

Company Registration No. 03226960 (England and Wales)

INTERTEK FINANCE PLC
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018



INTERTEK FINANCE PLC

COMPANY INFORMATION

Directors

F M Evans
R McCluskey
N A Hare

(Appointed 4 June 2018)

Company number

03226960

Registered office

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

Independent Auditor

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
1 Embankment Place
London
WC2N 6RH

INTERTEK FINANCE PLC

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INTERTEK FINANCE PLC

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2018

The Directors of Intertek Finance plc (the "Company") present the Strategic Report for the year ended 31 December 2018.

Review of the business

The results for the year and the state of affairs of the Company at 31 December 2018 are shown in the financial statements on page 8 to 34.

Principal risks and uncertainties

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

Financial risk management

Market risk

At 31 December 2018, the Company had investments in Group companies of £904,000 (2017: £356,970,000) and amounts due from Group companies of £2,589,553,000 (2017: £1,616,943,000). A sustained period of economic recession could impact the operating results and financial position of these Group companies and impact their carrying value and ability to repay the amounts due to the Company.

Foreign exchange risk

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

An analysis of key treasury management risks has been set out within the directors' report on page 2.

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.

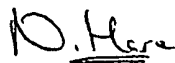
Environment

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

Employees

The Company employed no people on average in 2018 (2017: none).

On behalf of the board



N A Hare
Director

27 June 2019

INTERTEK FINANCE PLC

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2018

The Directors present their annual report and audited financial statements for the year ended 31 December 2018.

Principal activities

The principal activity of the Company continued to be that of managing 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 where there is exposure to fluctuations in foreign exchange rates and interest rates. No significant changes in the Company's activities are expected in the foreseeable future.

Results and dividends

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

Income from shares in group undertakings of £7,600,000 (2017: £Nil) was received in the year.

Dividends of £Nil (2017: £Nil) were paid in the year. The Directors do not propose the payment of any further dividends in respect of the year.

The operations of Intertek Finance Ireland Limited was merged with the Company effective 31 December 2018.

Directors

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

F M Evans

J C Burge

R McCluskey

N A Hare

(Resigned 4 June 2018)

(Appointed 4 June 2018)

Financial instruments

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.

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 derivative financial instruments where considered appropriate. A cash flow derivative financial instrument is in place in respect of a borrowing that is repayable in 2020.

Exchange risk

The Company's principal foreign currency exposures arise from trading with overseas companies. Company policy permits but does not demand that derivative financial instruments be used in order to fix the cost in Sterling. This involves the use of foreign exchange forward contracts.

INTERTEK FINANCE PLC

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

Financial Instruments

(Continued)

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.

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.

Future developments

The Company will continue to be a holding Company for its subsidiary company for the foreseeable future. The entity continues to operate as a going concern as discussed within note 1 on pages 12 to 16.

Independent Auditor

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

Statement of Directors' responsibilities

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have 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 UK 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 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.

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.

INTERTEK FINANCE PLC

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

Statement of disclosure to independent auditor

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

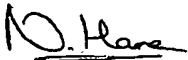
Going concern

The Directors 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.

Directors' indemnities

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

On behalf of the Board



N A Hare

Director

27 June 2019

INTERTEK FINANCE PLC

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF INTERTEK FINANCE PLC

Report on the audit of the financial statements

Opinion

In our opinion, Intertek Finance plc's financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the statement of financial position as at 31 December 2018; the statement of comprehensive income, the statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

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

Independence

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

Conclusions relating to going concern

ISAs (UK) require us to report to you when:

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

We have nothing to report in respect of the above matters.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Company's ability to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the company's trade, customers, suppliers and the wider economy.

INTERTEK FINANCE PLC

INDEPENDENT AUDITORS' REPORT (CONTINUED)

TO THE MEMBERS OF INTERTEK FINANCE PLC

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditor's report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

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

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

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and the Directors' Report for the year ended 31 December 2018 is consistent with the financial statements; and has been prepared in accordance with applicable legal requirements.

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

Responsibilities for the financial statements and the audit

Responsibilities of Directors

As explained more fully in the Statement of Directors' Responsibilities set out on page (3), the Directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The Directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

INTERTEK FINANCE PLC

INDEPENDENT AUDITORS' REPORT (CONTINUED)

TO THE MEMBERS OF INTERTEK FINANCE PLC

Use of this report

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

Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.



Nigel Comello (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors
London

27 June 2019

INTERTEK FINANCE PLC

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	2018 £'000	2017 £'000
Administrative expenses		(4,833)	(177)
Income from shares in group undertakings	6	7,600	-
Interest receivable from group undertakings	6	86,075	55,011
Other investment income	6	14,383	19,772
Interest payable to group undertakings	7	(5,183)	(3,893)
Other finance costs	7	(28,652)	(37,738)
Other gains and losses	8	(1,730)	(3,639)
Profit before taxation		67,660	29,336
Tax on profit	9	(6,750)	(5,795)
Profit and total comprehensive income for the financial year		60,910	23,541

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

INTERTEK FINANCE PLC

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2018

	Note	2018 £'000	2017 £'000
Fixed Assets			
Investments	10	904	356,970
Current assets			
Deferred tax asset	13	1,397	1,541
Derivative financial instruments			1,017
Trade and other receivables falling due after more than one year	14	349,291	341,320
Trade and other receivables	14	2,240,667	1,276,000
Cash and cash equivalents		18,027	6,687
		<u>2,609,382</u>	<u>1,626,565</u>
Creditors due within one year			
Borrowings	16	(138,498)	(77,622)
Trade and other payables	18	(1,268,709)	(1,005,828)
Derivative financial instruments		(8,028)	(11,923)
		<u>(1,415,235)</u>	<u>(1,095,373)</u>
Net current assets		<u>1,194,147</u>	<u>531,192</u>
Total assets less current liabilities		<u>1,195,051</u>	<u>888,162</u>
Creditors falling due after more than one year			
Borrowings	16	(880,884)	(634,905)
Net assets		<u>314,167</u>	<u>253,257</u>
Equity			
Called up share capital	21	1,922	1,922
Share premium account		185,350	185,350
Retained earnings		126,895	65,985
Total equity		<u>314,167</u>	<u>253,257</u>

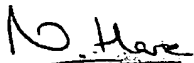
The statement of comprehensive income has been prepared on the basis that all operations are continuing operations.

INTERTEK FINANCE PLC

STATEMENT OF FINANCIAL POSITION (CONTINUED)

AS AT 31 DECEMBER 2018

The financial statements were approved by the Board of Directors and authorised for issue on 27 June 2019 and are signed on its behalf by:



N A Hare
Director

Company Registration No. 03226960

INTERTEK FINANCE PLC

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2018

	Called up share capital	Share premium account	Retained earnings	Total
	£'000	£'000	£'000	£'000
Balance at 1 January 2017	1,922	185,350	(86,765)	100,507
Year ended 31 December 2017:				
Profit and total comprehensive income for the financial year	-	-	23,541	23,541
Accelerated discount unwind on long term loan receivable	-	-	129,209	129,209
Balance at 31 December 2017	1,922	185,350	65,985	253,257
Year ended 31 December 2018:				
Profit and total comprehensive income for the financial year	-	-	60,910	60,910
Balance at 31 December 2018	1,922	185,350	126,895	314,167

INTERTEK FINANCE PLC

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

1 Accounting policies

Company information

Intertek Finance plc (the "Company") is a private company limited by shares incorporated and domiciled in England and Wales. The registered office address is Academy Place, 1-9 Brook Street, Brentwood, Essex, CM14 5NQ.

1.1 Accounting convention

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

The financial statements have been prepared on the historical cost basis. The principal accounting policies adopted are set out below. These accounting policies have been applied consistently, other than where new policies have been adopted.

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

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

- the requirements of paragraphs 45(b) and 46-52 of IFRS 2 Share based Payment;
- the requirements of paragraphs 62, B64(d), B64(e), B64(g), B64(h), B64(j) to B64(m), B64(n)(ii), B64 (o)(ii), B64 (p), B64(q)(ii), B66 and B67 of IFRS 3 Business Combinations. Equivalent disclosures are included in the consolidated financial statements of Intertek Group plc in which the entity is consolidated;
- the requirements of paragraph 33 (c) of IFRS 5 Non current Assets Held for Sale and Discontinued Operations;
- the requirements of IFRS 7 Financial Instruments: Disclosures;
- the requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement;
- the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of: (i) paragraph 79(a) (iv) of IAS 1, (ii) paragraph 73(e) of IAS 16 Property Plant and Equipment (iii) paragraph 118 (e) of IAS 38 Intangibles Assets, (iv) paragraphs 76 and 79(d) of IAS 40 Investment Property and (v) paragraph 50 of IAS 41 Agriculture;
- the requirements of paragraphs 10(d), 10(f), 16, 38A to 38D, 39 to 40 ,111 and 134-136 of IAS 1 Presentation of Financial Statements;
- the requirements of IAS 7 Statement of Cash Flows;
- the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors;
- the requirements of paragraph 17, 18(a) of IAS 24 Related Party Disclosures;
- the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member; and
- the requirements of paragraphs 134(d)-134(f) and 135(c)-135(e) of IAS 36 Impairment of Assets.

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

Where required, equivalent disclosures are given in the group financial statements of Intertek Group plc. The group financial statements of Intertek Group plc are available to the public and can be obtained as set out in note 24.

INTERTEK FINANCE PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

1 Accounting policies

(Continued)

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

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

1.2 Going concern

The Company's business activities, together with the factors likely to affect its future development and position, are set out in the Director's Report on pages 2 - 4. The Company generated a profit of £60,910,000 (2017: £23,541,000) in the year and has net current assets of £1,210,488,000 (2017: £531,192,000) as at 31 December 2018. The Company participates in the Intertek group's centralised treasury arrangements and so shares banking arrangements with its parent and fellow subsidiaries.

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

1.3 Non-current investments

Interests in subsidiaries, associates and jointly controlled entities are initially measured at cost and subsequently measured at cost less any accumulated impairment losses. The investments are assessed for impairment at each reporting date and any impairment losses or reversals of impairment losses are recognised immediately in profit or loss.

A subsidiary is an entity controlled by the Company. Control is the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities.

An associate is an entity, being neither a subsidiary nor a joint venture, in which the Company holds a long-term interest and where the Company has significant influence. The Company considers that it has significant influence where it has the power to participate in the financial and operating decisions of the associate.

1.4 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

INTERTEK FINANCE PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

1 Accounting policies

(Continued)

1.5 Financial assets

The Company classifies its financial assets in the following categories: at fair value through profit or loss; and loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(a) Financial assets at fair value through profit or loss or at fair value through other comprehensive income

Financial assets at fair value through other comprehensive income (FVOCI) comprise:

- equity securities which are not held for trading, and which the group has irrevocably elected at initial recognition to recognise in this category. These are strategic investments and the group considers this classification to be more relevant.
- debt securities where the contractual cash flows are solely principal and interest and the objective of the group's business model is achieved both by collecting contractual cash flows and selling financial assets.

(b) Financial assets at amortised cost

The Company classifies its financial assets as at amortised cost only if both of the following criteria are met:

- the asset is held within a business model whose objective is to collect the contractual cash flows; and
- the contractual terms give rise to cash flows that are solely payments of principal and interest.

(c) Financial assets at fair value through profit or loss

The following financial assets are classified at fair value through profit or loss (FVPL):

- debt investments that do not qualify for measurement at either amortised cost
- equity investments that are held for trading; and
- equity investments for which the entity has not elected to recognise fair value gains and losses through OCI.

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).

Trade receivables and other receivables comprise of amounts due from related group companies. Trade receivables are recognised initially at fair value and subsequently at the amounts considered recoverable (amortised cost). Estimates are used in determining the level of receivables that will not, in the opinion of the Directors, be collected. The Company applies either the 12-month expected credit loss model or the lifetime expected credit loss model, depending on the terms of the loan and the Company's assessment of the counterparty.

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

Impairment of financial assets

The Company assesses, at the end of each reporting period, whether there is objective evidence that a financial asset or group of financial assets is impaired. Refer to Note 2 for further details.

INTERTEK FINANCE PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

1 Accounting policies

(Continued)

Derecognition of financial assets

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

Fair value gains or losses arising on early settlement or early termination of long term intercompany loan agreements are recognised directly in equity.

1.6 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.

Derecognition of financial liabilities

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

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 derivative financial instrument that are recognised in the income statement. Interest income and interest expense are recognised as they accrue using the effective interest rate method.

1.7 Equity instruments

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

1.8 Derivatives

The Company has not applied hedge accounting, and all derivatives are measured at fair value through profit and loss. In accordance with its treasury policy, the Company does not hold or issue derivative financial instruments for speculative purposes.

A derivative with a positive fair value is recognised as a financial asset, whereas a derivative with a negative fair value is recognised as a financial liability. A derivative is presented as a non-current asset or liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months. Other derivatives are classified as current.

The fair value of cross currency interest rate swaps is estimated using the present value of the estimated future cash flows based on observable yield curves.

The fair value of foreign currency forwards is estimated using present value of future cash flows based on the forward exchange rates at the balance sheet date.

INTERTEK FINANCE PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

1 Accounting policies

(Continued)

1.9 Taxation

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

Current tax

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

Deferred tax

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

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the statement of comprehensive income, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when the Company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

1.10 Foreign exchange

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.

1.11 Reserves

The amount recorded in reserves in the prior year represents the fair value gain on the early extinguishment of the long term receivable with Intertek Finance USD Limited. The early extinguishment was a result of the long term loan agreement between Intertek Finance plc and Intertek Finance USD Limited being terminated and replaced with a new agreement. For the accounting policy in relation to the derecognition of financial assets, refer to Note 1.6.

1.12 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.

INTERTEK FINANCE PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

2 Adoption of new and revised standards and changes in accounting policies

In the current year, the following new and revised Standards and Interpretations have been adopted by the Company and have an effect on the current year or a prior year or may have an effect on future periods:

IFRS 9 Financial Instruments came into effect on 1 January 2018.

Management has performed its reviews of the standard, and identified the following areas of note. The Company has applied the limited exemption in IFRS 9 and has elected not to restate comparative information in the year of adoption. As a result, the comparative information provided has been accounted for in accordance with the Company's previous accounting policy.

Classification and measurement of financial assets – the Group's financial assets comprise receivables from Group undertakings and cash and cash equivalents. The disclosures relating to group receivables and cash and cash equivalents continue to be applicable and have not been affected by the adoption of IFRS 9. There are no changes to the measurement of financial assets.

Impairment of financial assets, by introducing a forward-looking expected credit loss impairment model – the Company's primary types of financial assets subject to IFRS 9's new expected credit loss model are amounts due from fellow group undertakings. The Company applies either the 12-month expected credit loss model or the lifetime expected credit loss model, depending on the terms, whereas IAS 39 operated under an incurred loss model and would only recognise impairments when there was objective evidence. An additional impairment provision of group receivables of £4,690,000 has been recognised as a result of this assessment.

IFRS 15 Revenue from contracts with customers came into effect on 1 January 2018. IFRS 15 is not relevant to the Company as there is no revenue from contracts with customers.

3 Operating loss

	2018 £'000	2017 £'000
Operating loss for the year is stated after charging:		
Fees payable to the Company's independent auditor for the audit of the Company's financial statements	6	6
Impairment loss recognised on trade receivables	4,690	-
	<u> </u>	<u> </u>

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

4 Employees

The Company had no employees in the year (2017: None).

INTERTEK FINANCE PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

5 Directors' remuneration

None of the directors were remunerated directly by the Company or any of its subsidiaries (2017: 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.

6 Investment income

	2018 £'000	2017 £'000
Interest income		
Interest on bank deposits	132	63
Interest receivable from group companies	86,075	55,011
Total interest revenue	86,207	55,074
Other investment income		
Exchange differences	13,833	-
Exchange differences on fair value of long term loans	364	-
Unwinding of fair value discount on loans receivable	54	19,709
Total income excluding fixed asset investments	100,458	74,783
Income from fixed asset investments		
Income from shares in group undertakings	7,600	-
Total income	108,058	74,783

INTERTEK FINANCE PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

7 Finance costs

	2018 £'000	2017 £'000
Interest on financial liabilities measured at amortised cost:		
Interest on bank overdrafts and loans	8,982	5,361
Interest on convertible loan notes	16,027	18,280
Facility fees and others	2,272	2,364
Interest payable to group undertakings	5,183	3,893
	<u>32,464</u>	<u>29,898</u>
Interest on other financial liabilities:		
Interest on financial liabilities measured at fair value	1,371	1,245
	<u>33,835</u>	<u>31,143</u>
Other finance costs:		
Exchange gain on fair value of long term loan	-	(13,262)
Exchange differences on financing transactions	-	23,750
	<u>33,835</u>	<u>41,631</u>
Total finance costs	<u><u>33,835</u></u>	<u><u>41,631</u></u>

8 Other gains and losses

	2018 £'000	2017 £'000
Loans due from fellow group undertakings written off	(1,639)	(2,026)
Loss on disposal of subsidiary	(91)	(1,613)
	<u>(1,730)</u>	<u>(3,639)</u>
	<u><u>(1,730)</u></u>	<u><u>(3,639)</u></u>

INTERTEK FINANCE PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

9 Tax on profit

	2018 £'000	2017 £'000
Current tax		
UK corporation tax on profits for the current year	8,578	7,341
Adjustments in respect of prior periods	(2,837)	(1,227)
Total UK current tax	5,741	6,114
Foreign taxes and reliefs	865	2
Taxation charge	6,606	6,116
Deferred tax		
Origination and reversal of temporary differences	159	(363)
Changes in tax rates	(17)	42
Adjustment in respect of prior periods	2	-
	144	(321)
Total tax charge	6,750	5,795

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

The charge for the year can be reconciled to the profit per the statement of comprehensive income as follows:

	2018 £'000	2017 £'000
Profit before taxation	67,660	29,336
Expected tax charge based on a corporation tax rate of 19% (2017: 19.25%)	12,855	5,647
Effect of expenses not deductible in determining taxable profit	1,453	7,801
Income not taxable	(4,796)	(6,102)
Adjustments in respect of prior periods	(2,835)	(1,227)
Effect of change in UK corporation tax rate	(17)	37
Effect of overseas tax rates	37	2
Movement in deferred tax	-	(363)
Transfer pricing adjustment	53	-
Taxation charge for the year	6,750	5,795

INTERTEK FINANCE PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

10 Investments

	Non-current	
	2018	2017
	£'000	£'000
Investments in associates	904	969
Investments in subsidiaries	-	356,001
	<u>904</u>	<u>356,970</u>

Movements in non-current investments

	Shares in group undertakings and participating interests £'000
Cost or valuation	
At 1 January 2018	356,970
Additions	26
Valuation changes	17,351
Disposal due to merger of subsidiary	(91)
Disposal of preference shares	(373,352)
At 31 December 2018	<u>904</u>
Carrying amount	
At 31 December 2018	<u>904</u>
At 31 December 2017	<u>356,970</u>

Disposals

During the year the operations of Intertek Finance Ireland Limited was merged into Intertek Finance Plc, with the related investment in preference shares being replaced with a new loan relationship with Intertek Capital Resources Ltd, effective from 31 December 2018.

INTERTEK FINANCE PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

11 Subsidiaries

Details of the Company's subsidiaries at 31 December 2018 are as follows:

Name of undertaking	Country of incorporation	Ownership interest (%)	Class of shares	Address
Intertek Settlements Limited	United Kingdom	100%	Ordinary shares	Academy Place, 1-9 Brook Street, Brentwood, Essex, CM14 5NQ, England

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.

12 Associates

Details of the Company's associates at 31 December 2018 are as follows:

Name of undertaking	Country of incorporation	Ownership interest (%)	Class of shares	Address
Intertek Overseas Holdings Limited	United Kingdom	13.00%	Ordinary shares	Academy Place, 1-9 Brook Street, Brentwood, Essex, CM14 5NQ

13 Deferred tax asset

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

	Short term timing differences £'000	Tax losses £'000	Total £'000
Deferred tax asset at 1 January 2017	30	1,190	1,220
Deferred tax movements in prior year			
Credit to profit or loss	-	321	321
Deferred tax liability at 1 January 2018	-	-	-
Deferred tax asset at 1 January 2018	30	1,511	1,541
Deferred tax movements in current year			
Credit to profit or loss	-	(144)	(144)
Deferred tax asset at 31 December 2018	30	1,367	1,397

INTERTEK FINANCE PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

13 Deferred tax asset

(Continued)

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

	2018 £'000	2017 £'000
Deferred tax assets	1,397	1,541

Deferred tax assets have been fully recognised in respect of historic losses. At 31 December 2017, the Company did not recognise deferred tax asset amounting to £2,108,000 relating to losses. However those losses were fully utilised in 2017 when the tax computation was finalised and filed, subsequent to the approval and filing of the accounts. There is no unrecognised DTA at 31 December 2018.

14 Trade and other receivables

	Current		Non-current	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Other receivables	405	377	-	-
Amounts due from fellow group undertakings	2,240,262	1,275,623	349,291	341,320
	<u>2,240,667</u>	<u>1,276,000</u>	<u>349,291</u>	<u>341,320</u>

15 Credit risk

Credit risk arises in relation to loans receivable from other Group entities.

The carrying amount of financial assets recorded in the financial statements, which is net of impairment losses, represents the Company's maximum exposure to credit risk.

The Company does not hold any collateral or other credit enhancements to cover this credit risk.

Past due and impaired financial asset investments

A credit loss assessment was made under IFRS 9 for all current receivables. It was determined, based on an assessment of current liquidity and the availability of future operating cash flows, that amounts due from Group undertakings should be impaired by £4,690,000 (2017: £Nil). The amounts due from Group undertakings is reported net of this provision.

INTERTEK FINANCE PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

16 Borrowings

Analysis of net debt

The components of net debt are outlined below:

	01 January 2018	Cash flow	Exchange adjustments	31 December 2018
	£m	£m	£m	£m
Net cash	3.67	10.26	-	13.93
Borrowings:				
Revolving credit facility US\$800m 2021	(153.92)	(223.80)	(7.09)	(384.81)
Bilateral term loan facilities US\$100m facility 2018	(74.60)	74.60	-	-
Senior notes US\$20m 2019	(15.00)	-	(0.80)	(15.80)
Senior notes US\$150m 2020	(112.00)	-	(6.60)	(118.60)
Senior notes US\$15m 2021	(11.10)	-	(0.70)	(11.80)
Senior notes US\$140m 2022	(104.50)	-	(6.20)	(110.70)
Senior notes US\$40m 2023	(29.80)	-	(1.80)	(31.60)
Senior notes US\$125m 2024	(93.40)	-	(5.50)	(98.90)
Senior notes US\$40m 2025	(29.90)	-	(1.80)	(31.70)
Senior notes US\$75m 2026	(55.90)	-	(3.40)	(59.30)
Other	-	(116.30)	(2.43)	(118.73)
Total borrowings	(680.12)	(265.50)	(36.32)	(981.94)
Total net debt	(676.45)	(255.24)	(36.32)	(968.01)

	01 January 2017	Cash flow	Exchange adjustments	31 December 2017
	£m	£m	£m	£m
Net cash	(6.36)	10.03	-	3.67
Borrowings:				
Revolving credit facility US\$800m 2021	(242.16)	73.80	14.44	(153.92)
Bilateral term loan facilities US\$100m facility 2018	(81.80)	-	7.20	(74.60)
Senior notes US\$100m 2017	(81.80)	75.10	6.70	-
Senior notes US\$20m 2019	(16.40)	-	1.40	(15.00)
Senior notes US\$150m 2020	(122.70)	-	10.70	(112.00)
Senior notes US\$15m 2021	(12.20)	-	1.10	(11.10)
Senior notes US\$140m 2022	(114.50)	-	10.00	(104.50)
Senior notes US\$40m 2023	(32.70)	-	2.90	(29.80)
Senior notes US\$125m 2024	(102.30)	-	8.90	(93.40)
Senior notes US\$40m 2025	(32.70)	-	2.80	(29.90)
Senior notes US\$75m 2026	(61.40)	-	5.50	(55.90)
Total borrowings	(900.66)	148.90	71.64	(680.12)
Total net debt	(907.02)	158.93	71.64	(676.45)

INTERTEK FINANCE PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

16 Borrowings

(Continued)

Analysis of net cash	2018 £'000	2017 £'000
Cash and cash equivalents	18,027	6,687
Bank overdrafts	(4,098)	(3,022)
Net cash	13,929	3,665

Analysis of borrowings

Borrowings are classified based on the amounts that are expected to be settled within the next 12 months and after more than 12 months from the reporting date, as follows:

	2018 £'000	2017 £'000
Current liabilities	138,498	77,622
Non-current liabilities	880,884	634,905
	1,019,382	712,527
Less: liabilities that do not form part of external borrowings:		
Loans from fellow group undertakings	(34,795)	(31,618)
Facility fees	1,446	2,232
Bank overdrafts (forms part of net cash balance)	(4,098)	(3,022)
Total external borrowings	981,935	680,119

Borrowings falling due after more than five years included above:

Amounts payable other than by instalments	(189,700)	(208,900)
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INTERTEK FINANCE PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

16 Borrowings

(Continued)

Description of borrowings

Total undrawn committed borrowing facilities as at 31 December 2018, were £247.9m (2017: £443.2m).

US\$800m revolving credit facility

The Company's principal bank facility comprises a US\$800m multi-currency revolving credit facility. In July 2016, \$672m of the facility was extended to July 2021. 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 2018 were £384.8m (2017: £153.9m).

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. This facility was fully repaid in June 2018 and was no longer available at 31 December 2018. Drawings under this facility at 31 December 2018 were £Nil (2017: £74.6m).

Private placement bonds

In December 2010, the Company issued US\$250m of senior notes. These notes were issued in two tranches with US \$100m repaid on 15 December 2017, at a fixed annual interest rate of 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 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 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%.

INTERTEK FINANCE PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

17 Fair values

Except as detailed below, the Directors consider that the carrying amounts of financial assets and financial liabilities carried at amortised cost in the financial statements approximate to their fair values.

	Carrying value		Fair value	
	2018	2017	2018	2017
	£'000	£'000	£'000	£'000
Cash and cash equivalents	18,027	6,687	18,027	6,687
Loans to fellow group companies	2,594,673	1,617,434	2,594,243	1,616,942
Foreign currency forwards	-	1,017	-	1,017
Total financial assets	2,612,700	1,625,138	2,612,270	1,624,646
Interest bearing loans and borrowings *	980,489	679,300	973,589	675,600
Loans from fellow group companies	40,027	37,865	34,795	31,618
Amounts owed to group companies	1,245,040	985,814	1,245,040	985,814
Foreign currency forwards*	338	-	338	-
Cross currency interest rate swaps*	7,573	11,825	7,573	11,825
Total financial liabilities	2,273,467	1,714,804	2,261,335	1,704,857

Determining the fair value of financial liabilities

* Interest-bearing loans and borrowing, cross currency interest rate swaps and derivative assets/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

* 2017 comparatives have been restated to include disclosure of the cross currency interest rate swaps and forward currency forwards in accordance with IFRS 7.

18 Trade and other payables

	2018	2017
	£'000	£'000
Amounts owed to fellow Group undertakings	1,245,040	985,814
Taxation and social security	15,772	14,579
Other payables	7,897	5,435
	1,268,709	1,005,828

Amounts owed to group undertakings have no fixed date of repayment and carry interest based on the denomination of the borrowing currency. Other payables includes external interest and commitment fees.

INTERTEK FINANCE PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

19 Liquidity risk

Liquidity risk management

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 table details the remaining contractual maturity for the Company's financial liabilities with agreed repayment periods. The contractual maturity is based on the earliest date on which the Company may be required to pay.

INTERTEK FINANCE PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

							(Continued)
19 Liquidity risk							
At 31 December 2018	Carrying Amount	Six months or less	6-12 months	1-2 years	2-5 years	More than 5 years	Contractual Cash flows
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Non-derivative financial liabilities							
Senior term loans and notes	863,335	29,737	13,937	560,544	260,557	95,373	960,148
Other loans	118,600	118,872	-	-	-	-	118,872
Other Loans	981,935	148,609	13,937	560,544	260,557	95,373	1,079,020
Derivative financial liabilities/(assets)							
Forward exchange contracts:							
Outflow	338	479,678	-	-	-	-	479,678
Inflow	-	(479,340)	-	-	-	-	(479,340)
Cross currency interest rate swaps:							
Outflow	7,690	900	900	86,600	-	-	88,400
Inflow	-	(1,500)	(1,500)	(82,300)	-	-	(85,300)
	8,028	(262)	(600)	4,300	-	-	3,438
Total	989,963	148,347	13,337	564,844	260,557	95,373	1,082,458

INTERTEK FINANCE PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

							(Continued)
19	Liquidity risk						
At 31 December 2017	Carrying Amount	Six months or less	6-12 months	1-2 years	2-5 years	More than 5 years	Contractual Cash flows
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Non-derivative financial liabilities							
Senior term loans and notes	680,119	10,500	85,100	164,800	327,500	189,500	777,400
	<u>680,119</u>	<u>10,500</u>	<u>85,100</u>	<u>164,800</u>	<u>327,500</u>	<u>189,500</u>	<u>777,400</u>
Derivative financial liabilities/(assets)							
<i>Forward exchange contracts:</i>							
Outflow	-	440,946	-	-	-	-	440,946
Inflow	(1,017)	(441,963)	-	-	-	-	(441,963)
<i>Cross currency interest rate swaps:</i>							
Outflow	11,923	900	900	1,700	84,800	-	88,300
Inflow	-	(1,500)	(1,500)	(2,900)	(77,500)	-	(83,400)
	<u>10,906</u>	<u>(1,617)</u>	<u>(600)</u>	<u>(1,200)</u>	<u>7,300</u>	<u>-</u>	<u>3,883</u>
Total	<u>691,025</u>	<u>8,883</u>	<u>84,500</u>	<u>163,600</u>	<u>334,800</u>	<u>189,500</u>	<u>781,283</u>

INTERTEK FINANCE PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

20 Market risk

Market risk management

Foreign exchange 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.

	2018 Buy £'000	2018 Sell £'000	2017 Buy £'000	2017 Sell £'000
US dollar	85,296	54,926	121,492	45,212
Euro	57,493	13,554	47,047	10,015
Others	336,551	411,198	272,423	385,719
	<u>479,340</u>	<u>479,678</u>	<u>440,962</u>	<u>440,946</u>

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).

	2018 Contract amount £'000	2018 Fair Value £'000	2017 Contract amount £'000	2017 Fair value £'000
Assets	93,585	1,238	247,410	1,092
Liabilities	(180,936)	(1,576)	(30,762)	(76)
Net (liabilities)/assets	<u>(87,351)</u>	<u>(338)</u>	<u>216,648</u>	<u>1,016</u>

INTERTEK FINANCE PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

20 Market risk

(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 derivative financial instruments where considered appropriate.

Liabilities 2018	2019	2020	2021	2022	2023	2024+ Carrying amount	
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Floating rate (USD)	118,600	-	384,835	-	-	-	503,435
Average interest rate	2.35%	-	1.53%	-	-	-	-
Fixed rate (USD)	15,800	118,600	11,900	110,700	31,600	189,900	478,500
Average interest rate	3.00%	3.91%	3.37%	3.75%	3.10%	3.82%	-
Total	134,400	118,600	396,735	110,700	31,600	189,900	981,935

Liabilities 2017	2018	2019	2020	2021	2022	2023+ Carrying amount	
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
	Restated					Restated	Restated
Floating rate (USD)	-	14,928	-	153,921	-	-	168,849
Average interest rate	-	3.00%	-	1.33%	-	-	-
Fixed rate (USD)	74,639	-	111,957	11,196	104,493	208,987	511,272
Average interest rate	2.28%	-	3.91%	3.37%	3.75%	3.85%	-
Total	74,639	14,928	111,957	165,117	104,493	208,987	680,121

INTERTEK FINANCE PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

20 Market risk

(Continued)

Credit risk

Credit risks arise mainly from the possibility that group companies may not be able to settle their obligations as agreed. The company monitors the creditworthiness of group companies on an ongoing basis. The credit risk is diversified due to the Company's loan receivables portfolio comprising of multiple group companies which operate across a range of industries and regions.

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.

21	Called up share capital	2018 £'000	2017 £'000
	Ordinary share capital		
	<i>Issued and fully paid</i>		
	1,922,000 (2017: 1,922,000) Ordinary shares of £1 each	1,922	1,922
		<hr/>	<hr/>
		1,922	1,922
		<hr/>	<hr/>

22 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 £3,360,000 at 31 December 2018 (2017: £1,479,000). The Company has also guaranteed the lease obligations of a fellow Group company.

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

INTERTEK FINANCE PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

23 Events after the reporting date

There are no subsequent events to note that would affect the balance sheet as at 31 December 2018.

24 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.

25 Related party transactions

Other transactions with related parties

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

	Interest income		Interest payable	
	2018	2017	2018	2017
	£'000	£'000	£'000	£'000
Other related parties	376	242	(1,094)	(992)
	<u>376</u>	<u>242</u>	<u>(1,094)</u>	<u>(992)</u>

The following amounts were outstanding at the reporting end date:

	Amounts owed to related parties	
	2018	2017
	£'000	£'000
Other related parties	(40,459)	(29,937)
	<u>(40,459)</u>	<u>(29,937)</u>

The following amounts were outstanding at the reporting end date:

	Amounts owed by related parties	
	2018	2017
	£'000	£'000
Other related parties	9,328	10,592
	<u>9,328</u>	<u>10,592</u>

Other related parties constitute entities that are not fully owned by the Intertek Group. Amounts have been reviewed for impairment by reviewing the net assets of those entities from which balances are due. No impairment of balances was deemed necessary.