Metoc Limited

Annual report and financial statements

Registered number 01489779

31 December 2016

Contents

Strategic Report for the year ended 31 December 2016

The Directors present their Strategic Report for the year ended 31 December 2016.

Principal activities

The principal activity during the year was the provision of consultancy and advisory services to companies at the 'concept', construction and operational stage of new wind, wave, oil, gas, solar, water, hydro-electric and ports & harbours projects. The Company provides expert assessments of the feasibility and impact of infrastructure projects in terms of their design, interconnectivity and environmental impact. This includes advisory work on offshore infrastructure and interconnectors, onshore and offshore environmental and safety impact assessments, subsea, land and waterway modelling, site surveys and related engineering consultancy work. No significant changes in the Company's activity are expected in the foreseeable future.

Business review

The results for the year and the state of affairs of the Company at 31 December 2016 are shown in the financial statements on pages 8 to 21. The profit for the financial year was £406,000 (2015: £88,000). The increase in profit over the previous period is partly due to a decrease in other operating charges comprising management and intellectual property charges. These initial charges are based on budget, trued up in the following year. As a result 2016 includes charges for the current year and credit for 2015 true up.

Going concern

On the basis of their assessment of the Company's financial position and of the enquiries made of the Directors of 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. Refer to Note 1 for more details.

Key performance indicators

The Company's management use certain financial Key Performance Indicators (KPIs) to assess how well the Company has performed during the year. Most of these KPIs also form part of the management incentive scheme whereby managers may receive annual bonus payments on achieving or exceeding the targets set for the year. The Company uses non-financial KPIs to measure employee productivity and is looking to work with our energy advisor on measures to reduce overall energy consumption.

	2016	2015	Variance
	£000	£000	%
Turnover	**5,176**	5,213	(0.7%)
Operating profit	**447**	211	111.8%
Operating margin	**8.6%**	4.0%	4.6%

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. Risks specifically relating to the Company are as follows:

Market risk

The trading activity of the Company and its financial position may be adversely impacted by downturns in general economic conditions or any future periods of economic recession.

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.

Strategic Report for the year ended 31 December 2016 (continued)

Principal risks and uncertainties (continued)

Liquidity risk
The management of operational liquidity risk is aimed primarily at ensuring that the Company always has a liquidity buffer that is able, in the short term, to absorb both the net effects of transactions made and expected changes in liquidity under normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

Employees
The Company employed 42 persons in 2016 (2015: 44).

Business outlook
The management see very good opportunities ahead for growth in all its market sectors. The current weakness in the Oil & Gas sector is expected to ease in the medium term.

The Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future and therefore continue to adopt the going concern basis in preparing the financial statements.

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.

Policy and practice on payment of suppliers
The Company does not follow a single standard on payment practice but has a variety of payment terms with its suppliers. The Company aims to develop relationships with suppliers that are based upon mutual trust. The Company is aware of the importance of prompt payment, especially to small businesses, and it undertakes to pay suppliers on time and according to agreed terms of trade. The Company has a wide range of suppliers and no individual supplier is of critical importance. At 31 December 2016, the period of credit taken from the Company's suppliers amounted to 23 days (2015: 6 days).

On behalf of the Board

R van Dorp
Director

31st October 2017

Directors' Report for the year ended 31 December 2016

The Directors of Metoc Limited (the "Company") present their report and the audited financial statements for the year ended 31 December 2016.

The business review, principal risks and uncertainties, going concern and future developments are included in the strategic report.

Dividends
During the year the Company paid dividends of £2,500,000 (2015: £nil).

Directors
The Directors who held office during the year and at the date of signing the financial statements were as follows:

F Beiboer
R van Dorp
C Mooij
P Oaks

Disclosure of information to the auditor
The Directors who held office at the date of approval of this Directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each Director has taken all the steps that he or she ought to have taken as a Director to make himself or herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Independent auditor
PricewaterhouseCoopers LLP ("PwC") has been appointed as the Company's auditor for the year ending 31 December 2016 following a formal tender of the Intertek group's external audit.

On behalf of the Board

R van Dorp
Director

31st October 2017

Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared 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 the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; 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.

The directors 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.

On behalf of the Board

R van Dorp
Director

31st October 2017

Independent auditor's report to the members of Metoc Limited

Report on the financial statements

Our opinion

In our opinion, Metoc Limited's financial statements (the "financial statements"):

- give a true and fair view of the state of the company's affairs as at 31 December 2016 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.

What we have audited

The financial statements, included within the Annual Report and financial statements (the "Annual Report"), comprise:

- the statement of financial position as at 31 December 2016;
- the income statement and statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

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 year ended 31 December 2016 for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' report for the year ended 31 December 2016 have been prepared in accordance with applicable legal requirements.

In addition, in light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we are required to report if we have identified any material misstatements in the Strategic Report and the Directors' report for the year ended 31 December 2016. We have nothing to report in this respect.

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

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, 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.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Independent auditor's report to the members of Metoc Limited (continued)

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors
As explained more fully in the Statement of directors' responsibilities in respect of the financial statements set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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.

What an audit of financial statements involves
We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.
We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report. With respect to the Strategic Report and Directors' report for the year ended 31 December 2016, we consider whether those reports include the disclosures required by applicable legal requirements.

Andrew Hodgekins

Andrew Hodgekins (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
St Albans

31 October 2017

Income Statement
for the year ended 31 December 2016

	Note	2016 £'000	2015 £'000
Revenue	3	**5,176**	5,213
Cost of sales		**(3,635)**	(3,545)
Gross profit		**1,541**	1,668
Administrative expenses		**(901)**	(979)
Other operating charges		**(193)**	(478)
Operating profit	4	**447**	211
Finance income	7	**-**	1
Profit before tax		**447**	212
Tax on profit	8	**(41)**	(124)
Profit for the financial year		**406**	88

The results shown above arise from continuing activities and are presented on historical cost basis.

The Company has no other comprehensive income other than those stated above.

The notes on pages 11 to 21 form an integral part of these financial statements.

Statement of Financial Position
as at 31 December 2016

	Note	2016 £'000	2016 £'000	2015 £'000	2015 £'000
Fixed assets					
Property, plant and equipment	9		**15**		46
Current assets					
Receivables	10	**2,231**		3,305	
Cash and cash equivalents		**308**		402	
		2,539		3,707	
Payables: amounts falling due within one year	11	**(1,249)**		(354)	
Net current assets			**1,290**		3,353
Net assets			**1,305**		3,399
Capital and reserves	12				
Called up share capital			**125**		125
Share premium account			**47**		47
Capital redemption reserve			**19**		19
Retained earnings			**1,114**		3,208
Total shareholders' funds			**1,305**		3,399

The notes on pages 11 to 21 form an integral part of these financial statements.

These financial statements were approved by the Board of Directors on 31st October 2017 and were signed on its behalf by:

R van Dorp
Director

Statement of Changes in Equity
for the year ended 31 December 2016

	Called up share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Retained earnings £'000	Total shareholders' funds £'000
Balance at 1 January 2015	125	47	19	3,120	**3,311**
Total comprehensive income for the year					
Profit for the financial year	-	-	-	88	**88**
Total comprehensive income for the year	-	-	-	88	**88**
Transactions recorded directly in equity					
Dividends paid	-	-	-	-	-
Total transactions recorded directly in equity	-	-	-	-	-
Balance at 31 December 2015	**125**	**47**	**19**	**3,208**	**3,399**

	Called up share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Retained earnings £'000	Total shareholders' funds £'000
Balance at 1 January 2016	125	47	19	3,208	**3,399**
Total comprehensive income for the year					
Profit for the financial year	-	-	-	406	**406**
Total comprehensive income for the year	-	-	-	406	**406**
Transactions recorded directly in equity					
Dividends paid	-	-	-	(2,500)	**(2,500)**
Total transactions recorded directly in equity	-	-	-	**(2,500)**	**(2,500)**
Balance at 31 December 2016	**125**	**47**	**19**	**1,114**	**1,305**

The notes on pages 11 to 21 form an integral part of these financial statements.

Notes to the financial statements

1. Accounting policies

General information
Metoc Limited is a company incorporated and domiciled in the UK whose registered address is Academy Place, 1-9 Brook Street, Brentwood, Essex, CM14 5NQ.

1.1 Summary of significant accounting policies
The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

1.2 Basis of preparation
The financial statements of Metoc Limited have been prepared in accordance with Financial Reporting Standard 101, 'Reduced Disclosure Framework' (FRS 101). The financial statements have been prepared under the historical cost convention and in accordance with the Companies Act 2006.

The preparation of financial statements in conformity with FRS 101 requires the use of certain critical accounting estimates. It also require the Directors to exercise their judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 2.

The following exemptions from the requirements of IFRS have been applied in the preparation of these financial statements, in accordance with FRS 101:

- *Paragraphs 45(b) and 46 to 52 of IFRS 2, 'Share-based payment' (details of the number and weighted-average exercise prices of share options, and how the fair value of goods or services received was determined).*
- *IFRS 7, 'Financial Instruments: Disclosures'.*
- *Paragraphs 91 to 99 of IFRS 13, 'Fair value measurement' (disclosure of valuation techniques and inputs used for fair value measurement of assets and liabilities).*
- *Paragraph 38 of IAS 1, 'Presentation of financial statements' comparative information requirements in respect of:*
  (i) paragraph 79(a)(iv) of IAS 1;
  (ii) paragraph 73(e) of IAS 16 'Property, plant and equipment';
- *The following paragraphs of IAS 1, 'Presentation of financial statements':*
  – 10(d), (statement of cash flows),
  – 16 (statement of compliance with all IFRS),
  – 38A (requirement for minimum of two primary statements, including cash flow statements),
  – 38B-D (additional comparative information),
  – 111 (cash flow statement information), and
  – 134-136 (capital management disclosures).
- *IAS 7, 'Statement of cash flows'.*
- *Paragraph 30 and 31 of IAS 8 'Accounting policies, changes in accounting estimates and errors' (requirement for the disclosure of information when an entity has not applied a new IFRS that has been issued but is not yet effective).*
- *Paragraph 17 of IAS 24, 'Related party disclosures' (key management compensation).*
- *The requirements in IAS 24, 'Related party disclosures' to disclose related party transactions entered into between two or more members of a group.*

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 2-3. The Company generated a profit of £406,000 in the year (2015: £88,000) and had net current assets of £1,290,000 at 31 December 2016 (2015: £3,353,000). The Company participates in the Intertek group's centralised treasury arrangements and so shares banking arrangements with its parent and fellow subsidiaries.

Notes to the financial statements (continued)

1. Accounting policies (continued)

1.3 Going concern (continued)
The Company has appropriate financial resources together with contracts with a number of customers and suppliers across different geographic areas and industries. As a consequence, the directors believe that the Company is well placed to manage its business risks successfully despite the current uncertain economic outlook.

On the basis of their assessment of the Company's financial position and of the enquiries made of the Directors of 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 New standards, amendments and IFRIC interpretations
No new accounting standards, or amendments to accounting standards, or IFRIC interpretations that are effective for the year ended 31 December 2016, have had a material impact on the company.

1.5 Foreign currency translation
(a) Functional and presentation currency
Items included in the financial statements of the company are measured using the currency of the primary economic environment in which the company operates ('the functional currency'). The financial statements are presented in 'Pounds Sterling' (£), which is also the company's functional currency.

(b) Transactions and balances
Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income.

1.6 Property, plant and equipment
Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Where parts on an item of property, plant and equipment have different useful lives, they are accounted for as separate items.

Leases in which the Company assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. Where land and buildings are held under leases the accounting treatment of the land is considered separately from that of buildings. Leased assets acquired by way of finance lease are stated at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation and less accumulated impairment losses. Lease payments are accounted for as described below.

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Land is not depreciated. Depreciation is charged at the following rates:

- Computer equipment – 2-4 years
- Fixtures and fittings – 5 years

Depreciation methods, useful lives and residual values are reviewed at each balance sheet date.

1.7 Impairment excluding deferred tax assets
A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Notes to the financial statements (continued)

1. Accounting policies (continued)

1.7 Impairment excluding deferred tax assets (continued)
An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. For financial instruments measured at cost less impairment, an impairment is calculated as the difference between its carrying amount and the best estimate of the amount that the Company would receive for the asset if it were to be sold at the reporting date. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through income statement.

Non-financial assets
The carrying amounts of the Company's non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill, and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same time.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. 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 the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to cash-generating units, or ("CGU"). Subject to an operating segment ceiling test, for the purposes of goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment is tested reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis.

An impairment loss in respect of goodwill is reversed if and only if the reasons for the impairment have ceased to apply.

1.8 Trade and other receivables
Trade and other receivables are amounts due from customers for services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

1.9 Cash and cash equivalents
Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. In the balance sheet, bank overdrafts are shown within borrowings in current liabilities.

Notes to the financial statements (continued)

1. Accounting policies (continued)

1.10 Payables

Payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers.

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

1.11 Employee benefits

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which the company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the profit and loss account in the periods during which services are rendered by employees.

Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Group's net obligation in respect of defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. The fair value of any plan assets are deducted.

In calculating the defined benefit deficit, the discount rate is the yield at the reporting date on bonds that have a credit rating of at least AA, that have maturity dates approximating the terms of the Company's obligations and that are denominated in the currency in which the benefits are expected to be paid. The calculation is performed annually by a qualified actuary using the Projected Unit credit method.

The increase in the present value of the liabilities expected to arise from the employees' services in the accounting period is charged to the operating profit in the income statement. The expected return on the schemes' assets and the interest on the present value of the schemes' liabilities, during the accounting period, are shown as finance income and finance expense respectively.

The Group recognises all actuarial re-measurement in each year in equity through the consolidated statement of comprehensive income.

The Company's employees are members of a group wide defined benefit pension plan. As there is no contractual agreement or stated group policy for charging the net defined benefit cost of the plan to participating entities, the net defined benefit cost of the pension plan is recognised fully by the sponsoring employer, which is another member of the group. The Company then recognises a cost equal to its contribution payable for the period.

Share based payment transactions

The ultimate parent of the Company runs a share ownership programme that allows group employees to acquire shares in Intertek Group plc. The cost of awards to employees that take the form of shares or rights to shares is recognised over the period of the employee's related performance.

The Company took advantage of the option available in IFRS 1 to apply IFRS 2 only to equity instruments that were granted after 7 November 2002 and that have not vested by 1 January 2014.

The fair value of options granted to employees of the Company is recognised as an expense with a corresponding increase in equity. The fair value is measured at grant date and is spread over the period during which the employee becomes unconditionally entitled to the shares. The fair value of the options and share awards granted is measured using the Monte Carlo method. This method, in calculating the fair value, takes into account various factors including the expected volatility of the shares, the dividend yield and risk free interest rate.

Notes to the financial statements (continued)

1. Accounting policies (continued)

1.11 Employee benefits (continued)

Share based payment transactions (continued)

The fair value of shares granted under the long term incentive plan is also measured using the Monte Carlo method and is spread over the period during which the employee becomes unconditionally entitled to the shares.

Where the Company's parent grants rights to its equity instruments to the Group's or the Company's employees, which are accounted for as equity-settle in the consolidated accounts of the parent, the Group or the Company as the case may be account for these share-based payments as equity-settled. Amounts recharged by the parent are recognised as a recharge liability with a corresponding debit to equity.

1.12 Provisions

A provision is recognised in the balance sheet when the Company has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects risk specific to the liability.

1.13 Revenue recognition

Revenue represents the total income and expenses receivable excluding VAT for services provided in the ordinary course of business.

The Company records transactions as sales on the basis of value of work done with the corresponding amount being included in trade receivables if the customer has been invoiced or in accrued income if no billing has been completed. Advance payments received from customers are included in creditors and amounts are set of against the value of work undertaken as the contracts progress.

1.14 Expenses

Operating lease payments

Payments (excluding costs for services and insurance) made under operating leases are recognised in the profit and loss account on a straight-line basis over the term of the lease. Lease incentives received are recognised in the income statement as an integral part of the total lease expense.

Finance lease payments

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent rents are charged as expenses in the periods which they are incurred.

Interest receivable and interest payable

Interest payable and similar charges include interest payable, finance charges on shares classified as liabilities and finance leases recognised in the income statement using the effective rate of interest method, unwinding of the discount provisions, and net foreign exchange losses that are recognised in the statement of comprehensive income (see foreign currency accounting policy). Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that takes substantial time to be prepared for use, are capitalised as part of the cost of that asset. Other interest receivable and similar income include interest receivable on funds invested and net foreign exchange gains.

1.15 Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss of the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Notes to the financial statements (continued)

1. Accounting policies (continued)

1.15 Taxation (continued)

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner or realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

2. Critical accounting estimates 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.

2.1 Critical accounting estimates and assumptions

The company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) Useful economic lives of property, plant and equipment

The annual depreciation charge for property, plant and equipment is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are re-assessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and the physical condition of the assets. See note 9 for the carrying amount of the property plant and equipment, and note 1.6 for the useful economic lives for each class of assets.

(b) Impairment of trade receivables

The company makes an estimate of the recoverable value of trade and other debtors. When assessing impairment of trade and other receivables, management considers factors including the credit rating of the receivable, the ageing profile of receivables and historical experience. See note 10 for the net carrying amount of the receivables.

(c) Defined benefit pension scheme

The company has an obligation to pay pension benefits to certain employees. The cost of these benefits and the present value of the obligation depend on a number of factors, including; life expectancy, salary increases, asset valuations and the discount rate on corporate bonds. Management estimates these factors in determining the net pension obligation in the statement of financial position. The assumptions reflect historical experience and current trends. See note 14 for the disclosures of the defined benefit pension scheme.

3. Revenue

By geographic market:

	2016	2015
	£'000	£'000
United Kingdom	**4,831**	4,044
Europe	**237**	1,059
Other	**108**	110
	5,176	5,213

Notes to the financial statements (continued)

4. Operating profit

Operating profit is stated after charging:

	2016	2015
	£000	£000
Wages and salaries	1,714	1,772
Social security costs	185	202
Other pension costs (note 14)	74	70
	1,973	2,044
Depreciation of property, plant and equipment (note 9)	40	50
Auditors remuneration for audit of these financial statements	16	16

Amounts receivable by the Company's auditor in respect of services to the Company, other than the audit of the Company's financial statements, have not been disclosed as the information is required instead to be disclosed on a consolidated basis in the consolidated financial statements of the Company's ultimate parent, Intertek Group plc.

5. Remuneration of Directors

	2016	2015
	£'000	£'000
Directors' emoluments	276	276
Company contribution to money purchase pension schemes	13	13
	289	289

The aggregate remuneration of the highest paid Director was £130,000 (2015: £124,624) including Company pension contributions of £5,000 (2015: £5,176) made on their behalf to a personal pension arrangement.

Three Directors (2015: three) were members of the defined contribution scheme.

6. Employees

The average monthly number of employees (including Directors) during the year was:

	2016	2015
	Number	Number
Production	39	41
Administration	3	3
	42	44

7. Finance income

	2016	2015
	£'000	£'000
Bank interest receivable	-	1

Notes to the financial statements (continued)

8. Tax on profits

	2016 £'000	2016 £'000	2015 £'000	2015 £'000
a) Analysis of charge in the year				
UK corporation tax				
Current tax on profit for the year	103		-	
Adjustments in respect of prior years	30		21	
Foreign tax relief	(38)		-	
		95		21
Foreign tax				
Foreign tax suffered		38		67
Total current tax		133		88
Deferred tax				
Origination of timing differences	(18)		29	
Effect of changes in tax rates	(10)		15	
Adjustments in respect of prior years	(64)		(8)	
Total deferred tax (see note 10)		(92)		36
Total income tax charge		41		124

b) Factors affecting tax charge for the current year
The current tax charge for the year is lower (2015: higher) than the standard rate of corporation tax in the UK of 20.00% (2015: 20.25%). The differences are explained below:

	2016 £'000	2015 £'000
Profit on ordinary activities before tax	447	212
Current tax at 20.00% (2015: 20.25%)	89	43
Effects of:		
Expenses not deductible for tax purposes	-	-
Income not deductible for tax purposes	(4)	-
Adjustments in respect of prior years	(34)	12
Effects of overseas tax rates	-	54
Impact of change in UK tax rate on deferred tax	(10)	15
Total current tax charge	41	124

c) Factors affecting current and future tax charges
During 2015, the UK Government announced a phased reduction in the main rate of corporation tax 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 enacted.

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.

Notes to the financial statements (continued)

9. Property, plant and equipment

	Computer equipment £'000	Fixtures and fittings £'000	Total £'000
Cost			
At beginning of year	581	58	639
Additions	9	-	9
At end of year	**590**	**58**	**648**
Depreciation			
At beginning of year	535	58	593
Charge for year	40	-	40
At end of year	**575**	**58**	**633**
Net book value			
At 31 December 2016	**15**	**-**	**15**
At 31 December 2015	**46**	**-**	**46**

10. Receivables

	2016 £'000	2015 £'000
Trade receivables	**474**	724
Amounts receivable from Group undertakings	**834**	1,674
Prepayments and accrued income	**89**	71
Work in progress	**605**	702
Deferred tax asset (see below)	**229**	134
	2,231	3,305

Included within receivables are amounts due after one year of £229,000 (2015: £134,000) which relates to the deferred tax asset.

Amounts due from 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.

Deferred tax

	2016 £'000	2015 £'000
Asset at beginning of year	**134**	172
Charge to the income statement	**31**	(46)
Adjustment in respect of prior years	**64**	8
Deferred tax asset at end of year	**229**	134

The elements of deferred taxation are:

	2016 £'000	2015 £'000
Difference between accumulated depreciation and amortisation and capital allowances	**81**	68
Tax losses carried forward	**148**	66
Deferred tax asset	**229**	134

Notes to the financial statements (continued)

11. Payables: amounts falling due within one year

	2016 £'000	2015 £'000
Trade payables	262	63
Amounts payable to Group undertakings	12	22
Other taxation and social security	275	180
Accruals and deferred income	358	(51)
Other payables	247	119
Group tax relief payable	95	21
	1,249	354

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. Called up share capital

Called up share capital

Allotted, called up and fully paid	2016 £'000	2015 £'000
46,000 (2015: 46,000) ordinary 'A' shares of £1 each	46	46
78,630 (2015: 78,630) ordinary 'B' shares of £1 each	79	79
	125	125

13. Operating lease commitments

The Company had the following future minimum lease payments under non-cancellable operating leases for each of the following periods:

	2016 Buildings £'000	2015 Buildings £'000
No later than one year	73	76
Later than one year and not later than five years	117	190
	190	266

14. Employee benefits

The Company is a member of a Group scheme called The Intertek Pension Scheme. One section of the scheme provides benefits based on final pensionable pay. This section was closed to new entrants from 1 April 2002. The other section, which commenced on 1 April 2002, providing benefits based on the level of contributions made into the scheme, was closed on 1 April 2010 and contributions thereafter are being made to the new Intertek Group Personal Pension Plan, which is a defined contribution scheme.

The pension cost for the year represents normal and special contributions payable by the company to the defined contribution section and the Intertek Group. Personal Pension Plan of £74,000 (2015: £70,000).

The overall pension deficit of the defined benefit section as 31 December 2016 was £23,900,000 (2015: deficit of £18,400,000). During the year, the Group made a special contribution to the scheme of £2,786,000 (2015: £2,786,000). At the beginning of 2017 a further special contribution of £2,786,000 was made to the scheme. Further details about the final salary section of the scheme and full information about the Group pension scheme are disclosed in the financial statements of the ultimate holding company, Intertek Group plc.

Notes to the financial statements (continued)

15. Contingent liability

The Company is a member of a group of UK companies that are 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 £5,944,000 at 31 December 2016 (2015: £10,525,000).

16. Related party disclosures

Under FRS 101.8 (k), "Related Party Disclosures", the Company has taken advantage of the exemption from disclosing transactions with entities that are wholly owned by the Group.

17. Parent company and ultimate controlling party

The immediate parent undertaking is ITS Testing Services (UK) Limited.

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.

18. Subsequent events

There are no subsequent events to note that would affect the balance sheet as at 31 December 2016.