Annual Report 2012

Intertek

Valued Quality. Delivered.

Your global quality partner

Contents

Cautionary statement

Overview

Intertek at a glance

Intertek is the leading quality solutions provider to industries worldwide. From auditing and inspection, to testing, training, advisory, quality assurance and certification, Intertek adds value to customers' products, processes and assets. With a network of more than 1,000 laboratories and offices and over 35,000 people in more than 100 countries, Intertek supports companies' success in a global marketplace. Intertek helps its customers to meet end users' expectations for safety, sustainability, performance, integrity and desirability in virtually any market worldwide. Visit www.intertek.com.

Our services

- Testing
- Outsourcing
- Certification
- Training
- Inspection
- Advisory
- Auditing
- Quality Assurance

Industry & Assurance

Using in-depth knowledge of the oil, gas, nuclear, power, renewable energy, construction, food, chemical and agricultural industries, we provide a diverse range of services to help customers meet global quality standards. These include technical inspection services, asset integrity management, exploration and production support, consulting, training and third-party management systems auditing. We also provide certification services, second-party supplier auditing, sustainability data verification and process performance analysis.

32%
of revenue

Key business areas
- Industry Services
- Business Assurance
- Food & Agriculture
- Exploration & Production

Commodities

We provide independent cargo inspection, analytical assessment, calibration and related research and technical services to the world's petroleum, mining, minerals and biofuels industries. We also provide services to governments and regulatory bodies to support trade activities that help the flow of goods across borders.

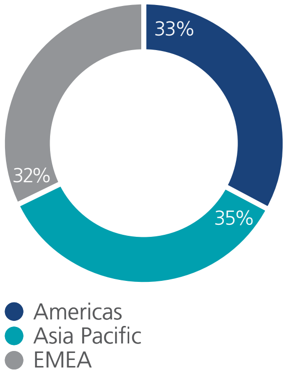
28%
of revenue

Key business areas
- Cargo
- Analytical Assessment
- Government & Trade Services
- Minerals

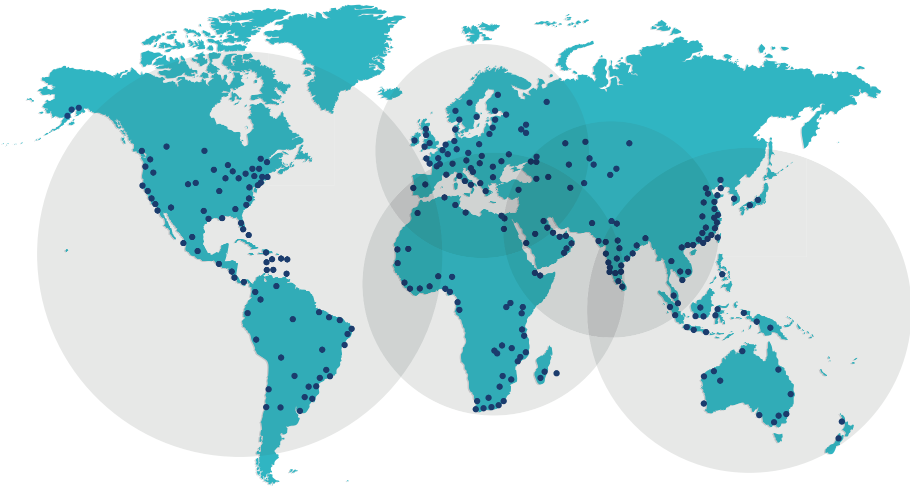
We work with over 200,000 customers ranging from the smallest business to the largest conglomerate, delivering customised commercial and compliance solutions that cater to individual client requirements, everywhere they do business.

• Abu Dhabi Gas Industries Ltd. (GASCO) • Aéropos
• Canon • Certified Automotive Parts Association •
• Gap Inc. • Haier • Hertz Portugal • IKEA • Infineu
• Newmont Boddington Gold • Nordstrom • Odebr
• Scottish Water • Shell • The Dow Chemical Comp

Revenue by region



Our global operations



8%

of revenue

Key business areas

- Chemicals & Materials
- Pharmaceuticals
- Health & Regulatory

Chemicals & Pharmaceuticals

Serving a wide range of industries including chemical, pharmaceutical, oil and gas, automotive and aerospace, we offer advanced laboratory measurement, expert consultancy related technical support and sustainability solutions. We have an established track record of success in laboratory outsourcing with many large, internationally recognised companies and our world leading technical experts also support internal technical development.

15%

of revenue

Key business areas

- Electrical
- Automotive
- Building
- Wireless

Commercial & Electrical

Our global network of accredited facilities provides manufacturers and retailers with the most comprehensive scope of safety, performance and quality testing and certification services. We support customers in a wide range of industries including home appliances, consumer electronics, lighting, medical, building, industrial and HVAC/R (heating, ventilation, air conditioning and refrigeration), information and communications technology, renewable energy and automotive.

17%

of revenue

Key business areas

- Textiles
- Toys & Hardlines
- Risk Management
- Auditing

Consumer Goods

We are a market leading provider of services to the textiles, toys, footwear, hardlines and retail industries. As a partner to retailers, manufacturers and distributors, we offer expertise on issues ranging from restricted hazardous substance and sustainability to supply chain security and legislation relating to environmental, ethical and trade security issues. Services include testing, inspection, auditing, advisory services, quality assurance and hazardous substance testing.

tale, Inc. • Air Products • AngloGold Ashanti Australia Ltd. • Apache • Aramco Overseas Company B.V. • Auchan • BASF • BHP Billiton • BP
Chevron • Cisco • CITGO • Columbia Sportswear Company • ConocoPhillips • DONG Energy • EirGrid • Ericsson • ExxonMobil • Fortescue Metals Group
m • INPEX • Kohl's • Levi Strauss & Co. • LG • Magellan Aerospace • Marks & Spencer • McDonald's Corporation • Morgan Stanley • National Grid • Nestlé
echt • Panasonic • Petrobras • Petróleos de Venezuela S.A. (PDVSA) • Ricoh • RTE France • RWE • SABIC • Saipem • Samsung • Sasol • Scottish & Southern Energy
any • Toshiba • Total • Toyota • Trafigura • Vale • Valero • Vitol • VOLCOM, Inc. • Yamaha Corporation • Yorkshire Water

Overview

Financial highlights

Strong revenue and profit performance in 2012

> Revenue up 17%
> Organic revenue[4] up 8.6%
> Adjusted operating profit[1] up 19%
> Adjusted operating margin[1] 16.3%

Strong five year compound growth record

> Revenue up 20%
> Adjusted operating profit[1] up 19%
> Adjusted diluted EPS[1] up 18%
> Dividend per share[2] up 18%

2012

Revenue (£m)

+17%

Organic revenue +8.6% at constant exchange rates[4]

2012	2,054
2011	1,749

Adjusted diluted EPS[1] (pence)

+22%

2012	131.2
2011	107.2

Adjusted operating profit[1] (£m)

+19%

2012	335
2011	281

Statutory diluted EPS[5] (pence)

+25%

2012	106.7
2011	85.3

Five year trend

Revenue (£m)

+20%

CAGR[3]

2012	2,054
2011	1,749
2010	1,374
2009	1,237
2008	1,004

Adjusted diluted EPS[1] (pence)

+18%

CAGR[3]

2012	131.2
2011	107.2
2010	89.4
2009	81.5
2008	67.1

Adjusted operating profit[1] (£m)

+19%

CAGR[3]

2012	335
2011	281
2010	227
2009	209
2008	165

Dividend per share[2] (pence)

+18%

CAGR[3]

2012	41.0
2011	33.7
2010	28.1
2009	25.5
2008	20.8

1. Adjusted operating profit, adjusted operating margin and adjusted diluted earnings per share ('EPS') are stated before Separately Disclosed Items, which are described in note 3 to the financial statements.
2. Dividend per share for 2012 is based on the interim dividend paid of 13.0p (2011: 10.7p) plus the proposed final dividend of 28.0p (2011: 23.0p).
3. CAGR represents the five year compound annual growth rate.
4. Growth at constant exchange rates compares both 2012 and 2011 at the average exchange rates for 2012.
5. Statutory basic EPS also increased 25% to 108.2p (2011: 86.8p).

Chairman's statement

Sir David Reid Chairman

"I am pleased to announce another year of strong growth by Intertek and the continued delivery of the Group's successful strategy."

I am pleased to announce another year of strong growth by Intertek and the continued delivery of the Group's successful strategy.

Intertek's customers include some of the world's leading brands and companies, as well as their suppliers and governments in developing and developed countries. Intertek helps customers to assess their products, processes and assets against a wide range of quality and related safety, regulatory and performance standards. Our services include testing, certification, auditing, inspection, advisory, training, outsourcing and quality assurance. Our work takes us into almost every field imaginable, including consumer products, electronics, petroleum, minerals, pharmaceuticals, chemicals and food.

Results

The Group generated revenue of £2,054m, an increase of 17% over the prior year. Excluding acquisitions, revenue growth was 8.6% at constant exchange rates. Operating profit was £283m, up 21% over the prior year. Adjusted operating profit increased to £335m, up 19%, and our adjusted operating margin was 16.3%. Excluding acquisitions, adjusted operating profit was up 12%.

Earnings and returns to shareholders

The Company's share price registered another year of strong performance in 2012 increasing by 52% and outperforming the wider UK market. Looking on a one, three or five year basis, the total shareholder return of Intertek shares also shows the Company's excellent delivery of growth to shareholders on a sustained basis.

Basic earnings per share were 108.2p, up 25% over the prior year and adjusted diluted earnings per share were 131.2p, up 22%.

An interim dividend of 13.0p per share (2011: 10.7p) was paid to shareholders on 16 November 2012. The Directors will propose a final dividend of 28.0p per share at the Annual General Meeting which will make a full year dividend of 41.0p per share (2011: 33.7p), an increase of 22%.

Capital allocation

Intertek continues to generate good cash flow, with 2012 adjusted cash flow from operations of £345m, an increase of 10% on the prior year. The Group increased organic capex over the prior year, spending £115m, which represents 5.6% of revenue, up from 4.6% of revenue in 2011. This ratio sits within our usual range of between 5% and 6% of revenue spent on capital investment.

The Group's allocation of capital aims to pursue organic investment to drive sustained growth and shareholder value across the medium and longer term. It also aims to ensure we pay dividends and to progress the amount of that dividend in line with earnings per share growth and to complete bolt-on and strategic acquisitions.

Acquisitions

We continue to make targeted acquisitions and in 2012 completed six acquisitions for a cash consideration of £40m (2011: £460m including the strategic acquisition of Moody International for £450m). Further details of these acquisitions are given in the Operating Review by division and in note 10 to the financial statements.

With our strong financial position we will continue to make advantageous bolt-on acquisitions and to evaluate strategic acquisition opportunities to increase shareholder value.

The Board

On 1 July 2012 we welcomed Louise Makin and Lena Wilson to the Board as Non-Executive Directors. Further details of their business experience can be found in their biographies on page 37.

In line with the Corporate Governance Code and the 2011 Davies Report, the Board is composed of members with a wide range of complementary skills and business experience and is comprised of 22% female and 78% male members. The Board continues to have the strength and experience required to perform its duties effectively and is committed to the highest standards of corporate governance.

Sustainability

Intertek's work is helping to improve the quality and safety of the products and services used by people around the world every day. By helping companies to produce greener, safer products and to operate in a more sustainable way, Intertek makes a substantial positive impact on the planet and human health that far outweighs our own use of resources.

We are committed to the continuous development of our own sustainability. Whilst being a service provider means that Intertek's operations have a lower impact on the environment than other business sectors, we have an ongoing commitment to sustainability and are mindful of the impact our operations have on our communities, employees, customers and the environment.

In 2012, we increased the monitoring and reporting of our sustainability performance. This included increased health and safety measurement and the introduction of new personal and workplace safety initiatives. We extended our environmental impact monitoring and emissions reporting. Further details can be found in the Sustainability and CSR report on page 28.

Integrity

As a provider of independent quality solutions, the integrity and ethical conduct of our people and businesses is central to our values as an organisation and is critical to our customers and to the success of our businesses.

The Group has robust ethical policies and control procedures to ensure that good business ethics are embedded throughout our organisation. These policies, procedures and our internal performance against them are continually reviewed and aligned with best practice. Our compliance initiatives cover a range of dimensions including internal training and communications, independent internal and external auditing, whistle-blowing hotlines, external communication and collaboration with industry partners and customers.

We have increased our disclosure on ethical compliance in 2012, and further details can be viewed in the Sustainability and CSR report on page 28.

Our people

Intertek's people, their skills and experience, and the way in which they work together to support our customers are qualities that are at the heart of the Group's success. More than 35,000 Intertek people work to support our customers in over 100 countries.

As a growth company Intertek offers interesting careers and professional development for our people. We are proud to be able to create new employment opportunities in the many different communities in which we work. In 2012, we welcomed over 3,000 new employees to the Group through organic growth and acquisitions.

The ongoing development and training of our people is essential to Intertek's continuing success and to fulfilling our long-term growth potential. During 2012, the Group introduced the Intertek Executive Academy to support and develop the talent and capabilities of Intertek's next generation of global leaders. We also extended our internal online training programmes, which give employees access to more than 100 courses, webinars and instructor led training programmes.

I am pleased to report that Intertek completed its first global Group-wide employee satisfaction survey in the year, to benchmark workplace culture, employee sentiment and satisfaction. 62% of employees surveyed responded, with results indicating a good performance in many areas but also identifying areas for improvement. Another survey is planned for 2013.

The Board extends its thanks to all of our employees for their hard work and endeavour in 2012 which has allowed the Group to achieve continued success.

Outlook

The Group continues to implement its clear strategy in delivering global quality solutions in a market with strong structural growth drivers. This, together with experienced management and a sound financial position, means that Intertek remains able to capture opportunities to deliver resilient growth and performance despite times of economic uncertainty. The Board is confident that the Group will deliver on its growth plan in 2013 and into the future.

Sir David Reid
Chairman

Chief Executive Officer's review

Wolfhart Hauser Chief Executive Officer

"The world's leading companies, their suppliers and partners trust us to add value to their brands. Critical to our success is our ability to deliver solutions that bring benefits to our customers' organisations."

2012 saw Intertek deliver another year of strong growth despite a difficult global economic environment. We achieved this growth through consistent implementation of our well-established mission and strategy. This remains at the centre of our ability to systematically capture the growth opportunities arising from our different markets.

Our mission and strategy

Our mission is 'to provide solutions to our customers that allow them to improve the quality of their products, operations and processes'. The world's leading companies, their suppliers and partners trust us to add value to their brands. We do this by providing solutions based on their desired quality level that enables them to increase their competitive advantage and support their global trade objectives. Intertek's strategic focus is on meeting our customers' need for quality across their organisations and along their complex supply chains.

Our strategy also allows us to drive growth in our business in the future since the needs of our customers and the marketplace for quality solutions is an ever changing environment.

The market for quality

Our marketplace is the desire for quality by organisations as they develop and pursue success across their businesses and operations. Quality encompasses many dimensions, from safety and performance through to integrity, desirability and sustainability. The demand drivers for our quality services come from within our customers' organisations and from external commercial, consumer, regulatory and macro-economic forces.

Global trade and the continual flux in sourcing patterns and supply chains, as well as end-users' changing perceptions on quality and desire to use more sustainable products are steadily expanding the demand for our services.

Our customers

Intertek has over 200,000 customers, ranging from the smallest business with unique local needs, to the largest conglomerate seeking multinational support. As the trusted partner of many of the world's leading brands and their suppliers, we help local companies to meet local and international quality standards and to trade successfully with local and global partners. We help global companies achieve higher quality standards across their complex international supply chains and in the local markets where they seek to do business.

The diverse quality aspects that our customers need to consider in their assets, production, products and services is increasing and presenting a more complex challenge for them to achieve without expert help. This diversity is driven by the development of new technologies, the trend towards outsourcing of non-core activities and by their desire to meet the changing demands and tastes of their end-users across a range of quality, safety and environmental criteria.

Our customers are also under pressure to increase their competitive edge through increasing efficiency, speeding up time-to-market and reducing costs. This means that they are constantly looking for better, smarter ways to conduct their testing, inspection and certification activities which creates opportunities for us to increase our support to them by evolving our capabilities.

Critical to our success is our ability to deliver quality solutions that add value and benefit to our customers. The following pages of this report describe examples of the range of ways that Intertek's solutions are bringing benefits to our customers.

Evolving industries

In 2012 we supported a number of emerging industry developments and new technologies. These range from 'unconventional' gas developments in the USA and Australia, to the physical and technological developments of energy grid networks and the spread of wireless and smart-phone controlled technologies into new consumer and industrial product areas.

It is important in delivering our strategy that our capabilities keep step with the evolving needs of each industry. Thus we invest in new technologies in many different areas to capture organic growth opportunities.

Strategic alignment

Intertek operates across a wide portfolio of industry segments. In late 2012 we conducted a strategic review of our portfolio of more than 20 different global business lines operating within our five divisions. We reviewed the alignment of our capabilities against present and anticipated demand within each industry and across our different geographical markets.

As a result, in 2013 we have increased our global strategic focus on our key business lines and our operational focus around our countries. This model ensures that we are building the right knowledge and capabilities to serve the developing needs of each industry at a global level, whilst also ensuring our services are delivered in a way that recognises local market customs and the different operational needs of each country.

Expanding capabilities

We focus on meeting the needs of our customers by delivering a range of complementary services along the entire supply chain. Through a combination of new service initiatives, organic investment and acquisitions, we continue to deepen our capabilities in each of our industries.

We launched Tradegood in late 2012 which is a new online platform helping to match suppliers with buyers and giving buyers access to reliable data on suppliers' qualifications and credentials globally. In the commodities arena, we extended our relationship with oil services group Baker Hughes, creating new efficiencies for our customers by delivering cargo inspection services in tandem with Baker Hughes' treatment of customers' cargo. We also expanded our capabilities in '4G' telecommunications and electric vehicle related testing and hold market leading positions in those areas. Our new strategic relationship with the Quality and Conformity Council of Abu Dhabi will expand our capability in the Emirate and support the region's increasing demand for quality in the years to come.

We opened new facilities in 2012 in regions where our clients are increasing their activities in sourcing new goods, producing new technologies or extracting and developing new resources.

In addition to our organic investments, the Group completed a series of complementary bolt-on acquisitions in 2012. These included 4th Strand, a product quality and benchmarking business and Automation Technology, asset integrity support experts, both located in the USA.

We expanded our minerals sector capabilities with the acquisition of Vigalab Mineral Laboratory in Chile and of Laboratory Services International in the Netherlands. Materials Testing & Inspection ('NDT Services') and Tickford International in the UK also joined the Group. These have brought new industrial testing capabilities within the aerospace and engine markets respectively along with capabilities in surrounding markets.

Enhancing performance

Intertek is continuing to pursue operational efficiencies and establish platforms allowing it to better capture growth at a lower cost and to integrate acquisitions more efficiently. In 2012 the Group continued the outsourcing of its global IT applications and accounting back-office support. This is a phased programme covering countries in which English is the predominant business language, representing nearly 40% of revenue.

The Group's 2012 full year adjusted underlying operating margin of 16.3% reflects a 20 basis point improvement on the prior year, achieved through efficiency initiatives and economies of scale achieved through business growth.

Going forward

Looking ahead to 2013 and beyond we will continue with our established strategy, allowing us to grow our business and to increase our value to shareholders.

By maintaining our focus on delivering services that add benefit to our customers' organisations, we will continue to be a sought-after and trusted partner to our clients.

Our portfolio of industry services, geographic diversity and continual development and alignment of our capabilities around our mission, will ensure that we have a broad platform to invest in fast growing sectors. We are well prepared to capture early opportunities arising in the markets of the different industries we are serving and are positioned to continue our successful growth pattern in the future.

Wolfhart Hauser
Chief Executive Officer

Directors' report – Business review

Chief Executive Officer's review continued

Our market

The global marketplace for quality solutions is dynamic and diverse. As organisations in developed and developing economies pursue success, it creates the need to develop and maintain the right quality in their products and processes. Below are some of the dynamics that create Intertek's chosen marketplace: Quality.

What is quality?

The need for quality arises at many separate and interrelated points across a customer's organisation. Quality is diverse and may reflect one or many of the following dimensions – all of which Intertek serves.

Safety
Reducing the risk of injuries and danger to life and health from products, materials, components and operations.

Sustainability
Helping companies to improve the social, health and environmental impact of their products and processes.

Performance
Enabling organisations to optimise the technical output of their products or processes.

Integrity
Evaluating the composition or reliability of infrastructure, materials, commodities, components and systems.

Desirability
Increasing the appeal of products, materials and new innovations to the varying preferences of end-users in different markets.

Market drivers in our industries

Whether our customers are developing new products, building new infrastructure and/or trying to get their products, services and projects to market more quickly, we help them ensure that their business is not compromised by poor quality. Companies seek quality solutions for a wide variety of reasons.

Macro-economic trends and opportunities in our sector create growth in the demand for quality services. These also add resilience to our business model. We have a range of opportunities to expand our business and increase value to shareholders with the enduring drivers of growth in our marketplace.

End-user expectations
Consumers in developed economies trust brands and companies that deliver products, or perform, with consistent quality. This requires investment in quality solutions to maintain or increase their reputation for quality. Consumers in emerging markets are also demanding higher levels of quality across a diverse range of criteria, creating new markets for quality services from local and international brands.

New technologies
Companies develop new products and technologies to create new markets, increase sales and to respond to diverse end-user demands. Quality services are needed from the concept stage through to delivery to the end market.

Regulations
Quality, safety and environmental regulations and industry standards continue to expand and change across companies and cultures. Companies utilise quality services to maintain compliance and navigate regulatory change.

Supply chain complexity
Our customers create products and infrastructure using suppliers and components across multiple countries. They seek assurances on quality along the supply chain to reduce the risk of product, brand and operational failures, and to increase visibility and efficiency along the supply chain.

Energy growth and development
Global demand for energy is driving increased development and trading of energy resources and infrastructure. Our customers are requiring more quality, safety and environmental assurance support in their expanding resource production and trading activities.

Our growth opportunities

Global trade and emerging market trade growth
Increasing interconnectedness in global trade and expanding regional trade among fast-growth nations is expanding the market for Intertek's services. In creating, buying and selling products each day, our customers seek independent assurance on the quality of materials received from their trading partners.

Market drivers in our industries
Our customers' efforts to innovate, meet consumer demand for quality, develop energy resources, maintain efficient supply chains and comply with regulations create demand for quality services. Their ongoing development of new technologies, energy resources and quality in their products is increasing the demand for our solutions.

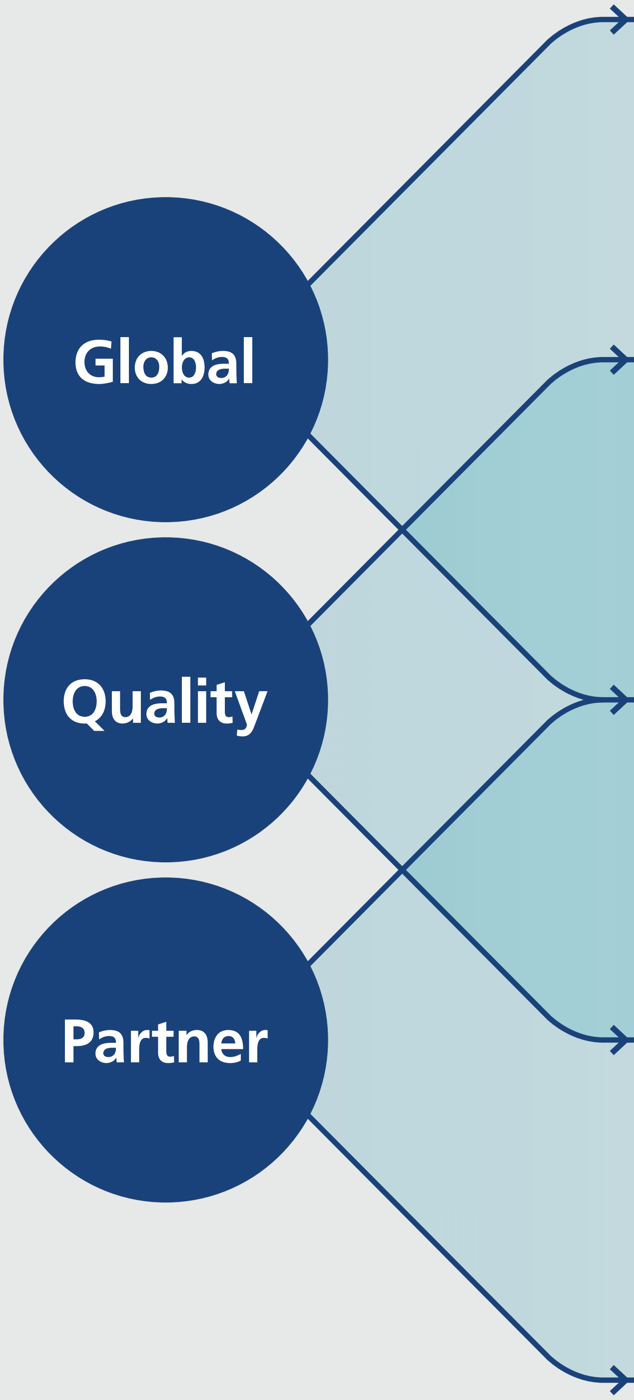
Network and service expansion
Expanding our services into new markets and developing new services in existing markets will enable us to capture new business. We continue to invest in new services and capabilities to support our customers' current and future needs and to expand in growing markets.

Outsourcing and consulting services
By creating quality solutions that enhance our customers' businesses, we can increase the outsourcing of quality services and related consultancy by companies to Intertek. Today, many companies address quality needs internally but at a higher cost with less flexibility and dedicated knowledge.

Industry consolidation
By making value-adding acquisitions, we are consolidating our position in key industries. These also allow us to add complementary capabilities to our service portfolio and grow our business through a full-service offering for each customer in each industry.

Our strategy

Intertek's mission is to deliver quality solutions that add value to our customers' processes, products and brands. Our business is differentiated through our strategic choice of target market, how and where we deploy our services in that market, and in the way we interact with our customers.



Global trade model

Intertek has a unique and strategic focus on supporting organisations' needs for quality as they arise in the context of global trade. Our business model targets the testing, inspection and certification of goods, commodities and infrastructure flowing along supply chains and between different markets and into global trade.

Industry focus

We are organised around the industries that we operate in. This enables us to best meet the quality needs of each industry, which arise at many separate and interrelated points specific to their industries and organisations.

Target whole supply chain

Different quality needs exist at each stage of the supply chain; from the sourcing of raw materials or prototype testing, to the manufacture and distribution of a finished product. We position our business along the length of the supply chain to support the needs of customers at each stage.

Customer-oriented relationships

The way that we approach our customer relationships differentiates us. We aim to create a trusted partnership with our customers, becoming an integral part of their businesses and providing solutions that can improve their competitive advantage. We focus on understanding our customers' businesses and their needs and pressures. Our strategy is to provide our solutions in a way that can help them better meet those needs and improve their businesses.

Our strategy is to be the premier service provider in our chosen markets. We continue to invest in and develop our business delivery model in order to be our customers' partner of choice.

Network expansion

We continue to expand and deepen our network and knowledge in new regions and in new and existing industries to capture opportunities for growth. This enables us to meet demand from changes in global, interregional and local trade and deepen our position in established and growing markets.

Leading positions in key industries

We develop our service lines to support quality needs along the length of the supply chain through organic investment and acquisition. We concentrate on industry sectors where we have the critical size to hold leading positions and provide our customers with world-class services.

New services for the present and future

We create new services and innovations for our customers to help their businesses succeed. We develop capabilities along the frontier of science and innovation which drives market demand for quality services in the future. We develop new tools and interfaces in areas where we can support customers in new, smarter ways.

Investing in our people

Our people are our core assets and we invest continually in them. They are chosen for their technical expertise, values and their understanding of local culture. Our people are experts and leaders in their fields, including engineers, chemists, biologists, consultants and geologists. Many are holders of research doctorates, are graduates or advisors to global institutions. Our talented and dedicated people provide our customers with the expertise they need to succeed.

Intertek Operations Committee

The day-to-day management of the Group is undertaken by the Intertek Operations Committee ('IOC').

The IOC currently comprises the two Executive Directors, the five Executive Vice Presidents who head up the operating divisions, the Group Vice President Human Resources and the Chief Information Officer.

Wolfhart Hauser
Chief Executive Officer

Joined Intertek in 2002. Appointed to the Board as Chief Executive Officer in March 2005 after serving as a Non-Executive Director since November 2002. Wolfhart Hauser was previously Chief Executive Officer and President of TÜV Süddeutschland AG for four years and Chief Executive Officer of TÜV Product Services for 10 years. Starting his career with various research activities he went on to establish and lead a broad range of successful international service industry businesses. He has held several non-executive board director and chairman roles in a variety of technology companies.

Jonathan Lawrence
Group Vice President
Human Resources

Joined Intertek in 2005. Jonathan Lawrence has many years experience as an international human resources director in the testing and inspection business and has been previously based in the UK, France and the USA. In addition to human resources, Jonathan directs sustainability and internal communications across the Intertek Group. Before moving to Intertek, he was Group Senior Vice President of Human Resources at Bureau Veritas. Jonathan began his career as a Chartered Manufacturing Engineer in industry.

Andrew Swift
Division Executive Vice President
Chemicals & Pharmaceuticals

Joined Intertek in 2001. Prior to assuming his current role in January 2008, Andrew Swift was Vice President of Global Outsourcing within Intertek's Oil, Chemical & Agri division, having originally started as Business Development Manager and then Director of Global Outsourcing. Andrew began his career by launching CSMA Ltd, where he became Managing Director in 1993. He is a member of the Royal Society of Chemistry.

Lloyd Pitchford
Chief Financial Officer

Joined Intertek in 2010. Appointed to the Board as Chief Financial Officer in April 2010. Lloyd Pitchford previously spent 10 years with BG Group plc in various operational and corporate finance roles in the UK and Middle East; including five years as Group Financial Controller. He previously worked for Mobil Oil Corporation in various financial, commercial and management roles.

Paul Yao
Group Executive Vice President
Consumer Goods

Joined Intertek in 1994. Paul Yao was appointed a member of the Executive Management Team on 1 July 2006. Prior to this, from January 2003 he was Vice President with responsibility for Consumer Goods in China and Taiwan. Before joining Intertek, Paul worked in Regional Sales & Marketing for companies such as Hitachi Chemical, Brent Plc and SISIR Singapore.

Stefan Butz
Group Executive Vice President
Industry & Assurance

Joined Intertek in 2008. In addition to Industry & Assurance, Stefan Butz has responsibility for the Group functions of Strategy, Corporate Development and Marketing. Stefan has held this role since January 2008, when he joined Intertek from TÜV SÜD, where he held the position of CEO Americas, with an earlier role as Head of Corporate Development. Prior to this he was a Strategy Consultant with Accenture Germany.

Gregg Tiemann
Division Executive Vice President
Commercial & Electrical

Joined Intertek in 1993. Prior to assuming his current role in January 2008, Gregg Tiemann was President of Intertek's Commercial & Electrical division in Europe and the Americas since 2004, having started as General Manager of the Los Angeles and Mexico City laboratories in 1993. Before joining Intertek, Gregg worked in sales and marketing for the software industry.

Jay Gutierrez
Division Executive Vice President
Commodities

Joined Intertek in 1997. Jay Gutierrez assumed his current role in January 2008, and added Government Services in January 2009 and Minerals in January 2011. Previously, he was Vice President for the Oil, Chemical and Agri division in the Americas. Jay has 30 years experience in the cargo inspection and testing industry. He began his career with Intertek with a focus to develop the Chemical business stream, later assuming responsibility for International Coordination and Sales & Marketing. Prior to joining Intertek he spent eight years as General Manager for C.J. Thibodeaux, Inc.

Ann-Michele Bowlin
Chief Information Officer

Joined Intertek in 2009. Ann-Michele Bowlin was appointed Chief Information Officer of Intertek in September 2010 and joined the IOC on 1 January 2012. She is responsible for driving the Group's IT strategy and its alignment with the wider organisation. Ann-Michele joined as Group Vice President, Shared Services, to work with business and finance leaders to develop the Group shared services strategy. Prior to joining Intertek, Ann-Michele held leadership and operational positions in a variety of industries including manufacturing, technology, travel and professional services.

Directors' report – Business review

Operating review – Industry & Assurance

Powering safer futures

Financial highlights 2012

	£m	Change at actual rates	Change at constant rates
Revenue	665.6	42%	43%
Adjusted operating profit	77.4	52%	54%
Adjusted operating margin	11.6%	70bps	70bps

Revenue – at actual rates (£m)

2012	665.6
2011	468.6

Employees

2012	7,329
2011	6,053

What we do

The Industry & Assurance division provides a wide range of services to clients across its global business lines, which include Industry Services, Exploration and Production and Business Assurance as well as Food and Agriculture. These services include asset integrity management, engineering, inspection, auditing, certification, consulting, training and staffing, provided to a wide variety of industries including oil, gas, petrochemical, power, renewable energy, and construction.

Our performance in 2012

Performance in 2012 has been strong as the full benefits from the acquisition and integration of Moody, purchased in April 2011, have been delivered.

Total revenue was £665.6m, up 42% at actual exchange rates and 43% at constant exchange rates. Excluding acquisitions revenue growth was 9%. Total adjusted operating profit was £77.4m up 52%. Excluding acquisitions adjusted operating profit was up 18%. The total adjusted operating margin increased 70 basis points to 11.6% at actual exchange rates. The organic adjusted operating margin at constant exchange rates increased 60 basis points.

During the year there was significant revenue growth from the Industry & Assurance division as the joint Intertek Moody offering drove significant contract wins in the industrial Technical Inspection market, driven by expenditure by clients on both capex and opex related energy projects. The Food business has expanded its network and continues to deliver strong growth, while the Business Assurance and Agri sectors continue to support growth in the division.

In April 2012 Intertek acquired Automation Technology, a provider of asset integrity support services to the US Power industry for £10.0m and in September 2012 the Group acquired Materials Testing and Inspection ('NDT Services') in the UK for £14.3m which offers a range of non-destructive testing services to the aerospace, power and petrochemical sectors.

As global energy demand continues to grow, the demand for inspection services will continue to drive revenue growth.

A reputation for quality

When China's largest oil and gas producer and supplier looked for a partner to certify and provide extended technical inspection services, Intertek met this need, having already established a reputation as a world leading provider of technical inspection services to the global energy market. The work included oil and gas storage and transmission pipeline inspections, in addition to chemical, petrochemical and equipment inspections. These inspections are critical to ensuring a supply chain that minimises risk, reduces cost and potential delays, improves product quality and safety and ensures our client complies to local and international standards.

> Intertek's flexibility and openness to new and different approaches has helped to add value through the audit process.
>
> **Director**, global foodservice retailer

Transparency in food supply
The food industry is increasingly subject to scrutiny, and so food production customers have greater demands placed upon them to demonstrate the safety and quality of their processes to consumers. With our portfolio of food testing, auditing, certification, training and advisory services we are helping our customers move from a 'quality control' approach at the production stage, to a 'quality assurance' approach along the supply chain from 'farm to fork'.

Plugging in to renewable energy
With one of the largest offshore wind markets, Germany is racing to connect its burgeoning offshore facilities to the onshore grid so that it can meet its offshore energy targets for 2020. Intertek's specialist expertise in delivering offshore solutions enabled our client, a European electricity grid operator, to help ensure its interconnections were completed to the highest possible standards within a short time-frame.

Supporting global trade

Financial highlights 2012

	£m	Change at actual rates	Change at constant rates
Revenue	572.3	8%	9%
Adjusted operating profit	77.2	15%	15%
Adjusted operating margin	13.5%	90bps	80bps

Revenue – at actual rates (£m)

2012	572.3
2011	530.2

Employees

2012	10,352
2011	9,763

What we do

The Commodities division provides testing, inspection and other technical services to the global petroleum and minerals industries, and supports trade activities that help the flow of goods across borders. Its key business lines include Cargo, Analytical Assessment, Government & Trade Services and Minerals.

Our performance in 2012

Revenue in the Commodities division increased 8% to £572.3m at actual exchange rates, and 9% at constant exchange rates. This strong increase was mostly organic. Total adjusted operating profit for the division was £77.2m up 15% at actual exchange rates. The adjusted operating margin was 13.5% up 90 basis points at actual exchange rates and the organic adjusted operating margin was up 80 basis points at constant exchange rates.

There was strong growth in demand for cargo inspection and analytical assessment within Asia, while the US market was steady. Demand for cargo inspection services continued to expand as global trade patterns evolve. Demand for minerals testing was particularly strong during the first half of the year, especially in Australia, Indonesia and Africa which supply minerals to meet demand from China. Our trade services programmes continued to increase the support to governments around the world, with both well-established and new programmes delivering high revenue growth.

In May 2012 Intertek acquired Vigalab Mineral Laboratory in Chile for £3.3m which complements Intertek's growing international minerals capability and supports the expansion of quality and safety services in Latin America.

In November 2012 the Group acquired a majority stake in Laboratory Services International Rotterdam for £4.1m, which provides analytical testing for commodities traded on the London Metal Exchange.

Growth in the commodities market is largely driven by underlying global trade and growth in consumer demand in local markets. We expect long-term growth in the demand for energy and other commodities to continue to drive testing and inspection revenues.

Enabling the shale oil and gas revolution

Innovative fracking technologies have unlocked vast amounts of shale crude oil and natural gas in North America. The resulting tsunami of new production has caused radical changes in global and domestic trading patterns and generated challenges in transportation, distribution and refining.

Intertek's in-depth knowledge of the shale oil and gas supply chain has allowed us to provide crucial expertise to meet these challenges. We have provided on-site support in major shale projects such as the Bakken and Eagle Ford. Our personnel work with inland pipeline, rail, and storage networks to ensure the quality and quantity of shale oil and gas products through sampling and quality control testing in our laboratories. In addition, our high-value bulk cargo inspection services assist refineries, traders and logistic providers to process, trade and store their products better.

> Intertek's oil assay testing provides us with important shale oil composition data which is vital in optimising the quality and value of our oil and gas production.

Feedstocks Quality Manager,
petroleum refining and distribution company

Supporting global trade
Intertek works closely with Governments to assess the quality of regulated products entering or exiting the country; whether from a safety, authenticity or performance perspective Intertek provides assurance in accordance with strict standards.

A quality discovery
As mining companies search for new deposits of minerals, the speed and accuracy of sample analysis becomes a critical part of the discovery process. Intertek's network of mine laboratories ensures there is a short lead time until results are available.

Operating review – Consumer Goods

Satisfying the demand for quality

Financial highlights 2012

	£m	Change at actual rates	Change at constant rates
Revenue	343.4	9%	8%
Adjusted operating profit	112.8	6%	5%
Adjusted operating margin	32.8%	(90)bps	(120)bps

Revenue – at actual rates (£m)

2012	343.4
2011	315.7

Employees

2012	10,047
2011	9,177

What we do

The global business lines, including Textiles, Toys & Hardlines, Risk Management, and Auditing, that comprise the Consumer Goods division, partner with global retailers, manufacturers and distributors. Our services include testing, inspection, auditing, advisory services, quality assurance, and hazardous substance testing.

Our performance in 2012

The Consumer Goods division delivered strong growth in 2012, with total revenue of £343.4m, an increase of 9% at actual exchange rates and 8% at constant exchange rates. Organic revenue growth was 8%. Total adjusted operating profit of £112.8m was up 6% at actual exchange rates. The adjusted operating margin was 32.8% a decline of 90 basis points at actual exchange rates. The organic adjusted operating margin at constant exchange rates decreased 90 basis points principally due to investment in the new Tradegood service line. Excluding this development, the adjusted operating margin was broadly stable.

The demand for textiles testing continued to grow well, with growth in China supplemented by strong growth in other parts of our network, including Turkey, Korea, Vietnam, Bangladesh, India and Mexico. Slower growth in Toys & Hardlines testing was more than offset by progress in our Risk Management and Auditing business lines, which provide testing across the supply chain.

During the year the Group launched 'Intertek Tradegood' a new online platform to help match suppliers with buyers which gives buyers access to reliable data on suppliers' qualifications and credentials globally.

In March 2012 Intertek acquired 4th Strand for £4.1m, a provider of product quality and benchmarking services to the retail industry in North America. This company brings expert product procurement knowledge and experience to the Group that will support the drive to increase the range of services to the retail industry initially to North America and then to Europe and other geographies.

The growth drivers in Consumer Goods are strong, with increased consumer demand for quality and safety, product sourcing from lower cost manufacturers and legislative changes all creating a market for our services. The development of innovative solutions and delivery models for clients will also help to grow revenues.

A strategic partnership

A global retailer wanted to focus their energies on their core business – bringing new and innovative products to market in a timely fashion, while entrusting quality to the experts at Intertek.

The retailer was so pleased with Intertek's ability to stay true to its overall mission that Intertek was awarded the primary responsibility of managing the retailer's future product development analysis, testing criteria, vendor capability development, social responsibility auditing, and all existing and future quality management programmes.

"Time-to-market has improved while overall product cost has decreased and continues to do so.

Executive Director,
consumer product retailer

Supply chain assurance
Intertek was charged with monitoring and auditing the conditions of the factories that produce this retailer's organic cotton shirts. Intertek observed and evaluated working conditions, the workers' wages and workflow safety measures to determine if they met both the customer's and regulatory standards. Intertek also evaluated production capabilities and standards including assessments of machinery and contracts with third-party manufacturing companies, producing a report with recommendations to enhance performance.

Design analysis
Our customer, a leading toy manufacturer, sought Intertek's assistance to ensure the integration of safety precautions in its product designs. Using our Design Hazard Analysis® programme we used historical data analysis, physical simulations and laboratory evaluations to help them understand potential hazards and to mitigate associated manufacturing and supply chain delay risks caused by design issues.

Supporting the technical revolution

Financial highlights 2012

	£m	Change at actual rates	Change at constant rates
Revenue	318.2	9%	9%
Adjusted operating profit	50.6	15%	13%
Adjusted operating margin	15.9%	70bps	60bps

Revenue – at actual rates (£m)

2012	318.2
2011	291.0

Employees

2012	4,092
2011	3,897

What we do

The Commercial & Electrical division provides global manufacturers with the most comprehensive scope of safety, performance and quality testing and certification services. We support clients in a wide range of industries including home appliances, consumer electronics, lighting, medical, building, industrial and heating, ventilation, air conditioning and refrigeration, information communication and technology, renewable energy and automotive. Core business lines include Electrical, Automotive, Building and Wireless.

Our performance in 2012

The Commercial & Electrical division delivered strong growth, with total revenue increasing 9% to £318.2m at actual exchange rates, and 9% at constant exchange rates. This growth was wholly organic. Total adjusted operating profit was £50.6m, up 15%. The total adjusted operating margin was 15.9%, up 70 basis points (up 60 basis points at constant exchange rates).

Growth was mainly in high tech sectors, particularly medical products, lighting and renewables across North America and China. We invested in new technologies in the USA, Germany and China in areas including '4G' mobile services and electric vehicle battery technology as we continue to expand our service offering to clients.

Proprietary certification marks owned by Intertek and issued by the Commercial & Electrical division enable manufacturers to show proof of compliance to safety and quality requirements, as well as a means of differentiating their products. Innovations in technology, particularly the growth in mobile applications and high speed networks are helping to drive testing and certification revenues, alongside greater legislation. We expect consumer demand for 'green' products to continue to grow and we are helping our customers improve the energy efficiency of their products.

Committed to our client's success

A mobile 'apps' client that provides a digital radio service required immediate quality assurance testing and certification to meet all phone platforms and mobile operating systems. Intertek quickly scaled its global resources to test the software against a wide array of mobile technologies, enabling the company to meet wireless carrier requirements and get to market within strict deadlines. The result was a highly popular and successful all-in-one digital radio application that lets users stream more than 1,500 live stations or create custom stations featuring similar songs and artists.

> Quality is what you do when no one is looking, and Intertek proved that they have the highest level of quality and customer service.

Director of Compliance,
electrical/electronics manufacturer

Fast, expert service
A leading electrical/electronics manufacturer needed immediate testing and certification to meet a critical product delivery deadline, and Intertek committed 100% to meeting their schedule.

Global research and certifications
As home and commercial appliances become more energy efficient, their electronics become increasingly more sophisticated. The challenge for one global leader in laundry systems is staying abreast of the ever-changing regulatory requirements. Intertek's experts regularly work with the client – daily, when needed – to address regulations for every country in which they sell their products.

At the cutting edge of research

Financial highlights 2012

	£m	Change at actual rates	Change at constant rates
Revenue	154.8	8%	10%
Adjusted operating profit	17.1	34%	36%
Adjusted operating margin	11.0%	210bps	210bps

Revenue – at actual rates (£m)

2012	154.8
2011	143.9

Employees

2012	1,516
2011	1,461

What we do

Our expertise in the Chemicals & Pharmaceuticals division helps clients in industries as diverse as aerospace, automotive, healthcare and beauty and medical and pharmaceutical to accelerate and de-risk new product research, improve efficiency in manufacturing and to ensure final product safety and compliance with the appropriate regulatory authorities. We support core business processes, ranging from new drug development through to innovation in new materials including metals, polymers and composites.

Our performance in 2012

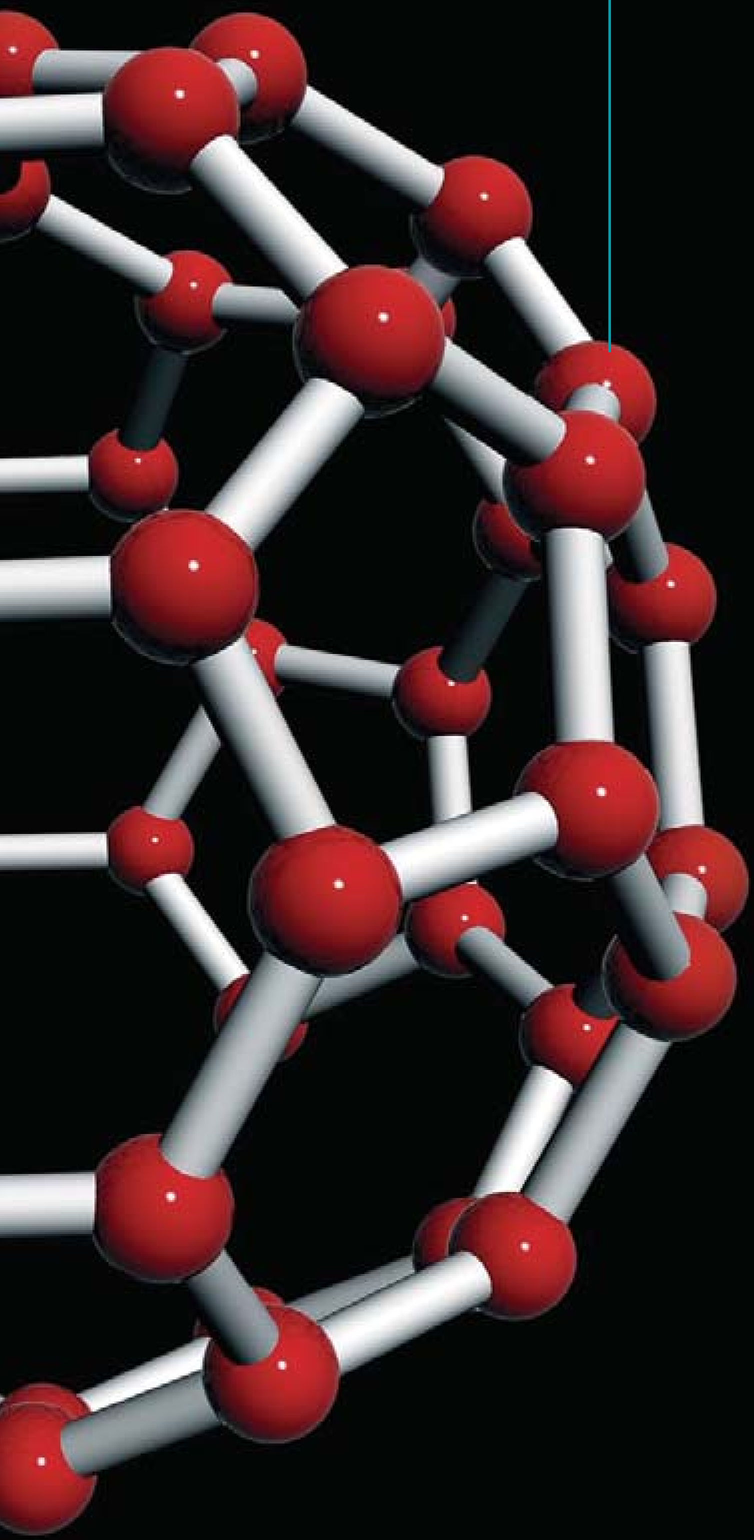
The division achieved strong growth, particularly in the second half of the year, with total revenue increasing 8% to £154.8m at actual exchange rates and 10% at constant exchange rates. Excluding acquisitions, revenue growth was 7%. Total adjusted operating profit for the division was £17.1m, up 34%. The total adjusted operating margin was 11.0% up 210 basis points. Excluding acquisitions, adjusted operating profit growth was up 180 basis points at constant exchange rates.

During the year Intertek entered into partnership with the Abu Dhabi Government Quality and Conformity Council ('QCC') to support the quality programme for the Emirate of Abu Dhabi. Intertek will initially provide advisory services for the development of more effective quality conformity schemes for specified products and systems.

There was strong growth in the USA, notably in the automotive business and advanced materials, while the QCC outsourcing contract also benefited the second half. The next stage of the European Union REACH (Registration, Evaluation, Authorisation and Restriction of Chemicals) regulation also improved performance in the regulatory services sector.

On 31 December 2012 the Group acquired Tickford Test Technology in the UK for a cash consideration of £3.8m. This expands the range of services provided to vehicle manufacturers for engine and lubricant testing.

A positive US economy and continuing environmental controls will continue to drive growth in the automotive fuels and lubricants sector, while the REACH regulation should benefit the European market. The QCC agreement will provide an opportunity to deliver on a high profile contract and act as a model for future outsourcing contracts.

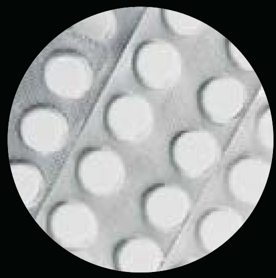


Expertise through collaboration

When Air Products, a leading global supplier in industrial gases and speciality materials looked for measurement support in their research and development to continue to enable their customers to be productive, energy efficient and sustainable, Intertek met their challenge. Our team of analytical experts worked closely with Air Products' own R&D and engineering teams, providing problem solving, method development, modification and testing services in order to accelerate R&D programmes and refine manufacturing processes for a wide range of applications.

"We contracted Intertek to help comply with REACH registration deadlines, making it possible for us to continue selling our products in Europe without interrupting the supply chain.

Leader, Product Integrity Group,
plastics and chemicals producer



Strategic quality partnership
Intertek has entered into partnership with the Abu Dhabi Government Quality and Conformity Council ('QCC') to support the quality programme for the Emirate of Abu Dhabi. Intertek will provide advisory services for the development of more effective quality conformity schemes for specified products and systems. This will be followed by operational management services and quality assurance support for QCC's existing testing and certification resources whilst underpinning the establishment of new testing capabilities for an extended range of products. Intertek will then work with QCC to establish centres of excellence in Abu Dhabi covering major sectors such as food and water, pharmaceuticals, medical devices, building materials and electrical appliances.

Safer health and beauty products
Recently the European Commission concluded that REACH has improved the safe use of chemicals both for human health and the environment. Numerous flavours and fragrances companies are working with Intertek to meet their REACH obligations, ensuring the safe use of their specialty chemicals in all applications, including in healthcare and beauty products. Intertek also provides expert testing and product assessment services to ensure that cosmetic products are safe for consumers worldwide.

Financial review

Lloyd Pitchford Chief Financial Officer

"The Group continued its strong growth trajectory in 2012 and reported an increase in adjusted diluted earnings per share of 22%."

2012 performance highlights

- Revenue up 17% to £2,054m
- Adjusted operating profit up 19% to £335m
- Adjusted diluted EPS up 22%
- Dividend per share up 22%
- Group financing further extended

Results for the year

The Group continued its strong growth trajectory in 2012 and reported an increase in adjusted diluted earnings per share of 22%.

Revenue for the year was £2,054m, up 17% (18% at constant exchange rates) driven by strong organic revenue growth of 8.1% (8.6% at constant exchange rates) and the continued successful performance of the Moody International ('Moody') business acquired part way through 2011. All divisions recorded revenue and profit growth at both actual and constant exchange rates.

The Group's adjusted operating profit was £335m, up 19% on the prior year (19% at constant exchange rates). The Group's profit for the year was £188m, up 25%.

The adjusted operating margin was 16.3% compared with 16.1% in the prior year. This change included the dilutive impact of the Moody acquisition and, excluding acquisitions, the organic operating margin increased 60 basis points ('bps') (40 bps at constant exchange rates).

The Group delivered adjusted diluted earnings per share ('EPS') of 131.2p, an increase of 22%. Diluted EPS after Separately Disclosed Items ('SDIs') rose 25% to 106.7p per share, and basic EPS also rose 25% to 108.2p.

During the year, the Group made six bolt-on acquisitions, complementing the existing service offering and targeting new growth areas. Organic capital investment was £115m as the Group invested in new facilities and new technologies.

After strong growth delivery in recent years and rapid expansion into new services and locations, the Group is conducting a review of a number of its businesses and locations and will restructure part of its operations accordingly. The 2012 restructuring charge is included within SDIs in note 3 to the financial statements.

The Group has further strengthened its financing with new facilities in early 2013. Net debt was £551m and the Group's gross financing facilities had an average life of six years. With strong continuing cash generation, this provides a robust financial position to fund the Group's further growth opportunities.

Dividend

The Board recommends a full year dividend of 41.0p per share, an increase of 22%. This recommendation reflects the Group's significant growth, strong financial performance and position, and the Board's confidence in the Group's outlook.

The full year dividend of 41.0p represents a total cost of £65.9m or 31% of adjusted profit attributable to shareholders of the Group for 2012 (2011: £54.1m and 31%). The dividend is covered 3.2 times by earnings (2011: 3.2 times), based on adjusted profit attributable to equity shareholders.

The underlying performance of the business, by division, is shown in the table below:

		Revenue			Adjusted operating profit[1]		
	Notes	**2012 £m**	Change at actual rates	Change at constant rates	**2012 £m**	Change at actual rates	Change at constant rates
Industry & Assurance	2	**665.6**	42.0%	43.3%	**77.4**	52.1%	53.6%
Commodities	2	**572.3**	7.9%	9.0%	**77.2**	15.2%	15.4%
Consumer Goods	2	**343.4**	8.8%	8.3%	**112.8**	6.1%	4.6%
Commercial & Electrical	2	**318.2**	9.3%	8.7%	**50.6**	14.7%	12.9%
Chemicals & Pharmaceuticals	2	**154.8**	7.6%	9.9%	**17.1**	33.6%	35.7%
		2,054.3	17.4%	18.0%	**335.1**	19.2%	18.6%
Net financing costs	14				(26.7)	27.1%	
Adjusted profit before income tax					**308.4**	**18.6%**	
Income tax expense	6				(80.3)	9.5%	
Adjusted profit for the year					**228.1**	**22.1%**	
Adjusted diluted EPS	7				131.2	22.4%	

Current year performance

Revenue (£m)

+17%

+18% at constant exchange rates
+8.6% organic[2] at constant exchange rates

Adjusted diluted EPS[1] (pence)

+22%

Adjusted operating profit[1] (£m)

+19%

+19% at constant exchange rates
+11.2% organic[2] at constant exchange rates

Dividend per share (pence)

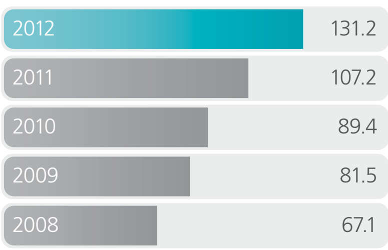
+22%

Five year performance

Adjusted diluted EPS[1] (pence)

+18%

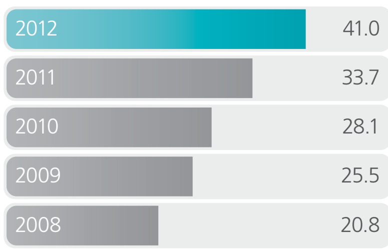
Five year compound growth of 18%



Dividend per share (pence)

+18%

Five year compound growth of 18%



1. Presentation of results
   To provide readers with a clear and consistent presentation of the underlying operating performance of the Group's business, the figures discussed in this review are presented before Separately Disclosed Items (see note 3 of the financial statements). A reconciliation between Adjusted operating profit and Profit for the year is set out in note 2 to the financial statements.
2. Organic growth excludes the results of acquisitions made in 2012 and 2011.

Financial review continued

Key financial performance indicators

Revenue	+17%
Organic revenue at constant exchange rates	+8.6%
Adjusted operating profit	+19%
Organic adjusted operating profit at constant exchange rates	+11.2%
Adjusted operating margin	16.3%
Adjusted cash flow from operations	£345m
Adjusted diluted earnings per share	+22%
Dividend per share	+22%
Return on invested capital	19%

The Group uses a variety of key performance indicators ('KPIs') to monitor the financial performance of the Group and operating divisions. These metrics are adjusted to exclude the SDIs (see page 78), to enable a better understanding of the underlying trading performance of the Group.

The KPIs are regularly reviewed by the Board and management and are used to assess past performance and set targets for the future, including for management incentive schemes. Further information on management incentives is given in the Remuneration Report which starts on page 51.

A critical performance indicator for the Group is the continuing expansion of the revenue base. Revenue grew 17%, with strong organic growth of 8.6% at constant exchange rates. This organic growth was supplemented by acquisitions made in 2011 and 2012, of which Moody was the most significant.

This material increase in revenue drove a 19% increase in adjusted operating profit (19% at constant exchange rates) with organic growth of 12.1% (11.2% at constant exchange rates). For 2012 the adjusted operating margin was 16.3% (2011: 16.1%). The underlying operating margin (excluding the effects of acquisitions) was up 60 bps over the prior year (40 bps at constant exchange rates).

The Group has a strong record of converting profits into cash to fund future growth and returns to shareholders. In 2012 this trend continued, with £345m of adjusted cash flow from operations, an increase of 10%.

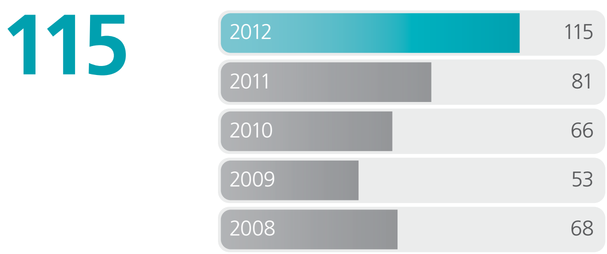
Adjusted diluted earnings per share is a key measure of value creation used by the Board and is a component of the incentive targets for management. It is calculated as adjusted operating profit divided by the weighted average number of ordinary shares, including potentially dilutive share awards, in issue during the year. Adjusted diluted EPS increased 22% over the prior year, to 131.2p, reflecting the strong return delivered for our shareholders.

The rate of return on invested capital ('ROIC') measures the efficiency of Group investments. This is a key measure to assess the efficiency of investment decisions and is also an important criteria in the decision making process when projects are competing for limited funds. ROIC in 2012 was 19% (2011: 17%).

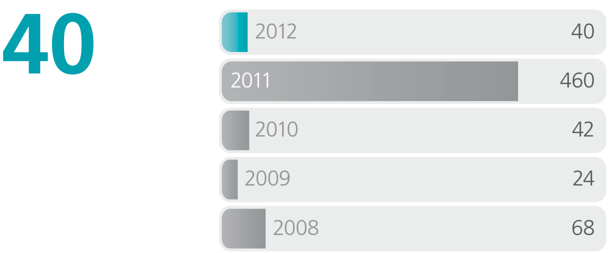
Acquisitions and investment

The Group's strategy is to invest both organically and by acquiring complementary businesses, enabling it to continually offer the latest technologies and services in the locations demanded by clients. The chart below shows the extent of the Group's investment in 2012:

Organic capital investment (£m)



Cash spent on current year acquisitions (£m)



Acquisitions

The Group made six acquisitions in the year:

In March 2012 the Group acquired 4th Strand for £4.1m, a provider of product quality and benchmarking services to the retail industry in North America.

In April 2012 the Group acquired Automation Technology, a provider of asset integrity support services to the US Power industry, for £10.0m.

In May 2012 the Group acquired Vigalab Mineral Laboratory in Chile for £3.3m, which complements Intertek's growing international minerals capability and supports the expansion of quality and safety services in Latin America.

In September 2012 the Group acquired Materials Testing and Inspection in the UK for £14.3m, expanding the Group's range of non-destructive testing services to the aerospace, power and petrochemical sectors.

In November 2012 the Group acquired a majority stake in Laboratory Services International Rotterdam for £4.1m, which provides approved facilities for analytical testing of minerals traded on the London Metal Exchange.

In December 2012 the Group acquired Tickford Test Technology, a provider of engine and lubricant testing services to manufacturers in the UK, for £3.8m.

These acquisitions provide valuable additional service lines and new geographic locations for the Group, and will help drive profitable revenue growth.

Organic investment

The Group also invested £115m (2011: £81m) organically on the latest technology in new laboratories, capital equipment and other facilities. This investment represented 5.6% of revenue (2011: 4.6%) which was up on the prior year as the Group continues to invest in new countries, facilities and services.

Restructuring

Following the acquisition of Moody in 2011, the Group worked quickly to integrate the acquired business into the Industry & Assurance division. This has resulted in strong revenue and profit growth in the period post acquisition. To achieve this integration, costs of £4m (2011: £5m) have been recognised in relation to restructuring. The integration activities were completed by year end.

The outsourcing of back office processes, started in 2010, continued in 2012, driving savings in finance and IT costs as the Group continues to focus on margin improvement activities. This programme will continue in 2013 as the Group takes advantage of the economies of scale within the business.

At the end of 2012 the Group reviewed its portfolio of businesses, locations and services following a sustained period of growth. A number of businesses and locations identified as underperforming or non-strategic have been identified for restructuring, with a particular focus on our European operations. The programme includes business closures, asset write downs and redundancies. The total cost of the restructuring activities is expected to be £22m, of which £14m has been recorded in SDIs in 2012, and a further £8m will be provided in 2013.

Directors' report – Business review

Financial review continued

Cash flow and net debt

The Group relies on a combination of debt and internal cash resources to fund its investment plans. One of the key metrics for measuring the ability of the business to generate cash is cash flow from operations. Due to the cash payments associated with the SDIs, and to provide a complete picture of the underlying performance of the Group, adjusted cash flow from operations is shown below to measure the cash generated by the Group:

Cash conversion	**2012 £m**	2011 £m	Change %
Cash flow from operations	**332**	289	15
Add back: cash flow relating to SDIs	**13**	26	
Adjusted cash flow from operations	**345**	315	10

Net debt

Net debt has decreased from £581m at 31 December 2011, to £551m at 31 December 2012 principally as a result of good cash generation in the business.

In January 2012 the Group drew US$265m of additional funding through a senior note issue, which was used to repay a US$300m bridge facility, which was subsequently closed. In October 2012 the Group secured additional funding of US$80m by way of a senior note issue, which was drawn in February 2013 and used to pay down existing facilities. In November 2012 the Group cancelled its US$60m Bank of China facility, which had remained undrawn during the year. This was replaced by two new facilities in December 2012, when the Group completed the signing of US$40m of facilities with Bank of America and the Royal Bank of Scotland. These facilities were undrawn at year end.

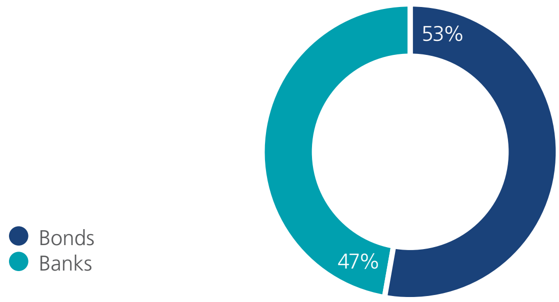
Under existing facilities the Group has available debt headroom of £164m at 31 December 2012. The components of net debt at 31 December 2012 are outlined below:

	1 January 2012 £m	Cash flow £m	Exchange adjustments £m	**31 December 2012 £m**
Cash	182	(10)	(5)	**167**
Borrowings	(763)	16	29	**(718)**
Total net debt	(581)	6	24	**(551)**

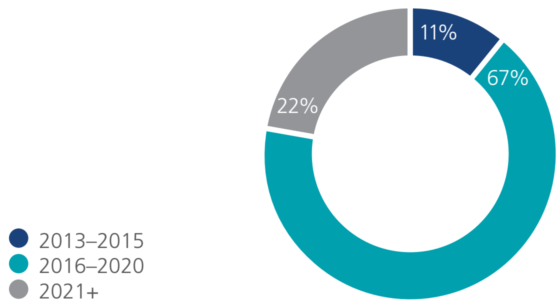
Following the renewal and extension of the funding facilities available to the Group after year end, the profile of the Group's facilities and borrowings are outlined in the charts opposite.

To ensure the Group is not exposed to income statement volatility in relation to foreign currency translation on its debt, the Group ensures that any foreign currency borrowings are matched to the value of its overseas assets in that currency (an 'efficient' hedge).

Total facilities available

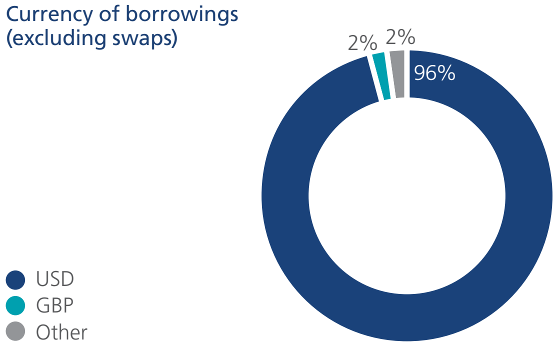


Facility maturity profile



The Group borrows primarily in US dollars and any currency translation exposures on the borrowings are offset by the currency translation on the US dollar overseas assets of the Group. The composition of the Group's gross borrowings in 2012, analysed by currency is as follows:

Currency of borrowings (excluding swaps)



Net interest charge

The Group had a net interest charge of £27m (2011: £21m) in the year. This comprised £7m (2011: £8m) of finance income, primarily pension asset returns and interest income on bank accounts, and £34m (2011: £29m) of finance expense, including £26m (2011: £22m) of interest on the Group's debt facilities, £4m (2011: £5m) of pension liability interest expense and £3m (2011: £1m) due to foreign exchange differences.

Tax

The global nature of the Group means that the Group's exposure to income tax needs to be managed across a large number of fiscal regimes. The Group's goal is to efficiently manage its tax affairs whilst fulfilling its responsibilities to the countries in which it operates. During 2012 the effective tax rate on adjusted operating profit was 26.0% (2011: 28.2%), resulting in an adjusted tax charge of £80m (2011: £73m), and a statutory tax charge, including the impact of SDIs, of £68m (2011: £62m).

Separately disclosed items ('SDIs')

A number of items are separately disclosed in the financial statements as exclusion of these items provides readers with a clear and consistent presentation of the underlying operating performance of the Group's business.

When applicable, these separately disclosed items include amortisation of acquisition intangibles, impairment of goodwill and other assets, the profit or loss on disposals of businesses or other significant fixed assets, costs of acquiring and integrating acquisitions, the cost of any fundamental restructuring of a business, material claims and settlements, significant recycling of amounts from equity to the income statement and unrealised market gains/losses on financial assets/liabilities.

In 2012 there were intangible assets of £7m recognised on the acquisitions in the year, which, combined with a full year of amortisation on the Moody intangibles, increased amortisation expense to £29m (2011: £25m). The remaining cost associated with the acquisition and integration of Moody totalled £4m (2011: £13m). There were also costs relating to other acquisitions of £2m (2011: £1m). The ongoing initiative to restructure and outsource the Group's back-office support functions cost £3m (2011: £8m).

There were also costs of £14m expensed in relation to the Group's restructuring plan, which identified a number of operations to be closed down or streamlined. The £14m includes goodwill and asset write offs of £5m, staff costs of £4m and other costs of £5m.

Currency movements

The Group transacts in over 80 currencies, and revenue and profit are impacted by currency fluctuations. However, the diversification of the Group's revenue base mitigates this exposure.

At constant exchange rates, revenue grew 18% (actual exchange rates 17%) and adjusted operating profit grew 19% (actual exchange rates 19%).

The cumulative average exchange rates used to translate the income statement into sterling for the four most material currencies are shown below:

Value of £1	2012	2011
US dollar	**1.59**	1.60
Euro	**1.23**	1.15
Chinese renminbi	**10.01**	10.35
Hong Kong dollar	**12.31**	12.47

Significant accounting policies

The consolidated financial statements are prepared in accordance with IFRS as adopted by the EU. Details of the Group's significant accounting policies are shown in note 1 to the financial statements.

Sustainability and CSR

Wolfhart Hauser Chief Executive Officer

"Intertek's continued business success has enabled us to provide employment to an increasing number of people around the world each year."

In this section

Intertek works with some of the world's largest companies and their suppliers and, by the very nature of the work that Intertek people do every day, we help to minimise the health, social and environmental impact of thousands of products and processes around the world.

Intertek's CSR and sustainability expertise helps our customers implement social responsibility programmes to similar standards in every market. Since 2002, Intertek's annual Ethical Sourcing Forum has provided companies with the business intelligence and data they need to make informed decisions on their increasingly offshore, outsourced supply chains. The forum brings together manufacturers and retailers to explore how they can work together to achieve measurable ethical sourcing and sustainable business practices that are currently transforming global supply chains.

During 2012 we continued to implement our sustainability strategy throughout Intertek and have increased the scope of our emissions reporting for 2012 to a further five countries. I am pleased to report that our CO_2 emissions per employee reduced by 2% on the previous year across the top 20 countries.

Intertek's continued business success has enabled us to provide employment to an increasing number of people around the world each year. At the date of this report, our employee numbers had grown to over 35,000 people, an increase of 10% compared with the same period last year.

In 2012 we undertook our first ever global employee survey, giving our people the opportunity to influence the decisions we take about how we run our organisation and provide them with a better working experience. We are now responding to the ideas raised and feedback given and will conduct a further survey in 2013 to measure progress.

This report describes Intertek's sustainability performance for 2012 and highlights some of the work we are doing to help our customers operate more efficiently towards a safer, more sustainable future for business, people and the planet.

Wolfhart Hauser
Chief Executive Officer

Our business

The verification services we provide to our customers on the quality, safety and performance of their products, as well as the social and environmental sustainability of their supply chains, not only strengthen their competitive edge but help to ensure a more sustainable and safe environment for us all.

We help customers such as Carrefour, Dell and Nestlé Waters, to calculate the environmental footprint of their products and packaging and assist them in their internal and external sustainable environment communication. We also help many public authorities across Europe in defining their waste management policies.

We provide design and sourcing advice to encourage and ensure environmental and social responsibility along the full product life-cycle, from conception through to recycling and disposal. Through the skill and commitment of 35,000 Intertek people worldwide, many of whom are world experts in their field, we initiate, improve and promote industry and sector regulatory frameworks.

Our Workplace Conditions Assessment ('WCA') programme enables companies and facilities to improve workplace conditions efficiently and in accordance with widely accepted industry standards and best practices. The WCA standard is aligned with the Global Social Compliance Programme ('GSCP'), which in turn is endorsed by the world's largest retail association. The programme is supported by a web-based platform that automates and streamlines the audit process, increasing efficiencies for all supply chain partners.

Intertek manages the McDonald's Supplier Workplace Accountability Programme which focuses on workplace conditions within their supply chain. Our global team works with suppliers before and after the audit to help them meet rigorous social compliance standards.

Through our highly experienced process safety professionals, Intertek provides a full range of Process Safety Management services. In 2012, following a detailed audit of our Health, Safety, Security and Environmental ('HSSE') programme, Intertek was approved for work with a global oil client to help ensure the safety and well-being of its employees and facilities and minimise its impact on the environment.

In Germany, our Asset Integrity Management ('AIM') Services undertook a risk-based inspection of a chemical processing plant acquired by a major client. Not only did the work result in reduced plant downtime costs but it further supported the client's commitment to the health and safety of its people and the environment.

Intertek is a leading global provider of REACH (Registration, Evaluation, Authorisation and Restriction of Chemicals – EC1907/2006) services, helping manufacturers, importers and users of chemicals to comply with the European Union's complex REACH Regulations. Intertek has recently added granulometry to its suite of physico-chemical property tests. This measures particle size distribution to assess the possible health effects resulting from inhalation of airborne particles.

Throughout 2012, Intertek was recognised for its services with a number of awards. In January, we received the Continued Commitment Award at the Cathay Pacific China Business Awards. The award recognises the Company's work in supporting the development of product quality, sustainability, supply chain assurance and trading relationships between Chinese vendors and overseas buyers. In May, Intertek was presented with the Prêmio MasterCana award by ProCana Brasil, for expert services to the biofuels industry. Intertek operates biofuels laboratories in Santos, Paranaguá, and Salvador. In September, Incentra, a major maritime industry association representing 40 Norwegian shipping companies, awarded Intertek 'Supplier of the Year' for the fourth year in a row.

Water is a precious resource that must be preserved. With increasing water scarcity and water pollution, the availability of this raw material in sufficient quantities, of sufficient quality, is threatened. We help our customers in the water and related industries with a range of services that span the entire water life cycle. We conduct environmental impact assessment and modelling studies for desalination plants to provide vital drinking water, assess reservoir quality and assess the impact of treated, discharged wastewater.

In November, Intertek was presented with the Positive Environmental Impact Award at the Kelda Excellence Awards 2012. Intertek is working with Yorkshire Water (part of the Kelda Group) and its partners to address the requirements of the European Bathing Water Directive, the objective of which is to protect public health through monitoring the quality of sea water along Europe's coastlines. We have also conducted a study on behalf of Guernsey Water for their waste water disposal upgrades, helping them to maintain their high quality, blue flag bathing waters.

Also in November, Intertek was chosen from among leading FTSE 100 businesses to receive the prestigious Coutts FTSE 100 Business of the Year title at the UK National Business Awards. Intertek was described by the judges as having "exceptional leadership, customer focus, staff engagement and innovation."

Aston Swift, Intertek VP Investor Relations, accepts the Coutts FTSE 100 Business of the Year award from Michael Morley, Coutts CEO and Sky News business presenter, Jeff Randall.

Directors' report – Business review

Sustainability and CSR continued

Stewardship and governance

The Board of Directors has oversight and responsibility for the Group's strategy, performance and risk management (see pages 39 to 40). Intertek is committed to building a sustainable business and recognises that a diverse range of experiences and skill sets underpin the effectiveness and support the robustness of the role and activities of the Board (see pages 40 to 42). As at 31 December 2012, the gender mix of the Board of Directors was 22% female and 78% male and for the senior leadership group (285 people at the end of 2012), 19% female and 81% male. To read more about our Board Diversity Policy see page 50.

Sustainability and CSR are integrated into Intertek through policy distribution and awareness. Our operations and support functions are responsible for the identification and evaluation of significant risks applicable to that area of the business, together with the design and operation of suitable internal controls (see pages 43 to 49). Strategies in different areas of the globe reflect the nuances of marketplaces, employees' interests and societal concerns. The Board has overall accountability for Intertek's sustainability and CSR, with Group-wide strategy and implementation being the responsibility of the Group Vice President Human Resources.

Intertek business managers across Malaysia join together in a leadership and management training programme to strengthen working relationships in the region.

Intertek people

We believe that everyone should have an equal opportunity of employment, fair reward and career advancement on the basis of ability, performance, necessary qualifications and conduct.

We recognise and harness the value that individuals of different backgrounds and capabilities bring to our business. Our diverse workforce helps us to understand, communicate and trade with our vast client base through their understanding of local issues and cultures.

Intertek's employment policies and practices operate within a framework which reflects a culture of merit where decisions are based on the individual's ability to perform in relation to the needs of the business. These policies complement and conform to local and national laws, regulations and codes of practice. We act to apply all employment policies and practices, including recruitment, promotion, reward, working conditions and performance management, in a way that is informed, fair and objective. Our Inclusion and Diversity Policy acts to eliminate discrimination so that all our employees are treated fairly and feel respected and included in our workplaces.

Intertek considers the training and development of our employees essential to their personal development and for the continuing success of the business. It enables people to grow with the organisation by learning new skills and knowledge and enhances the services we offer to our customers. During the year, we upgraded and extended our online training programmes, giving employees access to more than 100 courses, webinars and instructor led training. We also introduced the Intertek Executive Academy to support and develop Intertek's next generation of global leaders.

Our first Group-wide employee satisfaction survey was undertaken in 2012, providing us with a benchmark for measuring future changes in satisfaction. 62% of employees surveyed responded, with results indicating that we are performing well in some areas but need to work on others. These were:

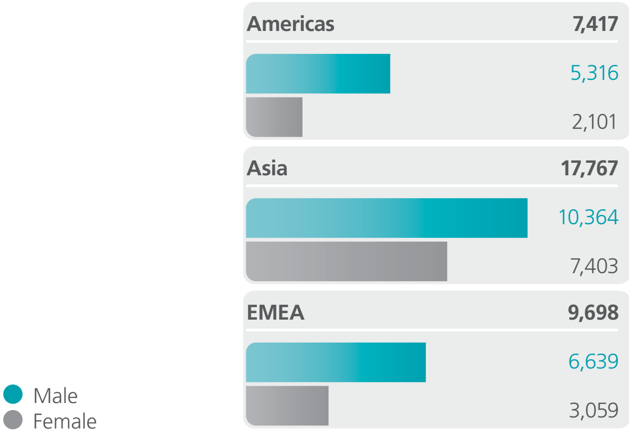
Organisation Direction. We will be launching a communications exercise throughout 2013 to help employees understand better Intertek's future strategy and how they fit within it.

Social and Environmental Responsibility. We will continue to improve our data collection in individual country reporting and clarify our policies in this area to employees.

Performance Management and Rewards. We are taking steps to ensure our performance appraisal processes are more robust in all countries where we operate and ensure that reward and development are aligned with performance.

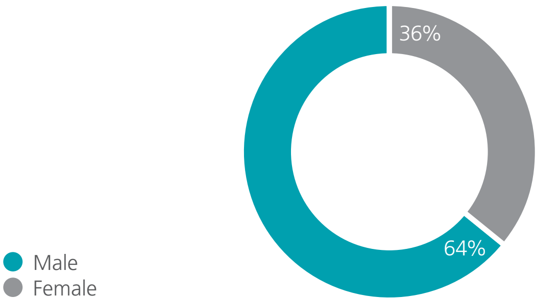
We will be conducting another survey in 2013 to measure progress.

Male : Female Ratio by regions



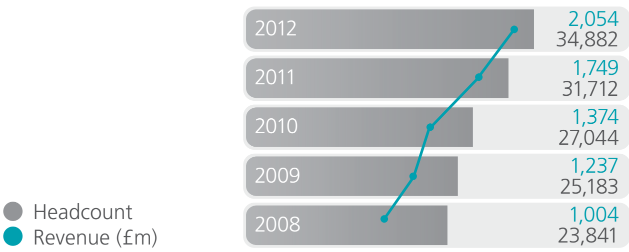
At 31 December 2012 we employed 34,882 people, an increase of 10% over the prior year.

Total workforce



Intertek's gender diversity is reflective of the general industries and qualification profiles of employment in our operating countries and business lines.

Revenue and headcount



Total number of Intertek employees over the last five years in relation to revenue.

Professional conduct

Our integrity is at the heart of our business. One of Intertek's primary business objectives is to ensure compliance with local, national and international laws and the accuracy and validity of reports and certificates that it provides to customers. We have an induction programme for new employees which includes training on the Intertek Compliance Code. Compliance training is available on our Group intranet in multiple languages. The objective of this code is to demonstrate how we approach compliance within our organisation to assure ethical behaviour and the integrity of our services. We also have a summary Code of Ethics, which employees are asked to sign as part of their terms of employment with the Company, confirming acceptance of the high standards expected of them in all business dealings.

The Code of Ethics is supported by regular in-service training, advice on ethical issues and an internally publicised 'hotline', allowing confidential reporting of concerns regarding non-compliance. Intertek has a strict policy of Zero Tolerance regarding breaches of compliance policy.

During 2012 we received 17 reports of non-compliance which proved to be substantiated claims requiring remedial action. We continue to monitor these figures each year. Our Audit and Risk Committee regularly reviews the outcomes from the hotline and compliance reports on behalf of the Board.

Safety is our priority
Intertek employees in Singapore take part in a quiz during their safety awareness day.

Directors' report – Business review

Sustainability and CSR continued

Health and safety

Intertek considers the health, safety and welfare of its employees, clients and third parties connected with its business to be of paramount importance. We aim to provide a safe working environment and ensure that our employees have the information and resources to perform their duties safely. We are committed to maintaining high standards and complying with relevant local legislation and guidelines in any area in which we operate. We continually seek to minimise risk to our employees, clients and others who may be affected by our operations and our procedures are regularly monitored by our compliance team to ensure that they are being properly applied in practice.

As promised in our 2011 Sustainability and CSR report, we have increased our measurement of health and safety incidents across the Group. Our health and safety reporting now includes injuries requiring medical treatment and injuries resulting in lost working time as an indicator of our activities. We are very saddened to report one employee fatality during 2012. This occurred whilst the employee was working on a client's site.

	2012	2011
Occupational fatalities	**1**	3
Lost time injuries rate	**0.43**	–*
Medical treatment injuries rate	**0.38**	–*

Rates refer to the number of lost time injuries and medical treatment injuries occurring per 200,000 hours worked.
* 2011 data not available.

The health and safety of our people and activities is the responsibility of line management and employees themselves. All incidents are recorded and reported to the designated Country Health and Safety Representative who in turn reports through to the respective Country Line Management and Intertek Group. This enables us to take targeted action in reducing health and safety risks to our employees, clients and others.

During the year we introduced a number of travel safety awareness initiatives throughout the Group, such as vehicle safety checks and personal safety advice programmes inside and outside Intertek workplaces. We intend to extend these initiatives further during 2013.

We are committed to the continuous review and improvement of our health and safety performance and our aim is to achieve zero accidents. In 2013, we will improve the reach and quality of our health and safety reporting.

All Intertek employees are fully trained in safety practices and procedures and are provided with appropriate protective clothing and equipment.

Our environment

The nature of the work that Intertek does for its clients has a direct benefit in reducing harm to the environment and tackling climate change. In our own operations, we are committed to minimising our impact on the environment through reducing energy consumption at our sites, utilising renewable energy sources, implementing 'green' waste management practices, minimising travel, undertaking carbon offsetting and operating quality management systems. Our Corporate Environmental Policy is implemented by country managers at a national level in compliance with local guidelines and regulations. Communication with Intertek employees is also an important element for implementing our Environmental Policy.

Using 2011 as our base year, in 2012 we have continued to monitor and record our emissions and energy consumption based on the 20 largest Intertek countries by headcount and we have added a further five countries to increase the coverage of our monitoring and recording as a part of Intertek's commitment to tackling climate change. This represents approximately 85% of Intertek's total employee population and 84% of revenue.

In 2012, electricity consumption was reported to be 190,849 MWh (6.44 MWh per employee) and gas consumption was reported to be 56,064 MWh (1.89 MWh per employee).

The levels of greenhouse gas ('GHG') emissions were calculated using the guidelines of the GHG protocol. The calculated emissions include:

- Scope 1 emissions – Direct GHG emissions which are a result of our testing and inspection services for clients as well as our business operations that occur at sources owned or controlled by Intertek;
- Scope 2 emissions – Indirect GHG emissions that occur from the generation of purchased electricity, heat or steam consumed at sources owned or controlled by Intertek as a result of our business operations or our testing and inspection services for clients.

CO_2 emissions for top 20 and top 25 Intertek countries by headcount:

	2012		2011
Emission (tonnes CO_2e)	Top 25	Top 20	Top 20
Scope 1	11,529	10,903	9,399
Scope 2	116,542	112,928	108,169
Total	128,071	123,831	117,568
Per employee	4.32	4.51	4.62

(CO_2e – Carbon dioxide equivalent)

In relation to our scope 3 GHG emissions (indirect GHG emissions from sources not owned or directly controlled by Intertek but which relate to our activities), we are committed to reducing our travel emissions via third parties. We have continued where possible, to minimise business mileage by increasing the use of video and web technology for meetings.

Many Intertek sites use renewable energy sources such as photo voltaic technology and wind turbines. In 2012, through new plant investments, Intertek is incorporating construction techniques that reduce energy consumption. For example, our new site in Thorigné-Fouillard, near Rennes, France, has been constructed to use on average just 50 kWh/m^2 per year. This is possible through the design, construction and installation of numerous energy efficient technologies that regulate air and water temperatures. At existing sites, initiatives are in place to reduce energy consumption through switching off lights and electronic appliances when not in use, installing occupancy sensing lighting in rooms and introducing smart metering to monitor energy usage, identifying where reductions can be made.

A number of Intertek sites have environmental management systems in place that are ISO 14001 accredited. These monitor areas such as waste management and energy consumption, enabling us to control and continuously improve our environmental performance and reduce costs.

Intertek aims to manage its waste responsibly, recycling paper and cardboard and, where possible, electronic appliances. Water treatment procedures are in place in our laboratories that use local water supplies to test samples, ensuring they are free of contaminants before being released back into the local supply.

Intertek has become the first certification body to offer climate balanced audits in Sweden. We do this by calculating the amount of carbon emissions produced from the travel undertaken through our auditing work and investing the equivalent monetary amount back into renewable energy programmes for countries with a high dependency on fossil fuels. The carbon footprint of this year's annual report has also been offset in collaboration with the Carbon Neutral Company and through achieving their Gold Standard, we will be contributing funds to the Basa Magogo project in South Africa.

All Intertek employees are made aware of our environmental 'green' initiatives and guidelines, as well as their responsibilities towards the environment as an employee of Intertek.

Intertek's Sustainability and CSR report was developed with reference to the Global Reporting Initiative (GRI) G3.1 guidelines, which provide a recommended framework and indicators for reporting. A table outlining the GRI standard disclosures is provided at the end of this document. All data used for performance indicators is representative of the Group, unless stated otherwise.

Directors' report – Business review

Sustainability and CSR continued

Intertek encourages and supports its employees' local community engagements across the world. Here are some examples of the good work undertaken during 2012.

EMEA

UK

Employees: c.2,100

Intertek scientists supported local schools through demonstrating how the science skills and knowledge students learn at school can lead to varied and fascinating careers.

South Africa

Employees: c.475

Intertek donated to local charities and employees participated in volunteering to support disadvantaged children and adults.

Americas

USA

Employees: c.4,500

Employees participated in National Women Build Week as a part of Habitat for Humanity's goal to eliminate housing poverty.

Intertek donated audit and certification services to Sign Fracture, helping assure the quality of orthopaedic implants in the developing world.

Argentina

Employees: c.125

Intertek provided support to an association helping blind and deaf people. Employees also helped disabled children through organising stimulating activities.

Asia

China

Employees: c.8,000

Intertek and its employees donated to the 'Free Lunch Fund', which provides food to over 30,000 children in less privileged areas of China.

Hong Kong

Employees: c.1,500

Intertek was presented with the Caring Company award by the Hong Kong Council of Social Services in recognition of its participation in initiatives such as volunteering, mentoring and partnership that build a strong caring community.

Philippines

Employees: c.500

Intertek employees planted 75 Kupang trees at La Misa Watershed. The 2,700-hectare eco-park houses the last forest in Manila and is built around the La Mesa Dam, which provides drinking water for the whole city.

India

Employees: c.1,700

Intertek helped prepare students for the world of work through organising competitions and events at colleges, universities and a leading business school.

Australia

Employees: c.900

Employees participated in 'Movember' to raise awareness about cancer and to help fund prostate cancer research and associated charities.

Board of Directors

Sir David Reid
Chairman

Wolfhart Hauser
Chief Executive Officer

Lloyd Pitchford
Chief Financial Officer

Christopher Knight
Non-Executive Director

Edward Astle
Non-Executive Director

Alan Brown
Non-Executive Director

Michael Wareing CMG
Senior Independent Non-Executive Director

Louise Makin
Non-Executive Director

Lena Wilson
Non-Executive Director

Sir David Reid
Chairman
Appointed to the Board in December 2011 and became Chairman in January 2012. Sir David Reid retired as Non-Executive Chairman of Tesco PLC in November 2011 after serving in that role since April 2004. Prior to that he was Deputy Chairman of Tesco PLC and had served on the Tesco Board since 1985. David is the Senior Independent Non-Executive Director of Reed Elsevier Group PLC and Chairman of the charity Whizz-Kidz. He was formerly Chairman of Kwik-Fit Group Ltd, Non-Executive Director at Greenalls Group Plc (now De Vere Group), Legal & General Group Plc and Westbury plc. In November 2010 David was appointed one of Prime Minister David Cameron's Business Ambassadors.

Wolfhart Hauser
Chief Executive Officer
Appointed to the Board as Chief Executive Officer in March 2005 after serving as a Non-Executive Director since November 2002. Wolfhart Hauser was previously Chief Executive Officer and President of TÜV Süddeutschland AG for four years and Chief Executive Officer of TÜV Product Services for 10 years. Starting his career with various research activities he went on to establish and lead a broad range of successful international service industry businesses. He has held several non-executive board director and chairman roles in a variety of technology companies. He was a Non-Executive Director of Logica plc until August 2012.

Lloyd Pitchford
Chief Financial Officer
Appointed to the Board as Chief Financial Officer in April 2010. Lloyd Pitchford previously spent 10 years with BG Group plc in various operational and corporate finance roles in the UK and Middle East; including five years as Group Financial Controller. He previously worked for Mobil Oil Corporation in various financial, commercial and management roles. Lloyd is a Fellow of the Chartered Institute of Management Accountants and holds an MBA from Heriot-Watt University.

Christopher Knight
Non-Executive Director
Appointed to the Board as a Non-Executive Director in March 2006. He was an investment banker for nearly 30 years, for much of that time with Morgan Grenfell and Deutsche Bank. He is a Chartered Accountant and has extensive corporate finance experience gained during his banking career in London, New York and Hong Kong. He is Chairman of Brooks Macdonald Group plc, Senior Independent Non-Executive Director of Powerflute Oyj and a Trustee of the Churches Conservation Trust.

Edward Astle
Non-Executive Director
Appointed to the Board as a Non-Executive Director in September 2009. He is currently Pro Rector (Enterprise) at Imperial College London where he oversees the university's relationships with industry, and leads business development opportunities in the UK and internationally. Edward was an Executive Director of National Grid plc from 2001 to 2008, a Managing Director at the BICC Group from 1997 to 1999 and an Executive and Regional Director at Cable & Wireless plc from 1989 to 1997. Previously he held senior business strategy positions in the UK and France. He is a Trustee of the Shannon Trust.

Alan Brown
Non-Executive Director
Appointed to the Board as a Non-Executive Director in April 2011. He is currently Chief Executive Officer of Rentokil Initial plc, a position he has held since April 2008. Alan spent 25 years at Unilever PLC where he rose through a variety of finance roles in the UK and Europe and then general management in Taiwan and China. His last four years were as Executive Chairman of Unilever China. Following this, Alan returned to the UK as Chief Financial Officer at Imperial Chemical Industries PLC taking a leading role in the divestment of the company.

Michael Wareing CMG
Senior Independent Non-Executive Director
Appointed to the Board as a Non-Executive Director in April 2011. He has major international and board level knowledge gained during an extensive global career up to senior partner level at KPMG. His last position at KPMG was as International Chief Executive Officer, a position he occupied for four years. He is currently a Non-Executive Director and Audit Committee Chairman at Wolseley plc and at Cobham plc. He was appointed as the Economic Development Adviser to the Government of Afghanistan in August 2011.

Louise Makin
Non-Executive Director
Appointed to the Board as a Non-Executive Director in July 2012. She is currently Chief Executive Officer of BTG plc, a growing international specialist healthcare company, a position she has held since 2004. Before joining BTG, Louise was at Baxter Healthcare from 2000, holding the roles of Vice President, Strategy & Business Development Europe, and from 2001, President of the Biopharmaceuticals division of Baxter Healthcare, where she was responsible for Europe, Africa and the Middle East. Prior to her time at Baxter, she was Director of Global Ceramics at English China Clay, and in her earlier career, held a variety of roles at ICI between 1985 and 1998. Louise is a Trustee of The Outward Bound Trust and was previously a Non-Executive Director of Premier Foods plc.

Lena Wilson
Non-Executive Director
Appointed to the Board as a Non-Executive Director in July 2012. She is currently Chief Executive Officer of Scottish Enterprise, Scotland's national economic development agency and a member of Scotland's Financial Services Advisory Board. Prior to this she was Chief Executive Officer of Scottish Development International (Scotland's international trade and investment arm) and Chief Operating Officer, Scottish Enterprise. Between 1998 and 2000, Lena was a Senior Advisor to The World Bank in Washington DC on private sector development for developing countries. Lena is a member of the University of Strathclyde's Business Advisory Board, and an Ambassador for the Prince and Princess of Wales Hospice. She has served on the Board of the Prince's Scottish Youth Business Trust for 10 years as well as numerous arts, culture and sport organisations.

Corporate governance

Sir David Reid Chairman

"I am pleased to report that during the year Intertek recruited two new Non-Executive Directors, Louise Makin and Lena Wilson."

Contents

Dear Shareholder,

On behalf of the Board, I am pleased to present the Corporate Governance Report for the year ended 31 December 2012.

In this report we endeavour to explain how the Board has managed its responsibilities by explaining the corporate governance structure and procedures of the Company together with the work of the Board and its Committees. This report gives information on how we comply with the main corporate governance rules for companies that are listed on the London Stock Exchange. The main rules are contained in the UK Corporate Governance Code (the 'Code') as updated by the Financial Reporting Council ('FRC').

Last year this report explained how the diversity of the membership of boards had become an important issue which was incorporated into the Code in September 2012. In making any Board appointments, in addition to reviewing factors such as skill sets, breadth of experience and personality fit, the Nomination Committee is careful to ensure that it is presented with, and considers, a broad range of candidates. I reported that steps were being taken to recruit an additional Non-Executive Director following the departure of Debra Rade from the Board. I am pleased to report that during the year Intertek recruited two new Non-Executive Directors, Louise Makin (who is also a member of the Remuneration Committee), and Lena Wilson. The recruitment process was led by me as Chairman of the Nomination Committee and we used a number of interviews to ensure we selected the right people to contribute to the strategy of growth for our business.

Louise, with her extensive background in international chemicals and healthcare industries, brings a complementary new perspective to the Board, recognising also the diversity of Intertek's industry portfolio, and Lena contributes a wide experience in international and regional investment and development strategies, which brings additional insight to the Board in our governance of the Group's ongoing growth and opportunities.

The nature of our business and the geographical spread of our operations mean that we employ a culturally and otherwise diverse group of people. As Chairman it is important that I ensure that the Board has the right combination of skills and experience to provide the entrepreneurial leadership of the Company setting its strategic aims to ensure the continued growth and success of the Group. More information on diversity, including the gender of employees within Intertek is provided on pages 30 to 31 of the Sustainability and CSR Report.

I have greatly enjoyed my first year as Chairman working with Intertek and the Board. Going forward I am committed to ensuring we continue the high standards of corporate governance in the Group.

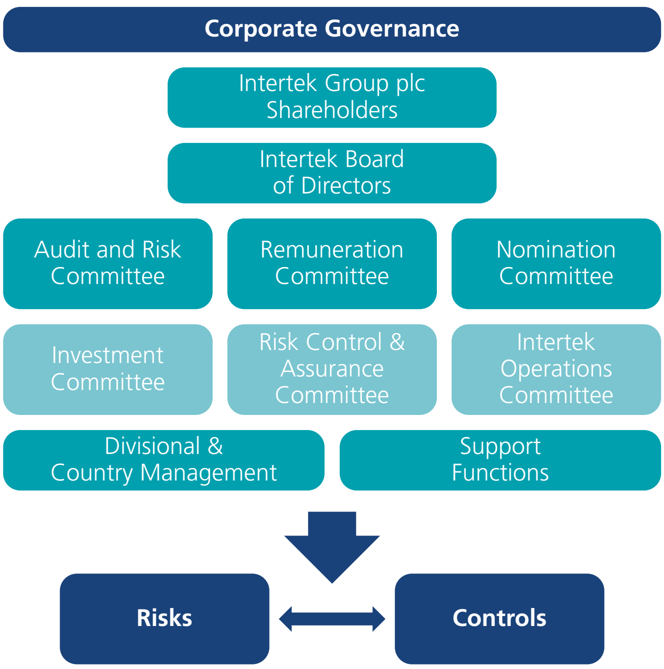
Sir David Reid
Chairman

Governance framework

Corporate Governance Statement
Since the appointment of Louise Makin and Lena Wilson to the Board in July 2012, Intertek has complied with all the relevant provisions set out in the Code.

FRC Guidance
The Code and the associated guidance is available under the heading 'Corporate Governance' at the website of the FRC, www.frc.org.uk.

The Board is responsible and accountable to shareholders for ensuring that the Company is appropriately managed and that it achieves its objectives. The Board's main role is to understand and meet its obligations to the Company's shareholders and others; to lead the Group within a framework of prudent and effective controls which enable risk to be assessed and managed; to approve the Group's strategic objectives; and to ensure that sufficient resources are available to enable it to meet those objectives. The Board also ensures that plans are in place for orderly succession for appointments to the Board and to senior management. In addition, there is a structure of Committees to manage the Corporate Governance within the Group. The table below summarises the structure that is used to manage risk and governance within the Group:



Composition of the Board

The Board at Intertek is comprised of experienced individuals who come from business, industry, government sector, and accountancy backgrounds and bring their diverse experience to assist with the strategy, growth, and development of the Group.

The Board consists of a Non-Executive Chairman, two Executive Directors, and six independent Non-Executive Directors. Sir David Reid, upon his appointment as Chairman on 1 January 2012, met the independence criteria set out in the Code. His responsibilities as Chairman include chairing and leading the Board, ensuring its effectiveness, setting agendas, ensuring that the Directors receive accurate, timely, and clear information and that there is effective communication with shareholders; facilitating the effective contribution to the Board of the Non-Executive Directors in particular; and ensuring constructive relationships between the Executive and Non-Executive Directors. The Chairman's other main commitments are detailed in his biography on page 37. Wolfhart Hauser, the Chief Executive Officer, is in charge of the Group for the day-to-day management and is accountable to the Board and the Company for the financial and operational performance of the Group. The Chief Executive Officer is supported in his task by the Intertek Operations Committee, the members of which are outlined on pages 10 to 11. There is a clear division of responsibilities between the Chairman and the Chief Executive Officer which is set out in writing and agreed by the Board.

The Senior Independent Director is Michael Wareing. His responsibilities include leading the Non-Executive Directors' annual consideration of the Chairman's performance and holding discussions with the Non-Executive Directors, the Vice President Internal Audit and Assurance and the External Auditors without management present. He is readily available to shareholders if they have concerns that remain unresolved after contacting the Group through the usual channels of the Chairman or the Executive Directors, or where such contact is inappropriate.

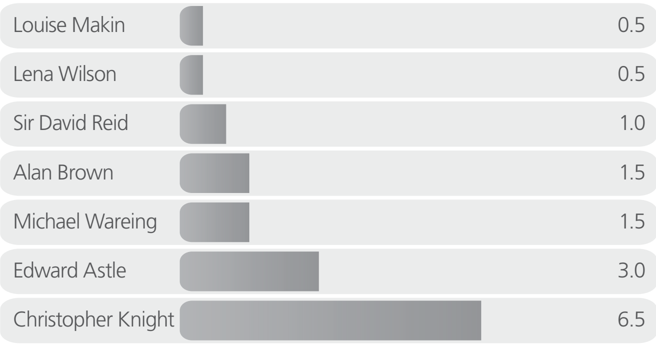
Chairman, Executive and Non-Executive Directors

Directors' report – Governance

Corporate governance continued

All Directors who served during 2012 had a wide range of experience and skills, bringing independent judgement to bear on a wide range of issues including strategy, performance, resources, and standards of conduct. The current Directors' biographies appear on pages 36 to 37. All Directors will retire and be proposed for election or re-election at the 2013 Annual General Meeting.

Length of service of Chairman and Non-Executive Directors (in years)



Information about the Directors' contracts of employment and letters of appointment is disclosed in the Remuneration Committee report on pages 57 and 58.

The role of the Board

The Board is responsible for overseeing the Group's strategy and performance and it also discharges a number of legal responsibilities. It spends time reviewing the following key activities:

- Strategy;
- Growth and development;
- Oversight of performance;
- Corporate governance; and
- Increasing shareholder value.

Further information about the role of the Intertek Board can be found at www.intertek.com/investors/board

The Board also reviews and approves the method and approach to internal controls, financial performance and the Group's risk register.

The Chairman and Group Company Secretary plan the annual programme for Board Meetings and off-site visits during the year and they work together to draw up the agendas. In the year all the Board meetings were held in the United Kingdom apart from one which was held in the United States and focused on the North American business.

The Board controls the Company's business affairs by the use of a Board Approval Matrix which formally outlines the matters specifically requiring the consent of the full Board. The Board Approval Matrix also identifies areas where the Board has delegated authority to executive management, subject to certain financial limits. Where any of the activities involve amounts greater than those limits they are referred to the Board. The Board Approval Matrix is kept under review and developed in order to take into consideration the growth of the business. The Board decides and reviews all key policies and regulations for the Company; its strategy, operating plans, acquisitions, corporate governance, major investments and disposals, appointment and removal of Directors, risk management, financial reporting, audit, sustainability, ethics, the environment, people policies and pensions.

The activity of the Board

During the year, the Board formally met nine times. There was also frequent ad-hoc contact between Directors to discuss the Group's affairs and development of its business. Directors' attendance at Board meetings is shown in the table on page 41. On several occasions during 2012 the Chairman met with the Non-Executive Directors without the Executive Directors being present. The Non-Executive Directors have also had discussions without the Chairman being present.

During the year the Board has considered and approved:

- Group strategy;
- Annual business budget;
- Full year results, Annual Report and half year results and related announcements;
- Acquisitions;
- Governance, risk and internal controls;
- Significant capital expenditure and material contracts;
- Dividend policy; and
- Tax and treasury policies.

The Non-Executive Directors receive monthly Business Performance Reports and information which enables them to review the performance of the Group and management against the agreed strategy, budget objectives and prior period performance. As well as the above, during the year the Board also receives regular updates on debt financing, market reports, share trading reports, analysts' forecasts, litigation reports, final and interim dividend recommendations, road show and investor feedback, interim management statements, announcements and a wide range of other issues. Site visits are arranged for the Non-Executive Directors so that they can see 'first hand' the type of work that the business delivers in a range of areas.

Board attendance during 2012

Name/Position	Eligible to attend	Attendance
Sir David Reid Chairman	9	9
Wolfhart Hauser Chief Executive Officer	9	9
Lloyd Pitchford Chief Financial Officer	9	9
Edward Astle Independent Non-Executive Director	9	9
Alan Brown Independent Non-Executive Director	9	9
Christopher Knight Independent Non-Executive Director	9	9
Louise Makin (appointed 1 July 2012) Independent Non-Executive Director	4	4
Michael Wareing Senior Independent Non-Executive Director	9	9
Lena Wilson (appointed 1 July 2012) Independent Non-Executive Director	4	4

Board balance and independence

The Board considers that all the Non-Executive Directors have and continue to demonstrate the necessary characteristics of independence expected by the Board and it has been determined that none of the Non-Executive Directors have any relationships or links to any business which would compromise or interfere with the exercise of their independent judgement.

The Non-Executive Directors have a particular responsibility to ensure that the strategies proposed by the Executive Directors are fully discussed and critically examined, not only in the best long-term interests of shareholders, but also to ensure that they take proper account of the interests of customers, employees and other stakeholders.

The Non-Executive Directors are all experienced individuals and through their mix of skills and business experience they contribute significantly to the effective functioning of the Board and its Committees, ensuring that matters are fully debated and that no one individual or group dominates the decision-making process.

Directors' conflicts of interests

All Directors have a duty under the Companies Act to avoid conflicts of interests and to disclose any outside appointments. The Board has a formal system to deal with conflicts of Directors' interests. Each year all Directors complete a questionnaire in order to identify any conflicts or potential conflicts of interests.

The decision to authorise a conflict of interest can only be made by non-conflicted Directors, meaning those who have no interest in the matter being considered. The authorised decisions are reviewed on an annual basis or, where appropriate, authorisation is sought prior to the appointment of any new Directors, or if a new conflict arises. During 2012 this procedure operated effectively. The Company can confirm that any decisions relating to conflicts of interests are being taken in accordance with the Articles of Association.

Board induction, training and business engagement

There is a formal induction programme for new Directors that is co-ordinated by the Group Company Secretary. The aim of the programme is to ensure that they gain a deeper understanding and knowledge of the business. During the programme they meet with the senior members of management and they receive orientation from the relevant senior executives in relation to each of the business divisions and other functions. They receive information about the business operations, the role of the Board and the list of items that are reserved for the Board. The new Directors are also provided with copies of the terms of reference for Board Committees and details of membership of those Committees. During the year Sir David Reid, Louise Makin and Lena Wilson have completed their induction programmes including one to one meetings with a number of senior executives in the business and visiting various sites and laboratories to see the operations.

During the year the Directors were kept up-to-date with information about Intertek's business and there is an on-going programme of information dissemination. It is important that the Directors have an appreciation of our business both in the UK and overseas. In addition, during the year the Board held one meeting overseas and there were business visits arranged for the Chairman and Non-Executive Directors to laboratories and testing sites. During 2012 there were presentations from senior management to the Board and meetings have been held on regional strategy to increase the understanding of operations and opportunities. Directors are regularly updated as necessary on various statutory obligations and corporate governance matters.

All Directors have access to the advice and services of the Group Company Secretary, who will assist in arranging any additional training and information as required. The appointment and removal of the Group Company Secretary is a matter for the Board as a whole.

All Directors are entitled to obtain independent professional advice, at the Group's expense, in the performance of their duties as Directors. No such advice was sought during the year. The Company has granted an indemnity, to the extent permitted by law, to each of the Directors and the Group Company Secretary. Directors' and officers' liability insurance is in place.

Corporate governance continued

Performance evaluation

During the year, for the first time, there was an external evaluation of Board performance and the effectiveness of the Board Committees. This was conducted by Consilium Board Review, an independent and experienced firm, under the direction of the Chairman. This was completed by way of Consilium reviewing Board papers and minutes, observing the Board, a written questionnaire and interviews with Directors.

The Board questionnaire focused on the performance of the Board throughout the past year in the areas of strategy, performance management, organisation development, risk management and boardroom dynamics. The questionnaire for the Committees focused on the performance of the respective Committees and how the performance could be enhanced. A report was prepared for the Board on its own and its Committees' effectiveness and this was discussed fully at a Board meeting.

The external evaluation confirmed that the Board continues to maintain an appropriate set of skills, that all the Directors add value to the overall effectiveness and success of the Group, and that no significant issues have arisen out of the evaluation process. The effectiveness of the Board has developed strongly in the last year with a boardroom climate that encourages open debate and informed decision-making. The Board and its Committees meet the requirements and spirit of the Governance code. Minor developments of the Board's processes and increased focus on certain key themes will be adopted.

The evaluations of the Board Committees concluded that each Committee was operating in an efficient and effective manner. The Board will continue to develop the evaluation process in order to ensure that it can properly review, on an annual basis, its performance, and that of its individual members and Committees.

The attendance of the Board and individual contribution of each Director was reviewed by the Chairman. Each Director has independently met with the Chairman and on this basis he has reviewed their performance. The Directors have all contributed well in the year and any training and development requirements have been discussed. The Chairman's performance was reviewed by Michael Wareing, the Senior Independent Director, taking into account feedback from the Board and the external Board performance assessment.

Shareholder engagement

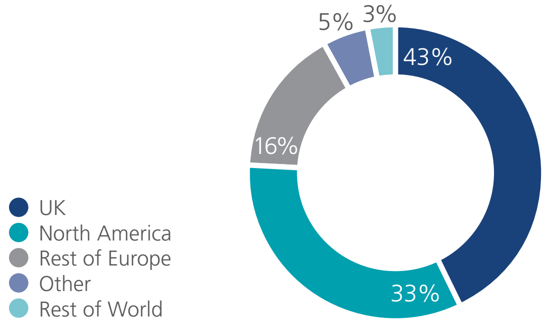
The Chairman recognises the importance of maintaining effective investor relations and he is responsible for making sure that all Directors are aware of shareholder concerns. Michael Wareing as the Senior Independent Non-Executive Director is also available to act as a conduit for any shareholders to raise matters concerning the Group's activities.

We have a core of major shareholders that represent a global spread and while the majority of our shareholders are registered in the UK, the chart below demonstrates how our shareholders are spread across the world, reflecting the interest in our business on a global basis.

There has been an extensive programme of engagement with significant investors this year. Feedback from this activity, and any significant comments from shareholders, are reported regularly to the Board. The Group produces an Annual Report which is available to shareholders and also publishes Interim Management Statements and Half Year Results. The Group website contains up-to-date information on its activities and published financial results. Shareholders can subscribe via the investors' section of the website to receive email alerts of important announcements made by the Group. The Group's Annual Report, notices of meetings and proxy forms can be provided electronically. However, shareholders are also able to request paper copies of documents if they so choose.

The Company's Annual General Meeting ('AGM') provides all shareholders with the opportunity to develop their understanding of the Company's strategy and operations, and to ask questions of the full Board on the matters put to the meeting, including the Annual Report. All Board members attend the AGM and in particular, the Chairmen of the Audit and Risk, Nomination and Remuneration Committees are available to answer questions. The Company proposes a resolution on each substantially separate issue and does not combine resolutions inappropriately. At this year's AGM we will once again be adopting a poll procedure in respect of all resolutions, as recommended by a number of shareholder groups. At General Meetings a schedule of the proxy votes cast is made available to all shareholders, and is also available on the Group website.

Geographic spread of shareholders as at 31 December 2012



Audit and Risk Committee

Michael Wareing Chairman of the Audit and Risk Committee

"The work of this Committee is an important element of the Corporate Governance Framework."

Introduction from the Chairman of the Audit and Risk Committee

I am pleased to have chaired and led the Audit and Risk Committee during the year. The composition of the Committee is set out in the table on page 44. The work of this Committee is an important element of the corporate governance framework and brings value and protection to the Group and its shareholders. The participants on the Committee are business leaders who have had careers in finance and industry and have the requisite skills and experience to form an effective Committee. Until September 2009, I was the International Chief Executive Officer of KPMG and the Board considers that I have recent and relevant financial experience as required by the Code.

We have a number of additional attendees at the meetings of the Committee, who are not formal members. The Chairman, the Chief Executive Officer, the Chief Financial Officer, the Group Vice President Financial Control and the Vice President Internal Audit and Assurance, are present at each meeting. The partner from KPMG Audit Plc, our external auditor, also attends every meeting. Other members of the senior management team attend as and when required. In addition, we request attendance by industry experts periodically to bring fresh insight into best practice.

The members of the Committee meet at least once a year with the Vice President Internal Audit and Assurance, and separately with the external auditors without management being present.

This year an additional meeting was held, with no regular agenda items, to provide an opportunity for the Committee to focus on the bigger picture in relation to risk. At this meeting, John Hurrell, the Chief Executive of Airmic, gave a thought-provoking presentation on 'A Study of Major Risk Events: Their Origins, Impacts and Implications'. A total of five meetings were held this year and after each meeting an update was given to the Board.

Michael Wareing
Chairman of the Audit and Risk Committee

Membership and attendance of the Audit and Risk Committee

Throughout the year the composition of the Committee was in compliance with the Code. During 2012 the Committee comprised Michael Wareing (Chairman), Edward Astle, and Christopher Knight. Committee members have both recent and relevant financial and business experience as detailed in their biographies on page 37.

Membership and attendance at meetings during the year was as follows:

Name	Eligible to attend	Attendance
Michael Wareing (Chairman)	5	5
Edward Astle	5	5
Christopher Knight	5	5

The role of the Audit and Risk Committee during 2012

External audit

The role of the Committee is to recommend the appointment of the external auditors and to recommend to the Board if there is an action required to change auditor. The Committee seeks to ensure the continued independence and objectivity of the Group's external auditors. The Committee discussed any non-audit fees paid to KPMG and the reasons why KPMG were appointed to perform such work. The Group's external auditors meet with the members of the Audit and Risk Committee at least once a year without management present.

Financial statements and significant issues

In accordance with the Code, the Committee reviews a report prepared by the external auditor on the full year and half year results which highlights any issues with respect to the work undertaken on the audit. As part of this review, the Committee looks to ensure that suitable accounting policies have been adopted, has discussions with management to understand that appropriate estimates and judgements have been made and seeks support from the external auditors to ensure a suitable assessment has been made. The main issues reviewed in the year ended 31 December 2012 are as follows:

- The Committee reviewed the presentation of the Group's restructuring programme in 2012, ensuring that the requirements for recording a provision had been met at year end;
- The Committee reviewed the provisions held with respect to claims, ensuring the provisions were appropriate at year end;
- The Committee reviewed the calculation of the effective tax rate for the year, given the increased regulatory focus on tax obligations;
- The Committee reviewed the classification of separately disclosed items to ensure the adjusted operating profit provides a clear and consistent view of the underlying performance of the Group; and
- The Committee reviewed the controls around the business process outsourcing initiative, ensuring a continued strong financial control environment remains across the Group.

In all cases the Committee was satisfied that the judgements made by management were reasonable, and that appropriate disclosures have been included in the financial statements.

Effectiveness of the external audit

KPMG Audit Plc have been the Company's auditors since the Company listed in 2002 and there has not been a formal tender since that time. The Committee reviews the work of the external auditors and assesses their performance each year, by considering the input of key stakeholders and the finance community in Intertek. In the interests of independence and objectivity, the engagement audit partner is rotated every five years unless there are exceptional circumstances in which case the Committee may approve up to a further two years.

Non-audit services

One of the roles of the Committee is to ensure the continued independence and objectivity of the Group's external auditors. There is a policy on the provision of non-audit work by the external auditors to make sure that auditors' objectivity and independence are safeguarded. The external auditors are precluded from engaging in non-audit services that would compromise their independence, would violate any laws or regulations affecting their appointment as auditors or would lead a reasonable and informed third party to regard the objectives of the proposed non-audit service as being inconsistent with the objectives of the audit.

In general, the external auditors may not provide a service which:

- Creates a mutuality of interest;
- Places the auditor in a position to audit their own work;
- Results in the auditor acting as a manager or employee; or
- Puts the auditor in the role of advocate for Intertek.

Specifically, the auditors may not provide the following services:

- Bookkeeping or other services related to accounting records or financial statements;
- Financial information systems design and implementation;
- Appraisal or valuation services;
- Actuarial services;
- Internal audit outsourcing or co-sourcing services;
- Management functions or human resources services;
- Broker or dealer, investment advisor or investment banking services;
- Legal services which can only be provided by a qualified lawyer;
- Expert services unrelated to the audit that include advocating Intertek's interests in litigation, regulatory or administrative proceedings. This does not preclude the auditors from providing factual accounts to explain positions taken during the course of their other work;
- Tax services in relation to marketing, planning, or opining in favour of an aggressive tax position or transaction;
- Any other services that, locally, are prohibited through regulation; or
- Personal tax compliance services to members of the Group's management who have a financial reporting oversight role.

The Committee annually reviews the framework of permitted non-audit services taking into account any changes in legislation and best practice. An annual budget for non-audit services is presented to the Committee for approval, with budgets assigned to each category, compared to spend in the previous two years. A report is presented to the Committee twice a year showing year to date spend against each category in the annual budget previously approved by the Committee. A breakdown of the audit and non-audit fees paid to the Group's auditors during the year is set out in note 4 to the financial statements.

The terms of reference of the Audit and Risk Committee are available on our website at: www.intertek.com

The activity of the Audit and Risk Committee

During the year the Committee reviewed and endorsed, prior to submission and approval by the Board, the 2011 Annual Report, the 2011 Full Year and the 2012 Half Year Results Announcement. In particular the Committee reviewed the provisions, key accounting policies and any changes required in policies.

In addition, there were updates from the Vice President Internal Audit and Assurance on Internal Audit department activity and reports, fraud detection, whistle-blowing/hotline incidents, the Anti-Corruption and Bribery Programme, training, and Group control improvement initiatives. The Committee was updated on key litigation issues by the Group Company Secretary and Group Head of Legal.

The Chairman and other Committee members also attend meetings with the external auditors and management to discuss any accounting issues associated with the annual audit.

The Committee also looks at the Group's risk profile and its risk management process. During the year it was decided to separate the Internal Audit and Risk Management functions, in order to add extra focus on risk which will now be the responsibility of the Group Head of Legal.

Internal control and risk management

Risk management and internal controls are embedded in the running of each division and support function. The Board is responsible for establishing and maintaining the Group's system of internal control and risk management and for reviewing its effectiveness. This manages and helps mitigate the risk of failure to achieve business objectives and can provide reasonable assurance against material misstatement or loss.

There are a number of controls in place to ensure that the Group has robust procedures for preparing consolidated accounts and for financial reporting. Intertek has a clear set of Accounting Policies and Procedures which is issued to all finance staff. This gives instructions and guidance on all aspects of accounting and reporting that are relevant to the Group. There are ongoing reviews of adherence to these policies by Group Internal Audit and by Finance Management. Any material breaches of the Group's systems of internal and risk management controls identified by the Group's control review procedures are reported to the Audit and Risk Committee and corrective action is taken.

The Group maintains high standards and has a zero tolerance of breaches of ethics and this is reinforced by the Intertek Compliance Code and Code of Ethics. The Compliance Code and the Code of Ethics is available at www.intertek.com. Every employee is required to sign a zero tolerance document confirming their understanding that any breaches of the Group's Code of Ethics will result in disciplinary action that may include summary dismissal of the employee concerned. Each year as part of the appraisal process each employee is asked to confirm understanding of and adherence to the Code of Ethics.

To support Group policies and to facilitate the raising of concerns about possible improprieties in matters of financial reporting or any other matters, the Group provides and publicises a confidential telephone hotline along with email and web addresses, so that staff or third parties may report anonymously any perceived inaccurate or unethical working practices. All reports are investigated thoroughly with action taken as appropriate. Detailed statistics about such issues are provided to each meeting of the Committee. The resolutions for all matters are also reported together with the information about any employees who have left the Group due to wrong-doing.

The Group has developed a Risk Management Strategy which sets out the Group's approach to risk and covers the principles set out below:

All the Group's mandatory policies are set out in the Core Control Framework, which is available to all employees and is hosted on the intranet.

The Audit and Risk Committee endeavours to ensure that the Group has in place the most appropriate and effective controls, checks, systems, and risk management techniques so as to be in line with best practice. The control environment within the Group is further strengthened by two internal Committees. The Risk Control and Assurance Committee ('RCA') has the remit of overseeing the development of the internal control framework, reviewing risk registers and risk management procedures, monitoring issues, and providing a conduit of information to senior management. In 2012, the Committee comprised the Chief Financial Officer, Group Company Secretary, Chief Information Officer, Group Vice President Human Resources, Vice President Financial Control, Chief Financial Officer Asia and Vice President Internal Audit and Assurance, and met approximately every quarter.

Corporate governance continued

An Investment Committee is in place with the remit of reviewing and approving requests for material expenditure and other key actions throughout the business within certain limits as outlined in the Board Approval Matrix. The membership of the Investment Committee comprises the Chief Executive Officer and the Chief Financial Officer, and the Group Executive Vice President of Human Resources is invited to attend along with leaders in the business. This Committee considers all business investments outside the limit delegated to Executive Vice Presidents and reviews and considers the establishment of new companies in countries where there is not already a business established. It also considers any large or unusual customer contract proposals. Executives submit papers and attend to discuss the merits of their business case. There is a structured programme of post investment appraisals to ensure that matters discovered as part of an acquisition, integration and organic business are discussed and understood. The information gained is part of a feedback loop to the business to ensure that we capture all matters or issues that can help us improve and learn for future activity.

Each operating division and support function is responsible for the identification and evaluation of significant risks applicable to that area of business, together with the design and operation of suitable internal controls. These risks are assessed on a continual basis and are reviewed by the RCA, and may be associated with a variety of internal or external factors including control breakdowns, disruption of information systems, litigation, loss of key facilities, retention of key staff, competition, natural catastrophe, and regulatory requirements. Operation of the controls is designed to minimise the occurrence of risk or its consequences. One of the Audit and Risk Committee's main roles is to review, on behalf of the Board, the key risks inherent in the business and the system of controls necessary to ensure such risks are properly managed.

In order to provide assurance that controls and policies are being followed, a process of self-assessment and hierarchical reporting has been established which provides a documented trail of accountability. These procedures are applied across Group operations and provide for continuing assurances to be given at increasingly higher levels of management and finally, to the Board. This process is facilitated by Internal Audit which also provides assurance as to the operation and validity of the system of internal control and risk management. Planned corrective actions are monitored for timely completion.

Quality assurance audits are carried out by the divisions, and the findings reported to divisional management. Each division has at least one compliance officer who undertakes investigations of issues that arise either from quality assurance audits or from other sources, such as the confidential hotline.

Sites are reviewed regularly on a schedule based on materiality and perceived risk. Reports of significant findings are presented to the Audit and Risk Committee which monitors and reviews the effectiveness of the internal audit function. The internal audit department was awarded ISO 9001 accreditation in 2003 which was successfully renewed for a further three years in 2009 and recently in 2012. An external accreditation body conducts surveillance audits of the internal audit department every year, and conducts a more detailed review every three years.

The Chief Executive Officer also reports to the Board on significant changes in the business and the external environment which could impact on risk. The Chief Financial Officer provides the Board with monthly financial information, which includes the comparison of key performance figures against budgets and forecasts. Information is also provided with regard to risk indicators. The Board approves the treasury policy and the treasury department's activities are also subject to internal audits. The Board also confirms that it has reviewed the process of internal controls.

Priorities for 2013

The priorities for the Audit and Risk Committee over the next 12 months are as follows:

- Continue to support the efforts of the external auditor and the Internal Audit and Risk Management functions with respect to the ongoing development of the Group's total assurance framework;
- Prepare for any relevant changes in the corporate governance arena; and
- Continue to monitor the impact of external economic factors on the Group and its financial position.

Going concern

After making diligent enquiries, the Directors have a reasonable expectation that the Group has adequate resources to continue in operation for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the Group's financial statements.

Principal risks and uncertainties

This section sets out a description of the principal risks and uncertainties that could have a material adverse effect on the Intertek Group's strategy, performance, results, financial condition and reputation.

Risk framework

The Board has overall responsibility for the establishment and oversight of the Group's risk management framework which is described in the Corporate Governance Report on pages 45 and 46.

The Vice President Internal Audit and Assurance, and the Group Head of Legal, who report to the Chief Financial Officer and Chief Executive Officer respectively, have accountability for reporting the key risks that the Group faces, the controls over these risks and any mitigating actions or controls in place. Both roles report to the Audit and Risk Committee and attend the Committee meetings during the year. In addition, both roles meet with the members of that Committee alone at least once a year.

Risks are formally identified and recorded in a risk register for each operating division and support function. The risk register is updated at least twice each year and is used to plan the Group's internal audit and risk strategy. In addition to the risk register, all senior executives and their direct reports are required to complete an annual return to confirm that management controls have been effectively applied during the year. The return covers operations, compliance, risk management and finance.

The Risk Control and Assurance Committee ('RCA'), comprising senior Intertek executives, complements the work of the Audit and Risk Committee. The RCA oversees the development of the internal control framework, reviews the risk matrices and risk management procedures, monitors issues and provides guidance to management. The RCA makes recommendations to the Intertek Operations Committee where Group-wide policies are identified and develops the Group's integrated responses to changes in the regulatory environment.

Principal risks

The Group is affected by a number of risk factors, some of which, including macroeconomic risks, are outside the Group's control. Some risks are particular to Intertek's operations and the principal risks of which we are aware are detailed below including a commentary on how the Group mitigates these risks. These risks and uncertainties do not appear in any particular order of potential materiality or probability of occurrence.

There may be other risks that are currently unknown or regarded as immaterial which could turn out to be material. Any of these risks could have the potential to impact the performance of the Group, its assets, liquidity, capital resources and its reputation.

Operational

Risk description	Mitigation
Reputation risk The risk that there is a breakdown in the Group's quality standards which leads to a loss of confidence in the Group's standards and reputation for quality and safety service excellence. The risk that unethical behaviour by employees or representatives could have an adverse impact on the Group's reputation.	The Group has in place a comprehensive suite of detailed Quality Management Systems. Adherence to these is regularly audited and reviewed by external parties, including accreditation bodies. The Group has a well defined Code of Ethics which is communicated to all staff, who undergo regular training. The Group has a 'whistle-blowing' programme, monitored by the Audit and Risk Committee where staff are encouraged to report, without risk, any fraudulent or other activity likely to adversely affect the reputation of the Group. There is a zero tolerance policy with regard to any inappropriate behaviour by any individual employed by the Group, or acting on the Group's behalf. Media comments with regard to Group activities are centrally reviewed so that senior management can, where necessary, take appropriate action on a timely basis.
Accreditation risk The Group relies on being awarded and retaining appropriate accreditations and affiliations around the world in order to provide its certification services. Failure to obtain or retain a particular accreditation could lead to a loss of business in the relevant industry and could damage the Group's reputation.	The Group has extensive quality assurance procedures and controls embedded in its operations to ensure that it holds and maintains the necessary accreditations and that the required operational standards are applied. Operations are regularly subjected to audit and review by external parties including accreditation bodies, governments, trade affiliations, retailers, manufacturers and clients.

Principal risks and uncertainties continued

Operational risks continued

Risk description	Mitigation
Management risk The Group operates in specialised sectors and needs to attract and retain employees with relevant experience and knowledge. Failure to do so could impact our ability to compete effectively.	The Group operates a thorough development and reward programme to identify future senior managers and to retain key staff.
Political risk The Group operates in over 100 countries including some where political instability can result in disruption to operations and the change or termination of contracts at short notice. In addition, changes to local tax legislation can impact the Group's effective tax rate.	The Group closely monitors any incidents of political or social unrest and where possible, takes mitigating action to prevent loss to the Group, including exiting the country if the risk is considered unacceptable. The Group maintains close relationships with government representatives but the risk of adverse government action cannot be entirely mitigated.

Legal and regulatory

Risk description	Mitigation
Litigation risk From time-to-time, the Group is involved in claims and lawsuits, including claims for damages, negligence and commercial disputes and disputes with current and former employees. There is a risk that a legal dispute could adversely affect the reputation of the Group and result in significant financial loss.	To reduce the likelihood of claims arising, the Group has extensive quality assurance procedures and controls in place. All incidents that could potentially result in a claim against the Group are immediately reported to compliance officers and logged in an incident database so that they can be properly managed. The Group Head of Legal reports any risk of significant claims to the Audit and Risk Committee. External legal counsel is appointed if appropriate. The Group mitigates the risk of financial loss arising from litigation by maintaining insurance cover covering potential claims although there is no certainty that this will be sufficient to cover any ultimate loss.
Regulatory risk The Group is subject to local laws and regulations in each of the countries and jurisdictions in which it operates. These cover all aspects of the Group's operations and functions including employment legislation, health and safety and taxation.	The Group employs local people in each country who are aware of local legal and regulatory compliance. There are also extensive internal compliance and audit systems to facilitate compliance. Expert advice is taken in areas where regulations are uncertain. The Group continues to dedicate resources to ensure compliance with the UK Bribery Act and all other anti-bribery legislation.

Financial

Risk description	Mitigation
Foreign currency risks The Group reports its financial results in sterling but a significant majority of the Group's revenue and operating costs are incurred in currencies other than sterling. Accordingly, the Group's profit is exposed to exchange rate fluctuations.	The Group's Treasury function has responsibility for managing the Group's cash, debt facilities and foreign currency exposures. The Group has established procedures for managing foreign currency risk including monitoring foreign currency cash balances on a daily basis and hedging foreign currency exposures on a monthly basis. The Group's policy is to match the currency of external borrowings to the currency of expected cash flows and the currency of net investments. All overseas subsidiaries are required to hedge all significant foreign exchange transaction exposures with Group Treasury.
Liquidity risk The Group might be unable to meet its growth plans or financial obligations if sufficient funding could not be raised.	The Group manages its cash and borrowing facilities, ensuring sufficient liquidity through daily cash forecasting and by maintaining sufficient committed borrowing facilities from a range of investors. The Group is in regular contact with the banks and capital debt markets, as well as other potential providers of debt to ensure a proper and timely understanding of the availability and pricing of debt funding. The Group's facilities are managed to ensure that borrowing facilities are of a mixed duration, mitigating the amount of borrowings that mature within a single period. The Group regularly reviews its interest rate exposures and has a policy to ensure that over one third of its borrowings are on a fixed rate basis.
Financial irregularity risk The Group could suffer financial loss either through misappropriation of assets or the misrepresentation of financial results.	The Group has established financial and management controls in place to ensure that the Group's assets are protected from major financial risks. A detailed system of financial reporting is in place to ensure that monthly financial results are thoroughly reviewed. The Group also operates a rigorous programme of internal audits and management reviews. Independent external auditors review the Group's half year results and audit the Group's annual financial statements.

Corporate governance continued

Nomination Committee

Sir David Reid Chairman of the Nomination Committee

"Intertek recognises the benefits of having a diverse board."

Membership and attendance of the Nomination Committee

The Committee is chaired by Sir David Reid and he ensures that discussions are held around succession and appointments at a senior level. As the Chairman of the Company he is precluded from any involvement in discussions about a future successor for his own position.

Membership and attendance at meetings was as follows during the year:

Name	Eligible to attend	Attendance
Sir David Reid (Chairman)	5	5
Edward Astle (appointed 1 August 2012)	1	1
Christopher Knight	5	5
Michael Wareing	5	5

The role of the Nomination Committee

The terms of reference are available on our website at www.intertek.com. The Committee is responsible for keeping under review the composition of the Board and succession to it, and succession planning for senior management positions. It makes recommendations to the Board concerning Director appointments having regard to the balance and structure of the Board and the required blend of skills, experience, independence, and diversity.

A job description is prepared for any new Board appointment. New Non-Executive Directors confirm they have sufficient time to fulfil the commitments of the role.

The activity of the Nomination Committee

During the year, two new Non-Executive Directors were recruited to the Board. The Committee appointed Spencer Stuart to assist in the recruitment of a new Non-Executive Director as part of the continual refreshing of the skills of the Board. Spencer Stuart has no other connection with the Company. The Committee met a number of candidates and then recommended to the Board that Louise Makin and Lena Wilson both be appointed as Non-Executive Directors.

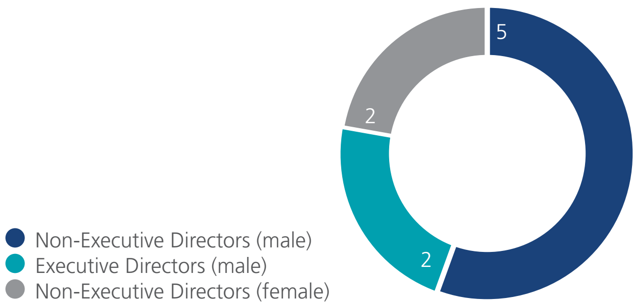
Board Diversity Policy

Intertek recognises the benefits of having a diverse Board and is committed to achieving a Board which will include and make the best use of differences in culture, gender, skills, background, regional and industry experience and other qualities. All of these factors will be considered in determining the composition of the Board noting that all Board appointments are made on merit, in the context of the skills and experience the Board as a whole requires for it to be effective.

In reviewing Board composition, the Committee will aim to maintain an appropriate range and balance of skills, experience, and background on the Board, by considering all aspects of diversity. In identifying suitable candidates to recommend for appointment to the Board, the Committee will consider candidates on merit against objective criteria and with due regard for the benefits of diversity on the Board. Without seeking to set a specific goal for female representation on the Board, it is an aim of the Board to continue to ensure that the Company has the right balance of skills and diversity in all forms and experience.

An analysis of the diversity of the Board by gender is provided by the diagram below:

Board diversity by gender



Remuneration report

Christopher Knight Chairman of the Remuneration Committee

Contents

This Report[1]

This year, there has been continued focus on financial performance in relation to senior executives' pay and bonus packages and ensuring that the remuneration policy of the Group reinforces and aligns incentives, behaviour, strategy and performance. Consistent with last year, the challenges for a Remuneration Committee include balancing prudence against appropriate reward for good performance, particularly so in the current global economic environment. However, I am pleased to say that the Group's results for 2012 have been such that we have been able to determine rewards appropriate for the exceptional performance achieved. Intertek's successful growth strategy has been achieved by the continuing excellent performance of management and the Committee believes that the agreed remuneration appropriately rewards that effort.

In preparation for full adoption of the Government's new remuneration reporting regulations, the Committee has sought to comply with some of the new requirements in this Report, noting that many features are already established within the Intertek Remuneration Policy and practices.

1. This Report sets out the Group's policy and disclosures in relation to Directors' remuneration for the year ended 31 December 2012. It will be subject to a separate shareholder vote at the forthcoming Annual General Meeting ('AGM'). The Report has been prepared on behalf of the Board and complies fully with the requirements of the Companies Act 2006 and Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (the 'Regulations') and the UK Corporate Governance Code (the 'Code') as applicable for the financial year and the elements specifically required to be audited, which are shaded, have been audited by KPMG Audit Plc in compliance with the requirements of the Regulations.

   The Group has applied the Principles of Good Corporate Governance relating to the remuneration of its Directors and this Report outlines how the Group has already complied with the provisions of the Code as well as the latest guidelines issued or proposed by institutional shareholder bodies.

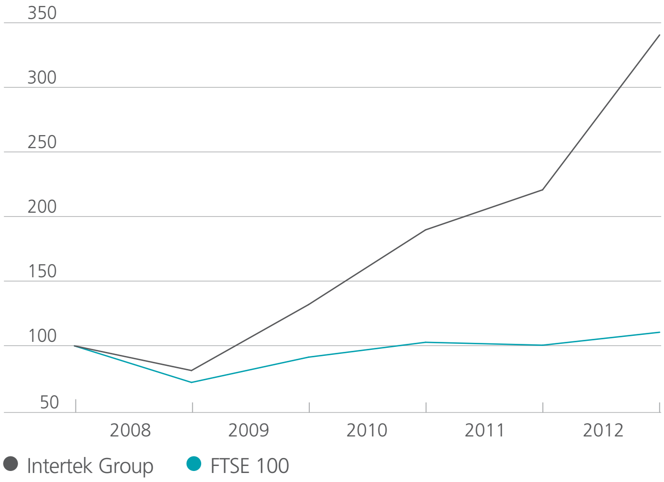
Directors' report – Governance

Remuneration report continued

To demonstrate the successful growth of the Company, the graph below shows the Total Shareholder Return ('TSR') in respect of the Company over the last five years. The TSR for the Company is compared with the TSR for the FTSE 100 Index. The Company joined the FTSE 100 in March 2009. TSR, comprising the changes in value of a share and dividends distributed, can be represented by the value of a notional £100 invested at the beginning of a period and its change over that period.

TSR performance

Intertek Group v FTSE 100



Source: Thomson Reuters Datastream.

Information is provided by J.P. Morgan Cazenove and calculated according to a methodology that is compliant with the requirements of the Companies Act 2006. The performance of the Company, as indicated by the graph, is not indicative of vesting levels under Intertek's share plans.

The share price of the Company continues to grow and on 31 December 2012 (the last working day of the year) the closing market price of the Company's ordinary shares was £30.99. The highest and lowest prices of the shares of the Company during the year were £31.57 and £20.47 respectively.

The Committee

During 2012 the Committee comprised the following independent Non-Executive Directors; myself as Chairman, Alan Brown, Sir David Reid (to 1 July 2012) and Louise Makin (from 1 July 2012).

Membership and attendance at meetings during the year was as follows:

Name	Eligible to attend	Attendance
Christopher Knight (Chairman)	6	6
Alan Brown	6	6
Sir David Reid (resigned from the Committee 1 July 2012)	3	3
Louise Makin (appointed 1 July 2012)	3	3

The Chairman, Chief Executive Officer, Chief Financial Officer and the Group Vice President Human Resources may, by invitation, attend the Committee meetings, except when their own remuneration is discussed. No Director is involved in determining his or her own remuneration. None of the Committee members have had any personal financial interest, except as shareholders, in the matters decided.

On behalf of the Board, the Committee:

- Determines the Company's policy on the remuneration of the Chairman, and the remuneration and incentives for Executive Directors and other senior executives (mainly the Intertek Operations Committee (the 'IOC') which comprises the Group and Executive Vice-Presidents as listed on pages 10 and 11);
- Determines the remuneration packages of the above, including any compensation on termination of office;
- Reviews the remuneration arrangements for the wider employee population and considers issues relating to remuneration that may have a significant impact on the Group;
- Provides advice to, and consults with, the Chief Executive Officer on major policy issues affecting the remuneration of other executives; and
- Keeps remuneration policy under review in the light of regulatory and best practice developments and shareholder expectations. Due regard is given to the interests of shareholders and the requirements of the Listing Rules and associated guidance.

The terms of reference of the Committee are available on our website at www.intertek.com.

Activity of the Committee during 2012

The Committee met six times and considered:

- The 2012 Reward Strategy;
- The 2012 bonus targets;
- The protocol for dealing with good leavers under the Intertek share plans;
- The salary for senior management and the determination of the bonus payments for 2011;
- The TSR performance result for the 2009-2012 share plan award cycle;
- Share Plan awards for 2012-2015;
- The comparator group for the TSR element of performance share awards, changing to FTSE 31 to 130 (excluding investment trusts, banks, Intertek and delisted companies) in line with the growth of the Company within the FTSE Index;
- The feedback from shareholders and corporate governance organisations with respect to remuneration and the 2012 Annual General Meeting vote;
- The remuneration proposals for new senior employees;
- The remuneration advisors; and
- The proposed steps to be taken by the Company with respect to the adoption of the proposed Remuneration Reporting Regulations.

Policy report

We continue to focus on ensuring that our remuneration policy is appropriate for the nature, size and complexity of the Group, encourages our employees in the development of their careers and is directed to deliver the continued growth of the Group.

Policy on remuneration

Our remuneration strategy is to:

- Align and recognise the individual's contribution to success in our strategy and long-term business goals;
- Attract, engage, motivate and retain the best available people by positioning total pay and benefits to be competitive in the relevant market and in line with the ability of the business to pay;
- Reward people equitably for the size of their responsibilities and performance; and
- Engage motivated high performers and, through variable bonus schemes and long-term incentive plans, share the Group's success with those who build and lead Intertek as a world class business and encourage them to increase shareholder value.

Each year the Committee approves the overall reward strategy for the Group and considers the individual remuneration of the Executive Directors and certain senior executives. There are no executives whose remuneration exceeds that of the Executive Directors.

The Committee reviews the balance between base salary and performance-related remuneration against the key objectives and targets so as to ensure performance is appropriately rewarded. This also ensures outcomes are a fair reflection of the underlying performance of the Group.

As a global service business, success is critically dependent on the performance and retention of our key people around the world. Employment costs represent the major element of Group operating costs. As a global group our pay arrangements take into account both local and international markets. We operate a global Remuneration Policy Framework to achieve our reward strategy, with each operation retaining the freedom to navigate within that framework to find the best local solution.

Our peer groups for the majority of our employees consist of international industrial or business service organisations and similar-sized businesses. In respect of our more senior executives we base our remuneration comparisons on a blend of factors, including sector, job complexity, location, responsibilities and performance, whilst recognising the Company is listed in the UK.

We believe that a significant proportion of remuneration for senior executives should be related to performance, with part of that remuneration being deferred in the form of shares and subject to continued employment and longer-term performance. We also believe that share-based remuneration should form a significant element of senior executives' compensation so there is a strong link to the sustained future success of the Group.

Remuneration report continued

Structure of remuneration

The following table sets out the elements that make up the remuneration of the Executive Directors and other senior executives:

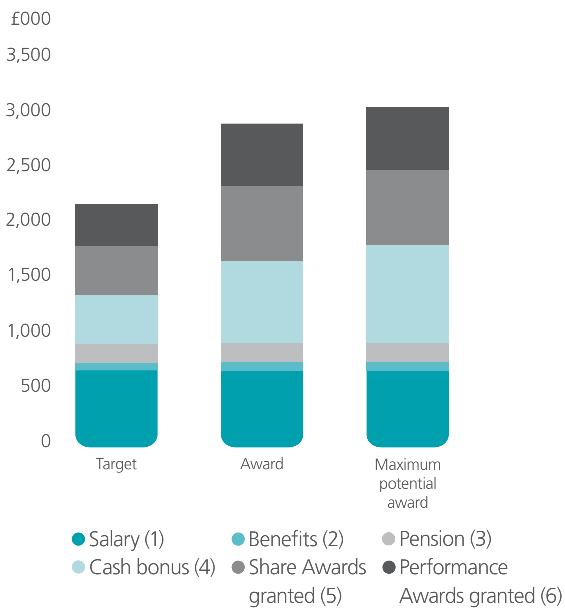
1 Fixed	Salary	The base salary takes account of the size of the job in the appropriate market and the competence and contribution of the job holder.
2 Fixed	Benefits	These are principally car allowances and private medical plans.
3 Fixed	Pension	Pension arrangements reflect the appropriate market and location.
4 Performance: short-term	Cash bonus	The cash bonus serves to drive and recognise short-term performance against targets which are a mix of shareholder, business and personal objectives, both numeric and non-numeric. The criteria and targets are reviewed each year for strategic alignment and to fit changing business objectives and the economic environment.
5 Performance: long-term	Share Awards	Share Awards are granted for an amount equal to the annual cash bonus earned in the year under review. For the Chief Executive Officer this is limited to 100% of base salary at the time of the grant. The Awards normally vest three years after the grant on condition that the participant is still employed in the Group.
6 Performance: long-term	Performance Awards	Performance Awards are granted at the ratio of two Performance Shares for every Share Award. The vesting of half of each Performance Award is conditional on achieving an EPS target and half is conditional on achieving a TSR target. In the following charts the value of Performance Awards is calculated as half of the fair value of the maximum potential number of shares that may vest if performance conditions are met. The calculation of the fair value is explained in note 17 to the financial statements.

Remuneration scenarios for Executive Directors

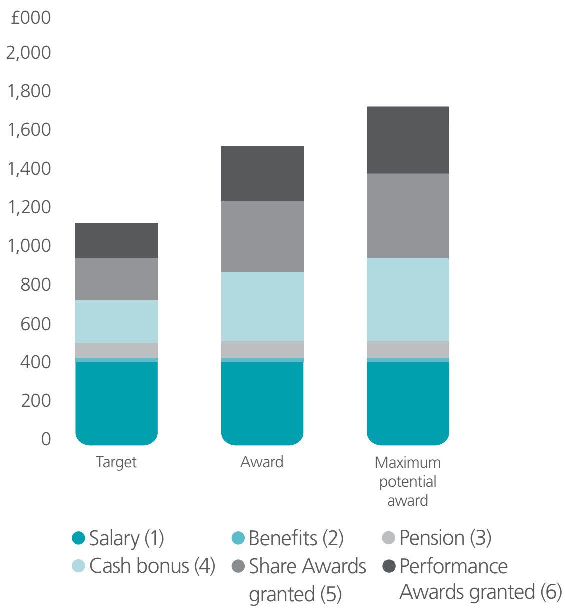
The charts below show the total remuneration awarded to the Executive Directors for their performance in 2012 compared to target remuneration (based on achieving 50% cash bonus) and the maximum potential award (based on achieving 100% cash bonus).

The separate elements of remuneration are shown below:

Chief Executive Officer overall remuneration 2012



Chief Financial Officer overall remuneration 2012



The values displayed in the Award column for salary, benefits, pension, cash bonus and Share Awards are taken from the table on page 59. Remuneration for Lloyd Pitchford excludes the mirror share awards that he was granted as part of his joining package in 2010.

Salary

Where a decision is made to increase a senior executive's base salary the individual, taking into account levels of experience and scale of responsibilities, must have demonstrated strong leadership combined with results. Whilst the Committee takes benchmarking information into account, its decisions are based primarily on the performance of the individual concerned against the above factors to ensure that there is no unintended or unjustified upward ratchet in base remuneration. When determining salaries for our executives we take account of general pay movement and employment conditions elsewhere in the Group, as well as the relevant general markets. This is achieved by reviewing detailed information for the four areas (mainland China, USA, UK and Hong Kong) in which the Group employs the greatest number of employees.

Benefits

Benefits include annual medicals, life assurance cover of four times base salary, allowances in lieu of a company car or other benefits and private medical insurance.

Pensions

In the UK, the Company provides a defined contribution scheme, the Intertek Group Personal Pension Plan for employees. There is also a final salary, defined benefit arrangement for employees who were employed before the scheme was closed to new entrants in October 2002. Intertek also operates a number of pension arrangements around the world for other executives and employees. Material schemes are disclosed in note 16 to the financial statements.

Annual cash bonus

The Executive Directors and senior executives are eligible for annual cash incentive payments for performance against financial and strategic goals set for the Group and its businesses. These bonuses are not pensionable. They are based on a blend of financial and non-financial measures and are reviewed each year.

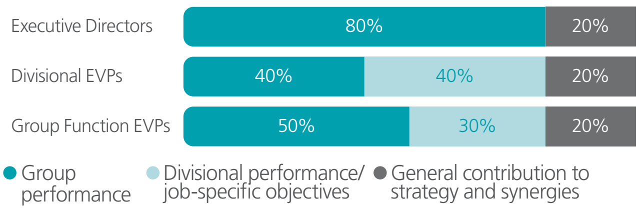
The annual cash bonus potential set for 2012 and 2013 is:

Percentage of base salary	2012	2013
Wolfhart Hauser	130	130
Lloyd Pitchford	100	100
Executive Vice Presidents	75	75-100

Group and divisional bonus targets are established and reviewed by the Committee each year. They are set to ensure they are linked to strategic and immediate current business goals, and are sufficiently demanding, taking full account of economic conditions and risk factors. The bonus targets for 2012 were determined from the strategic plan and budget results for the year ended 31 December 2011 and formed the basis of the bonus minimum target for 2012. The target 2012 bonus was based on meeting analyst expectations and the stretch is determined by the Committee taking into account all relevant factors and the economic outlook. The stretch targets, when met, reward exceptional achievement and contribution well beyond expectations.

Executive Directors' bonus criteria for 2012 comprised the following: (i) Group performance elements; and (ii) non-financial elements. Senior executives' bonus criteria for 2012 comprised the following: (i) Group performance elements; (ii) divisional performance elements, where the executive is responsible for divisional results, or function-specific objectives; and (iii) non-financial elements. The goals derive from the three-year planning process and annual budgets for the Group, which form the cornerstone of the Group's results-focused culture. The divisional elements of bonus are based upon financial performance indicators appropriate to that division. The effect of exchange rate movements on earnings is one of the elements we consider before finalising bonus outcomes.

The proportions of bonus elements in 2012 were:



The weightings for the Group financial bonus criteria for 2012 were:

	% of Group bonus
Adjusted diluted earnings per share growth[1]	50
Adjusted operating profit growth[1]	25
Operating cash flow % of adjusted operating profit[1]	15
Return on invested capital	10

1. Calculated using constant 2011 exchange rates.

The non-financial general contribution element of up to 20% of total bonus is determined by taking into account the overall personal contribution of the executive to the goals and results of the Group for the year, the development of the medium-term strategy of the Group, the achievement over the year of strategic objectives and demonstrable efforts and results in team-building and leadership.

The Committee can award additional discretionary payments to recognise very exceptional performance or to recognise that circumstances have occurred which were beyond the direct responsibility of the executive and the executive has managed and mitigated the impact of any loss, or to address key retention issues. The Committee has the ability to reduce bonus payments if it believes that short-term performance has been achieved at the expense of the Group's long-term future success and it also retains the discretion to reclaim payments if the performance achievements are subsequently found to have been significantly misstated. No such discretion was exercised in 2012.

Remuneration report continued

Share plan awards
Executive Directors and other executives are awarded shares in the Intertek 2011 Long Term Incentive Plan (the 'Plan') and are subject to shareholding requirements.

Intertek share plans
Executive Directors and other key employees are eligible to participate in our share plans. Non-Executive Directors are not.

i) Intertek 2011 Long Term Incentive Plan
The purposes of this Plan are the reward and retention of senior executives and key specialists and the long-term alignment of their interests with shareholders by linking rewards to Intertek's sustained performance.

The Plan has two elements:

- Share Awards are made to executives based on their annual performance. For the Executive Directors and their Senior Executives, the value of Share Awards will in most cases be equal to their annual cash bonus. We believe that this provides a simple and well-targeted form of reward. The awards normally vest three years after grant, on the condition that the participant is still employed in the Group.
- Performance Awards, which are subject to long-term performance requirements, are, at the discretion of the Committee, awarded to the most senior executives. Performance Awards for the Executive Directors and IOC are granted at the maximum ratio of two Performance Shares for every Share Award. For members of the Intertek Council Performance Awards are granted at the maximum ratio of one Performance Share for every Share Award. Performance Awards vest after three years, once the Committee has determined the extent to which the applicable performance conditions have been satisfied and on the condition that the participant is still employed in the Group.

At the Group's discretion, awards may be satisfied by the issue of new shares, by purchasing shares in the market, or in cash.

Awards granted from 2012 include accrual of dividends paid and payable during the vesting period to be paid in cash or shares at vesting.

The vesting of half of each Performance Award is conditional on achieving an EPS target and half is conditional on achieving a TSR target.

The EPS performance condition is set as a compound annual percentage growth over three years, measured against the base year, which is the year prior to the start of the measurement period. For the 2012-2014 performance period, the threshold level was set at 6% per annum and the upper target at 16% per annum. For the 2013-2015 performance period, the threshold level is also being set at 6% per annum and the upper target at 16% per annum. When the Committee reviewed the EPS targets, the comments made by shareholders were taken into account.

EPS is fully diluted and will be calculated on the basis of foreign exchange rates adopted at the start of the cycle for internal budgeting purposes. This is an appropriate basis given the wide spread of operating currencies across the Group's global activities.

Awards will vest as follows in respect of the EPS condition:

EPS growth outturn	% of Performance Award that vests
Below threshold	None
Threshold EPS	25
Between threshold and upper target	Pro-rata on a straight line between 25 and 100
Upper target	100

The TSR condition is based on the Company's TSR ranking relative to a peer group of companies in the FTSE Index. For the grant in 2012 the peer group of FTSE index members 31 to 130 (excluding investment trusts and banks) was used.

The Committee considers that relative TSR is an appropriate measure of long-term performance as it is an indicator of earnings growth, the quality of earnings and dividends relative to Intertek's FTSE comparators, and it aligns the interests of executives with those of Intertek shareholders.

For the TSR element to vest, the Committee will also need to be satisfied that the resulting outcome is a true reflection of underlying performance (which in general, we expect to be determined by reference to EPS growth).

Awards vest as follows in respect of the TSR condition:

TSR Ranking	% of Performance Award that vests
Below median	None
Median	25
Between median and upper quartile	Pro-rata on a straight line between 25 and 100
Upper quartile	100

The Committee can set different performance conditions from those described above for future awards. Any such new targets will not, in the reasonable opinion of the Committee, be materially less challenging in the circumstances than those described above.

ii) Deferred Bonus Plan 2005 ('DBP')

Awards were granted under this plan between 2006 and 2010. Both Deferred Awards and Matching Awards (which were performance related) were granted. Vesting takes place three years after grant.

The performance condition for these Matching Awards comprises only TSR ranking relative to a peer group of FTSE Index companies. The peer groups selected varied from year to year to reflect the rise in Intertek's ranking in the FTSE index. No Matching Award will vest unless an EPS underpin of 2% in excess of average growth per annum of UK Retail Prices Index is met.

Awards vest as follows in respect of the TSR condition:

TSR Ranking	% of Matching Award that vests
Below median	None
Median	25
Between median and upper quartile	Pro-rata on a straight line between 25 and 100
Upper quartile	100

The Company has undertaken to limit to 5% of the Company's issued share capital the number of awards satisfied by newly issued shares under the Plan and the DBP in each 10-year period, from the time the DBP was adopted. As at 31 December 2012, outstanding awards represented 1.26% of the Company's issued share capital and 1.54% of issued share capital has been issued in satisfaction of awards.

iii) Mirror share awards

As part of the arrangements made in respect of the hiring of Lloyd Pitchford, the Company agreed to compensate him for the loss of share incentive awards made to him by his previous employer by replacing each of his outstanding awards with an award (a 'mirror share award') over an appropriately adjusted number of Intertek Group plc shares. Details of these awards, and their performance criteria, were explained in detail in the 2010 Annual Report.

Policy on share retention

A shareholding retention requirement continues to be operated by the Committee. The Chief Executive Officer is required to build up a shareholding in the Company worth at least 150% of base salary within five years. The Chief Financial Officer and the members of the IOC, who form the senior management of Intertek, are required to build up a shareholding in the Company worth at least 100% of base salary within five years. To build this holding, we require that, after allowing for tax and similar liabilities, all the shares subject to each vested award under the Intertek share plans will be retained by the executive until the ownership target is attained.

Service contracts and appointment arrangements

Wolfhart Hauser has an executive service contract, effective from 1 March 2005, which is subject to 12 months' notice on either side. It contains provisions by way of compensation for loss of office, limited to payment of salary over a 12-month period in lieu of notice. The contract permits payments in lieu of notice to be made, at the Company's election, either (i) in full on termination or (ii) on a monthly basis, but only for so long as he receives no remuneration from any other business. If he does receive any such remuneration, the monthly amount payable will be reduced by that remuneration, determined on a monthly basis. The service contract contains no provisions regarding a change of control.

Lloyd Pitchford has an executive service contract, effective from 26 April 2010, which is subject to 12 months' notice on either side. It contains provisions by way of compensation for loss of office, limited to payment of salary and pension contributions over a 12-month period in lieu of notice. The contract permits payments in lieu of notice to be made, at the Company's election, either (i) in full on termination or (ii) in the amounts and at the times it would have been paid if he had continued to work throughout the period of notice but only for so long as he receives no remuneration from any other business. If he does receive any such remuneration, the monthly amount payable will be reduced by that remuneration, determined on a monthly basis. The service contract contains no provisions regarding a change of control and permits bonus payments to be reclaimed in the event that performance achievements are found to have been significantly misstated.

Remuneration report continued

Non-Executive Directors

Non-Executive Directors	Date of original appointment	Expiry of appointment
Edward Astle	1 September 2009	31 August 2015
Alan Brown	15 April 2011	14 April 2014
Christopher Knight	30 March 2006	29 March 2015
Louise Makin	1 July 2012	30 June 2015
Sir David Reid	1 December 2011	30 November 2014
Michael Wareing	15 April 2011	14 April 2014
Lena Wilson	1 July 2012	30 June 2015

The Non-Executive Directors do not have service contracts with the Company. The letter of engagement for each Non-Executive Director states that they are appointed for an initial period of three years and all appointments are terminable by one month's notice on either side. At the end of the initial period the appointment may be renewed for a further period, usually three years, if the Company and the Director agree and subject to annual reappointment at the AGM. Each letter of engagement states that if the Company were to terminate the appointment, the Non-Executive Director would not be entitled to any compensation for loss of office.

The annual fees for 2012 and 2013 are as follows:

	2012 £000	2013* £000
Board membership		
Chairman	300	320
Non-Executive Director	55	58
Senior Independent Non-Executive Director	12	12
Committee membership		
Chairman Audit and Risk Committee	15	20
Chairman Remuneration Committee	10	15
Chairman Nomination Committee	–	–
Member Audit and Risk Committee	7.5	10
Member Remuneration Committee	5.0	7.5
Member Nomination Committee	2.5	2.5

* Increase to take effect from 1 April 2013.

Pursuant to the policy of aligning Directors' interests with those of shareholders, a proportion of the fees due to the Non-Executive Directors is used each year to purchase shares in the Company.

Implementation report

Directors' remuneration earned in 2012

The table below summarises Directors' remuneration and pension contributions for 2012 and the prior year for comparison.

	Base salary or fees 2012 £000	Cash bonuses 2012 £000	Other benefits[1] 2012 £000	Pension contributions 2012 £000	Total emoluments 2012 £000	Total emoluments 2011 £000	Share Awards[2] 2012 £000	Share Awards[2] 2011 £000
Executive Directors								
Wolfhart Hauser	**687**	**750**	**72**	**172**	**1,681**	1,682	**694**	667
Lloyd Pitchford	**427**	**362**	**25**	**85**	**899**	821	**362**	331
Non-Executive Directors								
Edward Astle	**64**	–	–	–	**64**	62	–	–
Alan Brown[3]	**60**	–	–	–	**60**	39	–	–
Christopher Knight	**75**	–	–	–	**75**	70	–	–
Louise Makin[4]	**30**	–	–	–	**30**	–	–	–
Sir David Reid[5]	**300**	–	**25**	–	**325**	27	–	–
Michael Wareing[3]	**85**	–	–	–	**85**	44	–	–
Lena Wilson[4]	**28**	–	–	–	**28**	–	–	–
Former Non-Executive Directors								
David Allvey[6]	–	–	–	–	–	94	–	–
Gavin Darby[7]	–	–	–	–	–	27	–	–
Debra Rade[6]	–	–	–	–	–	57	–	–
Vanni Treves[6]	–	–	–	–	–	212	–	–
Total	**1,756**	**1,112**	**122**	**257**	**3,247**	3,135	**1,056**	998

1. Value of allowances in lieu of company car, annual medicals, life assurance and private medical insurance. With respect to the Non-Executive Directors, other than Sir David Reid, who receives a car allowance of £25k per annum, no other benefits are provided.
2. Share Awards represent the value of awards granted in respect of performance for the year under review. These awards normally vest three years after the date of grant, on condition that the participant is still employed in the Group. Performance Awards are excluded and are disclosed in the graphs on page 54. Performance conditions for these awards are disclosed on pages 56 and 57.
3. Appointed 15 April 2011.
4. Appointed 1 July 2012.
5. Appointed 1 December 2011.
6. Retired 31 December 2011.
7. Resigned 20 May 2011.

Directors' report – Governance

Remuneration report continued

Base salary

Salaries for the Executive Directors were increased in 2012 and in 2013 (see the table below). Applying the remuneration policy, we considered that the performance of the individuals, taken in conjunction with the continuing growth and financial success of the Group, justified the increases. In the case of Wolfhart Hauser, the Board regards his leadership of the Group as exemplary. For Lloyd Pitchford, the salary increase reflects the continuing strong performance he is delivering in the role.

The Executive Directors' salaries are:

	Base salary from 1 April 2012 £000	Base salary from 1 April 2013 £000	Base salary % increase over 2012 salary
Wolfhart Hauser	694	715	3
Lloyd Pitchford	436	449	3

Elsewhere in the Group, salary increases were also awarded where justified by the growth and performance of the relevant businesses, not just by market conditions.

Pensions

The pension arrangements for Executive Directors are as follows:

	Group Company pension member	% Base salary	Contribution 2012 £000	Contribution 2011 £000
Wolfhart Hauser	No	25	172	163
Lloyd Pitchford	No	20	85	78

Annual cash bonus

The amount of the bonus in respect of 2012, to be paid in 2013, is as follows:

Percentage of base salary	2012 Award £000	Max %	% of salary
Wolfhart Hauser	750	130	108
Lloyd Pitchford	362	100	83

The Committee did not exercise any discretion in respect of the above bonus outturn.

The weightings and outcomes for the Group financial bonus criteria for 2012 were:

	% Business outcome	% of Group bonus	% of bonus achieved
Adjusted diluted earnings per share growth[1]	20.4	50	100
Adjusted operating profit growth[1]	17.5	25	92
Operating cash flow % of adjusted operating profit[1]	69.8	15	–
Return on invested capital	19.1	10	60

1. Calculated using constant 2011 exchange rates.

The outcome for the proportion of bonus based on General Contribution for the Executive Directors was:

	% of bonus	% of bonus achieved
Wolfhart Hauser	20	100
Lloyd Pitchford	20	100

Share plan awards

The table below shows the Directors' interests in the Intertek share plans:

		31 December 2011 Number of shares	Granted in 2012 Number of shares	Award price[1] £	Vested in 2012 Number of shares[2]	Lapsed in 2012 Number of shares	31 December 2012 Number of shares	Date of vesting[3]
Wolfhart Hauser								
2009	Deferred	46,152	–	8.342	46,152	–	**–**	March 2012
	Matching	92,304		8.342	92,304	–	**–**	
2010	Deferred	43,316	–	13.332	–	–	**43,316**	March 2013
	Matching	86,632		13.332	–	–	**86,632**	
2011	Share	31,938	–	18.986	–	–	**31,938**	March 2014
	Performance	63,876	–	18.986	–	–	**63,876**	
2012	Share	–	28,696	23.24	–	–	**28,696**	March 2015
	Performance	–	57,392	23.24	–	–	**57,392**	
Total		364,218	86,088		138,456[4]	–	**311,850**	
Lloyd Pitchford								
2010	Deferred	8,313	–	14.434	–	–	**8,313**	May 2013
	Matching	16,626	–	14.434	–	–	**16,626**	
2011	Share	16,034	–	18.986	–	–	**16,034**	March 2014
	Performance	32,068	–	18.986	–	–	**32,068**	
2012	Share	–	14,248	23.24	–	–	**14,248**	March 2015
	Performance	–	28,496	23.24	–	–	**28,496**	
Total		73,041	42,744		–	–	**115,785**	

1. Awards made are based on a share price obtained by averaging the closing share prices for the five dealing days before the date of grant. On the grant date 6 March 2012 the share price was £22.62. No payment is made by participants in the Plan or the DBP.
2. Awards vested on 12 March 2012, on which date the closing market price of shares was £24.55 having been granted on 10 March 2009 on which date the closing market price was £8.995.
3. Awards normally vest three years after grant. The vesting of Matching and Performance Awards is subject to additional performance conditions described on pages 56 and 57.
4. The aggregate gain made by Directors on the vesting of awards was £3,370,116.

TSR performance

The TSR performance calculation for the Matching Awards that vested in 2012 was determined by New Bridge Street ('NBS'), part of AON plc. The TSR performance was as follows:

Scheme	Date of Grant	Intertek TSR	Intertek rank*	Vesting % of TSR element (Max 100%)
Deferred Bonus Plan	10 March 2009	139.5%	18.95 against 78	100

* Live companies only.

Mirror share awards

On 14 May 2010 Lloyd Pitchford was granted conditional rights to acquire 49,039 1p shares in Intertek Group plc under a one-off arrangement as a condition of his recruitment as Chief Financial Officer of the Company. The award comprised eight parts (Tranches A to H). Tranche A vested in 2010, Tranches B to E vested in 2011 and the last Tranches, as outlined in the next column, vested in 2012.

Each tranche vested subject to Lloyd Pitchford's continued employment with Intertek. In the case of Tranche G the extent to which such tranche vested was also contingent on the satisfaction of TSR performance criteria. The awards were satisfied with market purchased shares. The gain made on vesting during 2012 was £278,161.

	31 December 2011 Number of shares	Vested in 2012 Number of shares	31 December 2012 Number of shares	Vesting date of award
Tranche F	1,723	**1,723**	–	November 2012
Tranche G	5,170	**5,170**	–	November 2012
Tranche H	3,006	**3,006**	–	November 2012

TSR performance

The TSR performance calculation for the Mirror Awards that vested in 2012 was determined by NBS. The TSR performance was as follows:

Scheme	Date of Grant	Intertek TSR	Intertek rank*	Vesting % of TSR element (Max 100%)
Tranche G	14 May 2010	108.9%	4.26 against 83	100

* Live companies only.

Directors' report – Governance

Remuneration report continued

Directors' interests in ordinary shares

The interests of the Directors in the shares of the Company as at the year end are set out below. Save as stated in this report, during the course of the year, no Director nor any member of his or her immediate family had any other interest in the ordinary share capital of the Company or any of its subsidiaries.

	31 December 2011 or on appointment	Acquired	Disposed	31 December 2012	Shareholding as a % of salary[2]	Shareholding requirement met?
Edward Astle	684	194	–	878	n/a	n/a
Alan Brown	–	1,041	–	1,041	n/a	n/a
Wolfhart Hauser	87,677	138,456	105,227	120,906	545	Yes
Christopher Knight	6,988	243	–	7,231	n/a	n/a
Louise Makin[1]	–	–	–	–	n/a	n/a
Lloyd Pitchford	22,197	9,899	5,157	26,939	196	Yes
Sir David Reid	–	707	–	707	n/a	n/a
Michael Wareing	3,000	235	–	3,235	n/a	n/a
Lena Wilson[1]	–	–	–	–	n/a	n/a

1. At date of appointment (1 July 2012).
2. Based on a share price of £30.99 as at 31 December 2012.

No changes in the above Directors' interests have taken place between 31 December 2012 and the date of this report.

External appointments

The Company recognises that, during their employment with the Company, Executive Directors may be invited to become Non-Executive Directors of other companies and that such duties can broaden their experience and knowledge. Executive Directors may, with the written consent of the Company, accept such appointments outside the Company, and the policy is that any fees may be retained by the Director.

Wolfhart Hauser was a Non-Executive Director of Logica plc until he resigned on 20 August 2012. His earnings for this appointment in 2012, which he retained, were £38,000.

Advisors

To ensure that the Group's remuneration practices drive and support achievement of strategies and are market competitive, the Committee obtains advice from various independent sources.

During 2012, the Committee took independent advice to ensure that remuneration is 'fit for purpose', on share incentive arrangements and remuneration benchmarking from Kepler Associates ('KA') and on remuneration matters from NBS. KA and NBS are members of the Remuneration Consultants Group and they adhere to the Voluntary Code of Conduct in relation to Executive Remuneration Consulting in the UK. The Committee took independent advice on UK pension matters from Premier Pensions Management Limited ('PPM'). During 2012, PPM's associate company provided additional FSA-regulated services in respect of UK pension and employee matters. PPM, KA and NBS have no other connection with the Company or its senior officers. Due to the worldwide operations of the Group, advisors are selected on their particular expertise both at a local and global level.

Shareholder context

At the May 2012 Annual General Meeting, a resolution was proposed to shareholders to approve the Remuneration Report for the year ended 31 December 2011. This resolution was passed on a poll with 95.70% of the votes in favour and 4.30% against. The percentage of votes withheld was 4.98%.

Approval of the Remuneration Report

The Remuneration Report was approved by the Board on 1 March 2013.

Christopher Knight
Chairman Remuneration Committee

Other statutory information

In accordance with the requirements of the Companies Act 2006 (the 'Act') and UK Listing Authority Disclosure and Transparency Rules, the following section describes the matters that are required for inclusion in the Directors' Report and were approved by the Board. Further details of matters required to be included in the Directors' Report that are incorporated by reference into this report are set out below.

Directors

The Directors who held office during the year are set out below.

Sir David Reid	Chairman
Wolfhart Hauser	Chief Executive Officer
Lloyd Pitchford	Chief Financial Officer
Edward Astle	Non-Executive Director
Alan Brown	Non-Executive Director
Christopher Knight	Non-Executive Director
Louise Makin	Non-Executive Director (appointed 1 July 2012)
Michael Wareing	Senior Independent Non-Executive Director
Lena Wilson	Non-Executive Director (appointed 1 July 2012)

The biographies of the Directors at the date of this report are set out on page 37.

The Company's Articles of Association contain provisions relating to the retirement, election and re-election of Directors but, in accordance with best practice, all directors will stand for election or re-election at the Annual General Meeting ('AGM').

Directors' powers and Articles of Association

The Directors are responsible for the management of the Company and their powers to do so are determined by the provisions of the Act and the Company's Articles of Association. The Articles of Association set out the internal regulation of the Company and cover such matters as the rights of shareholders, the appointment or removal of Directors and the conduct of the Board and general meetings. Copies are available upon request from the Group Company Secretary and are available at the Company's AGM. Further powers are granted by members in general meeting and those currently in place are set out in detail within the appropriate section of this report.

Directors' interests

Other than employment contracts, none of the Directors of the Company had a personal interest in any business transactions of the Company or its subsidiaries. The terms of the Directors' service contracts and the Directors' interests in the shares and share awards of the Company, in respect of which transactions are notifiable to the Company under the UK Listing Authority Disclosure and Transparency Rule 3.1.2 are disclosed in the Remuneration Report on pages 51 to 62.

Directors' indemnities

The Board believes that it is in the best interests of the Group to attract and retain the services of the most able and experienced Directors by offering competitive terms of engagement, including the granting of indemnities on terms consistent with the applicable statutory provisions. Qualifying third-party indemnity provisions (as defined by section 234 of the Act), were accordingly in force during the course of the financial year ended 31 December 2012, for the benefit of the Directors and, at the date of this report, are in force in relation to certain losses and liabilities which they may incur (or have incurred) in connection with their duties, powers or office.

Principal activities and business review

The Group's principal activities, business and principal risks and uncertainties are contained in the Business Review, on pages 4 to 35 and the Corporate Governance section, on pages 38 to 46 which are incorporated by reference into this report.

Dividend

The Directors are recommending a final dividend of 28.0p per ordinary share (2011: 23.0p) making a full year dividend of 41.0p per ordinary share (2011: 33.7p) which will, if approved at the AGM, be paid on 7 June 2013 to shareholders on the register at close of business on 24 May 2013.

Share capital

The issued share capital of the Company, and details of the movements in the Company's share capital during the year, are shown in note 15 to the financial statements.

The holders of ordinary shares are entitled to receive dividends when declared, to receive the Company's report and accounts, to attend and speak at general meetings of the Company, to appoint proxies and exercise voting rights. A waiver of dividend exists in respect of 24,754 shares held by the Intertek Group Employee Share Ownership Trust at 31 December 2012. There are no restrictions on the transfer of ordinary shares in the Company.

The rights attached to shares in the Company are provided by the Articles of Association, which may be amended or replaced by means of a special resolution of the Company in a General Meeting. The Directors' powers are conferred on them by UK legislation and by the Company's Articles of Association.

No ordinary shares carry any special rights with regard to control of the Company and there are no restrictions on voting rights except that a shareholder has no right to vote in respect of a share unless all sums due in respect of that share are fully paid. There are no arrangements known to the Company by which financial rights carried by any shares in the Company are held by a person other than the holders of the shares, nor are there any arrangements between holders of securities that may result in restrictions on the transfer of securities or on voting rights known to the Company. All issued shares are fully paid.

Shares are admitted to trading on the London Stock Exchange and may be traded through the CREST system.

Other statutory information continued

Allotment of shares

At the AGM held in 2012 the shareholders generally and unconditionally authorised the Directors to allot relevant securities up to approximately two-thirds of the nominal amount of issued share capital. It is the Directors' intention to seek renewal of this authority in line with guidance issued by the Association of British Insurers. The resolution will be set out in the Notice of AGM.

Also at the AGM in 2012 the Directors were empowered by the shareholders to allot equity securities, up to 5% of the Company's issued share capital, for cash under section 570 of the Act. It is intended that this authority be renewed, up to 5%, at the forthcoming AGM.

Purchase of own shares

Shareholders also approved the authority for the Company to buy back up to 10% of its own ordinary shares by market purchase until the conclusion of the AGM to be held this year. The Directors will seek to renew this authority for up to 10% of the Company's issued share capital at the forthcoming AGM. This power will only be exercised if the Directors are satisfied that any purchase will increase the earnings per share of the ordinary share capital in issue after the purchase and accordingly, that the purchase is in the interests of shareholders. The Directors will also give careful consideration to gearing levels of the Company and its general financial position. Any shares purchased in this way may be held in treasury which, the Directors believe, will provide the Company with flexibility in the management of its share capital. Where treasury shares are used to satisfy share options or awards, they will be classed as new issue shares for the purpose of the 10% limit on the number of shares that may be issued over a 10-year period under our relevant share plan rules.

Policy and practice on payment of suppliers

The Group does not follow a single standard on payment practice but has a variety of payment terms with its suppliers. Payment terms are agreed at the commencement of business with each supplier and it is the policy of the Group that payment is made accordingly, subject to the terms and conditions being met. The holding company, Intertek Group plc, does not trade and therefore has no trade payables.

Significant relationships

The Group does not have any contractual or other relationships with any single party which are essential to the business of the Group and therefore no such relationships have been disclosed.

Social and community issues

We encourage our local managers to foster community links appropriate to the businesses they manage. Further details are given in our Sustainability and CSR Report on page 28.

Material interests in shares

The following disclosures of major holdings of voting rights have been made (and have not been amended or withdrawn) to the Company pursuant to the requirements of the UK Listing Authority Disclosure and Transparency Rule 5:

- BlackRock Inc. gave notice on 8 October 2012 that they had an indirect interest on 5 October 2012 in 8,157,265 ordinary shares, representing 5.07% of the ordinary shares in issue at that date.
- Capital Research and Management Company gave notice on 4 September 2012 that they had an indirect interest on 3 September 2012 in 10,818,828 ordinary shares, representing 6.73% of the ordinary shares in issue at that date.
- Legal and General Group plc gave notice on 15 June 2012 that they had a direct interest on 14 June 2012 in 4,840,713 ordinary shares, representing 3.01% of the ordinary shares in issue on that date.
- Morgan Stanley Investment Management Inc gave notice on 15 March 2012 that they had an indirect interest on 14 March 2012 in 8,027,805 ordinary shares, representing 5.01% of the ordinary shares in issue at that date.

Charitable and political donations

During 2012 the Group made charitable donations of £146,000 (2011: £117,000) to a wide variety of charities.

At the AGM in 2012 shareholders passed a resolution, on a precautionary basis, to authorise the Company to make donations to EU political organisations and to incur EU political expenditure (as such terms are defined in the Act) not exceeding £90,000. During the year the Group did not make any political donations (2011: £nil). It is the Company's policy not, directly or through any subsidiary, to make what are commonly regarded as donations to any political party. However, at the forthcoming AGM of the Company, shareholders' approval will again be sought to authorise the Group to make political donations and/or incur political expenditure (as such terms are defined in Sections 362 to 379 of the Act). Further details of this will be contained in the Notice of AGM.

Auditors

The auditors, KPMG Audit Plc, have indicated their willingness to continue in office and a resolution that they be reappointed will be proposed at the forthcoming AGM in accordance with Section 489 of the Act.

Annual General Meeting

The Notice convening the AGM, to be held on 17 May 2013, will be available for download from the Company's corporate website at www.intertek.com/investors. The Notice will detail the business to be conducted at the meeting and include information concerning the deadlines for submitting proxy forms and in relation to voting rights.

Statement of disclosure of information to auditors

The Directors who held office at the date of approval of this Directors' Report confirm that, so far as they are aware, there is no relevant audit information of which the Company's auditors are 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 auditors are aware of that information.

Statement of Directors' responsibilities

Statement of Directors' Responsibilities in respect of the Annual Report and the financial statements

The Directors are responsible for preparing the Annual Report and the Group and Parent Company financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Group and Parent Company financial statements for each financial year. Under that law they are required to prepare the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU and applicable law and have elected to prepare the Parent Company financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

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 Group and Parent Company and of their profit or loss for that period. In preparing each of the Group and Parent Company 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;
- For the Group financial statements, state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- For the Parent Company financial statements, state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the Parent Company financial statements; and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the Parent Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the Parent Company and enable them to ensure that its 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 Group and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the Directors are also responsible for preparing a Directors' Report, Directors' Remuneration Report and Corporate Governance Statement that complies with that law and those regulations.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Responsibility statement of the Directors in respect of the annual financial report

Each of the Directors, whose name and functions are listed on page 36, confirm that to the best of their knowledge:

- The financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and
- The Directors' Report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

This Directors' Report comprising pages 4 to 65 has been approved by the Board and signed on its behalf by:

Wolfhart Hauser
Chief Executive Officer

1 March 2013
Registered Office
25 Savile Row
London
W1S 2ES
Registered Number: 4267576

Independent Auditor's Report to the members of Intertek Group plc

We have audited the financial statements of Intertek Group plc for the year ended 31 December 2012 set out on pages 68 to 116. The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU. The financial reporting framework that has been applied in the preparation of the Parent Company financial statements is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

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 65, 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 (APB'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 on 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 Group's and of the Parent Company's affairs as at 31 December 2012 and of the Group's profit for the year then ended;
- The Group financial statements have been properly prepared in accordance with IFRSs as adopted by the EU;
- The Parent Company financial statements have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- The financial statements have been prepared in accordance with the requirements of the Companies Act 2006; and, as regards the Group financial statements, Article 4 of the IAS Regulation.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- The part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- The information given in 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:

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

- Adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- The Parent Company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- Certain disclosures of Directors' remuneration specified by law are not made; or
- We have not received all the information and explanations we require for our audit.

Under the Listing Rules we are required to review:

- The Directors' statement, set out on page 46, in relation to going concern;
- The part of the Corporate Governance Statement in the Directors' Report relating to the Company's compliance with the nine provisions of the UK Corporate Governance Code specified for our review; and
- Certain elements of the report to shareholders by the Board on Directors' remuneration.

Stephen Wardell (Senior Statutory Auditor)
for and on behalf of KPMG Audit Plc, Statutory Auditor

Chartered Accountants
15 Canada Square
London E14 5GL
1 March 2013

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Consolidated income statement

For the year ended 31 December 2012	Notes	Adjusted results £m	Separately disclosed items* £m	Total 2012 £m	Adjusted results £m	Separately disclosed items* £m	Total 2011 £m
Revenue	2	**2,054.3**	**–**	**2,054.3**	1,749.4	–	1,749.4
Operating costs		**(1,719.2)**	**(51.8)**	**(1,771.0)**	(1,468.3)	(47.1)	(1,515.4)
Group operating profit	2	**335.1**	**(51.8)**	**283.3**	281.1	(47.1)	234.0
Finance income	14	**7.5**	**–**	**7.5**	8.2	–	8.2
Finance expense	14	**(34.2)**	**–**	**(34.2)**	(29.2)	–	(29.2)
Net financing costs		**(26.7)**	**–**	**(26.7)**	(21.0)	–	(21.0)
Profit before income tax		**308.4**	**(51.8)**	**256.6**	260.1	(47.1)	213.0
Income tax expense	6	**(80.3)**	**11.9**	**(68.4)**	(73.3)	11.4	(61.9)
Profit for the year	2	**228.1**	**(39.9)**	**188.2**	186.8	(35.7)	151.1
Attributable to:							
Equity holders of the Company		**213.7**	**(39.9)**	**173.8**	174.5	(35.7)	138.8
Non-controlling interest	20	**14.4**	**–**	**14.4**	12.3	–	12.3
Profit for the year		**228.1**	**(39.9)**	**188.2**	186.8	(35.7)	151.1
Earnings per share**							
Basic	7			**108.2p**			86.8p
Diluted	7			**106.7p**			85.3p

* See note 3.

** Earnings per share on the adjusted results is disclosed in note 7.

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Consolidated statement of comprehensive income

For the year ended 31 December 2012	Notes	2012 £m	2011 £m
Profit for the year	2	**188.2**	151.1
Other comprehensive income			
Foreign exchange translation differences of foreign operations	14	**(37.2)**	(2.2)
Net exchange gain/(loss) on hedges of net investments in foreign operations	14	**25.4**	(21.5)
Loss on fair value of cash flow hedges	14	**(0.3)**	–
Actuarial gains and losses on defined benefit pension schemes	16	**(6.5)**	(7.9)
Income tax recognised in other comprehensive income	6	**1.5**	1.0
Total other comprehensive expense for the year		**(17.1)**	(30.6)
Total comprehensive income for the year		**171.1**	120.5
Total comprehensive income for the year attributable to:			
Equity holders of the Company		**157.2**	108.3
Non-controlling interest	20	**13.9**	12.2
Total comprehensive income for the year		**171.1**	120.5

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Consolidated statement of financial position

As at 31 December 2012	Notes	2012 £m	2011 £m
Assets			
Property, plant and equipment	8	**302.1**	265.0
Goodwill	9	**668.5**	637.0
Other intangible assets	9	**154.5**	169.5
Investments in associates		**0.7**	0.7
Deferred tax assets	6	**28.3**	27.6
Total non-current assets		**1,154.1**	1,099.8
Inventories		**12.3**	12.3
Trade and other receivables	11	**502.4**	442.6
Cash and cash equivalents	14	**166.5**	181.9
Total current assets		**681.2**	636.8
Total assets		**1,835.3**	1,736.6
Liabilities			
Interest bearing loans and borrowings	14	**(0.8)**	(38.7)
Current taxes payable		**(54.2)**	(44.1)
Trade and other payables	12	**(324.3)**	(295.5)
Provisions	13	**(26.8)**	(17.1)
Total current liabilities		**(406.1)**	(395.4)
Interest bearing loans and borrowings	14	**(716.4)**	(723.9)
Deferred tax liabilities	6	**(32.8)**	(49.2)
Net pension liabilities	16	**(17.0)**	(11.3)
Other payables	12	**(6.2)**	(9.0)
Provisions	13	**(1.9)**	(1.3)
Total non-current liabilities		**(774.3)**	(794.7)
Total liabilities		**(1,180.4)**	(1,190.1)
Net assets		**654.9**	546.5
Equity			
Share capital	15	**1.6**	1.6
Share premium		**257.4**	256.7
Other reserves		**16.6**	27.9
Retained earnings		**354.0**	236.3
Total equity attributable to equity holders of the Company		**629.6**	522.5
Non-controlling interest	20	**25.3**	24.0
Total equity		**654.9**	546.5

The financial statements on pages 68 to 112 were approved by the Board on 1 March 2013 and were signed on its behalf by:

Wolfhart Hauser
Director

Lloyd Pitchford
Director

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Consolidated statement of changes in equity

		Attributable to equity holders of the Company							
				Other reserves					
For the year ended 31 December 2012	Notes	Share capital £m	Share premium £m	Translation reserve £m	Other £m	Retained earnings* £m	**Total before non-controlling interest £m**	Non-controlling interest £m	**Total equity £m**
At 1 January 2011		1.6	256.3	45.1	6.4	149.5	**458.9**	23.1	**482.0**
Comprehensive income for the year		–	–	(23.6)	–	131.9	**108.3**	12.2	**120.5**
Dividends paid	15	–	–	–	–	(47.2)	**(47.2)**	(10.4)	**(57.6)**
Issue of shares	15	–	0.4	–	–	–	**0.4**	–	**0.4**
Purchase of own shares	15	–	–	–	–	(7.8)	**(7.8)**	–	**(7.8)**
Purchase of non-controlling interest	20	–	–	–	–	(0.6)	**(0.6)**	(1.2)	**(1.8)**
Equity-settled transactions	17	–	–	–	–	9.5	**9.5**	–	**9.5**
Income tax on equity-settled transactions	6	–	–	–	–	1.0	**1.0**	–	**1.0**
Additions to non-controlling interest	20	–	–	–	–	–	**–**	0.3	**0.3**
At 31 December 2011		**1.6**	**256.7**	**21.5**	**6.4**	**236.3**	**522.5**	**24.0**	**546.5**
At 1 January 2012		1.6	256.7	21.5	6.4	236.3	**522.5**	24.0	**546.5**
Comprehensive income for the year		–	–	(11.3)	–	168.5	**157.2**	13.9	**171.1**
Dividends paid	15	–	–	–	–	(57.9)	**(57.9)**	(12.6)	**(70.5)**
Issue of shares	15	–	0.7	–	–	–	**0.7**	–	**0.7**
Purchase of own shares	15	–	–	–	–	(0.8)	**(0.8)**	–	**(0.8)**
Tax paid on share awards vested		–	–	–	–	(5.8)	**(5.8)**	–	**(5.8)**
Equity-settled transactions	17	–	–	–	–	10.4	**10.4**	–	**10.4**
Income tax on equity-settled transactions	6	–	–	–	–	3.3	**3.3**	–	**3.3**
At 31 December 2012		**1.6**	**257.4**	**10.2**	**6.4**	**354.0**	**629.6**	**25.3**	**654.9**

* After £244.1m for goodwill written off to retained earnings as at 1 January 2004 in relation to subsidiaries acquired prior to 31 December 1997. This figure has not been restated as permitted by IFRS 1.

Financial statements

Consolidated statement of cash flows

For the year ended 31 December 2012	Notes	2012 £m	2011 £m
Cash flows from operating activities			
Profit for the year	2	**188.2**	151.1
Adjustments for:			
Depreciation charge	8	**59.8**	56.4
Amortisation of software	9	**3.8**	3.8
Amortisation of acquisition intangibles and impairment of goodwill	9	**32.5**	25.3
Equity-settled transactions	17	**10.4**	9.5
Net financing costs	14	**26.7**	21.0
Income tax expense	6	**68.4**	61.9
Loss on disposal of property, plant, equipment and software		**0.1**	0.1
Operating profit before changes in working capital and operating provisions		**389.9**	329.1
Change in inventories		**–**	(2.1)
Change in trade and other receivables		**(65.9)**	(34.8)
Change in trade and other payables		**2.2**	3.8
Change in provisions		**7.0**	(6.1)
Special contributions into pension schemes	16	**(0.6)**	(1.2)
Cash generated from operations		**332.6**	288.7
Interest and other finance expense paid		**(26.5)**	(22.3)
Income taxes paid		**(72.6)**	(53.4)
Net cash flows generated from operating activities		**233.5**	213.0
Cash flows from investing activities			
Proceeds from sale of property, plant, equipment and software		**1.7**	1.6
Interest received		**2.3**	2.0
Acquisition of subsidiaries, net of cash acquired	10	**(39.6)**	(459.7)
Consideration paid in respect of prior year acquisitions	13	**(0.6)**	(2.6)
Purchase of non-controlling interest	20	**–**	(1.8)
Acquisition of property, plant, equipment and software	8,9	**(115.0)**	(80.6)
Net cash flows used in investing activities		**(151.2)**	(541.1)
Cash flows from financing activities			
Proceeds from the issue of share capital		**0.7**	0.4
Purchase of own shares	15	**(0.8)**	(7.8)
Tax paid on share awards vested		**(5.8)**	–
Drawdown of borrowings		**201.3**	692.8
Repayment of borrowings		**(217.5)**	(335.5)
Dividends paid to non-controlling interest	20	**(12.6)**	(10.4)
Equity dividends paid	15	**(57.9)**	(47.2)
Net cash flows (used in)/generated from financing activities		**(92.6)**	292.3
Net decrease in cash and cash equivalents	14	**(10.3)**	(35.8)
Cash and cash equivalents at 1 January	14	**181.9**	217.0
Effect of exchange rate fluctuations on cash held	14	**(5.1)**	0.7
Cash and cash equivalents at 31 December	14	**166.5**	181.9

The notes on pages 73 to 112 are an integral part of these consolidated financial statements.

Cash outflow relating to separately disclosed items was £12.8m for year ended 31 December 2012 (2011: £26.1m).

1 Significant accounting policies

Basis of preparation

Accounting policies applicable to more than one section of the financial statements are shown below. Where accounting policies relate to a specific note in the financial statements, they are set out within that note, to provide readers of the financial statements with a more useful layout to the financial information presented.

Statement of compliance

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

The Group financial statements as at and for the year ended 31 December 2012 consolidate those of the Company and its subsidiaries (together referred to as the Group) and include the Group's interest in associates. The Group financial statements have been prepared and approved by the Directors in accordance with International Financial Reporting Standards as adopted by the EU (IFRSs). The Parent Company financial statements present information about the Company as a separate entity and not about its Group. The Company has elected to prepare its Parent Company financial statements in accordance with UK GAAP; these are presented on pages 113 to 116.

Measurement convention

The financial statements are prepared on the historical cost basis except as discussed in the relevant accounting policies.

Functional and presentation currency

These consolidated financial statements are presented in sterling, which is the Company's functional currency. All information presented in sterling has been rounded to the nearest £0.1m.

Changes in accounting policies

The accounting policies set out in these financial statements have been applied consistently to all years presented.

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning on or after 1 January 2012 but do not have a significant effect on the consolidated financial statements of the Group.

Going concern

The Board has reviewed forecasts, including forecasts adjusted for significantly worse economic conditions. The Board has also reviewed the Group's funding requirements and has taken into consideration the issuance of US$80m notes in February 2013 and the available debt facilities. As a result of these reviews the Board remains satisfied with the Group's funding and liquidity position and believe that the Group is well placed to manage its business risks successfully. In addition, on the basis of its forecasts, both base case and stressed, and available facilities, which are described in note 14, the Board has concluded that the going concern basis of preparation continues to be appropriate.

Basis of consolidation

Subsidiaries

Subsidiaries are those entities controlled by the Group. Control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable or convertible are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries have been changed where necessary to align them with the policies adopted by the Group.

For purchases of non-controlling interest in subsidiaries, the difference between the cost of the additional interest in the subsidiary and the non-controlling interest's share of the assets and liabilities reflected in the consolidated statement of financial position at the date of acquisition, is reflected directly in shareholders' equity.

Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised gains and losses or income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Foreign currency

Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities (for example cash, trade receivables, trade payables) denominated in foreign currencies at the reporting date are translated at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are generally recognised in the income statement. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

For the policy on hedging of foreign currency transactions see note 14.

1 Significant accounting policies (continued)

Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to sterling at foreign exchange rates ruling at the reporting date.

The income and expenses of foreign operations are translated into sterling at cumulative average rates of exchange during the year. Exchange differences arising from the translation of foreign operations are taken directly to equity in the translation reserve. They are released to the income statement upon disposal. For the policy on net investment hedging see note 14.

The most significant currencies for the Group were translated at the following exchange rates:

	Assets and liabilities Actual rates		Income and expenses Cumulative average rates	
Value of £1	**31 Dec 2012**	31 Dec 2011	**2012**	2011
US dollar	**1.61**	1.55	**1.59**	1.60
Euro	**1.22**	1.20	**1.23**	1.15
Chinese renminbi	**10.12**	9.77	**10.01**	10.35
Hong Kong dollar	**12.46**	12.04	**12.31**	12.47

Use of judgements and estimates

The preparation of financial statements in conformity with IFRSs requires management to make judgements and estimates that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimates are revised and in any future years affected.

Judgements

In applying the Group's accounting policies, management has applied judgement in the following areas that have a significant impact on the amounts recognised in the financial statements.

Basis of consolidation

Judgement is applied when determining if the Group 'controls' a subsidiary or associate. In assessing control, the Group considers whether it has the ability to control on a legal or contractual basis rather than whether that control is actually exercised; see above.

Intangible assets

When the Group makes an acquisition, management determines whether any intangible assets should be recognised separately from goodwill; see note 9.

Income tax

The tax on profits is determined according to complex tax laws and regulations. Where the effect of these laws and regulations is unclear, judgements are used in determining the liability for the tax to be paid; see note 6.

Deferred tax

Deferred tax assets and liabilities require management judgement in determining the amounts to be recognised, with consideration given to the timing and level of future taxable income; see note 6.

Estimates

Discussed below are key assumptions concerning the future, and other key sources of estimation at the reporting date, that have a risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year.

Impairment of goodwill

The Group determines on an annual basis whether goodwill is impaired. This requires an estimation of the future cash flows of the cash generating units to which the goodwill is allocated; see note 9.

Claims

In making provision for claims, management bases its estimate on the circumstances relating to each specific event, internal and external legal advice, knowledge of the industries and markets, prevailing commercial terms and legal precedents; see note 13.

Contingent consideration

When the Group acquires businesses, the total consideration may consist of an amount paid on completion plus further amounts payable on agreed post completion dates. These further amounts are contingent on the acquired business meeting agreed performance targets. At the date of acquisition, the Group reviews the profit and cash forecasts for the acquired business and estimates the amount of contingent consideration that is likely to be due; see note 13.

1 Significant accounting policies (continued)

Employee post-retirement benefit obligations
For material defined benefit plans, the actuarial valuation includes assumptions such as discount rates, return on assets, salary progression and mortality rates; see note 16.

Recoverability of trade receivables
Trade receivables are reflected net of an estimated provision for impairment losses. This provision considers the past payment history and the length of time that the debt has remained unpaid; see note 11.

Accounting policies relating to a specific note in the financial statements are set out within that note as follows:

	Note
Revenue	2
Separately disclosed items	3
Taxation	6
Property, plant and equipment	8
Goodwill and other intangible assets	9
Trade and other receivables	11
Trade and other payables	12
Provisions	13
Borrowings and financial instruments	14
Capital and reserves	15
Employee benefits	16
Share schemes	17
Non-controlling interest	20

2 Operating segments and presentation of results

Accounting policy
Revenue
Revenue represents the total amount receivable for services rendered, excluding sales related taxes and intra group transactions.

Revenue from services rendered on short-term projects is generally recognised in the income statement when the relevant service is completed, usually when the report of findings is issued.

On long-term projects the Group records transactions as sales on the basis of value of work done, with the corresponding amount being included in trade debtors if the customer has been invoiced or in accrued income if billing has yet to be completed. Expenses are recharged to clients where permitted by the contract.

Operating segments
The Group is organised into five divisions, each of which offer services to different industries and are managed separately: Industry & Assurance; Commodities; Consumer Goods; Commercial & Electrical and Chemicals & Pharmaceuticals. The costs of the corporate head office and other costs which are not controlled by the operating divisions are allocated to these divisions.

The divisions noted above are the operating segments that are reported to the Board of Directors, the chief operating decision maker, and are the Group's reportable segments. Inter-segment pricing is determined on an arm's length basis. There is no significant seasonality in the Group's operations.

Segment results include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. The performance of the segments is assessed based on adjusted operating profit which is before separately disclosed items. Unallocated items include group-wide projects that do not sit in any one division. A reconciliation to operating profit by division, and Group profit for the year is included overleaf.

Principal activities are as follows:

Industry & Assurance – using in-depth knowledge of the oil, gas, nuclear, power, renewable energy, construction, food, chemical and agricultural industries, the division provides a diverse range of services to help customers meet global quality standards. These include asset integrity management, exploration and production support, consulting, training and third-party management systems auditing. The division also provides certification services, second-party supplier auditing, sustainability data verification and process performance analysis.

Commodities – provides independent cargo inspection, analytical assessment, calibration and related research and technical services to the world's petroleum, mining, minerals and biofuels industries. The division also provides services to governments and regulatory bodies to support trade activities that help the flow of goods across borders.

2 Operating segments and presentation of results (continued)

Consumer Goods – the division is a market leading provider of services to the textiles, toys, footwear, hardlines, food and retail industries. As partner to retailers, manufacturers and distributors it offers expertise on issues ranging from restricted hazardous substance and sustainability, to supply chain security and legislation relating to environmental, ethical and trade security issues. Services include testing, inspection, auditing, advisory services, quality assurance and hazardous substance testing.

Commercial & Electrical – the global network of accredited facilities provides manufacturers and retailers with the most comprehensive scope of safety, performance and quality testing and certification services. The division supports customers in a wide range of industries including home appliances, consumer electronics, lighting, medical, building, industrial and HVAC/R (heating, ventilation, air conditioning and refrigeration), information and communications technology, renewable energy and automotive.

Chemicals & Pharmaceuticals – serving a wide range of industries including chemical, pharmaceutical, oil and gas, and automotive and aerospace, the division offers advanced laboratory measurement and expert consultancy related technical support services and sustainability solutions. It has an established track record of success in laboratory outsourcing with many large, internationally recognised companies and the division's world leading technical experts also support internal technical development.

The results of these divisions for the year ended 31 December 2012 are shown below:

Year ended 31 December 2012

	Revenue from external customers £m	Inter-segment revenue £m	Total revenue £m	Depreciation and software amortisation* £m	Adjusted operating profit £m	Separately disclosed items £m	Operating profit £m
Industry & Assurance	665.6	2.0	667.6	(7.0)	77.4	(27.1)	50.3
Commodities	572.3	4.0	576.3	(22.1)	77.2	(1.7)	75.5
Consumer Goods	343.4	1.5	344.9	(11.5)	112.8	(6.0)	106.8
Commercial & Electrical	318.2	8.1	326.3	(14.0)	50.6	(3.1)	47.5
Chemicals & Pharmaceuticals	154.8	2.7	157.5	(5.7)	17.1	(7.2)	9.9
Eliminations	–	(18.3)	(18.3)	–	–	–	–
Total	**2,054.3**	**–**	**2,054.3**	**(60.3)**	**335.1**	**(45.1)**	**290.0**
Unallocated separately disclosed items					–	(6.7)	(6.7)
Group operating profit					**335.1**	**(51.8)**	**283.3**
Net financing costs					(26.7)	–	(26.7)
Profit before income tax					**308.4**	**(51.8)**	**256.6**
Income tax expense					(80.3)	11.9	(68.4)
Profit for the year					**228.1**	**(39.9)**	**188.2**

* Depreciation and software amortisation of £63.6m (2011: £60.2m) includes unallocated charges of £3.3m (2011: £2.9m).

Year ended 31 December 2011

	Revenue from external customers £m	Inter-segment revenue £m	Total revenue £m	Depreciation and software amortisation* £m	Adjusted operating profit £m	Separately disclosed items £m	Operating profit £m
Industry & Assurance	468.6	2.0	470.6	(5.4)	50.9	(28.9)	22.0
Commodities	530.2	2.7	532.9	(22.0)	67.0	(2.7)	64.3
Consumer Goods	315.7	1.2	316.9	(11.7)	106.3	(0.9)	105.4
Commercial & Electrical	291.0	4.5	295.5	(12.6)	44.1	(2.7)	41.4
Chemicals & Pharmaceuticals	143.9	1.9	145.8	(5.6)	12.8	(3.6)	9.2
Eliminations	–	(12.3)	(12.3)	–	–	–	–
Total	**1,749.4**	**–**	**1,749.4**	**(57.3)**	**281.1**	**(38.8)**	**242.3**
Unallocated separately disclosed items					–	(8.3)	(8.3)
Group operating profit					**281.1**	**(47.1)**	**234.0**
Net financing costs					(21.0)	–	(21.0)
Profit before income tax					**260.1**	**(47.1)**	**213.0**
Income tax expense					(73.3)	11.4	(61.9)
Profit for the year					**186.8**	**(35.7)**	**151.1**

2 Operating segments and presentation of results (continued)

Geographic segments

Although the Group is managed through a divisional structure, which operates on a global basis, under the requirements of IFRS 8 the Group must disclose any specific countries that are important to the Group's performance. The Group considers the following to be the material countries in which it operates; Australia, China (including Hong Kong), the United Kingdom and the United States.

In presenting information on the basis of geographic segments, segment revenue is based on the location of the entity generating that revenue. Segment assets are based on the geographical location of the assets.

	Revenue from external customers		Non-current assets	
	2012 £m	2011 £m	**2012 £m**	2011 £m
China (including Hong Kong)	**353.4**	317.3	**54.4**	51.0
Australia	**112.7**	85.3	**77.9**	60.1
Other	**264.4**	223.9	**44.0**	25.6
Total Asia Pacific	**730.5**	626.5	**176.3**	136.7
United States	**514.4**	438.8	**367.8**	398.4
Other	**161.0**	130.8	**68.2**	12.4
Total Americas	**675.4**	569.6	**436.0**	410.8
United Kingdom	**171.5**	153.0	**361.3**	325.8
Other	**476.9**	400.3	**166.6**	198.9
Total Europe, Middle East and Africa	**648.4**	553.3	**527.9**	524.7
Unallocated	**–**	–	**13.9**	27.6
Total	**2,054.3**	1,749.4	**1,154.1**	1,099.8

Major customers

No revenue from any individual customer exceeded 10% of total Group revenue in 2011 or 2012.

3 Separately disclosed items

Accounting policy

Adjusted results

In order to present the performance of the Group in a clear, consistent and comparable format, certain items are disclosed separately on the face of the income statement.

Separately disclosed items are items which by their nature or size, in the opinion of the Directors, should be excluded from the adjusted result to provide readers with a clear and consistent view of the business performance of the Group and its operating divisions.

When applicable, these items include amortisation of acquisition intangibles, impairment of goodwill and other assets, the profit or loss on disposals of businesses or other significant fixed assets, costs of acquiring and integrating acquisitions, the cost of any fundamental restructuring of a business, material claims and settlements, significant recycling of amounts from equity to the income statement and unrealised gains/losses on financial assets/liabilities.

Separately disclosed items

The separately disclosed items are described in the table below:

		2012 £m	2011 £m
Operating costs:			
Amortisation of acquisition intangibles	(a)	**(29.3)**	(25.3)
Acquisition and integration costs	(b)	**(5.5)**	(14.1)
Project costs	(c)	**(2.8)**	(7.7)
Restructuring costs	(d)	**(11.0)**	–
Goodwill impairment	(e)	**(3.2)**	–
Total operating costs		**(51.8)**	(47.1)
Income tax credit on separately disclosed items		**11.9**	11.4
Total		**(39.9)**	(35.7)

(a) Of the amortisation of acquired intangibles in the current year, £19.7m (2011: £13.2m) relates to the customer contracts and customer relationships acquired with the purchase of Moody International Limited (‘Moody’).
(b) Acquisition and integration costs comprise £1.8m (2011: £9.0m) for costs in respect of acquisitions and £3.7m (2011: £5.1m) in respect of integration costs.
(c) Project costs relate to the Group’s Business Process Outsourcing initiative.
(d) Restructuring costs relate to asset write-offs and staff redundancies in certain regions in which the Group operates.
(e) Goodwill impairment relates to the planned disposal of certain operations in Europe.

4 Expenses and auditor's remuneration

Certain expenses are outlined below, including fees paid to the auditors of the Group:

	2012 £m	2011 £m
Included in profit for the year are the following expenses:		
Property rentals	**48.1**	43.1
Lease and hire charges – fixtures, fittings and equipment	**14.6**	15.9
Depreciation and software amortisation	**63.6**	60.2
Loss on disposal of property, fixtures, fittings, equipment and software	**0.1**	0.1

	2012 £m	2011 £m
Auditor's remuneration:		
Audit of these financial statements	**0.4**	0.3
Amounts receivable by the auditors and their associates in respect of:		
Audit of financial statements of subsidiaries pursuant to legislation	**1.6**	1.8
Other services pursuant to such legislation – review of interim financial statements	**0.1**	0.1
Total fees payable pursuant to legislation	**2.1**	2.2
Taxation compliance services	**0.4**	0.3
Taxation advisory services	**0.2**	0.3
Transaction advisory	–	0.7
Other	**0.2**	0.7
Total	**2.9**	4.2

In addition the auditors and their associates were paid £15,000 (2011: £10,000) in respect of the audit of associated pension schemes.

5 Employees

Total employee costs are shown below:

Employee costs	2012 £m	2011 £m
Wages and salaries	**739.8**	636.8
Equity-settled transactions	**10.4**	9.5
Social security costs	**79.8**	68.0
Pension costs (note 16)	**32.6**	29.2
Total employee costs	**862.6**	743.5

Details of the remuneration of the Directors are set out in the Remuneration Report. Details of pension arrangements and equity-settled transactions are set out in notes 16 and 17 respectively.

Average number of employees by division	2012	2011
Industry & Assurance	**7,313**	5,745
Commodities	**10,524**	9,889
Consumer Goods	**9,880**	9,237
Commercial & Electrical	**4,184**	3,916
Chemicals & Pharmaceuticals	**1,586**	1,513
Central	**260**	221
Total average number for the year ended 31 December	**33,747**	30,521
Total actual number at 31 December	**34,882**	31,712

6 Taxation

Accounting policy

Income tax for the year comprises current and deferred tax. Income tax is recognised in the same primary statement as the accounting transaction to which it relates.

Current tax

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

The Group recognises liabilities for anticipated tax issues based on estimates of the additional taxes that are likely to become due. Amounts are accrued based on management's interpretation of specific tax law and the likelihood of settlement. Where the outcome of discussions with tax authorities is different from the amount initially recorded, this difference will impact the tax provisions in the period the determination is made.

Deferred tax

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes, except for:

- Initial recognition of goodwill;
- The initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit; and
- Differences relating to investments in subsidiaries, branches, associates and interest in joint ventures, the reversal of which is under the control of the Group and where it is probable that the difference will 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 that have been enacted or substantively enacted at the balance sheet date when the asset is realised or the liability is settled. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different taxable entities which intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

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. The carrying amount of deferred tax assets is reviewed at each balance sheet 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 deferred tax asset to be utilised.

Any additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend.

Tax expense

The Group operates across many different tax jurisdictions. Income and profits are earned and taxed in the individual countries in which they occur.

The income tax expense for the total profit before tax for the year end 31 December 2012 is £68.4m (2011: £61.9m). The Group's consolidated effective tax rate for the year ended 31 December 2012 is 26.7% (2011: 29.1%).

The income tax expense for the adjusted profit before tax for the year ended 31 December 2012 is £80.3m (2011: £73.3m). The Group's adjusted consolidated effective tax rate for the 12 months ended 31 December 2012 is 26.0% (2011: 28.2%).

Differences between the consolidated effective tax rate of 26.7% and the notional statutory UK rate of 24.5% include, but are not limited to; the mix of profits, the effect of tax rates in foreign jurisdictions, non-deductible expenses, the effect of utilised tax losses and under/over provisions in previous periods.

6 Taxation (continued)

Tax charge

The total income tax charge, comprising the current tax charge and the movement in deferred tax, recognised in the income statement is analysed as follows:

	2012 £m	2011 £m
Current tax charge for the period	**81.9**	70.6
Adjustments relating to prior year liabilities	**2.0**	(4.0)
Current tax	**83.9**	66.6
Deferred tax – origination and reversal of temporary differences	**(15.5)**	(4.7)
Total tax in income statement	**68.4**	61.9
Tax on adjusted result	**80.3**	73.3
Tax on separately disclosed items	**(11.9)**	(11.4)
Total tax in income statement	**68.4**	61.9

Reconciliation of effective tax rate

The following table provides a reconciliation of the UK statutory corporation tax rate to the effective tax rate of the Group on profit before taxation.

	2012 £m	2011 £m
Profit before taxation	**256.6**	213.0
Notional tax charge at UK standard rate 24.5% (2011: 26.5%)	**62.8**	56.4
Differences in overseas tax rates	**(3.5)**	(9.9)
Tax on dividends	**4.3**	3.5
Non-deductible expenses	**10.9**	12.8
Tax exempt income	**(3.4)**	(1.4)
Recognition of previously unrecognised deferred tax	**(0.6)**	2.0
Adjustments in respect of prior years	**(0.9)**	(1.7)
Other	**(1.2)**	0.2
Total tax in income statement	**68.4**	61.9

The effective tax rate on the profit before tax for the year was 26.7% (2011: 29.1%) and for the adjusted profit before tax was 26.0% (2011: 28.2%).

The Emergency Budget on 22 June 2010 announced that the UK corporation tax rate will reduce from 28% to 24% over a period of four years from 2011. Further 1% reductions to the UK corporation tax rate were announced in the Budgets on 29 March 2011 and 21 March 2012. The reduction in the UK corporation tax rate from 24% was enacted on 17 July 2012 and was effective from 1 April 2012. The additional 1% reduction to 23% effective from 1 April 2013 was enacted on the same date.

Income tax recognised in other comprehensive income

As noted in the accounting policy, tax is recognised in the same place as the relevant accounting charge. The income tax recognised on items recorded in other comprehensive income is shown below:

	Before tax 2012 £m	Tax credit 2012 £m	Net of tax 2012 £m	Before tax 2011 £m	Tax expense 2011 £m	Net of tax 2011 £m
Foreign exchange translation differences of foreign operations	**(37.2)**	**–**	**(37.2)**	(2.2)	–	(2.2)
Net exchange gain/(loss) on hedges of net investments in foreign operations	**25.4**	**–**	**25.4**	(21.5)	–	(21.5)
Net change in fair value of cash flow hedges transferred to profit or loss	**(0.3)**	**–**	**(0.3)**	–	–	–
Actuarial gains and losses on defined benefit pension schemes	**(6.5)**	**0.1**	**(6.4)**	(7.9)	1.0	(6.9)
Deferred tax assets recognised in other comprehensive income	**–**	**1.4**	**1.4**	–	–	–
Total other comprehensive income for the year	**(18.6)**	**1.5**	**(17.1)**	(31.6)	1.0	(30.6)

6 Taxation (continued)

Income tax recognised directly in equity

As noted in the accounting policy, tax is recognised in the same place as the relevant accounting charge. The income tax on items recognised in equity is shown below:

	Before tax 2012 £m	Tax credit 2012 £m	Net of tax 2012 £m	Before tax 2011 £m	Tax credit 2011 £m	Net of tax 2011 £m
Equity-settled transactions	**10.4**	**3.3**	**13.7**	9.5	1.0	10.5

Deferred tax

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets 2012 £m	Assets 2011 £m	Liabilities 2012 £m	Liabilities 2011 £m	Net 2012 £m	Net 2011 £m
Intangible assets	**0.5**	0.7	**(52.1)**	(57.4)	**(51.6)**	(56.7)
Property, fixtures, fittings and equipment	**4.4**	4.4	**(1.7)**	(2.2)	**2.7**	2.2
Pensions	**1.5**	1.4	**–**	–	**1.5**	1.4
Equity-settled transactions	**4.9**	5.5	**–**	–	**4.9**	5.5
Provisions and other temporary differences	**28.4**	20.1	**(0.6)**	(3.1)	**27.8**	17.0
Tax value of losses	**10.2**	9.0	**–**	–	**10.2**	9.0
Total	**49.9**	41.1	**(54.4)**	(62.7)	**(4.5)**	(21.6)
Of which:						
Deferred tax assets*					**28.3**	27.6
Deferred tax liabilities*					**(32.8)**	(49.2)
Total					**(4.5)**	(21.6)

*Totals are different to the table above due to net-off within companies/tax jurisdictions.

Movements in deferred tax temporary differences during the year

The movement in the year in deferred tax assets and liabilities is shown below:

	1 January 2012 £m	Exchange adjustments £m	Acquisitions £m	Recognised in income statement £m	Recognised in equity £m	31 December 2012 £m
Intangible assets	(56.7)	2.0	(2.1)	5.2	–	**(51.6)**
Property, fixtures, fittings and equipment	2.2	(0.1)	–	0.6	–	**2.7**
Pensions	1.4	–	–	–	0.1	**1.5**
Equity-settled transactions	5.5	–	–	(1.1)	0.5	**4.9**
Provisions and other temporary differences	17.0	(0.4)	–	11.2	–	**27.8**
Tax value of losses	9.0	0.2	–	(0.4)	1.4	**10.2**
Total	**(21.6)**	**1.7**	**(2.1)**	**15.5**	**2.0**	**(4.5)**

	1 January 2011 £m	Exchange adjustments £m	Acquisitions £m	Recognised in income statement £m	Recognised in equity £m	31 December 2011 £m
Intangible assets	(10.8)	(2.3)	(45.2)	1.6	–	(56.7)
Property, fixtures, fittings and equipment	1.3	–	–	0.9	–	2.2
Pensions	0.2	–	–	0.1	1.1	1.4
Equity-settled transactions	5.2	–	–	0.7	(0.4)	5.5
Interest rate swaps	0.3	–	–	(0.3)	–	–
Provisions and other temporary differences	18.2	(0.3)	2.1	(3.0)	–	17.0
Tax value of losses	4.4	(0.1)	–	4.7	–	9.0
Total	18.8	(2.7)	(43.1)	4.7	0.7	(21.6)

6 Taxation (continued)

Unrecognised deferred tax assets
Deferred tax assets have not been recognised in respect of the following items:

	2012 £m	2011 £m
Property, fixtures, fittings and equipment	**31.5**	25.9
Pensions	**6.8**	3.0
Equity-settled transactions	**7.7**	3.0
Provisions and other temporary differences	**13.1**	13.5
Tax losses	**41.0**	45.7
Total	**100.1**	91.1

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

There is a temporary difference of £188.7m (2011: £174.7m) which relates to unremitted post-acquisition overseas earnings. No deferred tax is provided on this amount as the distribution of these retained earnings is under the control of the Group and there is no intention to either repatriate from or sell the associated subsidiaries in the foreseeable future.

7 Earnings per ordinary share

The calculation of earnings per ordinary share is based on profit attributable to ordinary shareholders of the Company and the weighted average number of ordinary shares in issue during the year.

In addition to the earnings per share required by IAS 33: Earnings Per Share, an adjusted earnings per share has also been calculated and is based on earnings excluding the effect of amortisation of acquisition intangibles, goodwill impairment and other separately disclosed items. It has been calculated to allow shareholders a better understanding of the trading performance of the Group. Details of the adjusted earnings per share are set out below:

	2012 £m	2011 £m
Profit attributable to ordinary shareholders	**173.8**	138.8
Separately disclosed items after tax (note 3)	**39.9**	35.7
Adjusted earnings	**213.7**	174.5
Number of shares (millions)		
Basic weighted average number of ordinary shares	**160.6**	159.9
Potentially dilutive share awards	**2.3**	2.9
Diluted weighted average number of shares	**162.9**	162.8
Basic earnings per share	**108.2p**	86.8p
Potentially dilutive share awards	**(1.5)p**	(1.5)p
Diluted earnings per share	**106.7p**	85.3p
Adjusted basic earnings per share	**133.1p**	109.1p
Potentially dilutive share awards	**(1.9)p**	(1.9)p
Adjusted diluted earnings per share	**131.2p**	107.2p

8 Property, plant and equipment

Accounting policy

Property, plant and equipment

Owned assets

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset.

Gains and losses on disposal of items of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised in the income statement.

Leased assets

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

Other leases are operating leases

These leased assets are not recognised in the Group's statement of financial position.

Depreciation

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of items of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives. Land is not depreciated.

The estimated useful lives are as follows:

Freehold buildings and long leasehold buildings	50 years
Short leasehold buildings	Term of lease
Fixtures, fittings, plant and equipment	3 – 10 years

Depreciation methods, residual values and the useful lives of all assets are reassessed at each reporting date.

Impairment

Non-financial assets

The carrying amounts of the Group's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated to determine the level of any impairment.

8 Property, plant and equipment (continued)

Property, plant and equipment

The property, plant and equipment employed by the business is analysed below:

	Land and buildings £m	Fixtures, fittings, plant and equipment £m	Total £m
Cost			
At 1 January 2011	55.2	477.1	532.3
Exchange adjustments	(0.3)	(3.7)	(4.0)
Additions	1.5	73.6	75.1
Disposals	–	(7.8)	(7.8)
Businesses acquired (note 10)	1.3	4.6	5.9
At 31 December 2011	57.7	543.8	601.5
Depreciation			
At 1 January 2011	9.1	280.1	289.2
Exchange adjustments	(0.1)	(2.9)	(3.0)
Charge for the year	2.1	54.3	56.4
Disposals	–	(6.1)	(6.1)
At 31 December 2011	11.1	325.4	336.5
Net book value at 31 December 2011	46.6	218.4	265.0
Cost			
At 1 January 2012	57.7	543.8	601.5
Exchange adjustments	(1.9)	(18.4)	(20.3)
Additions	5.1	96.2	101.3
Disposals	(1.0)	(9.9)	(10.9)
Businesses acquired (note 10)	3.0	4.5	7.5
At 31 December 2012	**62.9**	**616.2**	**679.1**
Depreciation			
At 1 January 2012	11.1	325.4	336.5
Exchange adjustments	(0.5)	(9.7)	(10.2)
Charge for the year	2.3	57.5	59.8
Disposals	(0.2)	(8.9)	(9.1)
At 31 December 2012	**12.7**	**364.3**	**377.0**
Net book value at 31 December 2012	**50.2**	**251.9**	**302.1**

Fixtures, fittings, plant and equipment include assets in the course of construction of £21.6m at 31 December 2012 (2011: £10.7m), mainly comprising laboratories under construction. These assets will not be depreciated until they are available for use.

The net book value of land and buildings comprised:

	2012 £m	2011 £m
Freehold	**45.1**	43.3
Long leasehold	**2.5**	0.6
Short leasehold	**2.6**	2.7
Total	**50.2**	46.6

8 Property, plant and equipment (continued)

Commitments

Operating lease payments

Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives received are recognised in the income statement as an integral part of the total lease expense over the term of the lease.

At 31 December, the Group had future unprovided commitments under non-cancellable operating leases due as follows:

	Land and buildings 2012 £m	Other 2012 £m	Total 2012 £m	Land and buildings 2011 £m	Other 2011 £m	Total 2011 £m
Within one year	**42.2**	**7.2**	**49.4**	42.1	6.0	48.1
In the second to fifth years inclusive	**73.0**	**5.8**	**78.8**	78.5	6.3	84.8
Over five years	**45.6**	**0.1**	**45.7**	40.1	–	40.1
Total	**160.8**	**13.1**	**173.9**	160.7	12.3	173.0

The Group leases various laboratories, testing and inspection sites, administrative offices and equipment under lease agreements which have varying terms, escalation clauses and renewal rights.

Contracts for capital expenditure which are not provided in the financial statements amounted to £6.3m (2011: £11.2m).

9 Goodwill and other intangible assets

Accounting policy

Goodwill

Goodwill arises on the acquisition of businesses. Goodwill represents the difference between the cost of acquisition and the Group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities acquired. All business combinations are accounted for by applying the acquisition method.

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash generating units (CGUs) and is not amortised but is tested annually for impairment.

Acquisitions on or after 1 January 2010

From 1 January 2010, the Group has applied IFRS 3 'Business Combinations (revised 2008)'. The change in accounting policy has been applied prospectively.

Business combinations are accounted for using the acquisition method at the acquisition date, which is the date on which control is obtained.

For acquisitions on or after 1 January 2010, the Group measures goodwill as the fair value of the consideration transferred (including the fair value of any previously held equity interest in the acquiree) and the recognised amount of any non-controlling interest in the acquiree, less the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed, all measured as of the acquisition date.

Costs related to the acquisition, other than those associated with the issue of debt or equity securities, are expensed as incurred. Costs relating to acquisitions are shown in separately disclosed items.

Any contingent consideration payable is recognised at fair value at the acquisition date with subsequent changes recognised in profit or loss.

If at the reporting date the fair values of the acquiree's identifiable assets, liabilities and contingent liabilities can only be established provisionally, then these values are used. Adjustments to the fair values can be made within 12 months of the acquisition date and are taken as adjustments to goodwill.

Acquisitions between 1 January 2004 and 31 December 2009

For acquisitions between 1 January 2004 and 31 December 2009, goodwill represents the excess of the cost of the acquisition over the Group's interest in the recognised amount (generally fair value) of the identifiable assets, liabilities and contingent liabilities of the acquiree. When the excess was negative, a bargain purchase gain was recognised immediately in profit or loss.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurred in connection with business combinations were capitalised as part of the cost of the acquisition.

The Group has taken advantage of the exemption permitted by IFRS 1 and has not restated goodwill on acquisitions prior to 1 January 2004, the date of transition to IFRS. In respect of acquisitions prior to 1 January 2004, goodwill represents the amount recognised under the Group's previous accounting framework.

9 Goodwill and other intangible assets (continued)

Other intangible assets

When the Group makes an acquisition, management review the business and assets acquired to determine whether any intangible assets should be recognised separately from goodwill. If, based on management's judgement, such an asset is identified, then it is valued by discounting the probable future cash flows expected to be generated by the asset, over the estimated life of the asset. Where there is uncertainty over the amount of economic benefit and the useful life, this is factored into the calculation.

Intangible assets arising on acquisitions and computer software are stated at cost less accumulated amortisation and accumulated impairment losses. Identifiable intangibles are those which can be sold separately or which arise from legal rights regardless of whether those rights are separable, and which have finite useful lives.

Amortisation is charged to the income statement on a straight-line basis over the estimated useful lives. The estimated useful lives are as follows:

Computer software	Up to 7 years
Customer relationships	Up to 10 years
Know-how	Up to 5 years
Licences	Contractual life
Covenants not to compete	Contractual life

Impairment

Goodwill is not subject to amortisation and is tested annually for impairment and when circumstances indicate that the carrying value may be impaired.

Other intangible assets are subject to amortisation and are reviewed for impairment whenever events or changes in circumstances indicate that the amount carried in the statement of financial position is less than its recoverable amount.

Any impairment is recognised in the income statement. Impairment is determined for goodwill by assessing the recoverable amount of each asset or cash generating unit (or group of cash generating units) to which the goodwill relates. Assets are grouped at the lowest levels for which there are separately identifiable cash flows (a 'cash generating unit' or 'CGU').

The recoverable amount of an asset or a cash generating unit is the greater of its fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. The estimation process is complex due to the inherent risks and uncertainties and if different estimates were used this could materially change the projected value of the cash flows.

An impairment loss in respect of goodwill is not reversed. An impairment loss in respect of other assets is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

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9 Goodwill and other intangible assets (continued)

Intangibles

The intangibles employed by the business are analysed below:

		Other intangible assets				
	Goodwill £m	Customer relationships £m	Licences £m	Other acquisition intangibles £m	Computer software £m	Total £m
Cost						
At 1 January 2011	315.8	56.9	8.5	17.2	31.3	113.9
Exchange adjustments	6.9	1.5	(0.2)	(0.1)	–	1.2
Additions	–	–	–	–	5.5	5.5
Disposals	–	–	–	–	(0.2)	(0.2)
Businesses acquired (note 10)	328.3	147.1	–	–	0.4	147.5
At 31 December 2011	651.0	205.5	8.3	17.1	37.0	267.9
Amortisation and impairment losses						
At 1 January 2011	14.3	34.0	5.8	12.7	17.3	69.8
Exchange adjustments	(0.3)	(0.1)	(0.3)	(0.1)	0.2	(0.3)
Charge for the year	–	22.7	0.8	1.8	3.8	29.1
Disposals	–	–	–	–	(0.2)	(0.2)
At 31 December 2011	14.0	56.6	6.3	14.4	21.1	98.4
Net book value at 31 December 2011	637.0	148.9	2.0	2.7	15.9	169.5
Cost						
At 1 January 2012	651.0	205.5	8.3	17.1	37.0	267.9
Exchange adjustments	(6.8)	(2.8)	(0.2)	(0.4)	(1.5)	(4.9)
Additions	–	–	–	–	13.7	13.7
Businesses acquired (note 10)	41.1	6.7	–	–	–	6.7
At 31 December 2012	**685.3**	**209.4**	**8.1**	**16.7**	**49.2**	**283.4**
Amortisation and impairment losses						
At 1 January 2012	14.0	56.6	6.3	14.4	21.1	98.4
Exchange adjustments	(0.4)	(1.2)	(0.2)	(0.4)	(0.8)	(2.6)
Charge for the year	–	27.7	0.7	0.9	3.8	33.1
Impairment	3.2	–	–	–	–	–
At 31 December 2012	**16.8**	**83.1**	**6.8**	**14.9**	**24.1**	**128.9**
Net book value at 31 December 2012	**668.5**	**126.3**	**1.3**	**1.8**	**25.1**	**154.5**

The other acquisition intangibles of £1.8m (2011: £2.7m) consist of covenants not to compete, know-how and guaranteed income. The average remaining amortisation period for customer relationships is eight years (2011: nine years).

Computer software net book value of £25.1m at 31 December 2012 (2011: £15.9m) includes software in construction of £12.8m (2011: £4.8m).

The impairment charge of £3.2m relates to the planned disposal of certain operations in Europe.

9 Goodwill and other intangible assets (continued)

Goodwill arising from acquisitions in the current and prior year has been allocated to operating segments as follows:

	2012 £m	2011 £m
Industry & Assurance	**30.5**	325.3
Commodities	**6.1**	0.1
Consumer Goods	**3.4**	3.2
Commercial & Electrical	**–**	(0.4)
Chemicals & Pharmaceuticals	**1.1**	0.1
At 31 December	**41.1**	328.3

The total carrying amount of goodwill by operating segment is as follows:

	2012 £m	2011 £m
Industry & Assurance	**433.2**	406.7
Commodities	**73.9**	68.5
Consumer Goods	**9.8**	9.7
Commercial & Electrical	**59.0**	59.6
Chemicals & Pharmaceuticals	**92.6**	92.5
Net book value at 31 December*	**668.5**	637.0

* All goodwill is recorded in local currency. Additions during the year are converted at the exchange rate on the date of the transaction and the goodwill at the end of the year is stated at closing exchange rates.

Impairment review

The following table analyses the total Group goodwill of £668.5m between eight identified cash generating units (CGUs).

	2012 £m	2011 £m
Industry & Assurance – Exploration and Production Services	**20.0**	20.2
Industry & Assurance – Industry Services	**352.6**	325.3
Industry & Assurance – Systems Certification	**60.6**	61.2
Commodities – Minerals	**49.0**	43.3
Commodities – Cargo and others	**24.9**	25.2
Consumer Goods	**9.8**	9.7
Commercial & Electrical	**59.0**	59.6
Chemicals & Pharmaceuticals	**92.6**	92.5
Total goodwill net book value at 31 December	**668.5**	637.0

In order to determine whether impairments are required, the Group estimates the recoverable amount of each CGU. The calculation is based on projecting future cash flows over a five-year period and using a terminal value to incorporate expectations of growth thereafter. The terminal value is calculated using a perpetuity model which assumes long-term growth rates of operating cash flows of between 2.5% to 3.9% (2011: 2.5% to 3.9%) reflecting the long-term GDP growth forecasts in the various regions in which the respective CGUs operate. A discount factor is applied to obtain a value in use which is the recoverable amount, unless the fair value less costs to sell the respective CGU is an amount in excess of the value in use.

The value in use calculation includes estimates about the future financial performance of the CGUs. The approved Group Business Plans for the three years 2013 to 2015 form the basis for the cash flow projections for each CGU. The cash flow projections for the succeeding two years 2016 to 2017 reflect management's conservative expectations of the medium-term operating performance of the CGUs and growth prospects in the various CGUs' markets and regions.

Key assumptions

The key assumptions in the value in use calculations are the revenue and operating margin growth rates which directly influence the forecasted operating cash flows, as well as the discount rate applied. In determining the key assumptions, management have taken into account the current economic climate and the resulting impact on expected growth and discount rates.

The calculation of the value in use is sensitive to the following key assumptions:

Operating cash flow

One of the key drivers of the operating cash flow is revenue. The 2013 to 2015 revenues for each CGU are based on the approved business plans. For the years 2016 and 2017, the likely organic growth rates were assessed for each region in the CGU, taking account of past experience and GDP growth prospects. The compound annual growth rates for each CGU for the years 2013 to 2017 ranged from 7.4% to 13.0% (2011: 7.3% to 16.8%). In all cases the assumed growth rates are considered to be realistic.

9 Goodwill and other intangible assets (continued)

The other key driver of the operating cash flow is operating profit. The compound annual growth rates for each CGU for the years 2013 to 2017, which are considered realistic, ranged from 7.6% to 21.0% (2011: 6.8% to 23.9%) reflecting management assessment of current and future market environment of the sectors and countries in which the CGUs operate.

Discount rate applied
The discount rate applied to a CGU represents a pre-tax rate that reflects the Group's weighted average cost of capital adjusted for the risks specific to the CGU. The discount rates applied to the CGU were in the range of 8.5% to 11.1% (2011: 9.1% to 12.7%).

Sensitivity analysis
There are no realistic changes that could be made to the key assumptions that would cause the carrying amount of each CGU to exceed its recoverable amount. Management has also considered the effect of the following scenarios:

(i) Assuming revenues decline each year by 1% in 2014 to 2017 from the 2013 budgeted revenues, with margins increasing with base assumptions, all CGUs continue to show sufficient headroom.
(ii) Assuming zero growth in operating profit margins in 2014 to 2017, with revenues increasing per base assumptions, all CGUs continue to show sufficient headroom.
(iii) Assuming an increase in the discount rates used by 1%, all CGUs continue to show sufficient headroom.

Management considers that the likelihood of any or all of the above scenarios occurring is low.

Impairment loss recognised in 2012
The impairment loss of £3.2m recorded in operating costs, under separately disclosed items, all relates to goodwill associated with the planned disposal of certain assets in Europe.

10 Acquisitions

Acquisitions in 2012
During the year, the Group acquired a number of companies.

(a) 4th Strand LLC
On 15 March 2012 the Group acquired 100% of the share capital of 4th Strand LLC, a company based in the USA, for a cash consideration of £4.1m. Goodwill arising was £3.4m and represents the value placed on the expert product procurement knowledge and experience this acquisition brings to the Consumer Goods division.

(b) Automation Technology Inc
On 5 April 2012 the Group acquired 100% of the share capital of Automation Technology Inc., a company based in the USA, for a cash consideration of £10.0m. Goodwill arising was £8.8m and represents the value placed on the specialist software staff and the synergies to be obtained by integrating it with Intertek's existing asset support operations in the Industry & Assurance division.

(c) Vigalab S.A.
On 8 May 2012 the Group acquired 100% of the share capital of Vigalab S.A., a company based in Chile, for a cash consideration of £3.3m. Goodwill arising was £2.2m and represents the value placed on synergies to be realised by complementing Intertek's growing international minerals capability in the Commodities division.

(d) Materials Testing and Inspection Limited
On 10 September 2012 the Group acquired 100% of the share capital of Materials Testing and Inspection Limited, a company based in the UK, and its trading subsidiary NDT Services Limited, for a cash consideration of £14.3m. Goodwill arising was £11.5m and represents the value placed on the opportunity to expand non-destructive testing services to the aerospace, power and petrochemical sectors in the Industry & Assurance division.

(e) Laboratory Services International Rotterdam BV
On 26 November 2012 the Group acquired 75% of the share capital of Laboratory Services International Rotterdam BV, a company based in the Netherlands, for a cash consideration of £4.1m, and a call option to acquire the remaining 25% of the company in 2018. Goodwill arising was £3.9m and represents the value to the Commodities division of the specialist staff and the opportunity of providing analytical testing for commodities traded on the London Metal exchange.

(f) Tickford Test Technology Limited
On 31 December 2012 the Group acquired 100% of the share capital of Tickford Test Technology Limited, a company based in the UK, for a cash consideration of £3.8m. Goodwill arising was £1.1m and represents the value placed on the opportunity for the Chemicals & Pharmaceuticals division to expand the range of services to vehicle manufacturers for engine and lubricant testing in the UK.

10 Acquisitions (continued)

The total net assets and fair value adjustments are set out in the following table:

Total	Book value prior to acquisition £m	Fair value adjustments £m	Fair value to Group on acquisition £m
Property, plant and equipment	7.5	–	7.5
Goodwill	–	30.9	30.9
Other intangible assets	–	6.7	6.7
Inventories	0.3	–	0.3
Trade and other receivables	6.0	–	6.0
Trade and other payables	(6.9)	–	(6.9)
Provisions for liabilities and charges	(0.3)	–	(0.3)
Corporation tax payable	(0.7)	–	(0.7)
Deferred tax liabilities	–	(2.1)	(2.1)
Net assets acquired	**5.9**	**35.5**	**41.4**
Cash outflow (net of cash acquired)			39.6
Contingent consideration			1.8
Total consideration			**41.4**

Goodwill
The total goodwill arising on acquisitions noted above made during 2012 was £30.9m. In addition there was an increase of £7.3m to goodwill in respect of prior years' acquisitions and £2.9m arising from the purchase of a minority interest shareholding in Saudi Arabia.

Consideration paid
The total cash consideration paid for the acquisitions in the year was £39.6m (2011: £459.7m).

Contribution of acquisitions to revenue and profits
In total the acquisitions made during 2012 contributed revenues of £8.9m and profit after tax of £1.5m from their respective dates of acquisition to 31 December 2012.

The Group revenue and profit after tax for the year ended 31 December 2012 would have been £2,073.0m and £190.5m respectively if all the acquisitions were assumed to have been made on 1 January 2012.

Acquisitions in 2011
Moody International
On 27 April 2011, the Group acquired 100% of the equity of Moody (comprising Moody International (Holdings) Limited, Inspection Services (US) Inc and Inspection Services Italy SRL) for a cash consideration of £449.9m, on a cash and debt free basis. Moody was headquartered in the UK and operates in over 60 countries. It is a leading provider of quality and safety services to the energy industry. It also provides systems certification services to the manufacturing, construction and service markets. This acquisition has been integrated into the Industry & Assurance division.

The fair value provisions at 27 April 2012, 12 months from the date of acquisition, were:

Moody International	Book value prior to acquisition £m	Fair value adjustments £m	Fair value to Group on acquisition £m
Property, plant and equipment	5.1	–	5.1
Goodwill	–	330.1	330.1
Other intangible assets	–	145.9	145.9
Trade and other receivables*	95.9	(7.3)	88.6
Trade and other payables	(43.2)	(11.1)	(54.3)
Provisions for liabilities and charges**	(5.6)	(2.8)	(8.4)
Corporation tax payable	(3.9)	(8.8)	(12.7)
Deferred tax asset/(liability)	1.2	(44.7)	(43.5)
Non-controlling interest	(0.9)	–	(0.9)
Net assets acquired	**48.6**	**401.3**	**449.9**
Cash outflow (net of cash acquired)			449.9
Total consideration			**449.9**

* Trade receivables comprise gross contractual amounts due of £54.7m with a fair value of £51.4m.
** Provisions for liabilities and charges include amounts that are classified as accruals in the Intertek reporting environment.

10 Acquisitions (continued)

The goodwill of £330.1m represents the value of the assembled workforce and the benefits Intertek expects to gain from becoming a leading provider of quality and safety services for the energy market, creating a global platform for the provision of Industry Services, extending existing European and American positions and extending the depth of the service portfolio for energy assets, processes and products.

The intangible assets of £145.9m represent the value placed on customer contracts and relationships and the deferred tax thereon was £44.7m.

Other acquisitions

In addition to Moody, there were four other acquisitions in the year:

(a) Recherche, Developpement & Consulting – Bruxelles SA ('RDC')

On 29 July 2011, the Group acquired 100% of the share capital of RDC, a company based in Belgium for a cash consideration of £3.0m. Goodwill arising was £3.1m and represented the value placed on the benefits Intertek expects from the opportunity to expand the environmental impact services in Europe.

(b) Food Analytical Laboratories Limited

On 31 July 2011, the Group acquired 100% of the share capital of Food Analytical Laboratories Limited, a company based in the UK for a cash consideration of £6.0m. Goodwill arising was £3.0m and represented the value placed on the benefits in expanding the food testing services in the Industry & Assurance division.

(c) Business acquired from QinetiQ Limited

On 1 August 2011, the Group acquired the oil and lubricants testing business from QinetiQ Limited, a company based in the UK for £0.5m. There was goodwill of £0.4m identified represented the opportunity to enhance the Group's capabilities in the energy and transport sector in the Chemicals & Pharmaceuticals division.

(d) Labs and Testing Chile SA

On 30 November 2011, the Group acquired 100% of the share capital of Labs and Testing Chile SA, a company based in Chile, for a cash consideration of £0.3m. In addition, contingent consideration of up to £0.2m will become payable on the achievement of specified performance targets. Goodwill arising was £0.7m representing the value placed on the opportunity to enhance the Group's microbiological and environmental services business in the Commodities and Industry & Assurance divisions.

11 Trade and other receivables

Accounting policy

Trade receivables are recognised initially at the value of the invoice sent to the customer 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. Based on historic default rates, reflecting the track record of payments by the Group's customers, the Group believes that no impairment allowance is necessary in respect of trade receivables which are less than six months outstanding, unless there are specific circumstances such as the bankruptcy of a customer which would render the trade receivable irrecoverable.

The Group provides fully for all trade receivables over 12 months old as these are considered likely to be irrecoverable. Where recovery is in doubt, a provision is made against the specific trade receivable until such time as the Group believes the amount to be irrecoverable. At that time the trade receivable is written off.

Trade and other receivables

Trade and other receivables are analysed below:

	2012 £m	2011 £m
Trade receivables	**362.2**	320.6
Other receivables	**52.8**	50.9
Prepayments and accrued income	**87.4**	71.1
Total trade and other receivables	**502.4**	442.6

Trade receivables are shown net of an allowance for impairment losses of £16.7m (2011: £15.4m) and are all expected to be recovered within 12 months. Impairment on trade receivables charged as part of operating costs was £4.2m (2011: £6.1m).

There is no material difference between the above amounts for trade and other receivables and their fair value, due to their short-term duration. There is no concentration of credit risk with respect to trade receivables as the Group has a large number of customers who are internationally dispersed.

The ageing of trade receivables at the reporting date was as follows:

	2012 £m	2011 £m
Under 3 months	**306.4**	272.0
Between 3 and 6 months	**39.7**	34.8
Between 6 and 12 months	**20.3**	17.1
Over 12 months	**12.5**	12.1
Gross trade receivables	**378.9**	336.0
Allowance for impairment	**(16.7)**	(15.4)
Trade receivables, net of allowance	**362.2**	320.6

Included in trade receivables under three months of £306.4m (2011: £272.0m) are trade receivables of £163.5m (2011: £151.2m) which are not yet due for payment under the Group's standard terms and conditions of sale.

11 Trade and other receivables (continued)

The movement in the allowance for impairment in respect of trade receivables during the year was as follows:

Impairment allowance for doubtful trade receivables	2012 £m	2011 £m
At 1 January	**15.4**	10.3
Exchange differences	**0.6**	(0.3)
Acquisitions	**–**	3.4
Cash recovered	**(0.5)**	(0.4)
Impairment loss recognised	**4.2**	6.1
Receivables written off	**(3.0)**	(3.7)
At 31 December	**16.7**	15.4

There were no material individual impairments of trade receivables.

12 Trade and other payables

Accounting policy

Trade payables are recognised at the value of the invoice received from a supplier. The carrying value of trade payables is considered approximate to fair value.

Trade and other payables

Trade and other payables are analysed below:

	Current 2012 £m	Current 2011 £m	Non-current 2012 £m	Non-current 2011 £m
Trade payables	**50.1**	52.7	**–**	–
Other payables*	**57.3**	44.6	**–**	0.8
Accruals and deferred income	**216.9**	198.2	**6.2**	8.2
Total trade and other payables	**324.3**	295.5	**6.2**	9.0

* Other payables include £0.2m (2011: £nil) of deferred consideration in respect of acquisitions.

The Group's exposure to liquidity risk related to trade payables is disclosed in note 14.

13 Provisions

Accounting policy

A provision is recognised in the balance sheet when the Group has a present legal or constructive obligation that can be estimated reliably as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation.

Provisions

	Contingent consideration £m	Claims £m	Other £m	Total £m
At 1 January 2012	1.8	6.1	10.5	18.4
Exchange adjustments	–	(0.1)	–	(0.1)
Provided in the year:	–	8.3	11.5	19.8
in respect of prior year acquisitions	0.3	–	–	0.3
in respect of current year acquisitions	1.8	–	0.3	2.1
Released during the year	–	(1.8)	(2.1)	(3.9)
Utilised during the year	(0.6)	(3.9)	(3.4)	(7.9)
At 31 December 2012	**3.3**	**8.6**	**16.8**	**28.7**
Included in:				
Current liabilities	1.4	8.6	16.8	26.8
Non-current liabilities	1.9	–	–	1.9
At 31 December 2012	**3.3**	**8.6**	**16.8**	**28.7**

From time-to-time the Group is involved in various claims and lawsuits incidental to the ordinary course of its business. The outcome of such litigation and the timing of any potential liability cannot be readily foreseen, as it is often subject to legal proceedings. Based on information currently available, the Directors consider that the cost to the Group of an unfavourable outcome arising from such litigation is unlikely to have a materially adverse effect on the financial position of the Group in the foreseeable future.

13 Provisions (continued)

The provision for claims of £8.6m (2011: £6.1m) represents an estimate of the amounts payable in connection with identified claims from customers, former employees and other plaintiffs and associated legal costs. The timing of the cash outflow relating to the provisions is uncertain but is likely to be within one year. Details of contingent liabilities in respect of claims are set out in note 22.

The other provision of £16.8m (2011: £10.5m) includes restructuring provisions and onerous contracts. The timing of the cash outflow is uncertain but is likely to be within one year.

14 Borrowings and financial instruments

Financial instruments
Accounting policy

Net financing costs

Net financing costs comprise interest expense on borrowings, facility fees, interest receivable on funds invested, net foreign exchange gains or losses, interest income and expense relating to pension assets and liabilities 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 Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows. 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 Group 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 Group 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.

Hedge of net investment in a foreign operation
The portion of the gain or loss on an instrument designated as a hedge of a net investment in a foreign operation that is determined to be an effective hedge, is recognised directly in equity in the translation reserve. The ineffective portion is recognised immediately in the income statement.

The Group has external borrowings denominated in foreign currencies which are used to hedge the net investment in its foreign operations.

14 Borrowings and financial instruments (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.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. All impairment losses are recognised in the income statement.

Net financing costs

Net financing costs are shown below:

Recognised in income statement	2012 £m	2011 £m
Finance income		
Interest on bank balances	**2.7**	2.5
Expected return on pension assets (note 16)	**4.8**	5.7
Total finance income	**7.5**	8.2
Finance expense		
Interest on borrowings	**(25.9)**	(22.1)
Pension interest cost (note 16)	**(4.2)**	(4.7)
Foreign exchange differences on revaluation of net monetary assets and liabilities	**(2.7)**	(0.6)
Facility fees and other	**(1.4)**	(1.8)
Total finance expense	**(34.2)**	(29.2)
Net financing costs	**(26.7)**	(21.0)

Recognised directly in other comprehensive income	2012 £m	2011 £m
Foreign exchange translation differences of foreign operations	**(37.2)**	(2.2)
Net exchange gain/(loss) on hedges of net investment in foreign operations	**25.4**	(21.5)
Effective portion of changes in fair value of cash flow hedges	**(0.5)**	–
Net change in fair value of cash flow hedges transferred to profit or loss	**0.2**	–
Finance expense recognised directly in other comprehensive income, net of tax	**(12.1)**	(23.7)
Attributable to:		
Equity holders of the Company	**(11.6)**	(23.6)
Non-controlling interest	**(0.5)**	(0.1)
Finance expense recognised directly in other comprehensive income, net of tax	**(12.1)**	(23.7)
Recognised in:		
Translation reserve and non-controlling interest	**(11.8)**	(23.7)
Retained earnings	**(0.3)**	–
Finance expense recognised directly in other comprehensive income, net of tax	**(12.1)**	(23.7)

14 Borrowings and financial instruments (continued)

Analysis of net debt

The components of net debt are outlined below:

	1 January 2012 £m	Cash flow £m	Exchange adjustments £m	31 December 2012 £m
Cash	181.9	(10.3)	(5.1)	**166.5**
Borrowings:				
Revolving credit facility US$600m 2016	(304.4)	62.3	6.6	(235.5)
Bridge facility US$300m	(155.1)	151.5	3.6	–
Bilateral multi-currency facility 2016	(13.4)	(26.6)	1.7	(38.3)
Senior notes US$25m 2014	(16.1)	–	0.6	(15.5)
Senior notes US$100m 2015	(64.6)	–	2.4	(62.2)
Senior notes US$75m 2016	(48.5)	–	1.8	(46.7)
Senior notes US$100m 2017	(64.6)	–	2.4	(62.2)
Senior notes US$20m 2019	–	(12.9)	0.5	(12.4)
Senior notes US$150m 2020	(96.8)	–	3.5	(93.3)
Senior notes US$140m 2022	–	(90.5)	3.4	(87.1)
Senior notes US$105m 2024	–	(68.1)	2.7	(65.4)
Other*	0.9	0.5	–	1.4
Total borrowings	(762.6)	16.2	29.2	**(717.2)**
Total net debt	(580.7)	5.9	24.1	**(550.7)**

* Other borrowings of £0.8m (2011: £2.2m) and facility fees.

	1 January 2011 £m	Cash flow £m	Exchange adjustments £m	31 December 2011 £m
Cash	217.0	(35.8)	0.7	181.9
Borrowings:				
Principal bank facility	(93.6)	89.9	3.7	–
Revolving credit facility US$600m 2016	–	(293.6)	(10.8)	(304.4)
Bridge facility US$300m	–	(143.5)	(11.6)	(155.1)
Bilateral multi-currency facility 2016	–	(14.4)	1.0	(13.4)
Senior notes US$25m 2014	(16.1)	–	–	(16.1)
Senior notes US$100m 2015	(64.6)	–	–	(64.6)
Senior notes US$75m 2016	(48.5)	–	–	(48.5)
Senior notes US$100m 2017	(64.6)	–	–	(64.6)
Senior notes US$150m 2020	(96.8)	–	–	(96.8)
Other*	(2.5)	4.3	(0.9)	0.9
Total borrowings	(386.7)	(357.3)	(18.6)	(762.6)
Total net debt	(169.7)	(393.1)	(17.9)	(580.7)

Borrowings

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

	Current 2012 £m	Current 2011 £m	Non-current 2012 £m	Non-current 2011 £m
Senior term loans and notes	**–**	38.7	**716.4**	721.7
Other borrowings	**0.8**	–	**–**	2.2
Total borrowings	**0.8**	38.7	**716.4**	723.9

Analysis of debt	2012 £m	2011 £m
Debt falling due:		
In one year or less	**0.8**	38.7
Between one and two years	**15.0**	115.9
Between two and five years	**443.4**	447.1
Over five years	**258.0**	160.9
Total borrowings	**717.2**	762.6

14 Borrowings and financial instruments (continued)

Description of borrowings
Total undrawn committed borrowing facilities as at 31 December 2012 were £164m (2011: £149m).

US$600m revolving credit facility
The Group's principal bank facility comprises a US$600m multi-currency revolving credit facility signed in February 2011 and available to 31 March 2016. Advances under the new facility bear interest at a rate equal to LIBOR, or their local currency equivalent, plus a margin, depending on the Group's leverage. Drawings under this facility at 31 December 2012 were £235.5m (2011: £304.4m).

Bilateral multi-currency facility
In December 2010 the Group signed a multi-currency facility available to March 2016. The facility comprises a £20m multi-currency revolver facility and a €12m multi-currency term loan facility. On 22 March 2011 the £20m multi-currency revolver facility was increased by £10m to £30m. Drawings under these facilities at 31 December 2012 were £38.3m (2011: £13.4m).

Bilateral term loan facility 1
On 21 December 2012 the Group signed a US$20m bilateral term loan available to March 2015. Advances under this facility bear interest at a rate equal to LIBOR plus a margin, depending on the Group's leverage. Drawings under this facility at 31 December 2012 were £nil.

Bilateral term loan facility 2
On 21 December 2012 the Group signed a US$20m bilateral term loan available to December 2015. Advances under this facility bear interest at a rate equal to LIBOR plus a margin depending on the Group's leverage. Drawings under this facility at 31 December 2012 were £nil.

Private placement bonds
In June 2008 the Group raised US$100m by way of a senior note issue. The notes are repayable on 26 June 2015 and pay a fixed annual interest rate of 5.54%.

In December 2008 the Group 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 7.5% and US$75m repayable on 10 June 2016 at a fixed annual interest rate of 8.0%.

In December 2010 the Group 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 of 3.2% and US$150m repayable on 15 December 2020 at a fixed annual interest rate of 3.91%.

In October 2011 the Group issued a further US$265m of senior notes with the funds received in January 2012. These notes were issued in three tranches with US$20m repayable on 18 January 2019 at a fixed annual interest rate of 3.0%, 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%.

Other facilities
On 27 February 2012 the Group repaid and cancelled the US$300m bridge facility used to part fund the acquisition of Moody International. Advances under this facility bore interest at a rate equal to LIBOR plus a margin, depending on the Group's leverage.

On 19 November 2012 the Group cancelled a US$60m bilateral, multi-currency facility that was due to mature on 25 January 2013. The facility was not drawn in 2012.

2013 private placement bonds
In December 2012 the Group secured funding of US$80m by way of a senior note issue. The funds were received in February 2013. 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%. These funds were used to reduce drawings under the principal bank facility.

14 Borrowings and financial instruments (continued)

Financial risks

Details of the Group's treasury controls, exposures and the policies and processes for managing capital and credit, liquidity, interest rate and currency risk are set out below, in the Directors' Report – Financial Review that starts on page 22 and Principal Risks and Uncertainties on pages 47 to 49.

Credit risk

Exposure to credit risk

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

The carrying amount of financial assets represents the maximum credit exposure. At the reporting date this was as follows:

	2012 £m	2011 £m
Trade receivables, net of allowance (note 11)	**362.2**	320.6
Cash and cash equivalents	**166.5**	181.9
Total	**528.7**	502.5

The maximum exposure to credit risk for trade receivables at the reporting date by geographic region was as follows:

	2012 £m	2011 £m
Asia Pacific	**109.0**	90.8
Americas	**113.4**	105.7
Europe, Middle East and Africa	**139.8**	124.1
Total	**362.2**	320.6

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 Group. The Group also enters into transactions with counterparties in relation to derivative financial instruments. If the counterparty was not able to meet its obligations, the Group may be exposed to additional foreign currency or interest rate risk.

The Group, wherever possible, enters into arrangements with counterparties who have robust credit standing, which the Group defines as a financial institution with a credit rating of at least A-. The Group 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 Group's activities, it is not always possible to use a relationship bank. Therefore the Group has set limits on the level of deposits to be held at non-relationship banks to minimise the risk to the Group. It is also Group policy to remit any excess funds from local entities back to Intertek Group Treasury 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.

14 Borrowings and financial instruments (continued)

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its obligations as and when they fall due. The Group'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 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 including interest (for floating rate instruments, interest payments are based on the interest rate at 31 December 2012):

2012	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	716.4	868.1	18.8	5.7	40.0	499.8	303.8
Other loans	0.8	0.8	–	0.8	–	–	–
Trade payables (note 12)	46.2	46.2	43.3	2.9	–	–	–
	763.4	915.1	62.1	9.4	40.0	499.8	303.8
Derivative financial liabilities							
Forward exchange contracts:							
Outflow	1.0	122.9	120.9	2.0	–	–	–
Inflow	–	(121.9)	(119.9)	(2.0)	–	–	–
	1.0	1.0	1.0	–	–	–	–
Total	**764.4**	**916.1**	**63.1**	**9.4**	**40.0**	**499.8**	**303.8**

2011	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	760.4	871.3	13.5	44.8	135.4	499.4	178.2
Other loans	2.2	2.2	–	–	2.2	–	–
Trade payables (note 12)	52.7	52.7	51.8	0.9	–	–	–
	815.3	926.2	65.3	45.7	137.6	499.4	178.2
Derivative financial liabilities							
Forward exchange contracts:							
Outflow	–	73.0	73.0	–	–	–	–
Inflow	–	(73.0)	(73.0)	–	–	–	–
	–	–	–	–	–	–	–
Total	815.3	926.2	65.3	45.7	137.6	499.4	178.2

Interest rate risk

The Group'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 Group's debt portfolio for the period of the current and succeeding financial year. The Group's debt portfolio beyond this period is to be managed within the range of a 30% – 70% fixed to floating rate ratio. To do this the Group uses hedging instruments where considered appropriate.

14 Borrowings and financial instruments (continued)

Sensitivity
At 31 December 2012, it is estimated that the impact on variable rate net debt of a general increase of 3% in interest rates would be a decrease in the Group's profit before tax of approximately £5.1m (2011: £9.4m). This analysis assumes all other variables remain constant.

Foreign currency risk
The Group's objective in managing foreign currency risk is to safeguard the Group's financial assets from economic loss due to fluctuations in foreign currencies, and to protect margins on cross currency contracts and operations. To achieve this, the Group's policy is to hedge its foreign currency exposures where appropriate.

The net assets of foreign subsidiaries represent a significant portion of the Group's shareholders' funds and a substantial percentage of the Group's revenue and operating costs are incurred in currencies other than sterling. Because of the high proportion of international activity, the Group's profit is exposed to exchange rate fluctuations. Two types of risk arise as a result: (i) translation risk, that is, the risk of adverse currency fluctuations in the translation of foreign currency operations and foreign assets and liabilities into sterling and (ii) transaction risk, that is, the risk that currency fluctuations will have a negative effect on the value of the Group's commercial cash flows in various currencies.

The foreign currency profiles of cash, trade receivables and payables at the reporting date were as follows:

2012	Carrying amount £m	Sterling £m	US dollar £m	Chinese renminbi £m	Hong Kong dollar £m	Euro £m	Other currencies £m
Cash	**166.5**	**17.1**	**24.8**	**55.3**	**3.3**	**6.3**	**59.7**
Trade receivables (note 11)	**362.2**	**44.7**	**93.4**	**33.1**	**9.2**	**39.4**	**142.4**
Trade payables (note 12)	**46.2**	**6.0**	**8.5**	**4.0**	**1.9**	**10.1**	**15.7**
2011							
Cash	181.9	17.4	17.3	66.2	6.8	5.8	68.4
Trade receivables (note 11)	320.6	35.9	92.0	28.0	9.5	38.2	117.0
Trade payables (note 12)	52.7	12.5	8.0	2.9	2.1	10.5	16.7

Recognised assets and liabilities
Changes in the fair value of forward foreign exchange contracts that economically hedge monetary assets and liabilities in foreign currencies and for which no hedge accounting is applied are recognised in the income statement.

Hedge of net investment in foreign subsidiaries
The Group's foreign currency denominated loans are designated as a hedge of the Group's investment in its respective subsidiaries. The carrying amount of these loans at 31 December 2012 was £707.7m (2011: £757.6m).

A foreign exchange gain of £25.4m (2011: loss of £21.5m) was recognised in the translation reserve in equity on translation of these loans to sterling.

Sensitivity
It is estimated that a general increase of 10% in the value of sterling against the US dollar (the main currency impacting the Group) would have decreased the Group's profit before tax for 2012 by approximately £15.4m (2011: £13.4m). This analysis assumes all other variables remain constant.

Financial statements

Notes to the financial statements

14 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 Group's financial instruments by class.

	Book value 2012 £m	Fair value 2012 £m	Book value 2011 £m	Fair value 2011 £m
Financial assets				
Cash and cash equivalents	**166.5**	**166.5**	181.9	181.9
Trade receivables (note 11)	**362.2**	**362.2**	320.6	320.6
Total financial assets	**528.7**	**528.7**	502.5	502.5
Financial liabilities				
Interest bearing loans and borrowings	**717.2**	**751.5**	762.6	786.5
Trade payables (note 12)	**46.2**	**46.2**	52.7	52.7
Total financial liabilities	**763.4**	**797.7**	815.3	839.2

The major methods and assumptions used in estimating the fair values of the Group's financial instruments are summarised below.

Interest bearing loans and borrowings
The fair value of the floating interest bearing loans and borrowings is equal to the book value, since the floating interest rates were reset just prior to the year end. The fair value of the fixed interest bearing loans and borrowings has been calculated based on the present value of future principal and interest cash flows discounted at the market rate at the reporting date.

Trade receivables and payables
For trade receivables and payables with a remaining life of less than one year, the notional amount is deemed to reflect the fair value. All others are estimated as the present value of future cash flows discounted at the market rate of interest at the reporting date.

15 Capital and reserves

Accounting policy
Dividends
Interim dividends are recognised as a movement in equity when they are paid. Final dividends are reported as a movement in equity in the year in which they are approved by the shareholders.

Own shares held by the Employee Benefit Trust ('EBT')
Transactions of the Group sponsored EBT are included in the Group financial statements. In particular, the Trust's purchases of shares in the Company are debited directly in equity to retained earnings.

Share capital

Group and Company	2012 Number	2012 £m	2011 £m
Allotted, called up and fully paid:			
Ordinary shares of 1p each at start of year	**160,160,965**	**1.6**	1.6
Share options exercised (note 17)	**116,161**	**–**	–
Share awards (note 17)	**530,377**	**–**	–
Ordinary shares of 1p each at end of year	**160,807,503**	**1.6**	1.6
Shares classified in shareholders' funds		**1.6**	1.6

The holders of ordinary shares are entitled to receive dividends and are entitled to vote at general meetings of the Company.

During the year, the Company issued 116,161 (2011: 72,839) ordinary shares in respect of the share options exercised, for consideration of £0.7m (2011: £0.4m) settled in cash and issued 530,377 (2011: 533,917) shares under the Intertek 2011 Long Term Incentive Plan for £nil consideration.

15 Capital and reserves (continued)

Purchase of own shares for trust

During the year ended 31 December 2012, the Company financed the purchase of 27,500 (2011: 420,332) of its own shares with an aggregate nominal value of £275 (2011: £4,203) for £0.8m (2011: £7.8m) which was charged to retained earnings in equity and was held by the EBT. This trust is managed and controlled by an independent offshore trustee. During the year, 9,899 shares were utilised to satisfy the vesting of mirror awards and 407,617 shares to satisfy the vesting of share awards (note 17). At 31 December 2012, the EBT held 24,754 shares (2011: 414,770 shares) with an aggregate nominal value of £247 (2011: £4,148). The associated cash out flow of £0.8m (2011: £7.8m) has been presented as a financing cash flow.

Dividends	2012 £m	2012 Pence per share	2011 £m	2011 Pence per share
Amounts recognised as distributions to equity holders:				
Final dividend for the year ended 31 December 2010	–	–	30.1	18.8p
Interim dividend for the year ended 31 December 2011	–	–	17.1	10.7p
Final dividend for the year ended 31 December 2011	**37.0**	**23.0**	–	–
Interim dividend for the year ended 31 December 2012	**20.9**	**13.0**	–	–
Dividends paid	**57.9**	**36.0**	47.2	29.5p

After the reporting date, the Directors proposed a final dividend of 28.0p per share in respect of the year ended 31 December 2012, which is expected to amount to £45.0m. This dividend is subject to approval by shareholders at the Annual General Meeting and therefore, in accordance with IAS 10: Events after the reporting date, it has not been included as a liability in these financial statements. If approved, the final dividend will be paid to shareholders on 7 June 2013.

Reserves

Translation reserve

The translation reserve comprises foreign currency differences arising from the translation of the financial statements of foreign operations as well as the translation of liabilities that hedge the Group's net investment in foreign operations.

Hedging reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of the cash flow hedging instruments related to hedged transactions that have not yet occurred.

Other

This relates to a merger difference that arose in 2002 on the conversion of share warrants into share capital.

16 Employee benefits

Accounting policy

Pension schemes

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an employee benefit expense in the income statement as incurred.

Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan.

The Group's net obligation in respect of defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior years; that benefit is discounted to determine its present value. Any unrecognised past service costs and the fair value of any plan assets are deducted.

16 Employee benefits (continued)

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

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

The Group operates a number of pension schemes throughout the world. In most locations, these are defined contribution arrangements. However, there are significant defined benefit schemes in the United Kingdom, Hong Kong and Switzerland. These are funded schemes, with assets held in separate trustee administered funds. The schemes in the United Kingdom and Hong Kong were closed to new entrants in 2002 and 2000, respectively. Other funded defined benefit schemes are not considered to be material and are therefore accounted for as if they were defined contribution schemes.

The Group recognises all actuarial gains and losses in each year in equity through the consolidated statement of comprehensive income.

Total pension cost

The total pension cost included in operating profit for the Group was:

	2012 £m	2011 £m
Defined contribution schemes	**(29.9)**	(26.8)
Defined benefit schemes – current service cost	**(2.7)**	(2.4)
Pension cost included in operating profit (note 5)	**(32.6)**	(29.2)

The pension cost for the defined benefit schemes was assessed in accordance with the advice of qualified actuaries. The last full triennial actuarial valuation of The Intertek Pension Scheme in the United Kingdom was carried out as at 1 April 2010, but this has been updated to 31 December 2012 for IAS 19 purposes. The last full actuarial valuation of the Hong Kong scheme was carried out as at 31 December 2011, for local accounting purposes but this has been updated to 31 December 2012 for IAS 19 purposes. The Swiss scheme was actuarially valued for IAS 19 purposes at 31 December 2012.

Defined benefit schemes

The cost of defined benefit schemes

The amounts recognised in the income statement were as follows:

	2012 £m	2011 £m
Current service cost	**(2.7)**	(2.4)
Expected return on scheme assets (note 14)	**4.8**	5.7
Pension interest cost (note 14)	**(4.2)**	(4.7)
Total charge	**(2.1)**	(1.4)

The current service cost is included in operating costs in the income statement and pension interest cost and expected return on scheme assets are included in net financing costs.

16 Employee benefits (continued)

Actuarial gains and losses recognised directly in the consolidated statement of comprehensive income:

	2012 £m	2011 £m
Cumulative loss at 1 January	**(8.7)**	(0.8)
Recognised losses in the year	**(6.5)**	(7.9)
Cumulative loss at 31 December	**(15.2)**	(8.7)

Company contributions

In 2013 the Group expects to make normal contributions of £2.1m (2012: £2.0m). Pending the triennial actuarial valuation in April 2013, the Company has not made any special contribution to date in 2013 (2012: £0.6m) to the UK pension scheme.

Pension liability for defined benefit schemes

The amounts recognised in the statement of financial position for defined benefit schemes were as follows:

	2012 £m	2011 £m	2010 £m
Fair value of scheme assets	**104.6**	96.7	96.3
Present value of funded defined benefit obligations	**(121.6)**	(108.0)	(101.8)
Net liability in the statement of financial position	**(17.0)**	(11.3)	(5.5)

The fair value changes in the scheme assets are shown below:

	2012 £m	2011 £m
Fair value of scheme assets at 1 January	**96.7**	96.3
Expected return on scheme assets	**4.8**	5.7
Normal contributions by the employer	**2.0**	1.9
Special contributions by the employer	**0.6**	1.2
Contributions by scheme participants	**0.7**	0.9
Benefits paid	**(3.6)**	(3.2)
Effect of exchange rate changes on overseas schemes	**(0.7)**	0.1
Actuarial gains/(losses)	**4.1**	(6.2)
Fair value of scheme assets at 31 December	**104.6**	96.7

Composition of scheme assets in each category:

	United Kingdom Scheme		Hong Kong Scheme		Swiss Scheme	
	2012	2011	2012	2011	2012	2011
Equities	**53%**	61%	**62%**	58%	**–**	–
Bonds	**16%**	30%	**36%**	39%	**100%**	100%
Absolute returns	**20%**	–	**–**	–	**–**	–
Cash	**11%**	9%	**2%**	3%	**–**	–

The actual return on scheme assets was as follows:

	United Kingdom Scheme		Hong Kong Scheme		Swiss Scheme	
	2012 £m	2011 £m	2012 £m	2011 £m	2012 £m	2011 £m
Actual return	**6.8**	(0.5)	**1.5**	(0.8)	**0.6**	0.8

16 Employee benefits (continued)

Changes in the present value of the defined benefit obligations were as follows:

	2012 £m	2011 £m
Defined benefit obligations at 1 January	**108.0**	101.8
Current service cost	**2.7**	2.4
Interest cost	**4.2**	4.7
Contributions by scheme participants	**0.7**	0.9
Benefits paid	**(3.6)**	(3.2)
Effect of exchange rate changes on overseas schemes	**(1.0)**	(0.3)
Actuarial losses	**10.6**	1.7
Defined benefit obligations at 31 December	**121.6**	108.0

The pension deficit of each scheme at 31 December 2012 was as follows:

	United Kingdom Scheme £m	Hong Kong Scheme £m	Swiss Scheme £m	Total £m
Fair value of scheme assets	75.1	14.7	14.8	104.6
Present value of funded defined benefit obligations	(81.7)	(22.3)	(17.6)	(121.6)
Deficit in schemes	**(6.6)**	**(7.6)**	**(2.8)**	**(17.0)**

Principal actuarial assumptions:

	United Kingdom Scheme		Hong Kong Scheme		Swiss Scheme		Weighted average	
	2012	2011	**2012**	2011	**2012**	2011	**2012**	2011
Discount rate	**4.5%**	4.9%	**0.7%**	1.5%	**2.0%**	2.5%	**3.4%**	3.9%
Inflation rate (based on CPI)	**2.2%**	2.0%	**n/a**	n/a	**0.0%**	0.0%	**1.9%**	1.7%
Rate of salary increases	**3.0%**	3.0%	**4.0%**	4.0%	**1.5%**	1.5%	**3.0%**	3.0%
Rate of pension increases:								
CPI subject to a maximum of 5% p.a	**2.2%**	2.0%	**n/a**	n/a	**n/a**	n/a	**2.2%**	2.0%
Increases subject to a maximum of 2.5% p.a	**1.8%**	1.7%	**n/a**	n/a	**n/a**	n/a	**1.8%**	1.7%
Annualised expected return on scheme assets	**4.5%**	5.0%	**0.7%**	6.5%	**2.0%**	3.5%	**3.6%**	5.0%

The retirement arrangement in Hong Kong pays a lump sum to members instead of a pension and the Swiss Scheme is an insured plan.

The assumption for the annualised expected return on scheme assets in 2012 represents the discount rate. In 2011 the expected rates of return on scheme assets was determined by reference to relevant indices which took into account the current level of expected returns on risk free investments, the historical level of risk premium associated with equities and the expectation for future returns on such assets. The overall expected rate of return was calculated by weighting the individual rates in accordance with the anticipated balance in the plan's investment portfolio.

16 Employee benefits (continued)

Life expectancy assumptions at year end for:

	United Kingdom Scheme		Hong Kong Scheme*		Swiss Scheme	
	2012	2011	**2012**	2011	**2012**	2011
Male aged 40	**46.7**	46.6	**n/a**	n/a	**41.6**	41.6
Male aged 65	**21.2**	21.1	**n/a**	n/a	**18.9**	18.9
Female aged 40	**48.9**	48.8	**n/a**	n/a	**44.6**	44.6
Female aged 65	**23.8**	23.7	**n/a**	n/a	**21.4**	21.4

* The retirement arrangement in Hong Kong pays a lump sum to members instead of a pension at the point of retirement. Since the amount of the lump sum is not related to the life expectancy of the member, the post-retirement mortality is not a relevant assumption for the Hong Kong Scheme.

The table above shows, for the United Kingdom Scheme, the number of years a male or female is expected to live, assuming they were aged either 40 or 65 at 31 December. The mortality tables adopted in both 2012 and 2011 for the United Kingdom Scheme are the S1PA projected by year of birth, with an allowance for the medium cohort effect and a minimum improvement of 1%. For the Swiss Scheme, the mortality table adopted for both 2012 and 2011 is the BVG 2010, an industry standard in Switzerland which is based on statistical evidence of major Swiss pension funds.

Sensitivity analysis

The table below sets out the sensitivity on the pension assets and liabilities as at 31 December 2012 of the two main assumptions:

Change in assumptions	Liabilities £m	Assets £m	Deficit £m	Increase/ (decrease) in deficit £m
No change	121.6	104.6	(17.0)	–
0.25% rise in discount rate	116.4	104.6	(11.8)	(5.2)
0.25% fall in discount rate	127.0	104.6	(22.4)	5.4
0.25% rise in inflation	124.0	104.6	(19.4)	2.4
0.25% fall in inflation	119.2	104.6	(14.6)	(2.4)

History of experience gains and losses:

	2012 £m	2011 £m	2010 £m	2009 £m	2008 £m
Fair value of scheme assets	**104.6**	96.7	96.3	73.0	58.6
Defined benefit obligations	**(121.6)**	(108.0)	(101.8)	(92.5)	(77.1)
Deficit	**(17.0)**	(11.3)	(5.5)	(19.5)	(18.5)
Experience (losses)/gains on scheme liabilities	**(0.9)**	(1.4)	2.8	(1.8)	0.4
Experience gains/(losses) on scheme assets	**4.1**	(6.2)	4.9	11.7	(17.4)

17 Share schemes

Accounting policy

Share-based payment transactions

The share-based compensation plans operated by the Group allow employees to acquire shares of the Company. The fair value of the employee services, received in exchange for the grant of share options or shares, is measured at the grant date and is recognised as an expense with a corresponding increase in equity. The charge is calculated using the Monte Carlo method and expensed to the income statement over the vesting period of the relevant award. The charge for the share options and for the share awards is adjusted to reflect expected and actual levels of vesting where conditions are non-market based. The expense of the Performance Awards (previously Matching Awards), is also additionally adjusted for the probability of performance conditions being achieved.

The Group has taken advantage of the provisions of IFRS 1: First-time Adoption of International Financial Reporting Standards, and has recognised an expense only in respect of share options and awards granted since 7 November 2002.

Share option schemes

The Company established a share option scheme for senior management in March 1997. The maximum number of options that can be granted under the scheme have been allocated and that scheme has been discontinued. In May 2002, the Intertek Group plc 2002 Share Option Plan (the '2002 Plan') and the Intertek Group plc 2002 Approved Share Option Plan (the 'Approved Plan') were established for employees to be granted share options at the discretion of the Remuneration Committee. These plans have also been discontinued and the last grants under these plans were made in September 2005.

The number and weighted average exercise prices of share options are as follows:

	2012		2011	
	Weighted average exercise price	**Number of options**	Weighted average exercise price	Number of options
At beginning of year	**628p**	**285,264**	631p	379,347
Exercised	**594p**	**(116,161)**	659p	(72,839)
Forfeited	**533p**	**(6,363)**	578p	(21,244)
Outstanding options at end of year	**656p**	**162,740**	628p	285,264
Exercisable at end of year	**656p**	**162,740**	628p	285,264

The weighted average share price of the Company at the date of exercise of share options was 2,532p (2011: 1,956p). The options outstanding at the year end have an exercise price in the range of 359p to 778p and a weighted average contractual life of 1.8 years.

The outstanding options at 31 December 2012 are exercisable as follows:

Option Scheme	Number of options outstanding	Exercise price per share	Exercisable between	
2002 Plan	13,881	359p	7 April 2006	7 April 2013
	1,432	462p	12 September 2006	12 September 2013
	45,440	523.5p	7 April 2007	7 April 2014
	2,400	607p	14 September 2007	14 September 2014
	91,316	778p	7 April 2008	7 April 2015
	154,469			
Approved Plan	477	359p	7 April 2006	7 April 2013
	262	462p	12 September 2006	12 September 2013
	5,026	523.5p	7 April 2007	7 April 2014
	2,506	778p	7 April 2008	7 April 2015
	8,271			
Total	**162,740**			

17 Share schemes (continued)

Share Plans

As explained in the Remuneration Report on page 51, the Deferred Bonus Plan 2005 was replaced in 2011 with the Intertek 2011 Long Term Incentive Plan. Share awards (previously Deferred Awards) and Performance Awards (previously Matching Awards) have been granted under this plan. The first awards were granted on 7 April 2006. The awards under these plans vest three years after grant date, subject to fulfilment of the performance conditions.

	2012			2011		
Outstanding Awards	**Share Awards**	**Performance Awards**	**Total awards**	Share Awards	Performance Awards	Total awards
At beginning of year	**1,540,375**	**1,112,018**	**2,652,393**	1,505,095	1,014,440	2,519,535
Granted*	**388,195**	**278,009**	**666,204**	399,467	297,754	697,221
Vested**	**(704,005)**	**(488,400)**	**(1,192,405)**	(336,285)	(200,176)	(536,461)
Forfeited	**(56,248)**	**(41,070)**	**(97,318)**	(27,902)	–	(27,902)
At end of year	**1,168,317**	**860,557**	**2,028,874**	1,540,375	1,112,018	2,652,393

* Includes 4,767 Share awards and 3,642 Performance awards granted in respect of dividend accruals (2011: none).
** Of the 1,192,405 awards vested in 2012, 530,377 were satisfied by the issue of shares and 407,617 by the transfer of shares from the EBT (see note 15). The balance of 254,411 awards represented a tax liability of £5.8m which was settled in cash by the Group, of which £5.4m was settled by the Company.

Mirror share awards

On 14 May 2010, Lloyd Pitchford was granted conditional rights to acquire 49,039 shares of 1p in Intertek Group plc under a one-off arrangement to facilitate his recruitment as Chief Financial Officer of the Company. In 2012, 9,899 shares vested (2011: 14,852) and none lapsed (2011: 2,182). At 31 December 2012, there were nil shares outstanding (2011: 9,899 shares). Further details are shown in the Remuneration Report on pages 51 to 62.

Equity-settled transactions

In accordance with IFRS 2, the fair value of services received in return for shares granted to employees, is measured by reference to the fair value of shares granted. The estimate of the fair value of the services received is measured based on the Monte Carlo formula, a financial model used to calculate the fair value of shares and share options.

During the year ended 31 December 2012, the Group recognised an expense of £10.4m (2011: £9.5m). The fair values and the assumptions used in their calculations are set out below:

	Awards					
	Share Awards*	**Performance Awards TSR element**	Share Awards*	Performance Awards TSR element	Deferred Awards	Matching Awards
Year shares awarded	**2012****	**2012****	2011	2011	2010	2010
Fair value at measurement date (pence)	**2,262**	**1,299**	1,872	1,253	1,250	855
Share price (pence)	**2,262**	**2,262**	1,955	1,955	1,324	1,324
Expected volatility	**n/a**	**25.2%**	n/a	30.8%	n/a	30.8%
Dividend yield	**0%**	**0%**	1.4%	1.4%	1.9%	1.9%
Risk free interest rate	**n/a**	**0.5%**	n/a	1.4%	n/a	3.0%
Time to maturity (years)	**3**	**3**	3	3	3	3

* The fair values and assumptions are also the same for the EPS element of the Performance awards.
** The 2012 grants accrue dividends.

The expected volatility is based on the historic volatility, adjusted for any expected changes to future volatility due to publicly available information.

All Share Awards are granted under a service condition. Such condition is not taken into account in the fair value measurement at grant date. The Performance Awards (TSR element) are granted under a performance related market condition and as a result this condition is taken into account in the fair value measurement at grant date.

18 Subsequent events

2013 Private placement bonds

In December 2012 the Group secured funding of US$80m by way of a senior note issue. The funds were received in February 2013. 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%. These funds were used to reduce drawings under the principal bank facility.

19 Capital management

The Directors determine the appropriate capital structure of Intertek; specifically how much capital is raised from shareholders (equity) and how much is borrowed from financial institutions (debt) in order to finance the Group's activities. These activities include ongoing operations as well as acquisitions as described in note 10.

The Group's policy is to maintain a robust capital base (including cash and debt) to ensure the market and key stakeholders retain confidence in the capital profile. Debt capital is monitored by Group Treasury assessing the liquidity buffer on a short and longer-term basis as discussed in the Principal Risks and Uncertainties section of this Annual Report.

The Group uses KPIs, including return on invested capital and diluted adjusted earnings per share to monitor the capital position of the Group to ensure it is being utilised effectively.

The dividend policy also forms part of the Board's capital management policy, and the Board ensures there is appropriate earnings cover for the dividend proposed at both the interim and year end.

20 Non-controlling interest

Accounting policy

Acquisitions of non-controlling interests are accounted for as transactions with owners in their capacity as owners and therefore no goodwill is recognised as a result of such transactions. The purchase of non-controlling interests are based on a proportionate amount of the net assets of the subsidiary.

Non-controlling interest

An analysis of the movement in non-controlling interest is shown below:

	2012 £m	2011 £m
At 1 January	**24.0**	23.1
Exchange adjustments	**(0.5)**	(0.1)
Share of profit for the year	**14.4**	12.3
Additions	**–**	0.3
Purchase of non-controlling interest*	**–**	(1.2)
Dividends paid to non-controlling interest	**(12.6)**	(10.4)
At 31 December	**25.3**	24.0

* In 2011, the Group purchased a non-controlling interest for cash consideration of £1.8m and recognised a decrease in a non-controlling interest of £1.2m and a decrease in retained earnings of £0.6m.

21 Related parties

Identity of related parties
The Group has a related party relationship with its key management.

Transactions between the Company and its subsidiaries and between subsidiaries have been eliminated on consolidation and are not discussed in this note.

Transactions with key management personnel
Key management personnel compensation, including the Group's Directors, is shown in the table below:

	2012 £m	2011 £m
Short-term benefits	**5.9**	5.9
Post-employment benefits	**0.4**	0.4
Equity-settled transactions	**2.0**	2.1
Total	**8.3**	8.4

More detailed information concerning Directors' remuneration, shareholdings, pension entitlements, share options and other long-term incentive plans is shown in the audited part of the Remuneration Report.

Apart from the above, no member of key management had a personal interest in any business transactions of the Group.

22 Contingent liabilities

	2012 £m	2011 £m
Guarantees, letters of credit and performance bonds	**12.0**	11.4

Litigation
From time-to-time, the Group is involved in various claims and lawsuits incidental to the ordinary course of its business, including claims for damages, negligence and commercial disputes regarding inspection and testing, and disputes with employees and former employees. The Group is not currently party to any legal proceedings other than ordinary litigation incidental to the conduct of business.

The outcome of litigation to which the Intertek Group companies are party cannot be readily foreseen as in some cases the facts are unclear or further time is needed to properly assess the merits of the case. However, based on information currently available, the Directors consider that the cost to the Group of an unfavourable outcome arising from such litigation is unlikely to have a materially adverse effect on the financial position of the Group in the foreseeable future.

Tax
The Group operates in more than 100 countries and is subject to a wide range of complex tax laws and regulations. At any point in time it is normal for there to be a number of open years in any particular territory which may be subject to enquiry by local authorities. Where the effect of the laws and regulations is unclear, estimates are used in determining the liability for the tax to be paid on past profits which are recognised in the financial statements. The Group considers the estimates, assumptions and judgements to be reasonable but this can involve complex issues which may take a number of years to resolve. The final determination of prior year tax liabilities could be different from the estimates reflected in these financial statements.

23 Principal subsidiary undertakings

As permitted by Section 410 (1) of the Companies Act 2006, only the principal subsidiaries whose results or financial position, in the opinion of the Directors, principally affect the figures of the Group in 2012 and 2011 have been shown below. A full list of subsidiaries will be attached to the Company's next Annual Return filed with the Registrar of Companies. All the subsidiaries shown were consolidated at 31 December 2012.

			Percentage of ordinary shares held in 2012 and 2011	
Company name	Country of incorporation	Activity	Group	Company
Intertek Testing Services Shenzhen Ltd	China	Trading	100	–
Intertek Testing Services Ltd Shanghai	China	Trading	85	–
Intertek USA Inc	USA	Trading	100	–
Intertek Testing Services NA Inc	USA	Trading	100	–
Intertek Testing Services Holdings Limited	England	Holding	100	100
Intertek Finance plc	England	Finance	100	–
Intertek Testing Services Hong Kong Ltd	Hong Kong	Trading	100	–
Testing Holdings USA Inc	USA	Holding	100	–
Intertek USD Finance Ltd	England	Finance	100	–
Intertek Holdings Limited	England	Holding	100	100
ITS Testing Services (UK) Ltd	England	Trading	100	–
Intertek Testing Services Pacific Ltd	China	Trading	100	–
Intertek UK Holdings Ltd	England	Holding	100	–
Intertek Finance Ireland*	Ireland	Finance	100	–
Intertek Luxembourg S.a.r.l.*	Luxembourg	Finance	100	100

* Incorporated in 2012.

Financial statements

Intertek Group plc Company balance sheet

As at 31 December 2012	Notes	2012 £m	2011 £m
Fixed assets			
Investments in subsidiary undertakings	(d)	**297.8**	305.1
Current assets			
Debtors due after more than one year	(e)	**60.2**	54.0
Debtors due within one year		**7.1**	2.6
		67.3	56.6
Cash at bank and in hand		**3.2**	0.6
		70.5	57.2
Creditors due within one year			
Other creditors		**(9.0)**	(1.3)
Net current assets		**61.5**	55.9
Total assets less current liabilities		**359.3**	361.0
Net assets		**359.3**	361.0
Capital and reserves			
Called up share capital	(f)	**1.6**	1.6
Share premium	(f)	**257.4**	256.7
Profit and loss account	(f)	**100.3**	102.7
Shareholders' funds		**359.3**	361.0

The financial statements on pages 113 to 116 were approved by the Board on 1 March 2013 and were signed on its behalf by:

Wolfhart Hauser
Director

Lloyd Pitchford
Director

Financial statements

Notes to the Company financial statements

(a) Accounting policies – Company

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

The financial statements have been prepared in accordance with applicable United Kingdom Accounting Standards and under the historical cost accounting rules.

Under Section 408 of the Companies Act 2006 the Company is exempt from the requirement to present its own profit and loss account.

The Company is exempt from the requirement to prepare a cash flow statement on the grounds that it is included in the consolidated financial statements which it has prepared.

Foreign currencies

Transactions in foreign currencies are recorded 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

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes, which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19. Deferred tax assets in respect of timing differences are only recognised to the extent that it is more likely than not there will be suitable taxable profits to offset the future reversal of these timing differences.

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.

Intercompany financial guarantees

When the Company enters into financial guarantee contracts to guarantee the indebtedness of other companies in the Group, the Company considers these to be insurance arrangements and accounts for them as such. 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.

Share-based payments

Intertek Group plc runs a share ownership programme that allows Group employees to acquire shares in the Company. Details of the share schemes are given in note 17 of the Group financial statements.

The fair value of options and share awards granted to employees of the Company is recognised as an employee expense with a corresponding increase in equity. As the Company has no employees, there is no recognition of an employee expense nor the corresponding increase in equity. However, the Company grants options and awards over its own shares to the employees of its subsidiaries and therefore the Company recognises an increase in the cost of investment in its subsidiaries, equivalent to the equity-settled share-based payment charge recognised in respect of employees of the subsidiaries, with the corresponding credit being recognised directly in equity.

The fair value is measured at grant date and is spread over the period during which the employee becomes unconditionally entitled to the options. The fair value granted is measured using the Monte Carlo model. This method, in calculating the fair value, takes into account various factors including the expected volatility of the shares, the dividend yield and the risk free interest rate.

The fair value of shares granted under the Intertek 2011 Long Term Incentive Plan is also measured using the Monte Carlo model and is spread over the period during which the employee becomes unconditionally entitled to the shares.

(b) Profit and loss account

Amounts paid to the Company's auditor and their associates 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. The Company does not have any employees.

Details of the remuneration of the Directors are set out in the Remuneration Report.

(c) Dividends

The aggregate amount of dividends comprises:

	2012 £m	2011 £m
Final dividend paid in respect of prior year but not recognised as a liability in that year	**37.0**	30.1
Interim dividends paid in respect of the current year	**20.9**	17.1
Aggregate amount of dividends paid in the financial year	**57.9**	47.2

The aggregate amount of dividends proposed and recognised as liabilities as at 31 December 2012 is nil (2011: £nil). The aggregate amount of dividends proposed and not recognised as liabilities as at 31 December 2012 is £45.0m (2011: £37.0m).

(d) Investment in subsidiary undertakings

	2012 £m	2011 £m
Cost and net book value		
At 1 January	**305.1**	295.2
Additions due to share-based payments	**10.4**	9.5
Recharges of share based payments to subsidiaries	**(17.7)**	–
Other movements	**–**	0.4
At 31 December	**297.8**	305.1

The Company has granted options over its own shares and made share awards to the employees of its direct and indirectly-owned subsidiaries, and as such, the Company recognises an increase in the cost of investment in subsidiaries of £10.4m (2011: £9.5m). Details of the principal operating subsidiaries are set out in note 23 to the Group financial statements.

The Company had three direct subsidiary undertakings at 31 December 2012; Intertek Testing Services Holdings Limited and Intertek Holdings Limited, both of which are holding companies, are incorporated in the United Kingdom and registered in England and Wales, and Intertek Luxembourg S.a.r.l., incorporated in Luxembourg. All interests are in the ordinary share capital and all are wholly owned. In the opinion of the Directors, the value of the investments in subsidiary undertakings is not less than the amount at which the investments are stated in the balance sheet.

There is no impairment to the carrying value of these investments.

(e) Debtors due after more than one year

	2012 £m	2011 £m
Amounts owed by Group undertakings	**60.2**	54.0

The amounts owed by Group undertakings represent long-term loans due in two to five years, which carry interest based on the denomination of the borrowing currency.

Financial statements

Notes to the Company financial statements

(f) Reconciliation of movements in shareholders' funds

	Share capital £m	Share premium £m	Profit and loss £m	Total £m
At 1 January 2011	1.6	256.3	82.5	340.4
Profit for the financial year	–	–	65.7	65.7
Dividends paid	–	–	(47.2)	(47.2)
Credit in relation to share-based payments	–	–	9.5	9.5
Purchase of own shares	–	–	(7.8)	(7.8)
Shares issued	–	0.4	–	0.4
At 31 December 2011	1.6	256.7	102.7	361.0
Profit for the financial year	–	–	51.3	51.3
Dividends paid	–	–	(57.9)	(57.9)
Credit in relation to share-based payments	–	–	10.4	10.4
Tax paid on share awards vesting	–	–	(5.4)	(5.4)
Purchase of own shares	–	–	(0.8)	(0.8)
Shares issued	–	0.7	–	0.7
At 31 December 2012	**1.6**	**257.4**	**100.3**	**359.3**

Details of share capital are set out in note 15 and details of share-based payments are set out in note 17 to the Group financial statements.

A profit and loss account for Intertek Group plc has not been presented as permitted by Section 408 of the Companies Act 2006. The profit for the financial year, before dividends paid to shareholders of £57.9m (2011: £47.2m), was £51.3m (2011: £65.7m) which was mainly in respect of dividends received from subsidiaries.

The Group settled in cash the tax element of the share awards vested in March 2012 amounting to £5.8m of which the Company settled £5.4m (2011: £nil).

During the year ended 31 December 2012, the Company purchased, through its Employee Benefit Trust, 27,500 (2011: 420,332) of its own shares with an aggregate nominal value of £275 (2011: £4,203) for £0.8m (2011: £7.8m) which was charged to profit and loss in equity.

(g) Related party transactions

Details of related party transactions are set out in note 21 of the Group financial statements.

(h) Contingent liabilities

The Company is a member of a group of UK companies that are part of a composite banking cross guarantee arrangement. This is a joint and several guarantee given by all members of the Intertek UK cash pool, guaranteeing the total gross liability position of the pool which was £22.7m at 31 December 2012 (2011: £20.0m).

From time-to-time, in the normal course of business, the Company may give guarantees in respect of certain liabilities of subsidiary undertakings.

(i) Post balance sheet events

Details of post balance sheet events relevant to the Company and the Group are given in note 18 of the Group financial statements.

Other

Shareholder and corporate information

Shareholders' Enquiries
Any shareholder with enquiries relating to their shareholding should, in the first instance, contact our Registrars, Equiniti using the address on this page.

Electronic Shareholder Communications
Shareholders who would prefer to view documentation electronically can elect to receive automatic notification by email each time the Company distributes documents, instead of receiving a paper version of such documents. Registering for electronic communication is very straightforward and can be done via shareview, www.shareview.co.uk. Shareview is Equiniti's suite of online services that helps shareholders to manage their holdings and give access to a wide range of useful information.

There is no fee for using this service and shareholders will automatically receive confirmation that a request has been registered. To request a paper version of any document in the future, shareholders may contact the Registrar by email or by post.

The facility also allows shareholders to view their holding details, submit a proxy form for shareholder meetings, complete a change of address and provide dividend mandates online. Shareholders can also find out what to do if a share certificate is lost, as well as download forms in respect of changes of address dividend mandates and share transfers.

ShareGift
If you have a small shareholding which is uneconomical to sell, you may want to consider donating it to ShareGift. The Orr Mackintosh Foundation operates this charity share donation scheme. Details of the scheme are available from:

ShareGift at www.sharegift.org
T: +44 20 7930 3737

Share Price Information
Information on the Company's share price is available from the investor pages of www.intertek.com

Financial Calendar

Financial year end	31 December 2012
Results announced	4 March 2013
Annual General Meeting	17 May 2013
Ex-dividend date for final dividend	22 May 2013
Record date for final dividend	24 May 2013
Final dividend payable	7 June 2013
Interim results announced	29 July 2013
Ex-dividend date for interim dividend	16 October 2013
Record date for interim dividend	18 October 2013
Interim dividend payable	1 November 2013

All future dates are indicative and subject to change.

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Global Reporting Initiative Index

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'P' indicates partial reporting. The above index indicates the section references for the Global Reporting Initiative (GRI) requirements and supports our alignment to a level 'C' of reporting. Some requirements include references to our governance and organisational structure which are included throughout the Annual Report content.

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