

Company Registration No. 00948153 (England and Wales)

INTERTEK TESTING MANAGEMENT LTD
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017



INTERTEK TESTING MANAGEMENT LTD

COMPANY INFORMATION

Directors	F M Evans R McCluskey N A Hare	(Appointed 4 June 2018)
Company number	00948153	
Registered office	Academy Place 1-9 Brook Street Brentwood Essex CM14 5NQ	
Independent Auditor	PricewaterhouseCoopers LLP London	

INTERTEK TESTING MANAGEMENT LTD

CONTENTS

	Page
Strategic report	1
Directors' report	2 - 4
Independent auditor's report	5 - 7
Income statement	8
Statement of comprehensive income	9
Statement of financial position	10 - 11
Statement of changes in equity	12
Notes to the financial statements	13 - 36

INTERTEK TESTING MANAGEMENT LTD

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2017

The directors present the strategic report and audited financial statements for the year ended 31 December 2017.

Review of the business

The results for the year and the state of affairs of the company at 31 December 2017 are shown in the financial statements on pages 8 to 36.

Principal risks and uncertainties

The principal risks and uncertainties affecting the company are closely aligned with those discussed in the Group's annual report, which is publicly available from the Group Company Secretary, Intertek Group plc, 33 Cavendish Square, London, W1G 0PS or on the website www.intertek.com. Risks relating specifically to the company are as follows:

Financial risk management

Market risk

At 31 December 2017, the company had investments in Group companies of £Nil (2016: £Nil) and amounts due from Group companies of £39,103,000 (2016: £15,574,000). A sustained period of economic recession could impact the operating results and financial position of these Group companies and impact their carrying value and ability to repay the amounts due to the company.

Foreign exchange risk

The amounts payable to and receivable from Group undertakings include amounts denominated in currencies other than sterling; therefore, fluctuations in currency exchange rates will impact the results and financial position of the company.

Business outlook

The management expects that future performance will be in line with current performance.

Key performance indicators

As a management services company which also provides funding to other Group companies, performance is monitored by a review of services provided and a review of the underlying intercompany balances for their susceptibility to impairment.

Environment

The company is committed to complying with relevant environmental legislation and preventing any adverse impact on the environment as a result of its operations. Where an adverse environmental impact is identified, a practicable, timely and environmentally sympathetic solution will be implemented. If a serious risk to the environment is identified, that activity will be halted and appropriate remedial action taken to eliminate the risk.

Employees

The company employed 71 people on average in 2017 (2016: 73).

On behalf of the board



R McCluskey

Director

26 September 2018

INTERTEK TESTING MANAGEMENT LTD

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2017

The directors present their annual report and audited financial statements for the year ended 31 December 2017.

Principal activities

The principal activity of the company continued to be that of the provision of management services to the Intertek Group ("Group"). No significant changes in the Company's activities are expected.

Results and dividends

The results for the year are set out on page 8.

Income from shares in group undertakings of £Nil (2016: £Nil) was received in the year.

Dividends of £Nil (2016: £Nil) were paid in the year. The directors do not propose the payment of any further dividends in respect of the year.

Directors

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

F M Evans

J C Burge

(Resigned 4 June 2018)

R McCluskey

N A Hare

(Appointed 4 June 2018)

Future developments

The company will continue to provide management services to the Intertek Group ("Group") for the foreseeable future. The entity continues to operate as a going concern as discussed within the notes on pages 13 to 19.

Independent Auditor

The independent auditor, PricewaterhouseCoopers LLP, is deemed to be reappointed under section 487(2) of the Companies Act 2006.

INTERTEK TESTING MANAGEMENT LTD

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2017

Statement of directors' responsibilities

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, comprising FRS 101 "Reduced Disclosure Framework", 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, comprising FRS 101, 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.

Strategic report

The company has chosen in accordance with Companies Act 2006, s. 414C(11) to set out in the company's strategic report information required by Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, Sch. 7 to be contained in the directors' report. It has done so in respect of:

- principal risks and uncertainties
- financial key performance indicators

Statement of disclosure to independent auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the company's independent auditor is unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's independent auditor is aware of that information.

Going concern

The directors believe that preparing the accounts on the going concern basis is appropriate due to the continued financial support of the immediate parent company Intertek Holdings Limited. The directors have received confirmation that Intertek Holdings Ltd intend to support the company for at least one year after these financial statements are signed.

Directors' indemnities

As permitted by the Articles of Association, the company purchased and maintained throughout the financial year Directors' and Officers' liability insurance in respect of itself and its directors. No qualifying third party indemnity provisions for the benefit of its directors were made during the year.

INTERTEK TESTING MANAGEMENT LTD

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2017

On behalf of the board



R McCluskey

Director

26 September 2018

INTERTEK TESTING MANAGEMENT LTD

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF INTERTEK TESTING MANAGEMENT LTD

Opinion

In our opinion, Intertek Testing Management Ltd's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2017 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: The Income Statement, Statement of Comprehensive Income, Statement Of Financial Position, Statement of Changes in Equity and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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 when:

- 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.

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.

INTERTEK TESTING MANAGEMENT LTD

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF INTERTEK TESTING MANAGEMENT LTD

Reporting on other information

The other information comprises all of the information 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, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance 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 an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report

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 year ended 31 December 2017 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities set out on page 3, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they 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 FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

INTERTEK TESTING MANAGEMENT LTD

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF INTERTEK TESTING MANAGEMENT LTD

Use of this report

This report, including the opinions, has been prepared for and only for the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

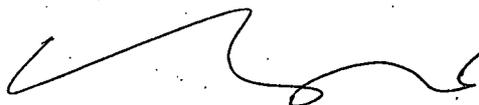
Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility:



Christopher Solomides (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP

Chartered Accountants
Statutory Auditor
London

26 September 2018

INTERTEK TESTING MANAGEMENT LTD

INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2017

		2017	2016
	Notes	£'000	as restated £'000
Administrative expenses		(31,138)	(28,369)
Other operating income/(expenses)		30,116	(2,062)
Operating loss	2	<u>(1,022)</u>	<u>(30,431)</u>
Investment income		-	237
Interest payable to group undertakings	5	(61)	(85)
Other finance costs	5	(870)	(616)
Loss before taxation		<u>(1,953)</u>	<u>(30,895)</u>
Tax on loss	6	1,659	(2,681)
Loss for the financial year		<u>(294)</u>	<u>(33,576)</u>

The income statement has been prepared on the basis that all operations are continuing operations.

INTERTEK TESTING MANAGEMENT LTD

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2017

		2017	2016
		£'000	as restated £'000
Loss for the financial year	Notes	(294)	(33,576)
Other comprehensive income/(expense)			
Items that will not be reclassified to profit or loss			
Actuarial gain/(loss) on defined benefit pension schemes	12	9,485	(7,240)
Tax relating to items not reclassified	6	1,398	-
Total items that will not be reclassified to profit or loss		10,883	(7,240)
Other comprehensive income/(expense) for the financial year		10,589	(40,816)

INTERTEK TESTING MANAGEMENT LTD

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2017

		2017	2016
	Notes	£'000	as restated £'000
Fixed assets			
Intangible assets	7	51	60
Property, plant and equipment	8	672	977
		<u>723</u>	<u>1,037</u>
Current assets			
Deferred tax asset	9	5,393	2,126
Other receivables	10	44,419	19,197
Cash and cash equivalents		485	868
		<u>50,297</u>	<u>22,191</u>
Current liabilities			
Trade and other payables	11	(99,940)	(73,991)
Taxation and social security		(1,470)	(2,788)
		<u>(101,410)</u>	<u>(76,779)</u>
Net current liabilities		<u>(51,113)</u>	<u>(54,588)</u>
Total assets less current liabilities		<u>(50,390)</u>	<u>(53,551)</u>
Provisions for liabilities			
Retirement benefit obligations	12	(12,950)	(23,880)
Net liabilities		<u>(63,340)</u>	<u>(77,431)</u>
Equity			
Called up share capital	14	2,000	2,000
Retained earnings		(65,340)	(79,431)
Total equity		<u>(63,340)</u>	<u>(77,431)</u>

INTERTEK TESTING MANAGEMENT LTD

STATEMENT OF FINANCIAL POSITION (CONTINUED)

AS AT 31 DECEMBER 2017

The financial statements were approved by the board of directors and authorised for issue on 26 September 2018 and are signed on its behalf by:



R McCluskey
Director

Company Registration No. 00948153

INTERTEK TESTING MANAGEMENT LTD

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2017

	Notes	Called up share capital £'000	Retained earnings £'000	Total £'000
Balance at 1 January 2016		2,000	(45,582)	(43,582)
Year ended 31 December 2016:				
Loss for the financial year		-	(34,359)	(34,359)
Other comprehensive expense:				
Actuarial losses on defined benefit plans		-	(7,240)	(7,240)
Total comprehensive expense for the financial year		-	(41,599)	(41,599)
Share based payment charge		-	(373)	(373)
Share based payments vested	13	-	6,490	6,490
Deferred tax on share-based payment transactions		-	850	850
Balance at 31 December 2016		2,000	(80,214)	(78,214)
Prior year adjustment		-	(783)	(783)
As restated		2,000	(79,431)	(77,431)
Year ended 31 December 2017:				
Loss for the financial year		-	(294)	(294)
Other comprehensive income:				
Actuarial gains on defined benefit plans		-	9,485	9,485
Tax relating to other comprehensive income		-	1,398	1,398
Total comprehensive income for the financial year		-	10,589	10,589
Share based payment charge		-	(4,608)	(4,608)
Share based payments vested	13	-	7,369	7,369
Deferred tax on share-based payment transactions		-	741	741
Balance at 31 December 2017		2,000	(65,340)	(63,340)

INTERTEK TESTING MANAGEMENT LTD

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

1 Accounting policies

Company information

Intertek Testing Management Ltd is a private company limited by shares incorporated and domiciled in England and Wales. The registered office is Academy Place, 1-9 Brook Street, Brentwood, Essex, CM14 5NQ.

1.1 Accounting convention

The financial statements have been prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101) and in accordance with applicable accounting standards. In preparing these financial statements, the company applied the recognition, measurement and disclosure requirements of the International Financial Reporting Standards as adopted by the EU ("Adopted IFRS"), but makes amendments where necessary in order to comply with Companies Act 2006.

The financial statements have been prepared on the historical cost basis. The principal accounting policies adopted are set out below.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £'000.

The company has taken advantage of the following disclosure exemptions under FRS 101:

- the requirements of paragraphs 45(b) and 46-52 of IFRS 2 Share based Payment;
- 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. Equivalent disclosures are included in the consolidated financial statements of Intertek Group plc in which the entity is consolidated;
- the requirements of paragraph 33 (c) of IFRS 5 Non current Assets Held for Sale and Discontinued Operations;
- the requirements of IFRS 7 Financial Instruments: Disclosures;
- the requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement;
- 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 Intangibles Assets, (iv) paragraphs 76 and 79(d) of IAS 40 Investment Property and (v) paragraph 50 of IAS 41 Agriculture;
- the requirements of paragraphs 10(d), 10(f), 16, 38A to 38D, 39 to 40 ,111 and 134-136 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 paragraph 17 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 ; and
- the requirements of paragraphs 134(d)-134(f) and 135(c)-135(e) of IAS 36 Impairment of Assets.

As permitted by FRS 101, the company has taken advantage of the disclosure exemptions available under that standard in relation to share based payments, financial instruments, capital management, presentation of a cash flow statement, presentation of comparative information in respect of certain assets, standards not yet effective, impairment of assets, business combinations, discontinued operations and related party transactions.

Where required, equivalent disclosures are given in the group financial statements of Intertek Group plc. The group financial statements of Intertek Group plc are available to the public and can be obtained as set out in note 18.

INTERTEK TESTING MANAGEMENT LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2017

1 Accounting policies

(Continued)

The company has taken advantage of the exemption under section 400 of the Companies Act 2006 not to prepare consolidated financial statements. The financial statements present information about the company as an individual entity and not about its group.

Intertek Testing Management Ltd is a wholly owned subsidiary of Intertek Group plc, the ultimate parent undertaking, and the results of Intertek Testing Management Ltd are included in the consolidated financial statements of Intertek Group plc which are available from 33 Cavendish Square, London, W1G 0PS or on the website www.intertek.com.

1.2 Prior period error

In the prior year normal contributions totalling £783,000 paid into the Group pension scheme by other UK based Group entities were not recorded as a reduction in current service cost. The amount was incorrectly recorded in equity. The restatement has resulted in a decrease in current service cost by £783,000.

In the prior year the company had incorrectly recorded the income tax payable by the company. This resulted in an overstatement of the tax payable balance by £783,000. The restatement has resulted in a decrease in income tax payable by £783,000.

1.3 Going concern

The company's business activities, together with the factors likely to affect its future development and position, are set out in the Business Review section of the Strategic Report on page 1. The company generated a loss of £294,000 (2016 (restated): £33,576,000) in the year and has net current liabilities of £51,113,000 (2016 (restated): £54,588,000) as at 31 December 2017. The company participates in the Intertek group's centralised treasury arrangements and so shares banking arrangements with its parent and fellow subsidiaries.

The directors have no reason to believe that a material uncertainty exists that may cast significant doubt about the ability of the company to continue as a going concern or its ability to continue as part of Intertek Group plc's current banking arrangements.

In connection with the preparation of the financial statements of Intertek Testing Management Ltd for the year ended 31 December 2017, a letter of support was provided to confirm that Intertek Holdings Limited will continue to support Intertek Testing Management Ltd for the foreseeable future allowing it to continue on a going concern basis.

On the basis of their assessment of the company's financial position and of the enquiries made of the directors of the company's ultimate parent, Intertek Group plc, the company's directors have a reasonable expectation that the company will be able to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

1.4 Intangible assets other than goodwill

Intangible assets comprise computer software, which is defined as having a finite useful life and the costs are amortised on a straight line basis over over 3 years, except for the Treasury Management System (TMS) software, which is amortised over 7 years on a straight line basis. Intangible assets are stated at cost less amortisation and are reviewed for impairment whenever there is an indication that the carrying value may be impaired.

INTERTEK TESTING MANAGEMENT LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2017

1 Accounting policies (Continued)

1.5 Property, plant and equipment

Property, plant and equipment are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Fixtures and fittings	20% - 33.3%
Computer hardware	33.3%

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is recognised in the income statement.

1.6 Impairment of tangible and intangible assets

At each reporting end date, the company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

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, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

1.7 Fair value measurement

IFRS 13 establishes a single source of guidance for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. The company is exempt under FRS 101 from the disclosure requirements of IFRS 13. There was no impact on the company from the adoption of IFRS 13.

INTERTEK TESTING MANAGEMENT LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2017

1 Accounting policies

(Continued)

1.8 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. Bank overdrafts are shown within borrowings in current liabilities.

1.9 Financial assets

Financial assets are recognised in the company's statement of financial position when the company becomes party to the contractual provisions of the instrument.

Financial assets are classified into specified categories. The classification depends on the nature and purpose of the financial assets and is determined at the time of recognition.

Financial assets are initially measured at fair value plus transaction costs, other than those classified as fair value through profit and loss, which are measured at fair value.

Loans and receivables

Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment.

Interest is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial. The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating the interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the debt instrument to the net carrying amount on initial recognition.

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership to another entity.

1.10 Financial liabilities

Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities.

INTERTEK TESTING MANAGEMENT LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2017

1 Accounting policies

(Continued)

Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability to the net carrying amount on initial recognition.

Derecognition of financial liabilities

Financial liabilities are derecognised when, and only when, the company's obligations are discharged, cancelled, or they expire.

1.11 Equity instruments

Equity instruments issued by the company are recorded at the proceeds received, net of direct issue costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

1.12 Taxation

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

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date 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 is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when the company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

INTERTEK TESTING MANAGEMENT LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2017

1 Accounting policies

(Continued)

1.13 Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of inventories or non-current assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

1.14 Retirement benefits

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

The cost of providing benefits under defined benefit plans is determined separately for each plan using the projected unit credit method, and is based on actuarial advice.

The change in the net defined benefit liability arising from employee service during the year is recognised as an employee cost. The cost of plan introductions, benefit changes, settlements and curtailments are recognised as an expense in measuring profit or loss in the period in which they arise.

The net interest element is determined by multiplying the net defined benefit liability by the discount rate, taking into account any changes in the net defined benefit liability during the period as a result of contribution and benefit payments. The net interest is recognised in profit or loss as other finance revenue or cost.

Remeasurement changes comprise actuarial gains and losses, the effect of the asset ceiling and the return on the net defined benefit liability excluding amounts included in net interest. These are recognised immediately in other comprehensive income in the period in which they occur and are not reclassified to profit and loss in subsequent periods.

The net defined benefit pension asset or liability in the balance sheet comprises the total for each plan of the present value of the defined benefit obligation (using a discount rate based on high quality corporate bonds), less the fair value of plan assets out of which the obligations are to be settled directly. Fair value is based on market price information, and in the case of quoted securities is the published bid price. The value of a net pension benefit asset is limited to the amount that may be recovered either through reduced contributions or agreed refunds from the scheme.

1.15 Share-based payments

Equity-settled share-based payments are measured at fair value at the date of grant by reference to the fair value of the equity instruments granted using the Monte Carlo method. The fair value determined at the grant date is expensed on a straight-line basis over the vesting period, based on the estimate of shares that will eventually vest. A corresponding adjustment is made to equity.

INTERTEK TESTING MANAGEMENT LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2017

1 Accounting policies

(Continued)

When the terms and conditions of equity-settled share-based payments at the time they were granted are subsequently modified, the fair value of the share-based payment under the original terms and conditions and under the modified terms and conditions are both determined at the date of the modification. Any excess of the modified fair value over the original fair value is recognised over the remaining vesting period in addition to the grant date fair value of the original share-based payment. The share-based payment expense is not adjusted if the modified fair value is less than the original fair value.

Cancellations or settlements (including those resulting from employee redundancies) are treated as an acceleration of vesting and the amount that would have been recognised over the remaining vesting period is recognised immediately.

1.16 Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessees. All other leases are classified as operating leases.

Rentals payable under operating leases, less any lease incentives received, are charged to income on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the lease asset are consumed.

1.17 Foreign exchange

Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing at the dates of the transactions. At each reporting end date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting end date. Gains and losses arising on translation are included in the income statement for the period.

2 Operating loss

	2017	2016
	£'000	£'000
Operating loss for the year is stated after charging/(crediting):		
Management charge (receivable from)/payable to group companies	(30,116)	2,062
Fees payable to the company's independent auditor for the audit of the company's financial statements	6	6
Depreciation of property, plant and equipment	374	283
Amortisation of intangible assets	74	85
Share-based payments	7,369	6,490
	<u> </u>	<u> </u>

Amounts disclosed above reflect services provided by the company's auditor in respect of auditing these financial statements. These amounts, however, have been paid by the ultimate parent company, Intertek Group plc.

INTERTEK TESTING MANAGEMENT LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2017

3 Employees

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

	2017 Number	2016 Number
Administration	71	73

Their aggregate remuneration comprised:

	2017 £'000	2016 £'000
Wages and salaries	19,192	16,040
Social security costs	2,589	2,181
Other pension costs	1,198	1,035
	<u>22,979</u>	<u>19,256</u>

4 Directors' remuneration

	2017 £'000	2016 £'000
Remuneration for qualifying services	624	576
Amounts receivable under long term incentive schemes	257	63
Company pension contributions to defined contribution schemes	25	31
	<u>906</u>	<u>670</u>

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 2 (2016 - 1).

The number of directors who vested share awards during the year was 2 (2016 - 1).

The number of directors who are entitled to receive shares under long term incentive schemes during the year was 3 (2016 - 2).

Remuneration disclosed above include the following amounts paid to the highest paid director:

	2017 £'000	2016 £'000
Remuneration for qualifying services	424	295
Company pension contributions to defined contribution schemes	11	8
	<u>435</u>	<u>303</u>

The highest paid director had share awards that vested during the year.

The highest paid director has been entitled to receive shares under a long term incentive scheme during the year.

INTERTEK TESTING MANAGEMENT LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2017

5	Finance costs		
		2017	2016
		£'000	£'000
	Interest on financial liabilities measured at amortised cost:		
	Interest on bank overdrafts and loans	1	16
	Interest payable to group undertakings	61	85
		<u>62</u>	<u>101</u>
	Interest on other financial liabilities:		
	Interest on the net defined benefit liability	614	600
		<u>614</u>	<u>600</u>
	Total interest expense	676	701
	Other finance costs:		
	Exchange differences on financing transactions	255	-
		<u>255</u>	<u>-</u>
	Total finance costs	931	701
		<u><u>931</u></u>	<u><u>701</u></u>
6	Tax on loss		
		2017	2016
		£'000	£'000
	Current tax		
	UK corporation tax on profits for the current year	(862)	153
	Adjustments in respect of prior periods	(447)	2,626
		<u>(1,309)</u>	<u>2,779</u>
	Total UK current tax	(1,309)	2,779
	Foreign taxes and reliefs	778	1,178
		<u>778</u>	<u>1,178</u>
	Taxation (credit)/charge	(531)	3,957
		<u><u>(531)</u></u>	<u><u>3,957</u></u>
	Deferred tax		
	Origination and reversal of temporary differences	(1,277)	(1,501)
	Changes in tax rates	149	225
		<u>(1,128)</u>	<u>(1,276)</u>
	Total tax (credit)/charge	(1,659)	2,681
		<u><u>(1,659)</u></u>	<u><u>2,681</u></u>

During 2015, the UK government announced a phased reduction in the main UK corporation tax rate from 20% to 18% over a period of three years from 1 April 2017. The reduction in the UK corporation tax rate to 19% from 1 April 2017 and to 18% from 1 April 2020 was substantively enacted in October 2015. In 2016, a further reduction in the UK corporation tax rate to 17% by 1 April 2020 was announced.

INTERTEK TESTING MANAGEMENT LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2017

6 Tax on loss (Continued)

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

	2017 £'000	2016 £'000
Loss before taxation	(1,953)	(30,895)
Expected tax credit based on a corporation tax rate of 19.25% (2016:20.00%)	(376)	(6,179)
Effect of expenses not deductible in determining taxable profit	4	5,363
Income not taxable	-	(236)
Change in unrecognised deferred tax assets	(1,625)	(296)
Adjustment in respect of prior periods	(447)	2,626
Effect of change in UK corporation tax rate	149	225
Effect of overseas tax rates	636	1,178
Taxation (credit)/charge for the year	(1,659)	2,681

In addition to the amount charged to the income statement, the following amounts relating to tax have been recognised directly in other comprehensive income:

	2017 £'000	2016 £'000
Deferred tax arising on:		
Actuarial differences recognised as other comprehensive income	(1,398)	-

In addition to the amount charged to the income statement and other comprehensive income, the following amounts relating to tax have been recognised directly in equity:

	2017 £'000	2016 £'000
Deferred tax:		
Change in estimated excess tax deductions related to share based payments	(741)	(850)

INTERTEK TESTING MANAGEMENT LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2017

7 Intangible fixed assets

	Computer software £'000	Treasury Management System £'000	Total £'000
Cost			
At 31 December 2016	-	95	95
Additions - purchased	5	-	5
Disposals	(61)	-	(61)
Reclassification from PPE	301	-	301
At 31 December 2017	245	95	340
Amortisation and impairment			
At 31 December 2016	-	35	35
Charge for the year	58	16	74
Eliminated on disposals	(61)	-	(61)
Reclassification from PPE	211	30	241
At 31 December 2017	208	81	289
Carrying amount			
At 31 December 2017	37	14	51
At 31 December 2016	-	60	60

Amortisation of intangibles is included within Administrative expenses within the income statement. The gross carrying amount of fully depreciated assets not yet retired were £14,000 (2016: £Nil) at 31 December 2017.

8 Property, plant and equipment

	Fixtures and fittings £'000	Computer hardware £'000	Total £'000
Cost			
At 31 December 2016	1,131	587	1,718
Additions	110	19	129
Disposals	(9)	(241)	(250)
Reclassification to intangible assets	-	(301)	(301)
At 31 December 2017	1,232	64	1,296
Accumulated depreciation and impairment			
At 31 December 2016	251	490	741

INTERTEK TESTING MANAGEMENT LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2017

8 Property, plant and equipment	(Continued)		
	Fixtures and fittings	Computer hardware	Total
	£'000	£'000	£'000
Charge for the year	348	26	374
Reclassification to intangible assets	-	(241)	(241)
Eliminated on disposal	(9)	(241)	(250)
	<u>590</u>	<u>34</u>	<u>624</u>
At 31 December 2017	590	34	624
Carrying amount			
At 31 December 2017	642	30	672
	<u>880</u>	<u>97</u>	<u>977</u>
At 31 December 2016	880	97	977

There are no outstanding contractual commitments relating to the acquisition of property, plant and equipment. The gross carrying amount of fully depreciated assets not yet retired were £2,000 (2016: £215,000) at 31 December 2017.

9 Deferred taxation

The following are the major deferred tax liabilities and assets recognised by the company and movements thereon during the current and prior reporting period.

	Retirement benefit obligations	Share based payments	Total
	£'000	£'000	£'000
Deferred tax asset at 1 January 2016	-	-	-
Deferred tax movements in prior year			
Effect of change in tax rate - profit or loss	-	1,276	1,276
Effect of change in tax rate - equity	-	850	850
	<u>-</u>	<u>2,126</u>	<u>2,126</u>
Deferred tax asset at 1 January 2017	-	2,126	2,126
Deferred tax movements in current year			
Credit to profit or loss	804	324	1,128
Credit to other comprehensive income	1,398	-	1,398
Credit direct to equity	-	741	741
	<u>2,202</u>	<u>3,191</u>	<u>5,393</u>
Deferred tax asset at 31 December 2017	2,202	3,191	5,393

INTERTEK TESTING MANAGEMENT LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2017

9 Deferred taxation

(Continued)

Deferred tax assets and liabilities are offset where the company has a legally enforceable right to do so. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

	2017	2016
	£'000	£'000
Deferred tax assets	5,393	2,126

Deferred tax assets have been recognised on share based payments and retirement benefit obligations. These are reflected in the statement of comprehensive income and statement of changes in equity accordingly.

Deferred tax assets have not been recognised in respect of the items shown below. Gross differences have been multiplied by the tax rates in each case:

- Property, fixtures, fittings and equipment: £443,000 (2016: £444,000)
- Pensions: £Nil (2016: £4,888,000)
- Total unrecognised asset at the end of the year: £443,000 (2016: £5,332,000)

Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profits will be available against which the company can utilise the benefits from them.

Deferred tax assets and liabilities are measured at the tax rate that is expected to apply to the period when the asset is realised or the liability is settled, based on the rates that have been enacted or substantively enacted at the balance sheet date. Therefore, at 31 December 2017, deferred tax assets and liabilities have been calculated based on a rate of 17%, where the temporary difference is expected to reverse after 1 April 2020.

10 Trade and other receivables

	2017	2016
	£'000	£'000
Other receivables	153	63
VAT recoverable	1,813	1,650
Amounts due from fellow group undertakings	39,103	15,574
Prepayments	3,350	1,910
	<u>44,419</u>	<u>19,197</u>

Amounts owed by group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

INTERTEK TESTING MANAGEMENT LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2017

11 Trade and other payables

	2017	Current 2016
	£'000	£'000
Trade payables	1,506	2,811
Amounts due to fellow group undertakings	91,321	68,920
Accruals	2,056	-
Other payables	5,057	2,260
	<u>99,940</u>	<u>73,991</u>

Amounts due to group undertakings are unsecured, have no fixed date of repayment and are repayable on demand. A mixture of the amounts due is interest bearing and interest free.

12 Retirement benefit schemes

Defined contribution schemes

The company operates a defined contribution pension scheme for all qualifying employees. The assets of the scheme are held separately from those of the company in an independently administered fund.

The total costs charged to income in respect of defined contribution plans is £787,000 (2016: £718,000).

Defined benefit scheme

The company operates a defined benefit scheme for qualifying employees.

Valuation

The pension cost for the defined benefit schemes was assessed in accordance with the advice of qualified actuaries. The last full triennial actuarial valuation of The Intertek Pension Scheme in the United Kingdom ('United Kingdom Scheme') was carried out as at 1 April 2016, and for accounting purposes has been updated to 31 December 2017 for IAS 19 purposes. The average duration of the scheme is 20 years.

INTERTEK TESTING MANAGEMENT LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2017

12 Retirement benefit schemes

(Continued)

Risks

Funding Risks

The main risks for the Schemes are:

Investment return risk:	If the assets underperform the returns assumed in setting the funding targets then additional contributions may be required at subsequent valuations.
Investment matching risk:	The Schemes invest significantly in equities, whereas the funding targets are closely related to the returns on bonds. If equities fall in value relative to the matching asset of bonds, additional contributions may be required.
Longevity risk:	If future improvements in longevity exceed the assumptions made for Scheme funding then additional contributions may be required.

Role of Third Parties

The United Kingdom Scheme is managed by Trustees on behalf of its members. The Trustees take advice from appropriate third parties including investment advisors, actuaries and lawyers as necessary.

Funding policy

Funding Arrangements

The trustees use the Projected Unit credit method with a three-year control period. Currently the scheme members pay contributions at the rate of 8.5% of salary. The employer pays contributions of 16.4% of salary, plus £0.2m per year to fund scheme expenses, and has made an additional contribution of £2.0m in 2018 to reduce the deficit disclosed by the 2016 valuation.

	<u>United Kingdom Scheme</u>	
	<u>2017</u>	<u>2016</u>
<i>Key assumptions</i>	%	%
Discount rate	2.45	2.65
Inflation rate (based on CPI)	2.30	2.35
Salary growth rate	2.30	3.35
Rate of pension increases:		
CPI Subject to a max of 5% p.a.	2.30	2.35
Increases subject to a maximum of 2.5% p.a.	1.80	1.85
	====	====

INTERTEK TESTING MANAGEMENT LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2017

12 Retirement benefit schemes (Continued)

<i>Mortality assumptions</i>	<u>United Kingdom Scheme</u>	
	2017	2016
Assumed life expectations on retirement at age 65:	Years	Years
Retiring today		
- Males	22.1	22.2
- Females	24.0	24.2
	=====	=====
Retiring in 25 years		
- Males	49.0	49.4
- Females	50.9	51.5
	=====	=====

The table above shows, for the United Kingdom Scheme, the number of years a male or female is expected to live, assuming they were aged either 40 or 65 at 31 December. The mortality tables adopted in 2017 for the United Kingdom Scheme are the S2PA projected by year of birth, based on the CMI 2016 mortality projection model with a 1.25% long-term annual rate for future improvements. In 2016 the S2PA tables were used, based on the CMI 2015 mortality projection model.

	2017	2016
<i>Amounts recognised in the income statement</i>	£'000	£'000
Current service cost	1,110	840
Less: Contributions from other Group entities	(750)	(783)
Net interest on defined benefit liability/(asset)	600	630
Other gains and losses	(200)	(200)
	-----	-----
Total costs	760	487
	=====	=====

The current service cost and scheme administration expenses are included in operating costs in the income statement and pension interest cost and interest income are included in net financing costs.

	2017	2016
<i>Amounts recognised in other comprehensive income</i>	£'000	£'000
Actuarial changes arising from changes in demographic assumptions	(2,470)	(2,900)
Actuarial changes arising from changes in financial assumptions	610	26,040
Actuarial changes arising from experience adjustments	(170)	(3,300)
Actuarial changes related to plan assets	(7,360)	(12,600)
Other adjustments	(95)	-
	-----	-----
Total (income)/costs	(9,485)	7,240
	=====	=====

INTERTEK TESTING MANAGEMENT LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2017

12 Retirement benefit schemes

(Continued)

Company contributions

The Company assessed the triennial actuarial valuation and its impact on the scheme funding plan in 2018 and future years. In 2018 the Company expects to make normal contributions of £0.8m (2017: £0.8m) and a special contribution of £2.0m (2017: £2.8m) to the United Kingdom scheme. The next triennial valuation is due to take place as at 1 April 2019 and will include a review of the Company's future contribution requirements.

The amounts included in the statement of financial position arising from the company's obligations in respect of defined benefit plans are as follows:

	<u>United Kingdom Scheme</u>	
	2017	2016
	£'000	£'000
Present value of defined benefit obligations	127,620	129,710
Fair value of plan assets	(114,670)	(105,830)
Deficit in scheme	<u>12,950</u>	<u>23,880</u>
	2017	2016
<i>Movements in the present value of defined benefit obligations</i>	£'000	£'000
At 1 January 2017	129,750	107,800
Current service cost	1,110	840
Benefits paid	(4,880)	(3,020)
Contributions from scheme members	280	300
Actuarial gains and losses	(2,030)	19,840
Interest cost	3,390	3,950
At 31 December 2017	<u>127,620</u>	<u>129,710</u>
	2017	2016
The defined benefit obligations arise from plans funded as follows:	£'000	£'000
Wholly unfunded obligations	-	-
Wholly or partly funded obligations	<u>127,620</u>	<u>129,750</u>
	<u>127,620</u>	<u>129,710</u>

INTERTEK TESTING MANAGEMENT LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2017

12 Retirement benefit schemes	(Continued)	
	2017	2016
	£'000	£'000
Movements in the fair value of plan assets:		
At 1 January 2017	105,870	89,400
Interest income	2,790	3,320
Return on plan assets (excluding amounts included in net interest)	7,360	12,600
Benefits paid	(4,880)	(3,020)
Contributions by the employer	3,340	3,580
Contributions by scheme members	280	300
Other	(90)	(350)
	<u>114,670</u>	<u>105,830</u>
At 31 December 2017	<u>114,670</u>	<u>105,830</u>

The actual return on plan assets was £10,150,000 (2016: £15,920,000).

Sensitivity of the defined benefit obligations to changes in assumptions

Scheme obligations would have been affected by changes in assumptions as follows:

		<u>United Kingdom Scheme</u>	
		<u>Liabilities</u>	<u>Increase (decrease) in deficit</u>
		2017	2017
		£m	£m
No change		129.80	
0.25% change in discount rate	- increase	123.50	-5.9
	- decrease	136.60	6.3
0.25% change in inflation	- increase	136.40	5.2
	- decrease	123.60	-5.0
		<u>129.80</u>	<u>-0.4</u>

INTERTEK TESTING MANAGEMENT LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2017

12 Retirement benefit schemes

(Continued)

Asset Allocation:

Investment statements were provided by the Investment Managers which showed that, as at 31 December 2017 the invested assets of the Scheme totalled £114.7m (2016: £105.9m) broken down as follows:

	United Kingdom Scheme	
	2017	2016
	£'000	£'000
UK equities	24,930	24,750
Overseas equities	29,850	25,680
Property	11,200	8,560
Absolute Return Fund*	25,820	25,180
Liability Driven Investment**	17,200	16,420
Cash	5,670	5,280
Total	<u>114,670</u>	<u>105,870</u>

*The Absolute Return Fund aims to provide positive investment returns in all conditions over the medium to long-term. The investment managers have a wide investment remit and look to exploit market inefficiencies through active allocation to a diverse range of market positions. The Fund uses a combination of traditional assets and investment strategies based on derivatives and is able to take long and short-term positions in markets.

**The LDI Fund provides the hedge against adverse movements in inflation and interest rates. It seeks to match the sensitivity of the Scheme's liability cash flow to changes in interest rates and inflation; it is invested in gilts, swaps, futures, repo contracts and money market instruments.

The Scheme had bank account assets of £0.5m as at 31 December 2017 (2016: £0.3m).

The Scheme invested assets comprise both quoted and unquoted assets.

Group plans

The United Kingdom Scheme is also subject to the mortality assumption. If the mortality tables used are rated up/down one year, the value placed on the liabilities increases by £5.9m and decreases by £5.8m respectively.

INTERTEK TESTING MANAGEMENT LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2017

13 Share-based payment transactions

The share-based compensation plans operated by Group allow employees to acquire shares of Intertek Group plc. The fair value of the employee services, received in exchange for the grant of share options or shares, is measured at the grant date and is recognised as an expense with a corresponding increase in equity. The charge is calculated using Monte Carlo method and expensed to the income statement over the vesting period of the relevant award. The charge for the Deferred Share Awards is adjusted to reflect expected and actual levels of vesting for service conditions. The expense of the LTIP Share Awards is calculated using the Black-Scholes method and is adjusted for the probability of EPS performance conditions being achieved.

During the year ended 31 December 2017, the Company recognised an expense of £7,369,000 (2016: £6,490,000) in respect of outstanding share awards.

The fair values and the assumptions used in their calculations are detailed in the consolidated financial statements of Intertek Group plc for the year ended 31 December 2017. These include assumptions on expected volatility, dividend yield and risk-free interest rate.

Share Plans

The Deferred Bonus Plan 2005 was replaced in 2011 with the Intertek 2011 Long Term Incentive Plan (the 'LTIP'). Deferred Share Awards (previously Share Awards) and LTIP Share awards (previously Performance Awards) have been granted under this plan. The first awards were granted on 7 April 2006. The awards under these plans vest three years after grant date, subject to fulfilment of the performance conditions.

The deferred shares held by company employees are as follows:

INTERTEK TESTING MANAGEMENT LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2017

13 Share-based payment transactions (Continued)

	Deferred Share Awards		LTIP Share Awards	
	2017	2016	2017	2016
Outstanding at 1 January 2017	99,398	79,031	421,484	149,101
Granted	57,991	78,235	159,655	189,663
Forfeited	(490)	(2,216)	(31,989)	(28,484)
Vested	(9,075)	(71,356)	(20,431)	-
Transfers in/out	(3,182)	15,704	(4,450)	111,204
Outstanding at 31 December 2017	<u>144,642</u>	<u>99,398</u>	<u>524,269</u>	<u>421,484</u>

Full details in relation to the Long Term Incentive Plan are contained in the consolidated financial statements of Intertek Group plc for the year ended 31 December 2017.

Deferred Share Plan

On 9 March 2015 the Remuneration Committee approved the adoption of the Intertek Deferred Share Plan (the 'DSP'). Awards may be granted under the DSP to employees of the Group (other than the Executive Directors of the Company) selected by the Remuneration Committee over existing, issued ordinary shares of Intertek Group plc only.

The DSP was adopted primarily to allow for the deferring of a proportion of selected employee's annual bonus into shares of Intertek Group plc, but may also be used for the grant of other awards (such as incentive awards and buy-out awards for key employees) in circumstances that the Remuneration Committee deems appropriate. The initial award under the DSP had a two-year vesting period; any subsequent awards will normally have a three-year vesting period. Awards may be made subject to performance conditions and are subject to normal good and bad leaver provisions and malus and clawback.

Inputs were as follows:

	2017	2016
Outstanding awards		
At beginning of year	58,298	2,748
Granted	557	28,902
Vested	(42,196)	(24,376)
Transfers in/out	(346)	51,024
	<u>16,313</u>	<u>58,298</u>

Mirror Share Awards

On 20 May 2015, Andre Lacroix was granted conditional rights to acquire 183,149 shares under a one-off arrangement as a condition of his recruitment as CEO of the Group. The award comprised two parts, tranche A and B, with tranche A vesting on 20 May 2016 and tranche B vesting on 20 May 2017. 94,895 shares vested in 2017, which included 3,321 shares granted in respect of dividend accruals. 50,294 awards were satisfied by the transfer of shares from the ESOT and the balance of 44,601 awards represented a tax liability of £1.9m which was settled in cash by the Company. Further details are shown in the consolidated financial statements of Intertek Group plc for the year ended 31 December 2017.

INTERTEK TESTING MANAGEMENT LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2017

14	Called up share capital	2017	2016
		£'000	£'000
	Ordinary share capital		
	Issued and fully paid		
	2,000,000 (2016:2,000,000) Ordinary shares of £1 each	2,000	2,000
		<u> </u>	<u> </u>

15 Contingent liabilities

The company is a member of a group of UK companies that are a part of a composite banking cross guarantee arrangement. This is a joint and several guarantee given by all members of the Intertek UK cash pool guaranteeing the total gross liability position of the pool which was £1,479,300 at 31 December 2017 (2016: £5,944,000).

From time to time, in the normal course of business, the company may give guarantees in respect of certain liabilities of other Group undertakings. In this respect, the company treats the guarantee contract as a contingent liability until such time as it becomes probable that the company will be required to make a payment under the guarantee.

16 Operating lease commitments

Lessee

Amounts recognised in profit or loss as an expense during the period in respect of operating lease arrangements are as follows:

	2017	2016
	£'000	£'000
Minimum lease payments under operating leases	1,143	1,652
	<u> </u>	<u> </u>

At the reporting end date the company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2017	2016
	£'000	£'000
Within one year	1,005	1,005
Between two and five years	3,014	4,023
	<u> </u>	<u> </u>
	<u>4,019</u>	<u>5,028</u>

17 Related party transactions

Under FRS 101 reduced disclosure framework, the Company has taken advantage of the exemption from the IAS24 requirement to disclose transactions with entities that are wholly owned by the Group and disclosures in respect of the compensation of Key Management Personnel.

INTERTEK TESTING MANAGEMENT LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2017

17 Related party transactions

(Continued)

Other transactions with related parties

During the year the company entered into the following transactions with related parties:

	Purchase of goods	
	2017	2016
	£'000	£'000
Other related parties	491	419
	<u>491</u>	<u>419</u>

Other related parties constitute entities that are not fully owned by the Intertek Group.

The following amounts were outstanding at the reporting end date:

	Amounts owed to related parties	
	2017	2016
	£'000	£'000
Other related parties	53	-
	<u>53</u>	<u>-</u>

Balances owed by related parties have been reviewed and no provision against balances is deemed necessary.

Other related parties constitute entities that are not fully owned by the Intertek Group.

The following amounts were outstanding at the reporting end date:

	Amounts owed by related parties	
	2017	2016
	£'000	£'000
Other related parties	1,533	2,510
	<u>1,533</u>	<u>2,510</u>

Balances owed by related parties have been reviewed and no provision against balances is deemed necessary.

Other related parties constitute entities that are not fully owned by the Intertek Group.

INTERTEK TESTING MANAGEMENT LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2017

18 Controlling party

The parent company of Intertek Testing Management Ltd is Intertek Holdings Limited and its registered office is Academy Place, 1-9 Brook Street, Brentwood, Essex, CM14 5NQ.

The ultimate parent undertaking and controlling party is Intertek Group plc, which is the parent undertaking of the smallest and largest group to consolidate these financial statements. Copies of Intertek Group plc's consolidated financial statements can be obtained from the Group Company Secretary at 33 Cavendish Square, London W1G 0PS.