# Intertek Finance Plc

Annual report and financial statements

Registered number 03226960

31 December 2015

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## Strategic report for the year ended 31 December 2015

**Principal activities**
The Company's primary activities are to manage the funding, exchange and interest rate risks of the Intertek Group. The Company is not engaged in speculative financial transactions.

Derivative financial instruments are used to hedge exposure to fluctuations in foreign exchange rates and interest rates. No significant changes in the company's activities are expected in the foreseeable future.

**Business review**
The results for the year and the state of affairs of the Company at 31 December 2015 are shown in the financial statements and notes on pages 7 to 27. The profit before tax for the year was £20,393,000 (2014: £14,732,000). In both years, the primary source of income and expense was interest on Group loans, as well as dividends from subsidiary undertakings and associates.

**Key performance indicators**
As a company which provides funding to other Group companies, performance is monitored by a review of the ability of the underlying Group companies to repay their debts due to the company.

**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;

*Market risk*
The trading activity of Group companies and their financial position may be adversely impacted by downturns in general economic conditions or during periods of economic recession which could impact their ability to repay amounts loaned to them by the company.

*Credit risk*
The company is exposed to credit risk in relation to derivative financial instruments and bank accounts. Transactions involving derivative financial instruments are with counterparties who have sound credit ratings. The company also ensures that bank accounts are held with financial institutions with sound credit ratings. Given this, the Directors do not expect any counterparty to fail to meet its obligations. At the balance sheet date there were no significant concentrations of credit risk.

*Interest rate risk*
The company's objective is to manage the risk to the business from movements in interest rates, and to provide stability and predictability of the near term (12 month horizon) interest expense. Under the company's Treasury policy, management may fix the interest rates on up to 80% of the Company's debt portfolio for the period of the current financial year. The company's debt portfolio beyond this period is to be managed within the range of a 20% - 60% fixed to floating rate ratio. To do this the company uses hedging instruments where considered appropriate.

*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.

*Exchange risk*
The company enters into forward exchange contracts to hedge certain firm commitments denominated in foreign currencies.

**Business outlook**
The Company will continue to manage the funding, exchange and interest rate risks of the Intertek Group.

## Strategic Report for the year ended 31 December 2015 (Continued)

**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.

By Order of the Board

Registered Office
Academy Place
1-9 Brook Street
Brentwood
Essex
CM14 5NQ

JC Burge

**J C Burge**
Director

29 June 2016

# Directors' report for the year ended 31 December 2015

The Directors of Intertek Finance plc (the "Company") present their report and the audited financial statements for the year ended 31 December 2015.

**Dividends**
No dividends were paid during the year (2014: nil). The Directors do not propose the payment of any dividend in respect of the year.

**Charitable and political contributions**
There were no political or charitable donations made in the year (2014: £nil).

**Directors**
The Directors who held office during the year together with dates of appointment or resignation where appropriate, were as follows:

F M Evans
M P Skinner
J C Burge

**Disclosure of information to 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.

**Auditor**
Following the completion of the audit of these financial statements, KPMG Audit Plc has not been reappointed as auditor. PricewaterhouseCoopers ('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 auditor.

By Order of the Board

Registered Office
Academy Place
1-9 Brook Street
Brentwood
Essex
CM14 5NQ

JCBurge

**J C Burge**
Director

29 June 2016

## Statement of Directors' responsibilities in respect of the Strategic report, the Directors' report and the financial statements

The Directors are responsible for preparing the Strategic report, the Directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 *Reduced Disclosure Framework.*

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 estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

## Independent auditor's report to the members of Intertek Finance plc

We have audited the financial statements of Intertek Finance plc for the year ended 31 December 2015 set out in pages 7 to 27. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice), including FRS 101 *Reduced Disclosure Framework.*

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

**Respective responsibilities of Directors and auditor**
As explained more fully in the Statement of Directors' Responsibilities 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). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

**Scope of the audit of the financial statements**
A description of the scope of an audit of financial statements is provided in the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

**Opinion on financial statements**
In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2015 and of its profit for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

**Opinion on other matter prescribed by the Companies Act 2006**
In our opinion, the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

**Matters on which we are required to report by exception**
We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you, if, in our opinion:

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

**Stephen Wardell (Senior Statutory Auditor)**
**for and on behalf of KPMG Audit Plc, Statutory Auditor**
Chartered Accountants
Registered Auditor
15 Canada Square, London, E14 5GL

30th June 2016

## Profit and loss account
for the year ended 31 December 2015

| | Note | 2015 £'000 | 2014 £'000 |
|---|---|---|---|
| Operating costs | | **(152)** | (3,945) |
| Dividends received from Group Companies | | **7,734** | 31,444 |
| **Operating profit** | | **7,582** | 27,499 |
| Interest payable and similar charges | 10 | **(33,119)** | (46,855) |
| Interest receivable and similar income | 10 | **45,930** | 34,088 |
| **Net financing income** | | **12,811** | (12,767) |
| **Profit on ordinary activities before taxation** | 2-4 | **20,393** | 14,732 |
| Tax on profit on ordinary activities | 5 | **(5,737)** | (1,875) |
| **Profit/total comprehensive income for the year** | | **14,656** | 12,857 |

The notes on pages 10 to 27 form an integral part of these financial statements.

## Balance sheet
at 31 December 2015

| | Note | 2015 | 2014 |
|---|---|---|---|
| | | £'000 | £'000 |
| **Non-current assets** | | | |
| Investment in subsidiary undertakings | 6 | 335,708 | 327,388 |
| | | 335,708 | 327,388 |
| **Current assets** | | | |
| Debtors (including £1,227,389,000 (2014: £909,107,000) due after more than one year) | 7 | 1,329,165 | 1,101,279 |
| Cash at bank and in hand | | 7,707 | 16,096 |
| | | 1,336,872 | 1,117,375 |
| **Creditors:** amounts falling due within one year | 8 | (782,158) | (676,648) |
| **Net current assets** | | 554,714 | 440,727 |
| **Total assets less current liabilities** | | 890,422 | 768,115 |
| **Creditors:** amounts falling due after more than one year | 10 | (822,368) | (714,717) |
| **Net assets** | | 68,054 | 53,398 |
| **Capital and reserves** | | | |
| Called up share capital | 11 | 1,922 | 1,922 |
| Share premium | | 185,350 | 185,350 |
| Profit and loss account | | (119,218) | (133,874) |
| **Shareholders' funds** | | 68,054 | 53,398 |

The notes on pages 10 to 27 form an integral part of these financial statements.

These financial statements were approved by the Board of Directors on 29 June 2016 and were signed on its behalf by:

J C Burge

**J C Burge**
Director

## Statement of Changes in Equity
at 31 December 2015

| | Share capital £'000 | Share premium account £'000 | Profit and loss account £'000 | Total shareholders' funds £'000 |
|---|---|---|---|---|
| Balance at 1 January 2014 | 1,922 | 185,350 | (146,731) | **40,541** |
| **Total comprehensive income for the period** | | | | |
| Profit/total comprehensive income for the year | - | - | 12,857 | **12,857** |
| Total comprehensive income for the period | - | - | 12,857 | **12,857** |
| **Transactions with owners, recorded directly in equity** | | | | |
| Dividends | - | - | - | - |
| Total contributions by, and distributions to, owners | - | - | - | - |
| **Balance at 31 December 2014** | 1,922 | 185,350 | (133,874) | **53,398** |
| Balance at 1 January 2015 | 1,922 | 185,350 | (133,874) | **53,398** |
| **Total comprehensive income for the period** | | | | |
| Profit/total comprehensive income for the year | - | - | 14,656 | **14,656** |
| Total comprehensive income for the period | - | - | 14,656 | **14,656** |
| **Transactions with owners, recorded directly in equity** | | | | |
| Share based payment charge | - | - | - | - |
| Total contributions by, and distributions to, owners | - | - | - | - |
| **Balance at 31 December 2015** | 1,922 | 185,350 | (119,218) | **68,054** |

The notes on pages 10 to 27 form an integral part of these financial statements.

## Notes to the financial statements

### 1. Accounting policies

Intertek Finance plc is a company incorporated and domiciled in the UK.

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements.

**Basis of preparation**
These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ('FRS 101'). The amendments to FRS 101 (2014/15 Cycle) issued in July 2015 and effective immediately have been applied.

In preparing these financial statements, the company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ('Adopted IFRSs'), but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken. In these financial statements, the company has adopted FRS 101 for the first time.

In the transition to FRS 101, the company has applied IFRS 1 whilst ensuring that its assets and liabilities are measured in compliance with FRS 101. The effect of the transition to FRS 101 on the reported financial position and financial performance of the company can be found in notes 10-15.

In these financial statements, the company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- a Cash Flow Statement and related notes;
- Comparative period reconciliations for share capital
- Disclosures in respect of transactions with wholly owned subsidiaries;
- Disclosures in respect of capital management;
- the effects of new, but not yet effective, IFRSs;
- an additional balance sheet for the beginning of the earliest comparative period following the retrospective change in accounting policy;
- Disclosures in respect of the compensation of Key Management Personnel; and
- Certain disclosures required by IFRS 13 Fair Value Measurement and the disclosures required by IFRS 7 Financial Instrument Disclosures on the basis that the consolidated financial statements include the equivalent disclosures.

As the consolidated financial statements of Intertek Group plc include the equivalent disclosures, the company has also taken the exemption under FRS 101 available in respect of the following disclosures:

- IFRS 2 Share Based Payments in respect of group settled share based payments;
- Certain disclosures required by IAS 36 Impairment of assets in respect of the impairment of goodwill and indefinite life intangible assets;
- Disclosures required by IFRS 5 Non-current Assets Held for Sale and Discontinued Operations in respect of the cash flows of discontinued operations; and
- Certain disclosures required by IFRS 3 Business Combinations in respect of business combinations undertaken by the company in the current and prior period including the comparative period reconciliation for goodwill.

The company's ultimate parent undertaking, Intertek Group plc includes the company in its consolidated financial statements. The consolidated financial statements of Intertek Group plc are prepared in accordance with International Financial Reporting Standards and are available to the public and may be obtained from 33 Cavendish Square, London, W1G 0PS.

The company proposes to continue to adopt the reduced disclosure framework of FRS 101 in its next financial statements.

## Notes to the financial statements (continued)

### 1. Accounting policies (continued)

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements and in preparing an opening FRS 101 IFRS balance sheet at 1 January 2014 for the purposes of the transition to FRS 101.

The company is exempt by virtue of section 400 of the Companies Act 2006 from the requirements to prepare Group financial statements. These financial statements present information about the company as an individual undertaking and not about its Group.

Under FRS 1 the company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the company in its published consolidated financial statements.

**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. The company generated a profit before tax of £20,393,000 (2014: £14,732,000) in the year and has net current assets of £554,714,000 (2014: £440,726,000). Net current assets per the balance sheet as at 31 December 2015 include long term debtors in amount of £1,227,389,000 (2014: £909,107,000). The company participates in the Intertek group's centralised treasury arrangements and so shares banking arrangements with its parent and fellow subsidiaries.

The Directors, having reviewed the position of the company, the recoverability of its receivables and investments and having assessed the response of the Directors of the company's ultimate parent, Intertek Group plc, to their enquiries, 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.

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.

**Foreign currencies**
Transactions in foreign currencies are recorded to the company's functional currency, Sterling, using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities in foreign currencies are translated into sterling at the rates of exchange prevailing at the balance sheet date. All foreign exchange differences are taken to the profit and loss account.

**Taxation**
Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account 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 for 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.

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 of 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.

## Notes to the financial statements (continued)

### 1. Accounting policies (continued)

**Dividends on shares presented within shareholders' funds**
Dividend income is recognised in profit or loss on the date that the company's right to receive payment is established.

Dividends unpaid at the balance sheet date are only recognised as a liability at that date to the extent that they are appropriately authorised and are no longer at the discretion of the company. Unpaid dividends that do not meet these criteria are disclosed in the notes to the financial statements.

**Investments in subsidiaries**
Investments in subsidiaries are stated at cost less any provisions for impairment.

***Net financing costs***
Net financing costs comprise interest expense on borrowings, facility fees, interest receivable on funds invested, net foreign exchange gains or losses and gains and losses on hedging instruments that are recognised in the income statement. Interest income and interest expense are recognised as they accrue using the effective interest rate method.

***Loans and receivables***
Loans and receivables comprise trade and other receivables. Loans and receivables are recognised initially at fair value and subsequently at amortised cost less impairment losses (including bad debt provision).

***Cash and cash equivalents***
Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the company's cash management are included as a component of cash and cash equivalents. Net debt comprises borrowings less cash and cash equivalents.

***Non-derivative financial liabilities***
Trade and other payables are recognised initially at fair value and subsequently at their amortised cost.

Interest-bearing borrowings are initially recognised at fair value less transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the income statement over the period of the borrowings on an effective interest basis.

***Derivative financial instruments***
The company uses derivative financial instruments, including interest rate swaps and forward exchange contracts, to hedge economically its exposure to foreign exchange and interest rate risks arising from operational, financing and investment activities. In accordance with its treasury policy, the company does not hold or issue derivative financial instruments for speculative purposes.

Derivative financial instruments are recognised initially and subsequently at fair value; attributable transaction costs are recognised in profit or loss when incurred. The gain or loss on re-measurement to fair value at each period end is recognised immediately in the income statement except where derivatives qualify for hedge accounting.

The fair value of interest rate swaps is the estimated amount that the Group would receive or pay to terminate the swap at the balance sheet date.

The fair value of forward exchange contracts is their quoted market price at the balance sheet date, being the present value of the difference between the quoted forward price and the exercise price of the contract.

***Hedging***
*Hedge of monetary assets and liabilities*
Where a derivative financial instrument is used economically to hedge the foreign exchange exposure of a recognised monetary asset or liability, no hedge accounting is applied and any gain or loss on the hedging instrument is recognised in the income statement in the same caption as the foreign exchange on the related item.

## Notes to the financial statements (continued)

### 1. Accounting policies (continued)

**Impairment**
A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

### 2. Notes to the profit and loss account

| | **2015** | 2014 |
|---|---|---|
| | **£'000** | £'000 |
| ***Profit on ordinary activities before taxation is stated after charging:*** | | |
| Auditor's remuneration: | | |
| Audit of these financial statements | **2** | 2 |

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.

### 3. Remuneration of Directors

None of the Directors were remunerated directly by the Company or any of its subsidiaries (2014: none). The Directors of the company are remunerated by Group Companies, due to no qualifying services being provided to Intertek Finance Plc during the year.

### 4. Employees

The Company had no employees in the year (2014: nil).

## Notes to the financial statements (continued)

### 5. Taxation

a) ***Recognised in the profit and loss account***

| | 2015 £'000 | 2014 £'000 |
|---|---|---|
| *UK corporation tax* | | |
| Current tax charge on profit for the year | 4,881 | 659 |
| Adjustments in respect of prior years | (589) | (231) |
| | 4,292 | 428 |
| Double tax relief | (90) | (70) |
| *Foreign tax* | | |
| Current tax on income for the year | 90 | 70 |
| Total current tax charge for the year | 4,292 | 428 |
| *Deferred tax* | | |
| Origination and reversal of timing differences | 1,208 | 569 |
| Adjustment in respect of previous periods | - | 712 |
| Effect of changes in tax rates | 237 | 166 |
| Total deferred tax | 1,445 | 1,447 |
| **Tax on profit on ordinary activities** | 5,737 | 1,875 |

b) ***Reconciliation of effective tax rate***

| | 2015 £'000 | 2014 £'000 |
|---|---|---|
| *Current tax reconciliation* | | |
| Profit for the year | 14,656 | 12,857 |
| Total charge/(credit) | 5,736 | 1,875 |
| Profit excluding taxation | 20,392 | 14,732 |
| Tax at UK corporation tax rate of 20.25% (2014: 21.50%) | 4,129 | 3,167 |
| *Effects of:* | | |
| Utilisation of unrecognised tax losses | - | (207) |
| Controlled foreign companies (50% subject to tax) | 304 | - |
| Adjustments in respect of prior years | 619 | 481 |
| Expenses not deductible for tax purposes | 449 | 6,539 |
| Income not taxable | - | (8,271) |
| Impact of change in UK tax rate on deferred tax | 236 | 166 |
| Total current tax charge (see above) | 5,737 | 1,875 |

## Notes to the financial statements (continued)

### 5. Taxation (continued)

**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 3 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.

Deferred tax assets and liabilities are measured at 20% (2014: 20%). The rate reflects the change in the corporation tax rate to 20% with effect from 1 April 2015. 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 2015, deferred tax assets and liabilities have been calculated based on a rate of 20%, where the temporary difference is expected to reverse after 1 April 2015, 19% after 1 April 2017 and 18% after 1 April 2020. The effect of the re-measurement has had no material impact on the profit for the year.

**d) Deferred tax**

| **Deferred tax asset** | **2015** | 2014 |
|---|---|---|
| | **£'000** | £'000 |
| Asset at beginning of year | **3,570** | 5,017 |
| Credit to the profit and loss account | **(2,125)** | (1,447) |
| **Asset at end of year** | **1,445** | 3,570 |

The elements of the deferred tax asset are:

| | **2015** | 2014 |
|---|---|---|
| | **£'000** | £'000 |
| Non-trading short-term timing differences | **-** | 35 |
| Losses | **1,445** | 3,535 |
| **Deferred tax asset (see above)** | **1,445** | 3,570 |

The deferred tax asset has been recognised in full in 2015 (2014: fully recognised).

### 6. Fixed asset investments

| | **Investment in associates** | **Investment in subsidiary undertakings** | **TOTAL** |
|---|---|---|---|
| | **£'000** | **£'000** | **£'000** |
| **Cost** | | | |
| At beginning of year | 325,775 | 1,613 | 327,388 |
| Movement on foreign exchange | 8,320 | - | 8,320 |
| At end of year | **334,095** | **1,613** | **335,708** |
| **Net book value** | | | |
| **At 31 December 2015** | **334,095** | **1,613** | **335,708** |
| At 31 December 2014 | 325,775 | 1,613 | 327,388 |

## Notes to the financial statements (continued)

### 6. Fixed asset investments (continued)

The principal subsidiary undertakings at 31 December 2015 and their country of incorporation is set out below. All interests are in the ordinary share capital of the companies and all are wholly owned.

| Subsidiaries | Activity | Incorporation |
|---|---|---|
| Intertek Luxembourg S.a.r.l | Financing | Luxembourg |
| Intertek Settlements Limited | Financing | United Kingdom |
| Intertek Finance Ireland | Financing | Ireland |

Investments in Intertek Finance Ireland include £325,775,000 of preference shares in multiple currencies. The value of preference shares is classed as an investment as the consideration is deemed to be permanent funding. These preference shares are revalued annually to the exchange rate prevailing at the balance sheet date.

In the opinion of the Directors, the aggregate value of the investments in subsidiary undertakings is not less than the amount at which the investments are stated in the balance sheet.

| Associates | Activity | Incorporation | Proportion of £1 Ordinary Shares |
|---|---|---|---|
| Intertek Overseas Holdings Limited | Financing | United Kingdom | 12.8% |

### 7. Debtors

| | 2015 £'000 | 2014 £'000 |
|---|---|---|
| Amounts owed by Group undertakings | 1,324,123 | 1,091,687 |
| Other debtors | 3,597 | 6,022 |
| Deferred Tax | 1,445 | 3,570 |
| | 1,329,165 | 1,101,279 |

Included in the amounts owed by Group undertakings is £1,227,389,000 (2014: £909,107,000) which is due after more than one year.

### 8. Creditors: amounts falling due within one year

| | *Note* | 2015 £'000 | 2014 £'000 |
|---|---|---|---|
| Amounts owed to Group undertakings | | 662,858 | 579,101 |
| Accruals and deferred income | | 8,388 | 7,194 |
| Group relief payable | | 4,139 | 129 |
| Bank overdraft | | 15,662 | - |
| Bilateral term loan facilities | *10* | 40,494 | 25,778 |
| Senior notes | | 50,617 | 64,446 |
| | | 782,158 | 676,648 |

## Notes to the financial statements (continued)

### 9. Creditors: amounts falling due after more than one year

| | Note | 2015 £'000 | 2014 £'000 |
|---|---|---|---|
| Revolving credit facility US$800m | 10 | **253,832** | 124,083 |
| Bilateral term loan facilities | 10 | **67,490** | 38,667 |
| Senior notes - due between 2-5 years | 10 | **182,223** | 125,669 |
| Senior notes - due after more than 5 years | 10 | **293,583** | 377,006 |
| Facility fees | 10 | **(3,052)** | (3,417) |
| Amounts owed to Group undertakings | | **28,292** | 52,709 |
| | | **822,368** | 714,717 |

### 10. Borrowings and financial instruments

**Net financing costs**
Net financing costs are shown below:

| Recognised in income statement | 2015 £'000 | 2014 £'000 |
|---|---|---|
| **Finance income** | | |
| Interest on bank balances | 250 | 1,038 |
| Interest on group balances | 29,935 | 21,547 |
| Unwinding of discount on loans receivable | 9,734 | 11,503 |
| Foreign exchange differences on revaluation of net monetary assets and liabilities | 6,011 | - |
| **Total finance income** | **45,930** | 34,088 |
| **Finance expense** | | |
| Interest on borrowings | (25,812) | (25,954) |
| Interest on Group balances | (5,608) | (12,604) |
| Foreign exchange differences on revaluation of net monetary assets and liabilities | - | (6,551) |
| Unwinding of discount on loans payable | (846) | (865) |
| Facility fees and other | (853) | (881) |
| **Total finance expense*** | **(33,119)** | (46,855) |
| **Net financing costs*** | **12,811** | 12,767 |

## Notes to the financial statements (continued)

### 10. Borrowings and financial instruments (continued)

**Analysis of net debt**
The components of net debt are outlined below:

| | 1 January 2015 £m | Cash flow £m | Exchange adjustments £m | 31 December 2015 £m |
|---|---|---|---|---|
| **Cash** | 16.1 | (24.1) | - | **(8.0)** |
| **Borrowings:** | | | | |
| Revolving credit facility US$800m 2019 | (124.1) | (123.9) | (5.8) | **(253.8)** |
| Bilateral multi-currency US$100m facility 2017 | (25.8) | (39.8) | (1.9) | **(67.5)** |
| Bilateral term loan facilities US$60m 2016 | (38.6) | - | (1.8) | **(40.4)** |
| Senior notes US$100m 2015 | (64.4) | 63.5 | 0.9 | **-** |
| Senior notes US$75m 2016 | (48.3) | - | (2.3) | **(50.6)** |
| Senior notes US$100m 2017 | (64.4) | - | (3.0) | **(67.4)** |
| Senior notes US$20m 2019 | (12.9) | - | (0.6) | **(13.5)** |
| Senior notes US$150m 2020 | (96.7) | - | (4.5) | **(101.2)** |
| Senior notes US$15m 2021 | (9.7) | - | (0.4) | **(10.1)** |
| Senior notes US$140m 2022 | (90.2) | - | (4.3) | **(94.5)** |
| Senior notes US$40m 2023 | (25.8) | - | (1.2) | **(27.0)** |
| Senior notes US$125m 2024 | (80.6) | - | (3.8) | **(84.4)** |
| Senior notes US$40m 2025 | (25.8) | - | (1.2) | **(27.0)** |
| Senior notes US$75m 2026 | (48.3) | - | (2.3) | **(50.6)** |
| **Total borrowings** | (755.6) | (100.2) | (32.2) | **(888.0)** |
| **Total net debt** | (739.5) | (124.3) | (32.2) | **(896.0)** |

# Notes to the financial statements (continued)

## 10. Borrowings and financial instruments (continued)

### Analysis of net debt (continued)

| | 1 January 2014 £m | Cash flow £m | Exchange adjustments £m | 31 December 2014 £m |
|---|---|---|---|---|
| **Cash** | (2.0) | 18.1 | - | **16.1** |
| **Borrowings:** | | | | |
| Revolving credit facility US$800m 2019 | (191.7) | 78.2 | (10.6) | (124.1) |
| Bilateral multi-currency facility 2016 | (37.3) | 36.1 | 1.2 | - |
| Bilateral term loan facilities US$40m 2015 | (12.1) | (12.1) | (1.6) | (25.8) |
| Bilateral term loan facilities US$60m 2016 | (12.1) | (24.1) | (2.4) | (38.6) |
| Senior notes US$25m 2014 | (15.1) | 15.1 | - | - |
| Senior notes US$100m 2015 | (60.7) | - | (3.7) | (64.4) |
| Senior notes US$75m 2016 | (45.5) | - | (2.8) | (48.3) |
| Senior notes US$100m 2017 | (60.7) | - | (3.7) | (64.4) |
| Senior notes US$20m 2019 | (12.1) | - | (0.8) | (12.9) |
| Senior notes US$150m 2020 | (91.0) | - | (5.7) | (96.7) |
| Senior notes US$15m 2021 | - | (8.7) | (1.0) | (9.7) |
| Senior notes US$140m 2022 | (84.9) | - | (5.3) | (90.2) |
| Senior notes US$40m 2023 | (24.3) | - | (1.5) | (25.8) |
| Senior notes US$125m 2024 | (63.7) | (11.7) | (5.2) | (80.6) |
| Senior notes US$40m 2025 | (24.3) | - | (1.5) | (25.8) |
| Senior notes US$75m 2026 | - | (47.1) | (1.2) | (48.3) |
| **Total borrowings** | (735.5) | 25.7 | (45.8) | **(755.6)** |
| **Total net debt** | (737.5) | 43.8 | (45.8) | **(739.5)** |

## Notes to the financial statements (continued)

### 10. Borrowings and financial instruments (continued)

**Borrowings**
Borrowings are split into current and non-current as outlined below:

| | Current 2015 £m | Current 2014 £m | Non-current 2015 £m | Non-current 2014 £m |
|---|---|---|---|---|
| Senior term loans and notes and Other borrowings | **90.8** | 89.8 | **797.2** | 663.2 |
| **Total borrowings** | **90.8** | 89.8 | **797.2** | 663.2 |

| **Analysis of debt** | 2015 £m | 2014 £m |
|---|---|---|
| Debt falling due: | | |
| In one year or less | **91.0** | 90.2 |
| Between one and two years | **134.9** | 86.9 |
| Between two and five years | **368.5** | 201.4 |
| Over five years | **293.6** | 377.1 |
| **Total borrowings** | **888.0** | 755.6 |

**Description of borrowings**
Total undrawn committed borrowing facilities as at 31 December 2015, were £286m (2014: £391m).

**US$800m revolving credit facility**
The Company's principal bank facility comprises a US$800m multi-currency revolving credit facility. In July 2015 the facility was extended to June 2020. The company has the option to extend for a further year in 2016, subject to the agreement of lenders. Advances under the facility bear interest at a rate equal to LIBOR, or their local currency equivalent, plus a margin, depending on the company's leverage. Drawings under this facility at 31 December 2015 were £253.8m (2014: £124.1m).

**Bilateral term-loan facility 1**
On 21 December 2012 the company signed a US$20m bilateral term loan which was increased on 4 April 2014 to US$40m. This facility was further increased in November 2015 to US$100m, and the maturity of this facility was also extended for two years to November 2017. Advances under this facility bear interest at a rate equal to LIBOR plus a margin depending on the companies leverage. Drawings under this facility at 31 December 2015 were £67.5m (2014: £25.8m).

**Bilateral term loan facility 2**
On 21 December 2012, the Company signed a US$20m bilateral term loan which was increased on 4 April 2014 to US$60m. The extended maturity of this facility is March 2016. Advances under this facility bear interest at a rate equal to LIBOR plus a margin, depending on the companies leverage. Drawings under this facility at 31 December 2015 were £40.4m (2014: £38.6m).

**Private placement bonds**
In June 2008, the Company raised US$100m of senior notes. The notes which were repaid on 26 June 2015, paid a fixed annual rate of interest of 5.54%.

In December 2008, the Company issued a further US$100m of senior notes. These notes were issued in two tranches with US$25m repayable on 21 January 2014, at a fixed annual interest rate of 7.50% and US$75m repayable on 10 June 2016, at a fixed annual interest rate of 8.00%.

## Notes to the financial statements (continued)

### 10. Borrowings and financial instruments (continued)

In December 2010, the company issued a further US$250m of senior notes. These notes were issued in two tranches with US$100m repayable on 15 December 2017, at a fixed annual interest rate 3.20% and US$150m repayable on 15 December 2020, at a fixed annual interest rate of 3.91%.

In October 2011, the company issued a further US$265m of senior notes. These notes were issued in three tranches with US$20m repayable on 18 January 2019 at a fixed annual rate of 3.00%, US$140m repayable on 18 January 2022 at a fixed annual interest rate of 3.75%, and US$105m repayable on 18 January 2024 at a fixed annual interest rate of 3.85%.

In February 2013, the company issued a further US$80m of senior notes. These notes were issued in two tranches with US$40m repayable on 14 February 2023, at a fixed annual interest rate of 3.10% and US$40m repayable on 14 February 2025, at a fixed annual interest rate of 3.25%.

In July 2014, the company issued US$110m of senior notes. These notes were issued in four tranches with US$15m repayable on 31 July 2021 at a fixed annual interest rate of 3.37%, US$20m repayable on 31 July 2024 at a fixed annual interest rate of 3.86%, US$60m repayable on 31 October 2026 at a fixed annual interest rate of 4.05% and US$15m repayable on 31 December 2026 at a fixed annual interest rate of 4.10%.

#### Financial risk

Details of the company's treasury controls, exposures and the policies and processes for managing capital and credit, liquidity, interest rate and currency risk are set out below and in the Directors' Report – Financial Review that starts on page 2.

***Exposure to credit risk***

Credit risks arise mainly from the possibility that customers may not be able to settle their obligations as agreed. The company monitors the creditworthiness of customers on an ongoing basis. The company's credit risk is diversified due to the large number of entities, industries and regions that make up the company's customer base.

The carrying amount of financial assets represents the maximum credit exposure.

***Counterparty risk***

Cash and cash equivalents and available borrowing facilities are at risk in the event that the counterparty is not able to meet its obligations in regards to the cash held or facilities available to the company. The company also enters into transactions with counterparties in relation to derivative financial instruments. If the counterparty was not able to meet its obligations, the company may be exposed to additional foreign currency or interest rate risk.

The company, wherever possible, enters into arrangements with counterparties who have robust credit standing, which the company defines as a financial institution with a credit rating of at least A-. The company has existing banking relationships with a number of 'relationship banks' that meet this criterion, and seeks to use their services wherever possible while avoiding excessive concentration of credit risk. Given the diverse geographic nature of the company's activities, it is not always possible to use a relationship bank. Therefore the company has set limits on the level of deposits to be held at non-relationship banks to minimise the risk to the company. It is also Group Treasury policy to remit any excess funds from local entities back to the company in the UK. Given the controls in place, and based on a current assessment of our banking relationships, management does not expect any counterparty to fail to meet its obligations.

## Notes to the financial statements (continued)

### 10. Borrowings and financial instruments (continued)

***Liquidity risk***

Liquidity risk is the risk that the company will not be able to meet its obligations as and when they fall due. The company's policy is to:

- ensure sufficient liquidity is available to Group companies in the amounts, currencies and locations required to support the Group's operations;
- ensure the Group has adequate available sources of funding to protect against unforeseen internal and external events; and
- avoid excess liquidity which restricts growth and impacts the cost of financing.

To ensure this policy is met, the Group Treasury monitors cash balances on a daily basis, projects cash requirements on a rolling basis and funds itself using debt instruments with a range of maturities.

The following are the contractual cash flows of financial liabilities/(assets) including interest (for floating rate instruments, interest payments are based on the interest rate at 31 December 2015):

| **2015** | **Carrying amount £m** | **Contractual cash flows £m** | **Six months or less £m** | **6-12 months £m** | **1-2 years £m** | **2-5 years £m** | **More than five years £m** |
|---|---|---|---|---|---|---|---|
| **Non-derivative financial liabilities** | | | | | | | |
| Senior term loans and notes | 885.2 | 1,016.3 | 52.9 | 62.8 | 173.0 | 420.5 | 307.1 |
| Trade payables | - | - | - | - | - | - | - |
| | 885.2 | 1,016.3 | 52.9 | 62.8 | 173.0 | 420.5 | 307.1 |
| **Derivative financial liabilities/(assets)** | | | | | | | |
| Forward exchange contracts: | | | | | | | |
| Outflow | - | 423.4 | 366.5 | 56.9 | - | - | - |
| Inflow | (1.6) | (425.0) | (367.7) | (57.3) | - | - | - |
| | (1.6) | (1.6) | (1.2) | (0.4) | - | - | - |
| **Total** | **883.6** | **1,014.7** | **51.7** | **62.4** | **173.0** | **420.5** | **307.1** |

| **2014** | **Carrying amount £m** | **Contractual cash flows £m** | **Six months or less £m** | **6-12 months £m** | **1-2 years £m** | **2-5 years £m** | **More than five years £m** |
|---|---|---|---|---|---|---|---|
| **Non-derivative financial liabilities** | | | | | | | |
| Senior term loans and notes | 752.3 | 990.5 | 13.2 | 103.4 | 320.4 | 197.2 | 356.3 |
| Trade payables (note 12) | - | - | - | - | - | - | - |
| | 752.3 | 990.5 | 13.2 | 103.4 | 320.4 | 197.2 | 356.3 |
| **Derivative financial liabilities/(assets)** | | | | | | | |
| Forward exchange contracts: | | | | | | | |
| Outflow | - | 368.5 | 368.5 | - | - | - | - |
| Inflow | (4.1) | (372.6) | (372.6) | - | - | - | - |
| | (4.1) | (4.1) | (4.1) | - | - | - | - |
| **Total** | 748.2 | 986.4 | 9.1 | 103.4 | 320.4 | 197.2 | 356.3 |

# Notes to the financial statements (continued)

## 10. Borrowings and financial instruments (continued)

**Interest rate risk**

The company's objective is to manage the risk to the business from movements in interest rates, and to provide stability and predictability of the near term (12 month horizon) interest expense. Under the Group's Treasury policy, management may fix the interest rates on up to 80% of the company's debt portfolio for the period of the current and succeeding financial year. The company's debt portfolio beyond this period is to be managed within the range of a 20% – 60% fixed to floating rate ratio. To do this the company uses hedging instruments where considered appropriate.

| **Liabilities 2015** | 2016 £000 | 2017 £000 | 2018 £000 | 2019 £000 | 2020 £000 | 2021+ £000 | Carrying amount £000 |
|---|---|---|---|---|---|---|---|
| Floating rate (USD) | 107,984 | - | - | 253,832 | - | - | 361,816 |
| Average interest rate | 1.0% | - | - | 1.0% | - | - | - |
| Fixed rate (USD) | 50,617 | 67,490 | - | 13,498 | 101,235 | 293,583 | 526,423 |
| Average interest rate | 8.0% | 8.0% | - | 3.0% | 3.9% | 3.7% | - |
| **Total** | **158,601** | **67,490** | **-** | **267,330** | **101,235** | **293,583** | **888,239** |

| Liabilities 2014 | 2015 £000 | 2016 £000 | 2017 £000 | 2018 £000 | 2019 £000 | 2020+ £000 | Carrying amount £000 |
|---|---|---|---|---|---|---|---|
| Floating rate (USD) | 25,778 | 38,667 | - | - | 124,084 | - | 188,529 |
| Average interest rate | 1.2% | 1.1% | - | - | 1.2% | - | - |
| Fixed rate (USD) | 64,446 | 48,334 | 64,446 | - | 12,889 | 377,006 | 567,121 |
| Average interest rate | 5.5% | 8.0% | 3.2% | - | 3.0% | 3.7% | - |
| **Total** | 90,224 | 87,001 | 64,446 | - | 136,973 | 377,006 | 755,650 |

**Foreign currency risk**

The company enters into forward exchange contracts to hedge certain firm commitments denominated in foreign currencies.

The table below summarises by major currency the contractual amounts of the company's forward exchange contracts in sterling. The "buy" amounts represent the sterling equivalent of commitments to purchase foreign currency, and the "sell" amounts represent the sterling equivalent of commitment to sell foreign currencies.

| | **2015 Buy £000** | **2015 Sell £000** | 2014 Buy £000 | 2014 Sell £000 |
|---|---|---|---|---|
| US dollar | **128,838** | **87,553** | 87,889 | 35,718 |
| Euro | **45,553** | **17,377** | 26,294 | 32,215 |
| Others | **251,483** | **318,471** | 158,866 | 73,134 |

The following table presents information regarding the forward exchange contract amounts in sterling equivalent and the estimated fair value (net cost of closing the contracts) of the company's forward contracts with a fair value (assets) and a negative fair value (liabilities).

| | **2015 Contract amount £000** | **2015 Fair Value £000** | 2014 Contract amount £000 | 2014 Fair value £000 |
|---|---|---|---|---|
| Assets | **301,605** | **2,565** | 234,436 | 7,640 |
| Liabilities | **(123,365)** | **(996)** | (138,168) | (3,537) |
| **Net assets/(liabilities)** | **178,240** | **1,569** | 96,268 | 4,103 |

## Notes to the financial statements (continued)

### 10. Borrowings and financial instruments (continued)

Fair values

The table below sets out a comparison of the book values and corresponding fair values of all the company's financial instruments by class.

| | **Book value** | **Fair value** | Book value | Fair value |
|---|---|---|---|---|
| | **2015** | **2015** | 2014 | 2014 |
| | **£m** | **£m** | £m | £m |
| **Financial assets** | | | | |
| Cash and cash equivalents | 7.7 | 7.7 | 16.1 | 16.1 |
| **Total financial assets** | **7.7** | **7.7** | **16.1** | **16.1** |
| **Financial Liabilities** | | | | |
| Interest bearing loans and borrowings * | 888 | 897.1 | 755.6 | 793.2 |
| **Total financial liabilities** | 888 | 897.1 | 755.6 | 793.2 |

* Interest bearing loans and borrowing, and derivative liabilities are categorised as Level 2 under which the fair value is measured using inputs other than quoted prices observable for the liability, either directly or indirectly.

### 11. Called up share capital

| | **2015** | 2014 |
|---|---|---|
| | **£'000** | £'000 |
| ***Allotted, issued and paid*** | | |
| 1,922,000 (2014: 1,922,000) Ordinary shares of £1 each | **1,922** | 1,922 |

### 12. Related party transactions

Under FRS 101, the company has taken advantage of the exemption from disclosing transactions with entities that are wholly owned by the Group and disclosures in respect of the compensation of Key Management Personnel.

The company entered into the following transactions with related parties during the year ended 31 December 2015:

| | **Balance at 31 December 2015** | **Interest Income 2015** | **Interest Payable 2015** |
|---|---|---|---|
| | **£'000** | **£'000** | **£'000** |
| Related companies and subsidiaries of the group in which the holding is less than 100% | 1,817 | 496 | - |

### 13. 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 £10,525,000 at 31 December 2015 (2014: £29,484,000).

The company has treated this financial guarantee contracts as an insurance contracts. 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.

## Notes to the financial statements (continued)

### 14. Parent company and ultimate controlling party

The immediate parent undertaking is Intertek Testing Services Holdings 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 or on the website www.intertek.com.

### 15. Explanation of transition to FRS 101 from old UK GAAP

As stated in note 1, these are the company's first financial statements prepared in accordance with FRS 101.

The accounting policies set out in note 1 have been applied in preparing the financial statements for the year ended 31 December 2015, the comparative information presented in these financial statements for the year ended 31 December 2014 and in the presentation of an opening FRS 101 balance sheet at 1 January 2014.

In preparing its FRS 101 balance sheet, the company has adjusted amounts reported previously in financial statements in accordance with its old basis of accounting (UK GAAP). An explanation of how the transition from old UK GAAP to FRS 101 has affected the company's financial position, financial performance and cash flows it set out in the following tables and the notes that accompany the tables.

## Notes to the financial statements (continued)

### 15. Explanation of transition to FRS 101 from old UK GAAP (continued)

*Notes*

a. Under FRS101, loans to and from group undertakings have been presented at fair value, rather than book value.

| | | 1 January 2014 | | | 31 December 2014 | | |
|---|---|---|---|---|---|---|---|
| | | UK GAAP | Effect of transition to FRS 101 | FRS 101 | UK GAAP | Effect of transition to FRS 101 | FRS 101 |
| | *Note* | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| **Fixed Assets** | | | | | | | |
| Tangible fixed assets | | - | - | - | - | - | - |
| Investments | | 319,202 | - | **319,202** | 327,388 | - | **327,388** |
| | | **319,202** | - | **319,202** | **327,388** | - | **327,388** |
| **Current Assets** | | | | | | | |
| Debtors | *a* | 1,004,906 | (162,389) | 842,517 | 1,252,165 | (150,886) | 1,101,279 |
| Cash and Bank | | - | - | - | 16,096 | - | 16,096 |
| | | **1,004,906** | (162,389) | **842,517** | **1,268,261** | **(150,886)** | **1,117,375** |
| **Creditors:** due within 1 year | | (177,005) | - | (177,005) | (469,907) | (206,741) | (676,648) |
| **Net Current Assets** | | **827,901** | **(162,389)** | **665,512** | **798,354** | **(357,627)** | **440,727** |
| **Assets less liabilities** | | **1,147,103** | **(162,389)** | **984,714** | **1,125,742** | **(357,627)** | **768,115** |
| **Creditors:** due after more than one year | *b.* | (952,685) | 8,512 | (944,173) | (929,105) | 214,388 | (714,717) |
| **Net Assets** | | **194,418** | **(153,877)** | **40,541** | **196,637** | **(143,239)** | **53,398** |
| **Capital and reserves** | | | | | | | |
| Called up Share Capital | | 1,922 | - | 1,922 | 1,922 | - | 1,922 |
| Share premium account | | 185,350 | - | 185,350 | 185,350 | - | 185,350 |
| Profit and loss account | *b.* | 7,146 | (153,877) | (146,731) | 9,365 | (143,239) | (133,874) |
| **Shareholders' funds** | | **194,418** | **(153,877)** | **40,541** | **196,637** | **(143,239)** | **53,398** |

## Notes to the financial statements (continued)

### 15. Explanation of transition to FRS 101 from old UK GAAP (continued)

| | | 2014 | | |
|---|---|---|---|---|
| | *Note* | UK GAAP | Effect of transition to FRS 101 | FRS 101 |
| | | £'000 | £'000 | £'000 |
| Dividends received from Group companies | | 31,444 | - | **31,444** |
| Operating costs | | (3,945) | - | **(3,945)** |
| Operating profit | | **27,499** | - | **27,499** |
| Interest payable and similar charges | *c.* | (43,121) | (3,734) | **(46,855)** |
| Interest receivable and similar income | *c.* | 22,585 | 11,503 | **34,088** |
| Net finance (cost)/income | | (20,536) | 7,769 | **(12,767)** |
| Profit on ordinary activities before taxation | | **6,963** | 7,769 | **14,732** |
| Tax charge on profit on ordinary activities | | (1,875) | | **(1,875)** |
| Profit for financial year | | **5,088** | 7,769 | **12,857** |

*Notes*

**b.** Under FRS 101, the company in no longer able to perform net investment hedging. This adjustment reverses the amounts of foreign exchange taken directly to Equity under old UK GAAP.

**c.** Under FRS 101, the company has to recognise loans at fair value rather than book value. This adjustment reflects the initial impact of discounting cash flows for new loans in 2014 and the unwinding of discounts for loans in place at 1 January 2014.