises of amounts charged and credited in relation to share based payments (see note 1).

Profit and loss account
This reserve comprises accumulated profits and losses less dividend paid/payable.

19. Financial commitments

At 31 December the Company had total future minimum lease payments under non-cancellable operating leases as follows:

	2018 £000	*2017 £000*
Land & buildings		
Not later than 1 year	**646**	*646*
Later than 1 year and not later than 5 years	**444**	*357*
Later than 5 years	**178**	*241*
	1,268	*1,244*

	2018 £000	*2017 £000*
Other		
Not later than 1 year	**313**	*307*
Later than 1 year and not later than 5 years	**375**	*336*
	688	*643*

20. Related party transactions

The Company has taken advantage of the exemption under FRS 102 section 33 not to provide details of transactions with wholly-owned other members of the Bureau Veritas SA group, on the grounds that publicly available consolidated financial statements are prepared by the parent company, Bureau Veritas SA.

During the financial year, the Company entered into the following material transactions with non-wholly owned subsidiaries and associated entities, and holds the following material amounts on the balance sheet at 31 December 2017 and 2018:

	2018 £000	*2017 £000*
Sales to related parties	**183**	*78*
Purchases from related parties	**5,799**	*6,107*
Owed by related parties at 31 December	**3,216**	*288*
Owed to related parties at 31 December	**3,294**	*634*

21. Immediate and ultimate parent undertaking

During 2018 the Company is a wholly owned subsidiary of Inspectorate Holdings Plc, a company incorporated in England and Wales. During 2019 Inspectorate Holdings Plc changed its name to Bureau Veritas Commodity Services Ltd.

The smallest group of undertakings of which the Company is a member that produces consolidated financial statements is Bureau Veritas SA, a company incorporated in France. Its group financial statements are available from the company's registered office at 40/52 Boulevard du Parc, 92200 Neuilly sur Seine, France.

The directors regard Wendel Investissement SA, a company incorporated in France, as the Company's ultimate parent and ultimate controlling party by virtue of its majority interest in the equity capital of Bureau Veritas SA.

The largest group of undertakings of which the Company is a member that produces consolidated financial statements is Wendel Investissement SA. Its group financial statements are available from the company's registered office at 89 rue Taitbout, 75009, Paris, France.