



# *Bringing Quality and Safety to Life*

**Intertek Group plc**  
Annual report 2015

**Intertek**

Valued Quality. Delivered.

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## Financial highlights

# Powering Ahead

## Solid full year performance in 2015

- Improved organic growth performance
- Cost discipline delivers margin improvement
- Adjusted diluted Earnings per Share<sup>1</sup> (EPS) up 6.5%
- Strong cash conversion at 136% and disciplined capital allocation
- Full year dividend per share of 52.3p, an increase of 6.5%
- Non-cash impairment of £577m in Industry Services

### Revenue (£m)

## +3.5%

2015	2,166
2014	2,093

### Adjusted operating profit<sup>1</sup> (£m)

## +5.9%

2015	343
2014	324

### Adjusted operating margin<sup>1</sup> (%)

## +40bps

2015	15.9%
2014	15.5%

### Cash conversion<sup>1,2</sup> (%)

## 136%

2015	136.4%
2014	124.7%

### Adjusted diluted EPS<sup>1</sup> (pence)

## +6.5%

2015	140.7
2014	132.1

### Dividend per share<sup>3</sup> (pence)

## +6.5%

2015	52.3
2014	49.1

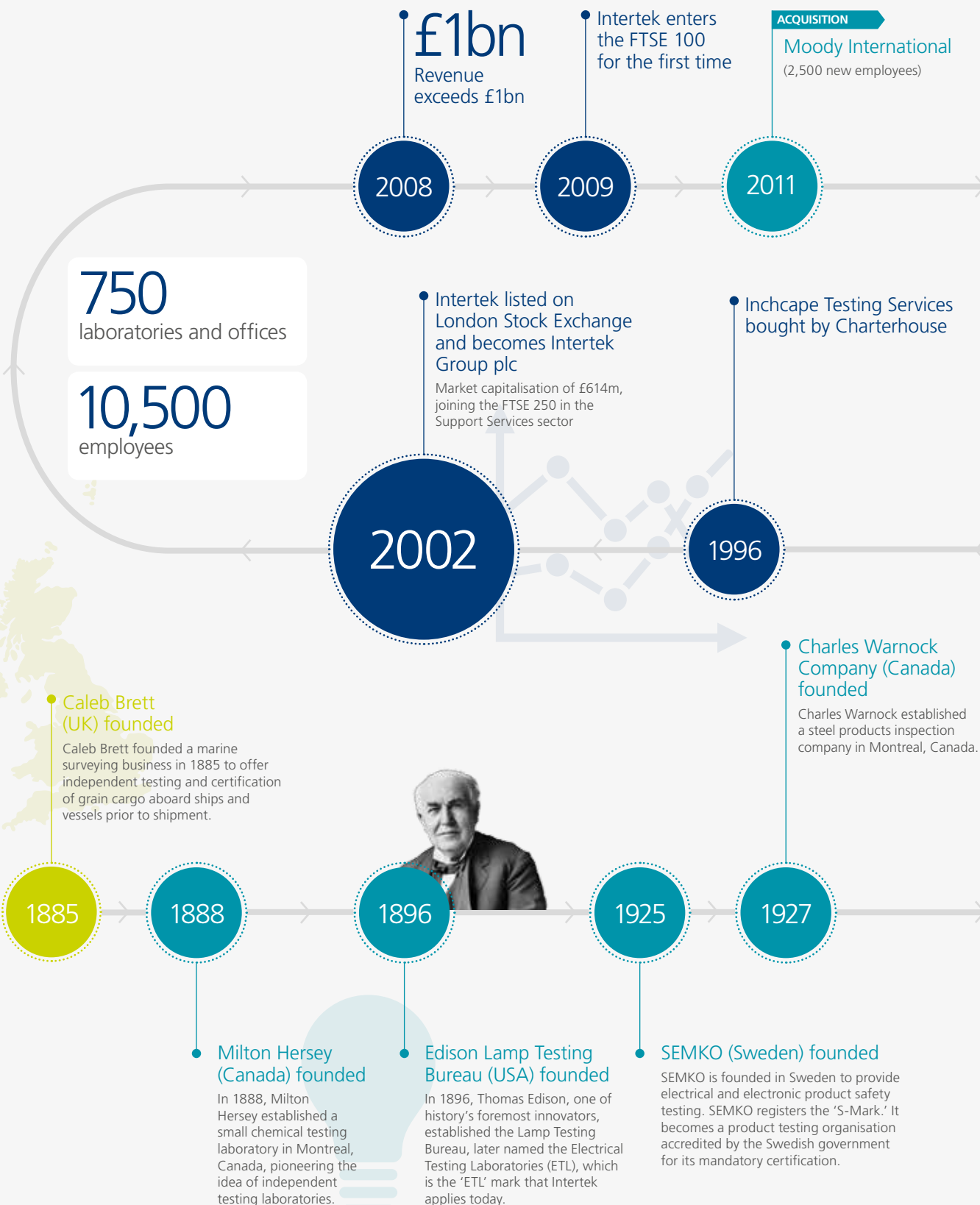
1. Adjusted operating profit, adjusted operating margin, cash conversion and adjusted diluted earnings per share ('EPS') are stated before Separately Disclosed Items, which are described in note 3 to the financial statements. Statutory operating loss was £283.5m (2014: profit £276.6m) and statutory diluted loss per share in 2015 was (224.2)p (2014: diluted EPS 108.8p).

2. Cash conversion is calculated as adjusted cash flow from operations before special contributions to pensions divided by adjusted operating profit.

3. Dividend per share for 2015 is based on the interim dividend paid of 17.0p (2014: 16.0p) plus the proposed final dividend of 35.3p (2014: 33.1p).

# Building On Our Heritage

Intertek's history dates back over 130 years to some of the world's early pioneers in scientific innovation and trade.



2015

Intertek in 2015

£2,166m

Revenue

41,400

Employees

£343m

Adjusted Profit

100+

Countries

1,000

Labs and Offices

ACQUISITION

Professional Service Industries, Inc. ('PSI')

Leading US-based provider of testing and assurance services to commercial and civil construction markets

ACQUISITION

SEMKO

1994

ACQUISITION

Warnock Hersey

1992

ACQUISITION

ETL Testing Laboratories

1988

Warnock Hersey (Canada) founded

In 1954 Milton Hersey and Charles Warnock merge their companies to create 'Warnock Hersey', one of the largest testing and inspection entities in Canada (1954). The company expands into minerals, lumber testing and the US market.

ACQUISITION

Caleb Brett

1984-87

Inchcape Testing Services formed

Inchcape expands through a series of acquisitions.

ACQUISITION

Foreign Trade Standards

Government Trade & Inspection Services (UK)

1984-87

ACQUISITION

Intertek Testing Services, Intertek Services International

Government Trade & Inspection Services (US)

1984-87

1954

1973

Inchcape establishes Labtest (Hong Kong)

Labtest originally focuses on textile testing and later broadens across other consumer goods.

## Our Mission

*Our mission is to exceed our customers' expectations with innovative and bespoke Assurance, Testing, Inspection and Certification services for their operations and supply chain.*



### Assurance

Assurance ensures our customers identify and mitigate the intrinsic risk in their operations, supply chain and quality management systems.



### Testing

Testing is evaluating how products and services meet and exceed quality, safety, sustainability and performance standards.



### Inspection

Inspection is validating the specifications, value and safety of raw materials, products and assets.



### Certification

Certification is certifying that products and services meet trusted standards.

**OUR PURPOSE:**

*Bringing Quality  
and Safety to Life.*

**OUR VISION:**

*To Become the World's  
Most Trusted Partner  
for Quality Assurance.*



# *Living Our Customer-Centric Culture*



We want to leverage our passionate culture to deliver a superior customer service with engaged employees, excellence, diversity, innovation, agility, teamwork and collaboration.

In a decentralised and diverse global service business fostering the right customer-centric culture will make our Total Quality Assurance proposition a strong competitive advantage.

We have revisited our values to drive the right cultural behaviours and we have identified five values that are true to who we are.





We always do the right thing. With precision, pace and passion.

We are a global family that values diversity.

We own and shape our future.

We trust each other and have fun winning together.

We create sustainable growth. For All.

# *Attractive Global Growth Opportunities within the Quality Assurance Market*

## Growth Opportunities

We see four key attractive growth opportunities in the Quality Assurance Market:

- First, the structural growth drivers in both Assurance, and Testing, Inspection and Certification ('TIC') taking advantage of our customers' needs for Total Quality Assurance;
- Second, growing our market share with existing customers and through providing additional services across more products or projects and a wider coverage of the supply chain;
- Third, gaining new customers and convincing those businesses performing in-house testing that they should outsource; and
- Fourth, leveraging our highly cash-generative business model and strong balance sheet through selective acquisitions.

We are extremely well-positioned to take advantage of the growth opportunities in the Quality Assurance market and deliver GDP plus organic revenue growth over the medium to long term given our broad service portfolio, our technical expertise and global network of facilities.



## The Quality Assurance Market

### Market size

# \$250bn

We estimate that the wider market opportunity for our Assurance, Testing, Inspection and Certification ('ATIC') solutions is \$250bn with significant growth opportunities.

It is currently dominated by in-house testing, while the external market is extremely fragmented.

### Structural Growth Drivers

#### Assurance

- Increased corporate focus on risk
- Outsourcing of supply chain
- Focus on ethical supply
- Sustainability of supply chain
- Increased management and board focus on risk management
- Increased shareholder requests for transparency on risk management and quality assurance

#### Testing, Inspection, Certification

- Increased volume and depth of TIC
- Global trade
- Regulatory changes
- Increased quality standards
- Consumers' / customers' focus on sustainability
- Innovation driving product variety
- E-commerce
- Technological development
- Growth in domestic demand in emerging markets
- Growth in energy demand

# Offering Assurance, Testing, Inspection and Certification Solutions Across Three Sectors

## Our Sectors

Sector	Business Lines	Contribution	Outlook
<b>Products</b> <ul style="list-style-type: none"> <li>Structural drivers include quality solutions and sustainability demand, R&amp;D, regulation, brand and supply chain expansion and risk management</li> </ul>	Softlines, Hardlines, Electrical & Wireless, Business Assurance, Building & Construction, Transportation Technologies, Chemicals & Pharmaceuticals, Product Assurance, Food and Health, Environmental & Regulatory Services	<b>Group revenue</b> <b>51%</b> <b>Group operating profit</b> <b>68%</b>	Continuing growth from expanding investment in quality and innovation
<b>Trade</b> <ul style="list-style-type: none"> <li>Structural drivers include: global GDP growth, quality and quantity control requirements during transportation</li> </ul>	Cargo & Analytical Assessment, Agriculture, Government & Trade Services	<b>Group revenue</b> <b>25%</b> <b>Group operating profit</b> <b>22%</b>	Global and regional trade flow growth
<b>Resources</b> <ul style="list-style-type: none"> <li>Structural drivers include: capex &amp; opex investment, increased resources activity and long-term demand for energy</li> </ul>	Industry Services and Minerals	<b>Group revenue</b> <b>24%</b> <b>Group operating profit</b> <b>10%</b>	Long-term growth

Strategic report – How we create value

# *Intertek Total Quality Assurance Proposition*

## Compelling customer offering

The Intertek Total Quality Assurance Proposition is a compelling customer offering and includes:

- A global Network of State-of-the-Art Facilities
- Industry-Leading Technical Expertise
- Total Quality Assurance with Assurance, Testing, Inspection and Certification ('ATIC') services
- Innovative and Bespoke ATIC solutions in the Products, Trade and Resources sectors
- Superior Customer service 24/7 fuelled by Industry-winning processes and our customer-centric culture

Our Total Quality Assurance Proposition provides a systemic approach to supporting our customers' Quality Assurance efforts in each of the areas of their operations including R&D, raw materials, sourcing, components suppliers, manufacturing, transportation, distribution and retail channels and consumer management.

We deliver our independent, innovative and bespoke Quality Assurance solutions for our customers' operations and supply chains 24 hours a day, 7 days a week across 100 countries.

## Intertek Customer Promise

Our innovative Assurance, Testing, Inspection and Certification solutions delivered 24/7 with precision, pace and passion enabling you to power ahead safely.

Strategic report – Our strategy

# *Our 5x5 Strategy for Sustainable Growth*



To seize the exciting ATIC growth opportunities ahead and deliver our Total Quality Assurance Proposition, we have developed our 5x5 strategy based on 5 clear strategic priorities and 5 enablers.



This has been an important year for the quality assurance market and for Intertek as highlighted by the number of news reports around the world frequently focusing on questions about quality. As a global business operating with more than 41,000 people in over 100 countries in three main sectors of the economy – Products, Trade and Resources – Intertek has continued to help our customers meet the challenges they face by providing independent, innovative and bespoke quality assurance solutions.

“Never has there been so much focus on quality assurance from consumers, regulators, media, companies and investors.”

**SIR DAVID REID**  
Chairman



The appointment of André Lacroix in May 2015 has brought new thinking about the market drivers for Intertek and how our business should evolve to meet the changing needs of our stakeholders. To access the significant structural growth opportunities opened up by this new approach to the assurance, testing, inspection and certification market, André and the executive team have, with the support of the Board, developed a Total Quality Assurance Proposition and a new growth strategy. André explains more about the proposition and strategy in his Chief Executive Officer's statement. In implementing this strategy, we will retain our capital discipline and operate with a renewed focus on margin accretive revenue growth, strong returns and cash generation. We plan that this will deliver positive outcomes for our customers, our people and our shareholders.

### 2015 PERFORMANCE

Our performance benefited from good growth in our Products and Trade businesses, while trading conditions remained challenging in the Resources businesses. In 2015, the Group delivered revenue of £2,166m, an increase of 3.5% over the prior year. Organic revenue growth at constant exchange rates was 1.6%. Adjusted operating profit rose to £343m, up 5.9%, and adjusted operating margin was 15.9% compared to 15.5% in 2014.

The Industry Services business continued to face challenges in the energy infrastructure sector of oil and gas. Following a review of our business a non-cash impairment charge of £577.3m has been recorded in the year.

The underlying performance of the business was solid with adjusted diluted earnings per share of 140.7p, up 6.5%.

The Board has a progressive dividend policy. We will seek to increase the dividend each year in a sustainable way and maintain a minimum dividend cover of 2.5 times earnings. On 13 October 2015, we paid an interim dividend of 17.0p per share (2014: 16.0p). At the Annual General Meeting, the Board will propose a final dividend of 35.3p per share, which will make a full year dividend of 52.3p per share (2014: 49.1p), an increase of 6.5%.

This final dividend will be paid on 3 June 2016 for those shareholders on the register on 20 May 2016.

### CASH FLOW AND INVESTMENT

In 2015, the Group continued to generate strong cash flow, with adjusted cash flow from operations of £466m, an increase of 15% on the prior year. Adjusted cash conversion was 136% compared to 125% in 2014.

The Group invested £112m in new laboratories and equipment in the year which represents 5.2% of total revenue (2014: £110m, 5.2%). The capital investment programme ensures we continually position Intertek to capture future growth.

Net debt at the year end was £775m, an increase of 22% on the prior year, largely reflecting the net spend of £231m on acquisitions.

### ACQUISITIONS

In line with our priorities of strengthening our global and local businesses, Intertek announced the acquisitions of five new companies in 2015, with four completing during the year.



André provides more detail on acquisitions in his statement.

The most significant was the acquisition of Professional Service Industries, Inc., a leading US-based provider of testing and assurance services to the commercial and civil construction markets.

With our strong financial position we are well-placed to continue to evaluate strategic acquisition opportunities and to make smaller, bolt-on acquisitions that bring complementary services to our portfolio and have the potential to increase shareholder value.

### THE BOARD AND MANAGEMENT

With highly engaged people, having the right person at the very top of the organisation to lead the business in a world that is changing quickly is critical. Appointed on 16 May 2015, our new Chief Executive Officer, André Lacroix, and the experienced leadership team have worked with the Board during the year to develop a differentiated strategy for growth that meets the needs and demands of our stakeholders.

At the May 2015 Annual General Meeting, after serving as Chief Executive Officer for ten years, Wolfhart Hauser retired. Christopher Knight, Chairman of the Remuneration Committee and Non-Executive Director, also retired after serving for nine years on the Board.

We welcomed Gill Rider to the Board as a Non-Executive Director and Chair of the Remuneration Committee on 1 July 2015. Gill adds valuable experience to the Board from her career in both Executive and Non-Executive roles.

In other changes to the Committees, Mark Williams was appointed to the Remuneration and Nomination Committees with effect from 15 May 2015, Alan Brown moved from the Remuneration Committee to the Audit & Risk Committee on 1 July 2015 and Dame Louise Makin joined the Nomination Committee on 1 December 2015.

### SHAREHOLDER ENGAGEMENT

Our ongoing and continuing dialogue with our shareholders has been a key focus during the year. As a Board, we have been cognisant of the voting results at last year's Annual General Meeting. We took note of the shareholder pushback for the advisory vote on the Directors' Remuneration report at the 2015 Annual General Meeting and responded accordingly. As a result, there has been significant engagement with our shareholders and other stakeholders on remuneration matters and all feedback has been reviewed and taken into consideration. In accordance with regulations and good corporate governance and following further shareholder engagement, our Directors' Remuneration Policy will be presented for approval by shareholders at the 2016 Annual General Meeting. Details are set out in the Directors' Remuneration report on pages 63 to 77.

### GOVERNANCE

As Chairman, I am committed to seeing Intertek operating with the highest standards of corporate governance.

An independent external evaluation was undertaken of the Board during the year. I am pleased that the results were positive and confirmed that the Board and the way it operates are effective. More information on this review is outlined on pages 60 and 61 of the Corporate Governance Report.

While all Board appointments are made on merit, we are strong believers in the importance of diversity. We have strived for gender diversity among our membership and female Board members currently comprise 30% of the Board. Our Diversity Policy can be found on our website.

### SUSTAINABILITY

Sustainable business practices are integral to Intertek. We assist many of the world's leading corporations and best-known brands in improving the social, ethical and environmental impact of their products, processes and supply chains ensuring quality and safety and thereby protecting their brands.

In our own operations, we continue to improve our processes to monitor our impact on climate change and have controls in place to minimise the Group's effect on the environment through, for example, utilising renewable sources of energy, reducing energy consumption and implementing 'green' waste management practices.

The health and safety of our people is paramount and we have policies in place to ensure staff welfare remains of utmost importance. In 2015, we implemented an online reporting tool for information relating to health and safety incidents with these insights shared across the Group to help understand and reduce accident rates.

### INTEGRITY AND OUR PEOPLE

The integrity and ethical conduct of our people is at the core of everything we do and critical to the success of Intertek. We continually review our performance against our robust ethical policies and control procedures. These policies and procedures help us ensure that good business ethics are embedded across the Group.

The Board recognises that delivering our new strategy for growth depends on many factors but people are our greatest asset. We are confident and know that our employees have the innovative talent and knowledge to build on our traditions to realise the full potential of our business. Our continuing success relies upon the commitment, energy, expertise and hard work of our teams around the globe and on behalf of the Board, I would like to thank all of our employees for their continued dedication and diligence.

### LOOKING AHEAD

We look to the future with confidence. We have articulated a clear growth strategy to deliver quality assurance solutions in rapidly changing markets with strong structural growth drivers. Despite current market challenges in some parts of our Resources business, we believe the Group can continue to deliver revenue growth, improved margins, strong cash generation and attractive returns. Supported by the investments we are making, I am convinced Intertek will build on its successful heritage to continue to deliver long-term value for our shareholders.



**SIR DAVID REID**  
Chairman

Intertek is a business that has consistently innovated and evolved to meet changing needs and demands. Today, consumers are demanding higher quality and greater sustainability; regulators are demanding safer products and better working conditions; and companies are focusing on reducing the risks in their increasingly complex operations and supply chains. We are evolving our Total Quality Assurance Proposition to address the needs of our clients and see us seizing the exciting growth opportunities in our changing industry.

“Intertek is a growth company on a ‘good to great’ journey.”

**ANDRE LACROIX**  
Chief Executive Officer



### ‘I find out what the world needs, then I proceed to invent it’

So said Thomas Edison, who established the Edison Lamp Testing Bureau in 1896, one of the founding companies of Intertek. The ability to anticipate future trends has been a strength of Intertek over the years. Staying close to our customer needs is embedded in our day-to-day business to ensure that, as a company, we remain forward-looking and relevant in a rapidly changing world. This is the reason Intertek has a great heritage reaching back well over 100 years and over that time, our purpose, our vision and our mission are essentially unchanged.

**Our purpose** is bringing quality and safety to life.

**Our vision** is to become the world’s most trusted partner for quality assurance.

**Our mission** is to exceed our clients’ expectations with independent, innovative and bespoke assurance, testing, inspection and certification services for their operations and supply chains. Globally. 24/7.

#### 2015 PERFORMANCE

We are pleased with the progress of the Group and we delivered a solid performance in 2015. Our organic growth momentum has improved and we have delivered EPS growth of 6.5%.

The Group remains strongly cash-generative and we have continued to invest in growth with capex and M&A in businesses with good growth and good margin prospects.

Given the continuing challenging trading conditions in the global oil and gas industry, we have taken a £577m non-cash impairment charge to reflect the uncertainties. This one-off charge has had a material impact on our reported profits, but does not impact the solid underlying performance of the business.

We have a tradition of innovation and as I travel around our operations across the globe to meet with our employees, customers, governments and regulators, I experience this innovative spirit every day across our business.

As I have come to know Intertek, I am clear that we have five fundamental strengths that make our business successful:

- a global network of state-of-the-art facilities
- a powerful portfolio with leadership positions
- the depth and breadth of Quality Assurance solutions
- a high margin, strong cash-generative earnings model
- a passionate and entrepreneurial culture

We are a growth company operating in a unique growth industry. We have more opportunities today than ever before – from consumers demanding higher quality and greater sustainability; from regulators demanding safer products and better working conditions; and from companies focusing on reducing the risks in their increasingly complex operations and supply chains.

We have indeed some truly exciting opportunities to make Intertek a great company.

## CHANGING INDUSTRY DYNAMICS POSITIVE FOR INTERTEK

When companies outsource their supply chain around the world, it makes them more complicated and complex to manage. As a result, ensuring quality, traceability, ethical supply and sustainability in the supply chain has become the number one issue for many businesses. In today's ever more connected world, problems or issues are quickly disseminated and can be extremely damaging for any business.

As a result, both Board and management focus on risk management of their operations and supply chain is increasing. And, importantly, it is on shareholders' agenda too.

In November 2015, Stephanie Pfeifer, chief executive of the Institutional Investors Group on Climate Change, a group representing 118 investors with €12tn in assets under management wrote an open letter to EU policymakers stating that 'investors need to be reassured that testing is reliable' so that they can allocate 'capital to those entities that are best placed to deliver enduring value to shareholders'. I truly believe that it is only a matter of time before investors ask for more transparency on risk management and quality assurance.

At its core, **Testing, Inspection and Certification** ('TIC') is the quality control of end product formulations, raw materials, components and assets. However the industry is evolving beyond Quality Control and increasingly includes **Quality Assurance** as corporations increase their focus on the management of risk for their operations and supply chain.

Indeed our customers now expect a Total Quality Assurance solution that includes systemic and in-depth Assurance, Testing, Inspection and Certification for their business. The TIC industry is gradually becoming the ATIC Quality Assurance market, which, as a market leader in Assurance, is an exciting opportunity for our business and Group.

**Assurance** ensures our clients identify and mitigate the intrinsic risk in their operations, supply chain and quality management systems.

We have over 3,000 auditors and conduct on average 90,000 audits annually delivering assurance through ISO certificates and non-ISO evaluations, as well as ensuring businesses comply with regulations and improve performance within their supply chains.

In addition to Assurance, we provide our customers with Testing, Inspection and Certifications. We do that every day, around the globe and we do it very well. We are one of the market leaders with a global footprint of over 41,000 people and 1,000 laboratories and offices in over 100 countries.

**Testing** is evaluating how the products and services of our clients meet and exceed quality, safety, sustainability and performance standards.

**Inspection** is validating the specifications, value and safety of raw materials, products and assets.

**Certification** is certifying that products and services meet trusted standards.

## ATTRACTIVE GROWTH OPPORTUNITIES

The ATIC Quality Assurance market is a \$250 billion opportunity with significant growth opportunities.

We provide ATIC services to our clients in three distinct sectors of the global economy that share broadly common characteristics – Products, Trade and Resources – and this is how we will report our progress going forward.

- **Products** is consumer goods, commercial & electrical, chemicals & pharmaceuticals and business assurance
- **Trade** is cargo, agriculture, government & trade services
- **Resources** is oil and gas capex and opex-related industry spend, minerals.

90% of our operating profit is derived from Products- and Trade-related businesses, both of which are delivering good growth fuelled by the higher quality and safety standards requested by consumers and the growth of global and regional trade. The third sector serviced by our business model, Resources, has experienced more difficult trading conditions over the past 12 to 24 months and, while we expect the market to remain challenging in the short term, the need to support the demands of a growing global population means we remain confident in the longer term outlook for the sector.

Given our broad service portfolio, our technical expertise and our global network of facilities, we are, in my view, extremely well positioned to take advantage of the various growth opportunities and to deliver global GDP plus organic revenue growth over the medium to long term. We will do this by offering a superior service proposition delivered by passionate employees and a Total Quality Assurance Solution leveraging our technical expertise and bespoke innovative ATIC solutions.

We see four growth opportunities. First, the structural factors that drive growth in quality control such as global trade, changing regulation, increasing quality standards, consumer or customer focus on sustainability, innovation, e-commerce, new brands, and technology as well as the increased focus of Boards and management on risk in their supply chain and operations.

Second, growing our market share with existing customers, through providing additional services, across more products or projects and wider coverage of the supply chain.

Third, gaining new customer contracts and convincing those businesses performing TIC in-house that they should outsource. We estimate that around four-fifths of the ATIC market, equivalent to \$200 billion, is in-house. We talk to these companies, offering a solution that will enable them to focus their resources on their core activities by providing the latest capabilities and familiarity with the latest regulations. As importantly, we provide independent expertise.

The fourth opportunity is industry consolidation. We have a highly cash-generative business model and a strong balance sheet to accelerate organic growth with selective acquisitions.

# Strategic report

## Chief Executive Officer's review continued

### INTERTEK TOTAL QUALITY ASSURANCE PROPOSITION

We are providing our clients with independent, innovative and bespoke quality assurance solutions for their operations and supply chains 24 hours a day, 7 days a week across 100 countries.

The strength of our Service, Business Lines and Countries portfolio enables us to seize the exciting growth opportunities in the ATIC Quality Assurance market globally as we offer our clients a broad base offering of ATIC solutions.

The Intertek Total Quality Assurance Proposition is a compelling client offering based on:

- A global network of state-of-the-art facilities;
- Industry-leading technical expertise;
- Total Quality Assurance with ATIC services;
- Innovative and bespoke ATIC solutions in the Products, Trade, Resources sectors; and
- Superior customer service 24/7 fuelled by Industry-winning processes and our customer-centric culture.

Superior customer service is a key differentiator. I believe that creating a customer service for our clients will be a true accelerator of growth. We are increasing our efforts to continuously develop innovative processes to improve our customer service and at the core of this is using the Net Promoter Score ('NPS') methodology.

We want to leverage our passionate culture across our Group through engaged employees. We champion amongst our teams entrepreneurship, excellence, diversity, innovation, agility and, most importantly, we foster a focus on collaboration to create cross-selling opportunities and a sustainable business.

I strongly believe that in a decentralised and diverse global service business, fostering the right customer-centric culture will make our Intertek Total Quality Assurance Proposition a unique competitive advantage.

We have revisited our values to drive the right cultural behaviours and we have identified five values that are true to who we are:

- We are a global family that values diversity.
- We always do the right thing. With precision, pace and passion.
- We trust each other and have fun winning together.
- We own and shape our future.
- We create sustainable growth. For All.

### OUR 5X5 STRATEGY FOR SUSTAINABLE GROWTH

To seize the exciting ATIC growth opportunities ahead and deliver our Total Quality Assurance Proposition, we have identified 5 clear strategic priorities and the right 5 enablers.

I call this our 5x5 growth strategy – five strategic priorities and five enablers.

The five strategic priorities are:

A **Strong Brand Proposition** that positions Intertek as the market leading quality assurance provider. Our brand proposition and our well-known and respected legacy brands will build awareness of our strong quality assurance value proposition.

**Superior Customer Service** that supports premium pricing, listens to our customers to improve delivery and develops innovative solutions leveraging technology to make Intertek the most trusted quality assurance provider.

An **Effective Sales Strategy** that delivers organic revenue growth, developing our business with existing customers and winning new clients.

A **Growth- and Margin-accretive Portfolio** strategy that delivers growth at the business line, country and service levels. It is about deciding where we want to allocate our people and capital resource to move the centre of gravity of the Company towards the good growth and good margin areas in the industry operating within strict capital allocation guidelines. We will manage organic performance and pursue M&A opportunities based on these portfolio priorities.

**Operational Excellence** to drive productivity. We will continue to eliminate non-essential costs, which will involve the consolidation of facilities and back offices, as well as streamlining and optimising our processes through improved IT infrastructure and technology.

The five enablers are:

Led by what I call '**Living Our Customer-centric Culture**'. We have a strong entrepreneurial spirit and are decentralised which means our businesses are very close to their markets. Our people really are passionate about what they do - they understand their business and their markets. We can build on these very strong foundations, empowering the workforce and putting the customer first.

Second is **Disciplined Performance Management** to deliver margin accretive revenue growth with strong cash conversion and returns on capital. We will focus on internal/external benchmarking with improved reporting process and leverage technology to manage aligned financial and non-financial performance metrics.

**Superior Technology** will add value to customers and increase our productivity. Our focus will be to improve the functionality and experience of our client-facing IT systems to provide the expected data intelligence as well as increasing the productivity of our back-office systems.

**Energising Our People** in an engaged workforce is key. We are a people business and I am a firm believer that by providing personal growth opportunities and clear guidelines on expectations we can unleash the undoubted potential of the Intertek organisation. We will invest in capability to support and fuel our growth agenda and ensure that our reward and recognition strategy drives high and sustainable performance.

**Delivering Sustainable Results, Everywhere, Every Day.** This is about creating sustainable growth for our Customers, Employees, Shareholders, Suppliers and the community. We strongly believe that doing business the right way with all stakeholders will underpin the sustainability of our growth performance.

## SHORT-TERM PRIORITIES IN 2016

To implement our 5x5 strategy we will be very focused in 2016 on ensuring internal alignment on revenue, margins and cash delivery.

Ensuring alignment inside the company through:

- an organisational structure supporting our business model;
- sponsorship of the 5x5 strategy at the top of the business with our growth agenda shared by the Executive Team;
- improving performance management;
- increased communications effort and best practice sharing; and
- a new short-term incentive scheme with a focus on margin accretive revenue growth with strong cash conversion to deliver strong returns.

In 2016, to deliver revenue growth, we plan to:

- execute the short-term action plans in our global business lines;
- develop and launch innovative ATIC Solutions in Products, Trade and Resources;
- drive ATIC cross-selling to existing and new customers based on key account plans;
- implement NPS measurement to measure our Customer service delivery; and
- prioritise organic capex investments.

To deliver margin and cash improvement, we plan to:

- implement the 2015 cost restructuring activities;
- continue to look at cost saving opportunities by reviewing facilities, processes and purchasing;
- drive operational excellence with focus on financial and non-financial metrics;
- ensure we manage our capacity and costs tightly in Industry Services and Minerals; and
- continue to improve cash management.

## FOCUSED PORTFOLIO STRATEGY

Pursuing a growth- and margin-accretive portfolio is one of our five strategic priorities.

When managing our day-to-day performance and allocating our capital and people resource, we will pursue a three-tier portfolio strategy.

First, we will focus on our large businesses with good growth and margin prospects. These areas of focus are:

- At the Business Line level: Softlines, Hardlines, Electrical & Wireless, Cargo & Analytical Assessment and Government & Trade Services.
- At the Geographic level: North America, Greater China.

Second, we will invest in fast-growing businesses with good margin prospects where the focus areas are:

- At the Business Line level: Business Assurance, Agriculture, Building & Construction, Transportation Technologies and Food.
- At the Geographic level: South Asia, South East Asia, South America, Middle East and Africa.

Third, we will focus on improving the performance in:

- At the Business Line level: Industry Services and Minerals.
- At the Geographic level: Europe and Australasia.

## DELIVERING SHAREHOLDER RETURNS

In my view, to deliver shareholder returns on a consistent basis the right formula is sustainable earnings growth with accretive disciplined allocation of capital. The **first priority** when it comes to capital allocation is investment supporting organic growth through capital expenditure and working capital to grow market share by delivering new services, opening new locations and winning new clients in areas with good growth and good margin prospects. In the medium to long term, we will invest 5% of revenue in capital expenditure.

The **second priority** is to deliver sustainable returns for our shareholders through the payment of progressive dividends. I am very comfortable with our current dividend payout ratio of circa 40% of earnings.

The **third priority** for capital is M&A activity to strengthen our portfolio in the right growth areas provided we can deliver good returns. This means focusing on those existing business lines or countries with good operations and margin prospects, where we have a leading market position or entering new exciting growth areas, be that geography or services.

In 2015, we announced five acquisitions in line with this strategy.

In February, we acquired Adelaide Inspection Services Pty Ltd, a non-destructive testing business focused on the power generation market.

In September, we acquired Dansk Institut for Certificering A/S ('DIC'), a quality assurance and certification company in Denmark. As a leading Danish certification body, DIC enables us to expand our Business Assurance capabilities in the growing Nordic region.

In November, we completed the purchase of Professional Service Industries, Inc. ('PSI'), for a total cash consideration of \$330 million. PSI is a leading US-based provider of testing and assurance services to commercial and civil construction markets, with a broad service offering including building materials testing; geotechnical services; and property and environmental assurance. The acquisition will build on the strong growth track record in our Building business and on the successful acquisition of Architectural Testing Inc. two years ago.

In October we acquired MT Group LLC and Materials Testing Lab, Inc., (together 'MT'), a leading provider of materials testing services for the building industry in the New York metro area.

The acquisitions of PSI and MT position us as a leading full service 'one stop shop' for our clients in the rapidly-growing US Building and Construction markets, bringing complementary services to our portfolio of Testing and Assurance services during the construction phase and deepening our footprint in the USA providing access to new markets and customers.

In December, we announced our intention to acquire Food International Trust ('FIT-Italia'), an Italian company specialising in the provision of assurance services to the retail and agricultural sectors, which completed in January 2016.

The **fourth priority** is to maintain an efficient balance sheet that gives us the flexibility to invest in growth with leverage of net debt to EBITDA of 1.5 to 2 times. At the end of 2015, following completion of the PSI transaction, net debt to EBITDA stood at 1.7 times on a pro forma basis.

# Strategic report

## Chief Executive Officer's review continued

### OUTLOOK

The structural growth outlook for our industry is truly exciting. I believe that the ATIC Quality Assurance industry is a global GDP plus organic growth industry in the medium to long term, with many exciting opportunities.

In our Products-related businesses, the growth prospects are GDP-agnostic, driven by the need for companies to constantly innovate, raise quality standards, build brands, protect their reputations, meet regulatory standards and seek independent advice. This expanding investment in quality and innovation by our customers to build a brand franchise and gain market share will enable our Products business to benefit from faster than global GDP growth.

The Trade business is linked to GDP growth. We will benefit from the expanded global trade and the development of regional trade in Asia, the Indian Ocean, Africa, the Mediterranean and the Americas. On this basis, we expect the growth profile to track global and regional trade at a broadly similar rate to GDP.

The Resources business is more cyclical and will remain challenging in the short term. From time to time we will cycle through phases where low resource prices mean our customers' cash flow is restricted and, in such periods, we know that investment will be cut back. However, investment in exploration and production of oil, gas and minerals will increase over time to support the demands of a growing global population.

We plan to deliver in the medium to long term global GDP plus organic revenue growth, margin accretion from growth and productivity, strong cash conversion of 90-100% and strong returns, while creating sustainable returns for our shareholders.

In 2016, we expect to deliver a solid organic growth performance and we plan to integrate PSI in the USA. We expect our margin to be broadly stable and we will remain disciplined on cash generation and capital allocation.

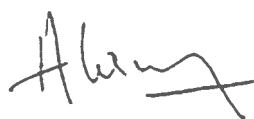
### SUMMARY

Intertek has a long and proud heritage built on innovation. From the early days of Caleb Brett in 1885, Intertek is a business that has consistently innovated and evolved to meet the changing needs and demands of consumers, our customers and employees. We have grown from a UK base to serve our clients in over 100 countries around the globe, 24 hours per day, seven days a week. We have the capabilities, technology, facilities and passionate people providing superior assurance, testing, inspection and certification services.

As I look at Intertek today, I am truly excited about our future. We are seeing strong growth opportunities as the focus of corporates and their stakeholders is not just on quality control but quality assurance and risk management as Boards and management teams seek to reduce risk in their increasingly complex operations and supply chains. We are well positioned to seize these exciting growth opportunities with our strong ATIC Quality Assurance Proposition delivered globally in the three main sectors of the economy, Products, Trade and Resources. We are continuing to invest organically and making value-enhancing acquisitions that strengthen our portfolio.

We are focused on a portfolio of businesses to generate margin accretive revenue growth, strong returns and cash generation.

We are on a 'good to great' journey.



**ANDRE LACROIX**  
Chief Executive Officer

## KPIs – Measuring our strategy

In overview for 2015, the Group delivered good revenue growth across the Products- and Trade-related divisions. The Group's focus on growth, operational efficiency and margin accretion has underpinned improved cash conversion and increased dividend to shareholders.

The Group uses a variety of key performance indicators ('KPIs') to monitor performance and measure the financial impact of the Group's strategy. Non-financial KPIs are shown in the Sustainability and CSR report on pages 46 to 51.

Revenue (£m)	Organic revenue at constant exchange rates <sup>3</sup> (£m)	Adjusted operating profit <sup>1</sup> (£m)
Revenue growth measures how well the Group is expanding its business, and includes currency impacts.	Revenue growth, excluding currency movements, acquisitions and disposals.	Measures profitability of the Group and includes currency impacts.
<b>+3.5%</b>	<b>+1.6%</b>	<b>+5.9%<sup>#</sup></b>
2015 2,166	2015 2,120	2015 343
2014 2,093	2014 2,087	2014 324
2013 2,184		2013 343
Organic adjusted operating profit at constant exchange rates <sup>1,3</sup> (£m)	Adjusted operating margin <sup>1</sup> (%)	Adjusted cash flow from operations <sup>1</sup> (£m)
Measures profitability of the Group excluding acquisitions and disposals.	Margin measures profitability as a proportion of revenue.	Shows the ability of the Group to turn profit into cash.
<b>+2.1%</b>	<b>+40bps</b>	<b>+15.3%</b>
2015 338	2015 15.9%	2015 466
2014 331	2014 15.5%	2014 404
	2013 15.7%	2013 394
Adjusted diluted earnings per share <sup>1</sup> (pence)	Dividend per share <sup>2</sup> (pence)	Return on invested capital <sup>4</sup> (%)
A key measure of value creation for the Board.	Dividend per share measures returns provided to shareholders.	Measures how effectively the Group generates profit from its invested capital.
<b>+6.5%<sup>#</sup></b>	<b>+6.5%</b>	<b>+60bps<sup>#</sup></b>
2015 140.7	2015 52.3	2015 – Proforma 16.9
2014 132.1	2014 49.1	2014 16.3
2013 138.6	2013 46.0	2013 18.4

#. Return on Invested Capital ('ROIC'), and, when re-calculated using 2014 exchange rates, adjusted operating profit and adjusted diluted earnings per share, form the basis for Executive Director remuneration as described in more detail on pages 63 to 77.

1. Adjusted operating profit, adjusted operating margin, adjusted cash flow from operations and adjusted diluted earnings per share are stated before Separately Disclosed Items, which are described in note 3 to the financial statements.

2. Dividend per share is based on the interim dividend of 17.0p (2014: 16.0p) plus the proposed final dividend of 35.3p (2014: 33.1p).

3. Growth at constant exchange rates compares both 2015 and 2014 at the average exchange rates for 2015. Organic revenue excludes acquisitions and disposals in the past two years.

4. Proforma ROIC in 2015 is stated excluding the impact of the PSI acquisition on 23 November 2015 and excluding the impairment charge recorded as at 31 December 2015 to provide a meaningful comparative.

# Strategic report

## *Intertek Executive Management Team*

The day-to-day management of the Group is undertaken by the Intertek Executive Management Team.



**ANDRÉ LACROIX**  
**Chief Executive Officer**

Appointed to the Intertek Board as Chief Executive Officer in May 2015. André is an experienced Chief Executive with a strong track record of delivering long-term growth strategies and shareholder value with global companies across diverse territories. André was previously Group Chief Executive of Inchcape plc from 2005 to 2015 and prior to this he was Chairman and Chief Executive Officer of Euro Disney S.C.A. From 1996 to 2003 he was the President of Burger King International, previously part of Diageo. André is currently the Senior Independent Director of Reckitt Benckiser Group plc and Chairman of Good Restaurants AG.



**NIMER AL-HAFI**  
**Senior Vice President, Global Customer Service and ATIC Operational Excellence**

Joined Intertek in 1995. Nimer is responsible for the Group's global customer service agenda and ATIC operational excellence as well as sustainability and health & safety programmes. Prior to this, he was President of Intertek's US Products group covering testing, inspection, certification, consulting and quality assurance services, having started with the Company as an Engineer in 1995.



**IAN GALLOWAY**  
**Executive Vice President, Middle-East, Africa and Global Trade**

Joined Intertek in 2011. Ian is responsible for the Middle-East, Africa and Global Trade comprising our business lines of Government & Trade Services, Cargo & Analytical Assessment and Agricultural Services. Prior to assuming his current role Ian held senior finance and business roles within Intertek. He has previously held international roles in finance management with BG Group in the UK, Egypt and Tunisia. Ian is a qualified Chartered Accountant.



**EDWARD LEIGH**  
**Chief Financial Officer**

Appointed to the Board as Chief Financial Officer in October 2014. Joined Intertek in March 2013 as the Group's Financial Controller. Prior to that, Edward spent nine years at Dixons Retail plc, where he held several senior financial management positions, including Divisional & Corporate Development Finance Director, UK & Ireland CFO and Group Financial Controller. From 1995 to 2004 Edward held commercial financial leadership roles at Procter & Gamble Co. covering the UK and international markets.



**ANN-MICHELE BOWLÍN**  
**Chief Information Officer**

Joined Intertek in 2009. Ann-Michele is Chief Information Officer and joined Intertek from Ernst & Young consulting where she led shared services transformation programmes. Prior to Ernst & Young, Ann-Michele held leadership and operations roles in technology companies, including Hotels.com, and in the manufacturing and services sectors.



**TONY GEORGE**  
**Executive Vice President, Human Resources**

Joined Intertek in 2015. Tony is responsible for Human Resources. He has over 28 years' experience in HR, General Management and Business Development having held senior leadership positions in international FMCG, chemicals, telecommunications and retail companies including Vodafone plc, Starbucks, Diageo plc and ICI. Prior to joining Intertek, he was Group HR & Business Development Director at Inchcape plc.





**JAN-JÖRG MÜLLER-SEILER**  
**Executive Vice President,**  
**Global Resources**

Joined Intertek in 2008. Jan-Jörg has responsibility for Global Resources comprising our business lines of Industry Services, Exploration & Production and Minerals. Prior to assuming his current role, Jan-Jörg was President of Industry Services and Country Managing Director for Germany, Switzerland and Austria. Before joining Intertek, he worked for TÜV SÜD Industrie Service GmbH, as a member of the Board, with responsibility for their plant engineering and foreign business sectors.



**RAJESH SAIGAL**  
**Executive Vice President,**  
**South & South East Asia**

Joined Intertek in 2007. Rajesh has responsibility for South & South East Asia. Prior to this he was Regional Managing Director for Intertek's South Asia operations. He has over 27 years' general management and operational experience with Fortune 500 companies covering consumer durables, industrial products and engineering. Before joining Intertek, Rajesh was CEO South Asia for GEWISS and General Manager at Honeywell.



**MARK THOMAS**  
**Group General Counsel**

Joined Intertek in 2015. Mark has responsibility for Intertek's legal, risk and compliance functions. He joined Intertek from Inchcape plc where he was Group General Counsel. Prior to this, Mark was in private practice with Slaughter and May in London, advising on a wide range of public and private M&A transactions, equity and debt financing, and general corporate law issues.



**GRAHAM RITCHIE**  
**Executive Vice President, Europe**

Joined Intertek in 2014. Graham is responsible for Intertek's operations in Europe, including Russia, and Central Asia. Prior to assuming his current role, Graham was Intertek's Group Financial Controller. Before joining the Company he held senior financial positions at BT Group plc and other technology services organisations, having started his career with PwC.



**JULIA THOMAS**  
**Vice President,**  
**Corporate Development**

Joined Intertek in 2013. Julia has responsibility for Intertek's acquisition and disposal activities, and oversees Group Marketing. Before joining Intertek, Julia spent 12 years in investment banking with J.P. Morgan Cazenove and Rothschild, focusing primarily on mergers and acquisitions.



**GREGG TIEMANN**  
**Executive Vice President, Americas,**  
**North Asia and Australasia**

Joined Intertek in 1993. Gregg has responsibility for the Americas, North Asia and Australasia. Prior to assuming his current role, Gregg was responsible for the Americas and North Asia as well as the Consumer Goods and Commercial & Electrical divisions, having started as General Manager of the Los Angeles laboratory in 1993. Before joining Intertek, Gregg worked in sales and marketing for the software industry.

# Strategic report – Operating review

## Consumer Goods

The Consumer Goods division has continued to grow well, with strong growth in emerging markets.

### KEY BUSINESS LINES

Softlines  
Hardlines  
Product Intelligence  
Auditing

### SERVICES & CUSTOMERS

Intertek is a market leading provider of services to the textiles, toys, footwear, hardlines and retail industries. As partner to retailers, manufacturers and distributors, the Company offers expertise on quality issues ranging from restricted hazardous substances 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. Our customers include the world's leading retailers, their partners and suppliers.

### STRATEGY

Consumer Goods supports our customers with quality solutions that add value throughout their supply chain and which support their brand and desirability of their products to their end consumers. We do this by ensuring that we deliver high levels of service and expertise in key locations, and by continuously innovating the range of services we provide by anticipating customer demands and their future geographic needs.

# £404.3m

Revenue

# £136.1m

Adjusted Operating Profit

### Financial highlights 2015

	2015 £m	2014 £m	Change at actual rates	Change at constant rates	Organic change at constant rates
Revenue	<b>404.3</b>	375.3	7.7%	4.4%	4.4%
Adjusted operating profit	<b>136.1</b>	124.8	9.1%	4.4%	
Adjusted operating margin	<b>33.7%</b>	33.3%	40bps	0bps	

### OUR PERFORMANCE IN 2015

Total revenue was £404.3m, up 4.4% at constant exchange rates. At actual exchange rates total revenue was 7.7% higher.

Total adjusted operating profit was £136.1m, up 4.4% at constant exchange rates, reflecting good growth in the textiles and chemical testing businesses. Total adjusted operating profit was up 9.1% at actual exchange rates.

In 2015 our Consumer Goods division delivered a 4.4% organic revenue growth performance with stable margin driven by a strong growth in Softlines and a solid performance in Hardlines.

Our Softlines business benefited from strong demand from our customers for chemical testing to reduce harmful chemicals and from the expansion of their supply chains in new markets where we have opened new facilities.

Our Hardlines business continues to take advantage of growth in new sourcing markets and strong global account relationships.

### 2016 OUTLOOK

In 2016 we expect our Consumer Goods business to deliver good organic growth.

Our Softlines business will benefit from the supply chain expansion in Vietnam, Cambodia and India, as well as from the strong growth we are seeing in the footwear sector.

Our Hardlines business will benefit from the supply chain expansion in India and Mexico, as well as from the launch of innovative technology for Inspections in factories.

### MID- TO LONG-TERM OUTLOOK

Our Consumer Goods division benefits from strong long-term structural growth drivers including product variety, brand and supply chain expansion, product innovation and regulation, and the increasing quality and sustainability demand of developed and emerging economies globally.

Through these trends we expect long-term continuing growth from expanding investment in quality.

### CASE STUDY

#### Intertek's smart approach to chemical screening

In 2015, we launched our global Chemical Smart Screening service for textile, apparel and footwear customers. This single screening test can detect up to 400 substances in chemicals and auxiliaries used in production, allowing manufacturers and retailers to identify harmful chemicals even before reaching the prototype stage.

This innovative approach gives customers higher visibility into their supply chain as well as lowering the risk of extra production cost and turnaround time caused by rehandling.

## CASE STUDY

## Intertek sports new testing for activewear



Activewear isn't just for working out any more. As workout clothes have become more fashionable – spurring the popular 'athleisure' trend – men, women and children are now wearing activewear to work, to run errands, to school and even out to dinner. Additionally, as people become more health-conscious by adding sport into their daily lives, activewear becomes a natural choice as it improves user performance.

To meet the rising demand from clients for activewear testing, in 2015 Intertek developed its Activewear Testing Solutions service.

We now carry out testing for functional and performance properties like anti-bacterial, thermal regulation, moisture management (quick-dry), breathability, UV protection and water repellency for a variety of products including performance outerwear, fitness apparel, team uniforms, footwear and outdoor clothes.

## CASE STUDY

## Intertek launches innovative E-fit service for textiles and clothing

Intertek launched a new innovative computer-modelling E-fit service in India using CAD (Computer Aided Design) that codifies product specification to help local factories meet their clients' standards for textiles and clothing.

Our tool uses a combination of hardware and software systems, to help manufacturers create 3D designs and patterns, as well as showing fabrics stitched onto a virtual model to visualise the final product.

As well as reducing costs at every point in the manufacturing process including fabrics, logistics and prototypes, the E-fit CAD-enabled testing studio reduces production time for clients and provides a better understanding of fits and falls.

# Strategic report – Operating review

## Commercial & Electrical

The Commercial & Electrical division has grown revenue strongly with good growth across Electrical, Transportation Technologies and Building Products.

### KEY BUSINESS LINES

Electrical & Wireless  
Transportation Technologies  
Building Products

### SERVICES & CUSTOMERS

Our global network of accredited facilities provides manufacturers and retailers with a comprehensive scope of safety, performance and quality testing and certification services. The division supports a wide range of industries including home appliances, consumer electronics, information and communication technology, transportation, lighting, medical, building products, industrial and renewable energy products. Our customers include the world's leading brands and manufacturers of a wide range of consumer electrical and industrial products and components.

### STRATEGY

Commercial & Electrical delivers solutions that add value along the length of our customers' supply chain and which support their brand and the desirability of their products to their end consumers. Our key focus is leveraging our global network of centres of excellence and comprehensive suite of technical accreditations and market-leading customer service to help our clients get their products to market quicker through our 'global market access' programme.

# £411.7m

Revenue

# £60.5m

Adjusted Operating Profit

### Financial highlights 2015

	2015 £m	2014 £m	Change at actual rates	Change at constant rates	Organic change at constant rates
Revenue	411.7	359.6	14.5%	10.5%	6.1%
Adjusted operating profit	60.5	51.0	18.6%	13.9%	
Adjusted operating margin	14.7%	14.2%	50bps	50bps	

### OUR PERFORMANCE IN 2015

Total revenue was £411.7m, up 10.5% at constant exchange rates, driven by strong growth in our Transportation Technologies business line and the acquisition of PSI. At actual exchange rates revenue growth was 14.5%.

Total adjusted operating profit was £60.5m, up 13.9% at constant exchange rates with the total adjusted operating margin increasing 50 basis points at constant exchange rates. Total adjusted operating profit was up 18.6% at actual rates.

Our Commercial & Electrical business delivered strong organic growth of 6.1% in 2015 with improved margin driven by broad based growth in Electrical & Wireless ('E&W'), Transportation Technologies and Building Products.

Our E&W business continued to benefit from higher regulatory standards in energy efficiency and from the increased demand for wireless devices.

The growing demand for greener and higher quality buildings and infrastructure in the US market are the major drivers of growth for our Building Product activities.

Our Transportation Technologies operations are capitalising on our automotive clients' investments in R&D to develop new models and more fuel efficient engines.

The quality of our innovative solutions to support the performance and safety agenda of our customers is an important driver of the strong results we have delivered in 2015 in our Commercial & Electrical business.

### 2016 OUTLOOK

In 2016 we expect our Commercial & Electrical Business to deliver good organic growth.

Our E&W business will benefit from expansion of our operations in South Korea and Mexico into the fast growing EMC sector. On a global basis we are seeing an increased demand for Internet-of-Things ('IOT') testing across multiple industries.

Our Building Products business will benefit from the growth of the commercial and civil construction markets in the USA as well as from the integration of PSI.

Our Transportation Technologies operations will take advantage of the strong growth of testing activities for electric and hybrid vehicles.

### MID- TO LONG-TERM OUTLOOK

As with our other Products-related divisions, Commercial & Electrical benefits from long-term structural growth drivers including product variety, brand and supply chain expansion, product innovation and regulation, and the increasing quality and sustainability demands by developed and emerging economies globally.

Through these trends we expect long-term continuing growth from expanding investment in quality.



CASE STUDY

Intertek leads the world in Qi wireless charging testing and certification

Intertek's Center of New Technology and Knowledge in Hong Kong became the world's first Wireless Power Consortium ('WPC')-authorized testing laboratory to provide testing and certification services for medium to low-power Qi (pronounced 'chee') wireless charging products.

Qi wireless charging technology is a close-range inductive-charging technology, and any Qi-compatible device can be placed on medium/low-power charging pads or docks to charge safely and easily.

Together with our global expertise and cutting-edge technological solutions in electrical and wireless testing, we are now able to help our customers get their wireless charging products certified according to the highly recognised Qi standard.

CASE STUDY

Intertek launches Portable Emissions Measurement System testing capability



Intertek's award-winning Transportation Technologies laboratory based in Milton Keynes, UK, responded swiftly to changes in European exhaust emissions legislation by launching a service to deliver accurate on-road vehicle exhaust emissions testing and analysis, enabling manufacturers to report 'real world' driving emissions.

Intertek was one of the first UK test laboratories to offer vehicle-mounted Portable Emissions Measurement System testing for cars and light commercial vehicles, providing real world driving analysis of vehicle tailpipe emissions on public roads rather than in a laboratory.

Our European Centre of Excellence for high-end automotive powertrain testing and engineering services, which was recognised across Europe as the 'Engine Test Facility of the Year' in the 2015 Automotive Testing Technology Awards, has also invested in low carbon vehicle, high performance electric machine and hybrid testing cells to enable our automotive customers to reach their goals on air quality emissions and CO<sub>2</sub> reduction.

# Strategic report – Operating review

## Chemicals & Pharmaceuticals

The Chemicals & Pharmaceuticals division had good growth and benefited from restructuring carried out within Europe.

### KEY BUSINESS LINES

Chemicals & Pharmaceuticals

### SERVICES & CUSTOMERS

Serving a wide range of industries, including chemicals and refined products, pharmaceutical, healthcare and beauty, 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. The division's world leading technical experts also support internal technical development. Our customers include leading brands and suppliers of products and R&D to the pharma industries, makers of healthcare and beauty products, and a wide range of industrial and consumer-facing corporations who use our expertise to help them develop the materials and chemicals of the future.

### STRATEGY

Chemicals & Pharmaceuticals supports our customers as they develop new products, materials and technologies, as they anticipate and meet their end-customers quality demands and as they anticipate and meet new regulations.

**£183.8m**

Revenue

**£22.3m**

Adjusted Operating Profit

### Financial highlights 2015

	2015 £m	2014 £m	Change at actual rates	Change at constant rates	Organic change at constant rates
Revenue	<b>183.8</b>	173.1	6.2%	5.5%	5.5%
Adjusted operating profit	<b>22.3</b>	18.6	19.9%	18.0%	
Adjusted operating margin	<b>12.1%</b>	10.7%	140bps	130bps	

### OUR PERFORMANCE IN 2015

Total revenue was £183.8m, up 5.5% at constant exchange rates. At actual rates total revenue was up 6.2%.

Total adjusted operating profit was £22.3m, up 18.0% at constant exchange rates with an 130bps increase in margin on the prior year, primarily due to restructuring activities and strong performance in lubricants testing. Total adjusted operating profit at actual rates increased by 19.9%.

Our Chemicals & Pharmaceuticals division delivered strong organic growth of 5.5% with improved margin.

We continue to benefit from good growth in the health and beauty sector as our customers invest in the development and global roll out of innovations to differentiate their brands.

The increase in demand in emerging markets for better health and beauty products is creating strong growth opportunities for our testing and assurance services.

Our Health, Environmental and Regulatory business saw strong growth in assurance activities as companies prepare for the next EU REACH chemical restriction regulatory deadline.

In September we opened a world class immunochemistry laboratory in Manchester. The new facility will help our pharmaceutical clients to navigate the many technical challenges associated with bringing biological medicine to the market.

### 2016 OUTLOOK

In 2016 we expect our Chemicals & Pharmaceuticals business to deliver good organic growth.

We will continue to leverage a good pipeline of new pharma products in both the USA and in the UK.

We will support our existing and new customers based on the breadth and depth of our assurance solutions as they increase their focus on the management of regulatory risk.

### MID- TO LONG-TERM OUTLOOK

Chemicals & Pharmaceuticals benefits from long-term structural growth drivers including product variety, brand and supply chain expansion, product innovation and regulation, and the increasing quality and sustainability demands by developed and emerging economies globally.

Through these trends we expect long-term continuing growth from expanding investment in quality.

## CASE STUDY

## Intertek helps research into more effective inhaled medicines

Intertek worked with academics from King's College London and The University of Parma, Italy, to investigate how effective formulations can be tailored for different inhalation devices. The study highlighted that the medicine formulation must be co-optimised with the device during product development.

Conducting research such as this enables our experts to help global clients to develop more effective therapies for asthma, Cystic Fibrosis, Chronic Obstructive Pulmonary disease and other serious conditions. For over 20 years, we have built a reputation for providing outstanding and responsive customer service for challenging pharmaceutical development which includes specialist expertise for inhaled drug delivery analysis, stability and formulation support.



## CASE STUDY

## Janssen PMP partners with Intertek to explore SANAFOR®, a novel antimicrobial technology for plastics

When Janssen PMP wanted to explore a new antimicrobial ingredient for plastics they turned to Intertek for its unique capabilities in testing novel plastic materials.

Our polymer scientists studied how easy it was to include this new ingredient into plastic materials at our polymer processing facility in the Netherlands. We then produced test samples, using film extrusion and injection moulding, and carried out a suite of physical tests.

Our teams were able to show that it was straightforward to include the antimicrobial SANAFOR® into plastics and to demonstrate suitable performance for a wide range of potential applications.



# Strategic report – Operating review

## Commodities

The Commodities division has grown revenue and margin in its Cargo business line, being partially offset by the weaker conditions in the Minerals business.

### KEY BUSINESS LINES

Cargo & Analytical Assessment  
Minerals  
Government & Trade Services

### SERVICES & CUSTOMERS

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. Our customers are global and national commodities retailers, traders and storage companies, and government-ministry clients in the Middle East, Africa and South America.

### STRATEGY

In Commodities, we deliver solutions that help our clients protect the value of their downstream hydrocarbon products during their custody-transfer, storage and transportation around the world. Our expertise, service innovations and advanced analytical capabilities allow us to optimise the return on our customers' cargoes and help them resolve difficult technical challenges. In the mining sector we partner with clients along the supply chain to validate the quality and value of their resources being explored, produced and shipped. Our independent product assessments provide peace-of-mind to our government clients that the quality of products imported into the country meet their standards and import processes.

# £554.8m

Revenue

# £79.1m

Adjusted Operating Profit

### Financial highlights 2015

	2015 £m	2014 £m	Change at actual rates	Change at constant rates	Organic change at constant rates
Revenue	554.8	542.4	2.3%	3.7%	3.8%
Adjusted operating profit	79.1	65.5	20.8%	21.7%	
Adjusted operating margin	14.3%	12.1%	220bps	220bps	

### OUR PERFORMANCE IN 2015

Total revenue was £554.8m, up 3.7% at constant exchange rates, primarily due to growth in the Cargo and Analytical Assessment business. At actual exchange rates total revenue was 2.3% higher.

Total adjusted operating profit at constant rates was £79.1m, up 21.7% versus prior year, with a 220 basis point increase in margin supported by restructuring activities. Total adjusted operating profit was up 20.8% at actual rates.

Our Commodities division delivered good organic growth performance of 3.8% in 2015 with margin improvement driven by good organic growth performance in both our Cargo/AA activities and our Government & Trade Services ('GTS') businesses.

Cargo/AA has delivered a consistent performance during the year benefiting from increased Inspection and Testing activities as our existing clients grew their cargo volumes and as we gained new clients. The business also benefited from the expansion of our additive and lubricants testing capabilities.

We have also invested in new facilities to support the LNG growth of our customers in Gladstone, Australia, and Papua New Guinea.

Our GTS business delivered strong organic growth performance in H1 benefiting from export volume growth with existing clients and from new contracts.

This was partially offset by lower organic growth performance in the second half of the year as we saw a reduction of trade volume in both the Middle East and Africa.

Our Mineral business delivered a resilient organic growth performance for the full year with a slight positive organic growth performance in the second half of the year.

Providing our customers with bespoke trade inspections and testing solutions is important to increase our customer retention and win new contracts.

### 2016 OUTLOOK

In 2016 we expect our Commodities business to deliver a good organic growth performance.

Our Cargo/AA operations will benefit from the expansion of the new facilities in 2015 and will leverage the increased volume of Cargo shipments for refined products.

Our GTS activities will focus on increasing the scope of our export Testing and Inspection in the Middle East and Africa with existing clients.

### MID- TO LONG-TERM OUTLOOK

The long-term end-demand for resources and energy, development and trading of commodities as well as new fuel sources will continue to drive growth in this division through the cycle.



## CASE STUDY

### Intertek supports Liquefied Natural Gas projects in Australia

Intertek supported the shipment and custody transfer of the first cargo from the GLNG project, an AU\$25 billion venture located on Curtis Island in Queensland, Australia. The Gladstone-based project converts gas from coal seams to Liquefied Natural Gas (LNG) for export from Australia.

In October the first cargo left Australia for South Korea. Intertek undertook a ship survey for the AU\$40 million cargo by managing independent witness quality and quantity testing of the product at discharge and loading. Intertek also undertook continuous product sampling to international standards.

Earlier in the year at Australia's largest onshore oil field at Barrow Island, Western Australia, we supported the inaugural import of Mono Ethylene Glycol (MEG) at Chevron's LNG plant. As part of an engagement with Ixom, we undertook extensive sampling, surveying, testing and dissolved oxygen-monitoring initiatives to support the first of three MEG imports, a first for the AU\$60 billion Gorgon LNG project.

We continue to invest in and develop our cargo testing network services in anticipation of future customer requirements and as a result, we opened new laboratories in Gladstone and Papua New Guinea to support the LNG growth in the region.



## CASE STUDY

### Intertek becomes official fuel quality testing partner for the FIM

Already an official global partner of the FIM (International Motorcycling Federation), Intertek became the exclusive fuel quality testing services provider for FIM race events including Superbike, Motocross, Supercross, and Endurance including 24h Le Mans.

Intertek fuel quality experts and mobile testing labs provide testing services on-site at race tracks performing real-time, on-track, fuel compliance testing. We are also providing additional expertise to ensure that teams comply with the FIM fuel regulations.

As part of the partnership, we will assist FIM with fuel approval process support, as well as updating FIM management on changes to fuel regulations and developing quality and testing standards.



# Strategic report – Operating review

## Industry & Assurance

The Industry & Assurance division with good growth in Food, Agriculture and Business Assurance has been impacted by the decision to exit low value contracts and lower levels of capital expenditure by the oil and gas industry.

### KEY BUSINESS LINES

Industry Services  
Business Assurance  
Food & Agriculture Services

### SERVICES & CUSTOMERS

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 optimise their assets and meet global quality standards for their products. Our services provide clients with independent verification of the integrity of new assets being constructed, and existing assets being maintained, with key services that include technical inspection, asset integrity management, analytical testing, and consulting and training services. The division also provides quality and safety services to the Food and Agri sectors, certification services, second-party supplier auditing, sustainability data verification and process performance analysis. Our customers include the owners, operators and developers of new and existing industrial infrastructure, global food and hospitality brands and their suppliers, and the world's agricultural trading companies and growers.

### STRATEGY

We help our customers to manage risk and optimise the returns of their infrastructure assets across a wide range of industrial sectors. By partnering with Intertek, our customers gain peace-of-mind that their projects will proceed and their assets will operate with a lower risk of technical failure or delay.

# £611.7m

Revenue

# £45.4m

Adjusted Operating Profit

### Financial highlights 2015

	2015 £m	2014 £m	Change at actual rates	Change at constant rates	Organic change at constant rates
Revenue	611.7	642.9	(4.9%)	(3.0%)	(5.8%)
Adjusted operating profit	45.4	64.5	(29.6%)	(27.8%)	
Adjusted operating margin	7.4%	10.0%	(260bps)	(260bps)	

### OUR PERFORMANCE IN 2015

Total revenue was £611.7m, down 3.0% at constant exchange rates. This was primarily due to the continued low oil price reducing capital project work in the year. At actual exchange rates revenue was 4.9% lower.

Total adjusted operating profit at constant rates was 27.8% lower at £45.4m with a 260 basis point reduction in margin. At actual rates adjusted operating profit was 29.6% lower. The reduction in underlying margin is due to the revenue decline in our Industry Services business.

Our Industry and Assurance division delivered, as expected, a mixed performance in 2015 with a decline of 5.8% in organic revenue.

The double-digit organic growth performance we delivered in the Food & Agriculture and Business Assurance businesses was more than offset by the continuing challenging trading conditions in Industry Services and by the planned contract exits.

Our Food & Agriculture businesses are benefiting from increased focus on food safety requirements, and also from our clients' expansion of their supply chains in newer markets like Turkey and Brazil.

The increased focus of corporations to manage the intrinsic risks of more complex supply chains is an attractive source of growth for our Business Assurance businesses.

The revenues in Industry Services were lower than last year as we saw a reduction in volume and increased price pressure in the Capex Inspection activities, as well as a delay in the maintenance of refineries by our main customers. In addition we exited, as planned, low-value contracts, which represented a full year revenue loss of £25m.

As a result of the continuing challenging trading conditions in the global oil and gas

industry, we recorded a non-cash impairment charge of £577m against Industry Services in the year.

### 2016 OUTLOOK

In 2016 we expect to deliver strong organic growth performance in Food, Agriculture and Business Assurance.

Our Agriculture business will benefit from the strong growth momentum with our existing clients in fast growing markets. Our Food business will focus on the integration of the FIT acquisition capitalising on the growth of the Food service sector.

Our Business Assurance business will focus on the integration of the DIC acquisition and the growth in Supplier Audit management.

In 2016 we expect the trading conditions in Industry Services to remain challenging as we have not yet reached the trough in the oil and gas Capex activities given the lag between changes in the oil price and the Capex investments of our clients. Our Industry Services operations will focus on cost and capacity management in our Capex Inspection businesses while continuing to diversify our activities in non-Oil Capex Inspection and NDT Opex activities.

### MID- TO LONG-TERM OUTLOOK

We expect oil and gas infrastructure markets to recover and that the long-term growth in Industry Services will be driven by global population and energy consumption growth, and capex and opex spending to support world economic growth.

Growing consumer demand for quality products and brands in developed and developing economies, increasing regulations, and public food scandals, will continue to drive growth in the Food & Agriculture and Business Assurance markets.

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## CASE STUDY

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### Intertek helps drive down road traffic accidents

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According to the World Health Organization, injuries related to road traffic accidents are the eighth leading cause of death globally. An estimated 1.4 million people die of traffic-related injuries each year and approximately 20-50 million are seriously injured.

In order to help our customers reduce their own road traffic risks, we became accredited in 2015 to certify to ISO 39001, the international standard for Road Traffic Safety Management Systems.

ISO 39001 helps organisations implement road safety management systems to improve traffic safety and reduce the number of persons killed or severely injured in road traffic incidents.

The addition of ISO 39001 accreditation complements our range of risk management solutions including Business Continuity Management (ISO 22301), Asset Management (ISO 55001), to which Intertek became accredited in 2015, and Supplier Management Assessments which help organisations mitigate risk, reduce environmental impact and minimise operating costs.

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## CASE STUDY

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### Intertek helps safeguard new Queensferry Crossing

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Intertek is providing corrosion monitoring equipment and software that will be used to safeguard the new Queensferry Crossing. When opened in 2016, the bridge will cross the Firth of Forth in Scotland, allowing vehicles, pedestrians and cyclists to pass between Edinburgh and Fife.

Structural health monitoring system supplier Strainstall will provide a complete health monitoring system for the new 2.7-km cable-stayed bridge. Intertek's corrosion data monitoring Concerto units will form a key part of the system, providing details of the integrity of the concrete within the structure. Overall, 120 units will be installed which will relay information between one another and send data to a central hub. This information will be used by engineers to assess when maintenance is required on the bridge.



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## CASE STUDY

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### Intertek provides technical services for 1,850km gas pipeline

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Intertek was awarded a contract by Trans Anatolian Natural Gas Pipeline (TANAP) to provide services that will allow the pipeline to operate safely as well as help minimise flow and contamination risks to the gas running through it.

This natural gas pipeline, due to be completed in 2018, will run from Azerbaijan through Turkey to Europe and is expected to carry 16 billion cubic metres of gas a year.

Through a combination of technical inspection, quality assurance and pipe testing services, Intertek will ensure the quality and integrity of the line pipe, verifying material, dimensions, welding, coating and other parameters to meet the client's specifications as well as industry standards and requirements.

## Financial highlights 2015

+3.5% +3.2%

Revenue up to £2,166m

+5.9% +4.0%

Adjusted operating profit up to £343m

+6.5% +4.7%

Adjusted diluted EPS

+6.5%

Dividend per share

£231m

Acquisitions

£112m

Organic investment spend

+27%

Free cash flow

£577m

Industry Services impairment

■ Actual ■ Constant rates

“This year we have strengthened the Group’s overall financial position through good growth, improved profitability across the business, value-enhancing acquisitions and focused operational efficiency initiatives driving strong cash conversion. We also took the important step of recording an impairment charge against the Industry Services business.”

**EDWARD LEIGH**  
Chief Financial Officer



Good revenue performance across the Products- and Trade-related divisions was partially offset by the continued downturn in Industry Services. Focus on cost efficiencies delivered good margin accretion for the Group.

### CONSOLIDATED INCOME STATEMENT COMMENTARY

Revenue for the year was £2,166.3m, up 3.5% (up 3.2% at constant exchange rates), with organic revenue growth of 1.6% at constant exchange rates.

The Group’s adjusted operating profit was £343.4m, up 5.9% on the prior year (up 4.0% at constant exchange rates). The adjusted operating margin was 15.9% compared with 15.5% in the prior year.

The Consumer Goods division has continued to grow well with strong growth in Softlines.

The Commercial & Electrical division has grown revenue well with good growth particularly within Transportation Technologies.

The Commodities and Chemicals & Pharmaceuticals divisions both delivered good growth and strong margin accretion as a result of restructuring projects and operating leverage.

The Industry & Assurance division delivered strong growth in the Food & Agriculture and Business Assurance businesses. The Industry Services business continued to be impacted by the reduction in energy capital expenditure by major customers, resulting in an impairment being recorded of £577.3m.

The impairment is included in Separately Disclosed Items of £626.9m (2014: £47.8m) and resulted in the Group’s total operating loss for the year of £283.5m (2014: profit £276.6m).

### NET FINANCING COSTS

The Group had an adjusted net financing cost of £24.2m (2014: £24.2m) in the year. This comprised £1.0m (2014: £1.8m) of finance income and £25.2m (2014: £26.0m) of finance expense. The total interest charge included £nil (2014: £0.2m) related to Separately Disclosed Items.

### TAX

The Group effective tax rate on adjusted profit before income tax was 24.3% (2014: 24.0%). The statutory tax charge, including the impact of SDIs, of £39.3m (2014: £61.8m), equates to an effective rate of (12.8)% (2014: 24.5%) and the cash tax on adjusted results is 22.2% (2014: 22.5%). The statutory tax charge, excluding the impact of SDIs, is £77.5m (2014: £72.0m).

The OECD’s ‘Base Erosion and Profit Shifting (BEPS)’ project is one of the most significant multilateral initiatives for modifying international tax rules. In October 2015, the OECD released its final proposals outlining recommendations in respect of each of the action points coming out of this project.

As these recommendations are introduced into local tax legislation, we will need to manage the Group’s exposure to income tax 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.

## EARNINGS PER SHARE

The Group delivered adjusted diluted earnings per share ('EPS') of 140.7p (2014: 132.1p). Diluted EPS after SDIs was (224.2)p (2014: 108.8p) per share, and basic EPS was (224.2)p (2014: 109.5p).

## DIVIDEND

The Board recommends a full year dividend of 52.3p per share, an increase of 6.5%. This recommendation reflects the Group's significant growth prospects, strong financial position and the Board's confidence in the Group's structural growth drivers into the future.

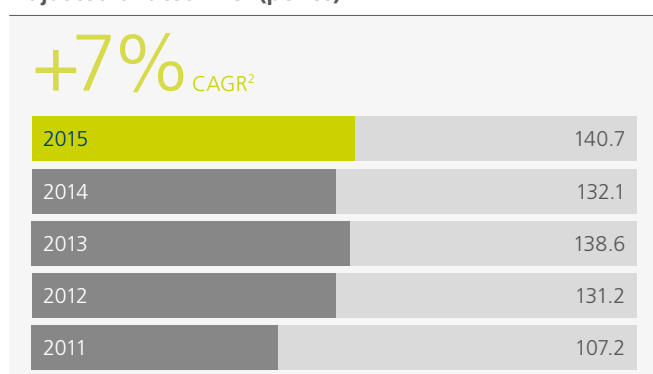
The full year dividend of 52.3p represents a total cost of £84.4m or 37% of adjusted profit attributable to shareholders of the Group for 2015 (2014: £78.9m and 37%). The dividend is covered 2.7 times by earnings (2014: 2.7 times), based on adjusted diluted earnings per share divided by dividend per share.

## Results for the year

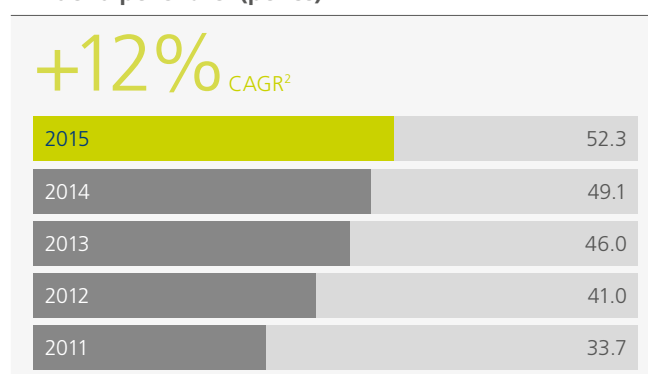
Key financials	2015 £m	2014 £m
Revenue	<b>2,166.3</b>	2,093.3
Adjusted Group operating profit	<b>343.4</b>	324.4
Adjusted diluted EPS	<b>140.7p</b>	132.1p
Statutory Group operating (loss)/profit	<b>(283.5)</b>	276.6
Statutory diluted EPS	<b>(224.2)p</b>	108.8p
Adjusted cash flow from operations	<b>465.7</b>	403.7
Dividend per share	<b>52.3p</b>	49.1p
Dividends paid in the year	<b>80.7</b>	75.5

## Five year performance

### Adjusted diluted EPS<sup>1</sup> (pence)



### Dividend per share<sup>3</sup> (pence)



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. CAGR represents the compound annual growth rate from 2011 to 2015.
3. Dividend per share for 2015 is based on the interim dividend paid of 17.0p (2014: 16.0p) plus the proposed final dividend of 35.3p (2014: 33.1p).

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

	Notes	Revenue			Adjusted operating profit		
		2015 £m	Change at actual rates %	Change at constant rates %	2015 £m	Change at actual rates %	Change at constant rates %
Consumer Goods	2	<b>404.3</b>	7.7	4.4	<b>136.1</b>	9.1	4.4
Commercial & Electrical	2	<b>411.7</b>	14.5	10.5	<b>60.5</b>	18.6	13.9
Chemicals & Pharmaceuticals	2	<b>183.8</b>	6.2	5.5	<b>22.3</b>	19.9	18.0
Commodities	2	<b>554.8</b>	2.3	3.7	<b>79.1</b>	20.8	21.7
Industry & Assurance	2	<b>611.7</b>	(4.9)	(3.0)	<b>45.4</b>	(29.6)	(27.8)
		<b>2,166.3</b>	3.5	3.2	<b>343.4</b>	5.9	4.0
Net financing costs	14				<b>(24.2)</b>	–	
<b>Adjusted profit before income tax</b>					<b>319.2</b>	6.3	4.4
Income tax expense	6				<b>(77.5)</b>	7.6	
<b>Adjusted profit for the year</b>					<b>241.7</b>	5.9	4.0
<b>Adjusted diluted EPS</b>	7				<b>140.7p</b>	6.5	4.7

# Strategic report

## Financial Review continued

### 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 SDIs 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 2015, an impairment charge against goodwill of £481.4m (2014: £nil), against other intangible assets of £60.3m (2014: £nil) and against property, plant & equipment of £35.6m (2014: £nil), in total £577.3m, has been incurred in relation to our Industry Services business. The oil and gas sector in which this CGU operates has experienced a significant downturn with a material reduction in capital and operating expenditure by its main customers. Further details are given in Note 9 to the financial statements.

Other intangible assets were also reviewed for impairment, which included a strategic review of IT and the systems landscape for potential obsolescence. As a result, an impairment of £12.1m of IT assets related to computer software has been recorded in the year.

The SDIs charge for 2015 also comprised amortisation of acquisition intangibles £21.4m (2014: £20.8m); acquisition costs relating to successful, active or aborted acquisitions £5.8m (2014: £3.5m); a further £6.7m (2014: £23.5m) in relation to restructuring businesses and making redundancies; and material claims and settlements £3.6m (2014: £nil).

Further information on Separately Disclosed Items is given in note 3 to the financial statements.

### KEY PERFORMANCE INDICATORS

The Group uses a variety of key performance indicators ('KPIs') to monitor the financial performance of the Group and operating divisions. These metrics are disclosed on page 21.

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 criterion in the decision-making process when projects are competing for limited funds.

Proforma 2015 ROIC of 16.9% as stated on page 21 excludes the impact of the PSI acquisition on 23 November 2015 and excludes the impairment of assets recorded as at 31 December 2015 to provide a meaningful comparative.

### ACQUISITIONS AND INVESTMENT

The Group's strategy is to invest both organically and by acquiring complementary businesses, enabling it to take advantage of the strong long-term structural growth drivers in the quality industry and continually offer the latest technologies and services in the locations demanded by clients.

#### Acquisitions

The Group completed four acquisitions in the year with a purchase price of £231.3m, net of cash acquired of £5.9m.

In February 2015, the Group acquired Adelaide Inspection Services Pty Ltd ('AIS') for £6.5m (£6.3m net of cash acquired), an Australian-based business providing non-destructive testing and associated services to the power generation, construction, oil, gas and mining industries.

In September 2015, the Group acquired Dansk Institut for Certificering A/S ('DIC'), a company that provides business assurance services to a wide range of industries including Hospitality, Transport and Food.

In October 2015, the Group acquired MT Group LLC and Materials Testing Lab, Inc, (together 'MT'), a leading provider of materials testing and inspection services to the building industry.

In November 2015, the Group completed the acquisition of PSI for a purchase price of £220.0m (£215.4m net of cash acquired). PSI is a provider of industry-leading testing and assurance services to the commercial and civil construction markets and non-destructive testing for onshore pipelines in the USA.

These acquisitions provide valuable additional service lines and new geographic locations for the Group, and will help drive profitable revenue growth. The more significant acquisition, PSI, enables Intertek Building Products to offer a nationwide testing and assurance service portfolio across the whole project and building lifecycle, including geotechnical services, materials testing, and property and environmental assurance services. It will also expand our existing US Industry Services NDT business with a complementary regional footprint and enable us to offer a wider portfolio of services in this area.

#### Organic investment

The Group also invested £112.2m (2014: £109.5m) organically on lab expansions, new technologies and equipment and other facilities. This investment represented 5.2% of revenue (2014: 5.2%) which was in line with prior year.

## CASH FLOW AND NET DEBT

### Cash flow

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 illustrate the cash generated by the Group:

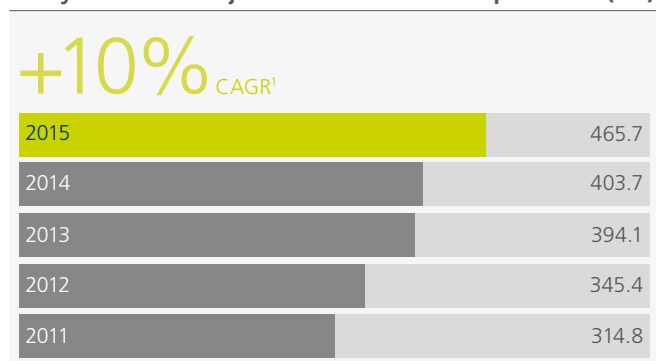
	2015 £m	2014 £m	Change %
Cash flow from operations	442.3	386.8	14.3%
Add back: cash flow relating to SDIs	23.4	16.9	
Adjusted cash flow from operations	465.7	403.7	15.4%
Add back: special contributions to pension schemes	2.8	0.9	
Cash flow for cash conversion	468.5	404.6	15.8%
Cash conversion %	136.4%	124.7%	

The components of free cash flow are summarised below:

	2015 £m	2014 £m
<b>Free cash flow</b>		
Adjusted operating profit	343.4	324.4
Add back: depreciation and amortisation	85.2	76.3
Movement in working capital and provisions	26.8	(4.1)
Net capital expenditure	(110.9)	(108.5)
Other*	(109.3)	(103.3)
Free cash flow	235.2	184.8

\* Other includes exceptionals, special contributions to pension schemes, interest paid/received, tax and non-cash items.

### Five year trend – adjusted cash flow from operations (£m)



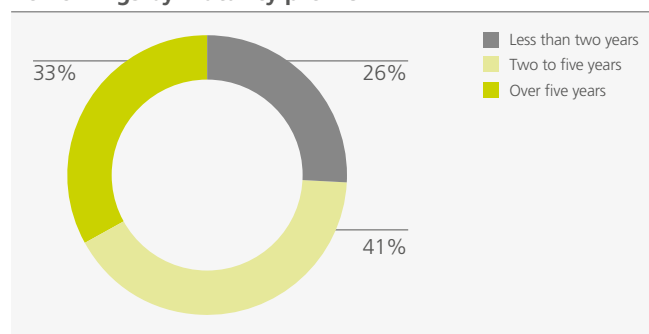
1. CAGR represents the compound annual growth rate from 2011 to 2015.

### Net debt

Net debt has increased from £633.5m at 31 December 2014 to £775.4m at 31 December 2015 principally as a result of drawdowns on existing facilities to fund the PSI acquisition as explained above.

In the year, the Group drew on facilities it had in place at 31 December 2014, as well as a further US\$60m made available by the extension of an existing bilateral term loan facility. In addition, US\$100m of Senior Notes were repaid in the year. The Group has a well-balanced loan portfolio with a maturity profile as shown below, to enable the funding of future growth opportunities.

### Borrowings by maturity profile



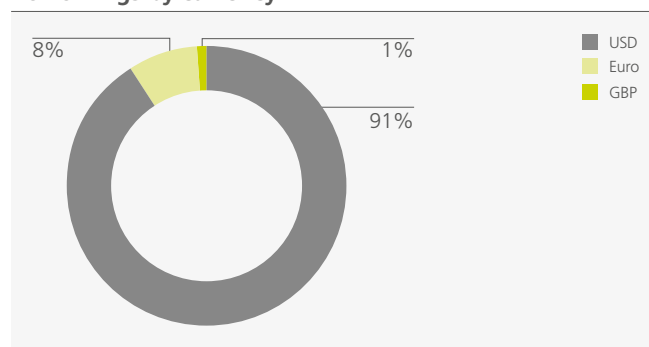
Under existing facilities the Group has available debt headroom of £286m at 31 December 2015. The components of net debt at 31 December 2015 are outlined below:

	1 January 2015 £m	Cash flow £m	Exchange adjustments £m	31 December 2015 £m
Cash	119.5	8.0	(11.5)	116.0
Borrowings	(753.0)	(106.4)	(32.0)	(891.4)
Total net debt	(633.5)	(98.4)	(43.5)	(775.4)

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 'effective' hedge).

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 and US dollar-related overseas assets of the Group. The composition of the Group's gross borrowings in 2015, analysed by currency is as follows:

### Borrowings by currency



# Strategic report

## Financial Review continued

### FOREIGN 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 provides a partial dilution to this exposure.

At constant exchange rates, revenue grew 3.2% (actual exchange rates 3.5%) and adjusted operating profit grew 4.0% (actual exchange rates 5.9%).

The exchange rates used to translate the statement of financial position and the income statement into sterling for the five most material currencies used in the Group are shown below:

Value of £1	Statement of financial position rates		Income statement rates	
	2015	2014	2015	2014
US dollar	1.48	1.55	1.53	1.65
Euro	1.36	1.28	1.38	1.24
Chinese renminbi	9.61	9.65	9.62	10.15
Hong Kong dollar	11.48	12.04	11.87	12.80
Australian dollar	2.03	1.91	2.04	1.83

### 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.



**EDWARD LEIGH**  
Chief Financial Officer



## 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 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 Directors' Report on pages 52 to 62 and 78 to 82.

The Head of Internal Audit and the Group General Counsel, 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 and assurance processes in place and any mitigating actions or controls. Both roles report to the Audit & Risk Committee, attend its meetings and meet with individual members each year as required.

Risks are formally identified and recorded in a risk register for the significant countries and for each business line 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 Sales, Operations, IT, Finance and People.

The Risk Control and Assurance Committee ('RCA'), comprising senior Intertek executives, complements the work of the Audit & 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 Executive Management Team 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 and industry specific cyclical risks, are outside the Group's control. Some risks are particular to Intertek's operations. The principal risks of which the Group is aware are detailed on the following pages 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.

### LONG-TERM VIABILITY STATEMENT

In accordance with provision C.2.2 of the UK Corporate Governance Code, the Directors have assessed the viability of the Group over a five-year period to 31 December 2020, by carrying out a robust assessment of the Group's current position and the potential impact of the principal risks and uncertainties, including those that would threaten the Group's business model, future performance, solvency or liquidity.

The Directors have determined that a five-year period is an appropriate period over which to provide the viability statement of the Group, as the Group's strategic review covers a five-year period.

In addition to the bottom-up strategic review process where the prospects of each business line are reviewed, a robust assessment has been made of the potential operational and financial impacts on the Group of combinations of principal risks and uncertainties (as set out in the following pages) in a number of severe, but plausible, scenarios, as well as the effectiveness of any mitigating actions.

The Group has a broad customer base across its multiple business lines and in its different geographic regions, and is supported by a robust Balance Sheet and strong operational cash flows. The Board considers that the diverse nature of business lines and geographies in which the Group operates significantly mitigates the impact that any of these scenarios might have on the Group's viability.

Based on this assessment, the Directors confirm that they have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the period to 31 December 2020.

# Strategic report

## *Principal risks and uncertainties continued*

Operational		
PRINCIPAL RISK	CONTEXT	POSSIBLE IMPACT
<b>REPUTATION</b>	<p>Reputation is key to the Group maintaining and growing its business. Ethical breaches and poor quality service, either within Intertek's own operations, its supply chain, or by its sub-contractors, could damage its reputation. A failure to manage any subsequent crisis through a lack of reactive procedures could also exacerbate the potential damage.</p>	<ul style="list-style-type: none"> <li>• Failure to meet financial performance expectations.</li> <li>• Exposure to material legal claims, associated costs and wasted management time.</li> <li>• Share price may fall.</li> <li>• Loss of existing or new business.</li> <li>• Loss of key staff.</li> </ul>
<b>ACCREDITATION</b>	<p>The Group relies on being awarded and retaining appropriate accreditations and affiliations around the world in order to provide its certification services.</p> <p>Illegal use of Intertek marks by others abuses the accreditation process and risks negative perceptions of Intertek.</p>	<ul style="list-style-type: none"> <li>• Inability to deliver certain services.</li> <li>• Inability to operate in certain territories.</li> <li>• Loss of business in the relevant industry/country causing damage to the Group's reputation.</li> </ul>
<b>PEOPLE RETENTION</b>	<p>The Group operates in specialised sectors and needs to attract and retain employees with relevant experience and knowledge in order to take advantage of all growth opportunities.</p>	<ul style="list-style-type: none"> <li>• Poor management succession.</li> <li>• Lack of continuity.</li> <li>• Failure to optimise growth.</li> <li>• Impact on quality, reputation and customer confidence.</li> <li>• Loss of talent to competitors and lost market share.</li> </ul>
<b>OPERATIONAL HEALTH AND SAFETY</b>	<p>Any health and safety incident arising from our activities. This could result in injury to Intertek's employees, sub-contractors, customers and/or any other stakeholders affected.</p>	<ul style="list-style-type: none"> <li>• Individual or multiple injuries to employees and others.</li> <li>• Litigation or legal/regulatory enforcement action (including prosecution) leading to reputational damage.</li> <li>• Loss of accreditation.</li> <li>• Erosion of customer confidence.</li> </ul>

MITIGATION	2015 UPDATE
<ul style="list-style-type: none"> <li>• Quality Management Systems; adherence to these is regularly audited and reviewed by external parties, including accreditation bodies.</li> <li>• Risk Management Framework and associated controls and assurance processes, including contractual review and liability caps where appropriate.</li> <li>• Code of Ethics which is communicated to all staff, who undergo regular training.</li> <li>• Whistle-blowing programme, monitored by the Audit &amp; Risk Committee, where staff are encouraged to report, without risk, any fraudulent or other activity likely to adversely affect the reputation of the Group.</li> <li>• Zero-tolerance policy with regard to any inappropriate behaviour by any individual employed by the Group, or acting on the Group's behalf.</li> <li>• Media comments with regard to Group activities are centrally reviewed so that senior management can, where necessary, take appropriate action on a timely basis.</li> <li>• Relationship management and communication with external stakeholders.</li> </ul>	<ul style="list-style-type: none"> <li>• This risk remains stable compared to 2014.</li> <li>• The Group continues to robustly defend claims where they are without merit, as well as investing in staff development, quality systems and standard processes to prevent operational failures.</li> </ul>
<ul style="list-style-type: none"> <li>• Quality assurance procedures and controls embedded in the operations to ensure that the Group holds and maintains the necessary accreditations and that the required operational standards are applied.</li> <li>• Accreditor relationship management – Operations are regularly subjected to audit and review by external parties including accreditation bodies, governments, trade affiliations, retailers, manufacturers and clients.</li> <li>• Accreditation is usually held at an industry, country or site level and loss of accreditation will not mean loss of accreditation across the Group.</li> </ul>	<ul style="list-style-type: none"> <li>• This risk remains stable compared to 2014.</li> <li>• The Group regularly refines its quality assurance procedures.</li> <li>• While illegal use of Intertek marks is a growing problem, the Group continues to work with Regulatory and Government bodies to identify and take swift action where false marks are identified.</li> </ul>
<ul style="list-style-type: none"> <li>• HR strategy policies and systems.</li> <li>• Development and reward programme to retain and motivate employees.</li> <li>• Succession planning to ensure effective continuation of leadership and expertise.</li> <li>• Employee surveys.</li> <li>• Intertek Executive Academy to develop the next generation of global leadership.</li> </ul>	<ul style="list-style-type: none"> <li>• This risk remains stable compared to 2014.</li> <li>• 71 senior managers have been through the Intertek Executive Academy since 2012.</li> </ul>
<ul style="list-style-type: none"> <li>• Quality management and associated controls, including safety training, appropriate PPE (Personal Protective Equipment), Health &amp; Safety policies, meetings and communication.</li> <li>• Avoiding fatalities, accidents and hazardous situations is paramount. It is expected that Intertek employees will operate to the highest standards of health and safety at all times and there are controls in place to reduce incidents.</li> </ul>	<ul style="list-style-type: none"> <li>• This risk remains stable compared to 2014.</li> <li>• There were zero work-related fatalities in the year, compared to one in 2014.</li> </ul>

# Strategic report

## Principal risks and uncertainties continued

Operational		
PRINCIPAL RISK	CONTEXT	POSSIBLE IMPACT
<b>BUSINESS CONTINUITY AND CORPORATE SOCIAL RESPONSIBILITY ('CSR')</b>	<p>Continuity: a major incident impacting business continuity in terms of damage to premises and IT systems (potential causes being natural disasters, significant accidents and incidents, major staff illness, etc.).</p> <p>Environment: an adverse impact on the environment due to inadequate sample storage/disposal, and/or inappropriate use of materials dangerous to the environment.</p> <p>Leases: Failure to secure the renewal of a critical lease, or having to agree unfavourable renewal terms.</p>	<ul style="list-style-type: none"> <li>• Potential injury to our people, loss of premises permanently or property damage for an extended period.</li> <li>• Increased environmental impact, increased costs, lack of compliance with law, regulation or the requirements of certification bodies and/or customers.</li> <li>• Damage to reputation and impact on customer confidence and share price.</li> </ul>
<b>INDUSTRY AND COMPETITIVE LANDSCAPE</b>	<p>A failure to identify, manage and take advantage of emerging and future risks. Examples include the opportunities provided by new markets and customers, a failure to innovate in terms of service offering and delivery, the challenge of radically new and different business models, and the failure to foresee the impact of, or adequately respond to and comply with, changing or new laws and regulations.</p>	<ul style="list-style-type: none"> <li>• Failure to maximise revenue opportunities.</li> <li>• Failure to take advantage of new opportunities.</li> <li>• Lack of ability to respond flexibly.</li> <li>• Erosion of market share.</li> <li>• Impact on share price.</li> <li>• Sanctions and fines for non-compliance with new laws, etc.</li> </ul>
<b>MACRO-ECONOMIC RISK</b>	<p>Macro-economic factors such as a global/market downturn and contraction/changing requirements in certain sectors. Further influenced by related risks such as potential acquisition failure or the effect on liquidity of the inability to renew bank funding or secure additional funding.</p>	<ul style="list-style-type: none"> <li>• A sustained downturn in the economic cycle can result in a lower return on invested capital, as revenue and margin levels come under pressure.</li> <li>• Falling market share.</li> <li>• Shrinking customer base.</li> <li>• Impact on share price.</li> </ul>
<b>CYBER AND DATA SECURITY, IT SYSTEMS INTEGRITY</b>	<p>Major IT systems integrity issue, or data security breach, either due to internal or external factors such as deliberate interference or power shortages / cuts etc.</p>	<ul style="list-style-type: none"> <li>• Loss of revenue due to down time.</li> <li>• Potential loss of sensitive data with associated legal implications.</li> <li>• Potential costs of IT systems replacement and repair.</li> <li>• Loss of customer confidence.</li> <li>• Damage to reputation.</li> </ul>

## MITIGATION

- Business Continuity Plans ('BCPs') and Disaster Recovery Plans ('DRPs') in place.
- Health & Safety policies, Environmental policy and Sample Storage policy implemented.
- Regular review of leases and pipeline.

## 2015 UPDATE

- This risk remains stable compared to 2014.
- No BCPs or DRPs have had to be put in place in 2015, and therefore there has been no downtime in operational activity, except for where tests of BCPs or DRPs have been conducted.

- Ongoing development of Global Key Accounts ('GKA') management.
- Diversification of customer base.
- Focus on new services and acquisitions.
- Tracking new laws and regulations.
- Regular strategic and business line reviews.

- This risk remains stable compared to 2014.
- The Group's results have been impacted by the lower levels of capital expenditure in the energy sector, driven by lower oil prices, but more than offset by the diverse nature of the Group and its ability to grow revenue and manage the cost base.

- The Group has a diversified service offering to a wide range of industries and geographies. This reduces the risk of a downturn in any one sector or region having a material impact on the long-term viability of the Group. Where a downturn does occur, the Group seeks to reduce, where possible, the cost base whilst retaining its core capability to take advantage of the cyclical upturn when it comes.

- This represents an increasing risk compared to 2014.
- Commodity prices and particularly oil have reduced in the year.
- Group revenue and margin have improved despite GDP growth in China and some emerging markets starting to slow from previous high levels.
- These impacts have been materially mitigated by strong cost control and restructuring activities.

- Information systems policy and governance structure.
- Regular system maintenance.
- Backup systems in place.
- Disaster recovery plans that are constantly tested and improved to minimise the impact if a failure does occur.
- Global Information Security policies in place.
- Internal and external audit testing.

- This risk represents an increasing risk compared to 2014.
- Review of data security performed including data storage, retention policy, access controls and encryption.

# Strategic report

## *Principal risks and uncertainties continued*

Legal and Regulatory		
PRINCIPAL RISK	CONTEXT	POSSIBLE IMPACT
<b>LITIGATION</b>	Claims resulting from mistakes in Intertek's work resulting in disputes with clients and/or other relevant third parties. Closely linked to the risk of engaging in contracts with non-standard, unfavourable or onerous terms, e.g. high or non-existent liability caps; liability for consequential losses or third party losses; poorly-defined scope of work etc.	<ul style="list-style-type: none"> <li>• Financial impact (fines by regulators, suspension of accreditation, compensation).</li> <li>• Financial impact from defending and settling claims.</li> <li>• Impact of fines.</li> <li>• Potential impact on insurance premiums.</li> <li>• Loss of customer confidence.</li> <li>• Damage to reputation. Impact on share price.</li> <li>• Reduction in profitability if contract scope creeps or costs escalate and prices remain fixed.</li> <li>• Potential for disproportionate or unquantifiable liabilities if something goes wrong and caps are absent or inadequate.</li> </ul>
<b>BUSINESS ETHICS</b>	Non-compliance with Intertek's Code of Ethics (Code) and/or related laws such as anti-bribery, anti-money laundering, and fair competition legislation. Non-compliance could be either accidental or deliberate, and committed either by our people or sub-contractors.	<ul style="list-style-type: none"> <li>• Litigation, including significant fines and debarment from certain territories/activities.</li> <li>• Reputational damage.</li> <li>• Loss of accreditation.</li> <li>• Erosion of customer confidence.</li> <li>• Impact on share price.</li> </ul>
Financial		
<b>FINANCIAL RISK</b>	Risk of theft, fraud or financial misstatement by employees. Other risks such as impact of FX movements on operating margins on cross currency contracts.	<ul style="list-style-type: none"> <li>• Financial losses with a direct impact on the bottom line.</li> <li>• Large scale losses can affect financial results.</li> <li>• Potential legal proceedings leading to costs and management time.</li> <li>• Corresponding loss of value and reputation could result in funding being withdrawn or provided at higher interest rates.</li> <li>• Possible adverse publicity.</li> </ul>

## MITIGATION

- Effective Quality Management Systems and assurance procedures and controls, including contractual review and liability caps where appropriate.
- Claims management policy and process in place.
- All significant 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 General Counsel reports any significant claims to the Audit & Risk Committee. External legal counsel is appointed where appropriate.
- Insurance liaison – seeking contractual protection from loss or insurance cover for loss where possible.

## 2015 UPDATE

- This risk remains stable compared to 2014.
- Additional compliance personnel have been employed in the year to increase the bandwidth available to manage contract reviews and assist the wider legal framework.
- Ongoing training and education in respect of contractual liabilities being assumed.
- Review of approval limits for liability caps.

- Annual Code of Ethics training and sign-off requirement.
- Whistle-blowing programme, monitored by the Audit & Risk Committee, where staff are encouraged to report, without risk, any fraudulent or other activity likely to adversely affect the reputation of the Group.
- Zero-tolerance policy with regard to any inappropriate behaviour by any individual employed by the Group, or acting on the Group's behalf.
- The Group employs local people in each country who are aware of local legal and regulatory requirements. 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, and internal policy.

- This risk remains stable compared to 2014.
- Ongoing annual confirmations ensure that staff verify compliance with the Code of Ethics.
- Internal Audit samples that contractors have signed the Group's Code.
- During 2015, 249 (2014: 256) HR and non-compliance issues were reported through the whistleblowing hotline and other routes. All were investigated with 51 (2014: 31) substantiated and corrective action taken.

- The Group has financial, management and systems controls in place to ensure that the Group's assets are protected from major financial risks.
- Treasury policy, management system and framework in place.
- Monthly monitoring of FX variances and remedial actions.
- 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.

- This risk remains stable compared to 2014.
- Internal audit carried out 64 reviews in 2015 (81 in 2014).
- '*Doing Business the Right Way*' established as core principle within Intertek.
- Review and roll out of 53 core mandatory controls for year-end compliance certification.

### IN THIS SECTION

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“Our employees are helping companies around the world to develop products that are used safely by millions of people every day.”

**ANDRE LACROIX**  
Chief Executive Officer



Intertek has a rich heritage upon which a successful organisation has been built, with a reputation for having strong ethical values and behaviours. Doing business the right way is at the very heart of who we are and what we stand for.

I am delighted that in 2015 Intertek joined the Sustainable Apparel Coalition ('SAC') to support the Higg Index and help improve supply chain sustainability across the global apparel and footwear industries. Intertek also became a certified assessor of the Business Environmental Performance Initiative ('BEPI') to support brands and retailers aiming to improve supply chain environmental performance. More about these can be read on page 47.

Our talented people are passionate about their work and provide assurance to clients across the world in almost every market.

Making sure that our culture recognises our people for their contribution and creates opportunities for personal growth is very important to me and we regularly review our personal development and recognition programmes. Our employees are also encouraged to email me directly with their views through our internal communications channels.

The health and safety of all those who conduct work for, or on behalf of, Intertek and those who visit our premises is of course our priority. And, while we have reported an increase in lost time and medical treatment injuries overall for 2015, this is largely due to improvements in our global reporting processes (more details on page 50).

This report describes Intertek's sustainability performance for 2015 and highlights some of the work we are doing to help our customers manage their operations and produce products and services in a sustainable and ethical manner.

We remain committed to reducing our own ecological footprint and will continue to drive environmental initiatives throughout our operations.

A handwritten signature in black ink, appearing to read 'A. Lacroix', written in a cursive style.

**ANDRE LACROIX**  
Chief Executive Officer



## Our business

Intertek is the trusted quality partner of many of the world's leading brands and companies. We help our clients to ensure the quality and safety of their products, assets and processes to protect their brands and gain competitive advantage.

We enable our clients to improve their performance, gain efficiencies in manufacturing and logistics, overcome market constraints and reduce risk. Our services span almost every industry, from textiles, toys and electronics, to building, heating, pharmaceuticals, petroleum, food, and cargo inspection. Through our services, we help our clients to improve the social, ethical, safety and environmental impact of their services, supply chains and products that are used by millions of people around the world.

### SUSTAINABLE COALITIONS

Intertek has joined the SAC and will use their sustainability measurement tool, the Higg Index, to drive environmental responsibility. Membership to SAC means that Intertek joins more than 160 global brands, retailers and manufacturers, as well as government, non-profit environmental organisations and academic institutions that are collectively committed to improving supply chain sustainability in the apparel and footwear industries.

Intertek will contribute both data and resources to support the Higg Index, which gauges environmental sustainability and drives supply chain decision-making to improve efficiency and sustainability impacts. The Higg Index is an open source, indicator-based tool that allows suppliers, manufacturers, brands and retailers to evaluate materials, products, facilities and processes based on environmental and product design choices.

In 2015, Intertek was approved as an assessor by the Business Environmental Performance Initiative. Under the BEPI, Intertek certifies that an organisation's standards and principles show commitment to improving environmental impact, while reducing business risks and costs associated with enhanced environmental processes. Intertek's onsite environmental assessments are conducted for brands and retailers aiming to improve supply chain environmental performance as a result of applying more efficient processes and best in class environmental systems at the production level.

BEPI is a voluntary environmental initiative by the Foreign Trade Association ('FTA'), which focuses on trade policy and global supply chain compliance to an existing social compliance programme, Business Social Compliance Initiative, which has been in place for 12 years. The FTA has more than 1,000 members including retailers, importers and brands committed to improving supply chain corporate social responsibility performance.

### RESPONDING TO DEVELOPMENTS IN VEHICLE EMISSIONS LEGISLATION

Intertek has been swift to respond to recent changes in pan-European regulations for light duty vehicle exhaust emissions. The legislation mandates for manufacturers to report exhaust emissions and fuel consumption figures from real-world driving in a variety of road and traffic conditions. This legislative change comes in part as a response to public disquiet about the disparity between officially published laboratory test data and real world figures on fuel consumption and exhaust emissions.

Intertek can now offer real world driving analysis of vehicle tailpipe emissions using its new Portable Emissions Measurement System. This new equipment is vehicle mounted, thereby allowing manufacturers to report real world driving emissions on public roads rather than in a laboratory on a wide variety of cars and light commercial vehicles, see page 27.

### INNOVATING AND SUPPORTING RENEWABLE ENERGY DEVELOPMENT

During 2015, Intertek partnered with the Center for the Evaluation of Clean Energy Technology to offer a first in the renewable energy industry in North America – a mobile platform for testing photovoltaic ('PV') modules. This mobile testing laboratory complements Intertek's wide range of quality assurance services for solar products and installations at fixed laboratory locations. The Mobile PV Test center can quickly verify PV product quality and efficacy in the field to identify and find solutions for underperforming modules.

### STEWARDSHIP AND GOVERNANCE

Intertek's Board of Directors oversees and has the responsibility for setting the Group's strategy and performance and risk management (see pages 52 to 62 and 78 to 82). The Board acknowledges the importance of diversity in the boardroom as a key component of good governance. As at 31 December 2015, the Board's composition was 30% female and 70% male and for the senior leadership group (339 people at the end of 2015), 22% female and 78% male. To read more about our Board Diversity, see page 84.

Sustainability and CSR are integrated into Intertek through policy distribution. Our operations and support functions are responsible for identifying and evaluating risks applicable to their areas of the business and the design and operation of suitable internal controls (see 'Principal Risks and Uncertainties' on pages 39 to 45). The Board has overall accountability for Intertek's sustainability and CSR, and the Group-wide strategy and implementation are the responsibility of the Senior Vice President of ATIC Customer Service and Operational Excellence.

# Strategic report

## Sustainability and CSR continued

### Our people

Intertek is a people business, and it is important that our 41,400 people working globally for customers are engaged in what we do and continue to add value in their roles. To achieve this it is important to consider how we give people opportunities, how we integrate people into our mission and values, engaging and inspiring our people to deliver our mission and live our lives across our global business in a way that our stakeholders expect.

#### ENGAGING AND RETAINING TALENTED PEOPLE

Our aim is to engage and retain the best available people who share the mission and values of Intertek. Prospective employees are sourced through a variety of channels, depending on the location and role, in compliance with local regulations for fair recruitment practices and equal opportunities. Jobs at Intertek are posted via our website ([www.intertek.com/careers](http://www.intertek.com/careers)), recruitment agencies, social media, print advertisements, professional bodies and associations, and schools, colleges and universities. Where possible, we fill vacancies from within the Company first, in order to offer people career growth and progress within the Group. Intertek is an Equal Opportunities Employer and all qualified applicants are considered for employment regardless of gender, race, religion or national origin.

#### AN EMPLOYER OF CHOICE

In China, where Intertek employs around 9,600 people, the business has been recognised for the eighth time consecutively as one of the top 100 companies in human resource management in 2015. This year, our Employee Care Plan was recognised as one of the best, together with 11 other world-renowned companies. Hosted by 51job.com, the award recognises the HR practices which have made a significant contribution to the employee experience and their personal development.

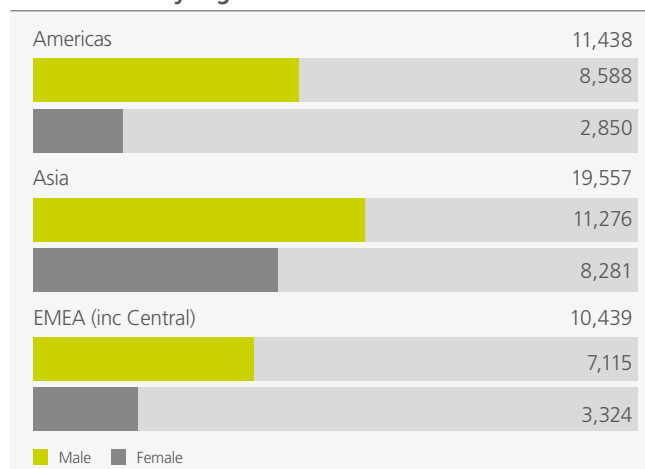
#### INVESTING IN OUR PEOPLE

Our goal is to hire, engage and retain the best people and provide potential leaders of Intertek with the skills sets needed to grow our business. We want our people to grow by learning new skills to help them advance their careers and deliver the best possible service to our customers. Our talent mapping process is critical to the future success of our organisation to meet business strategy and growth needs.

During the year, nearly 100 Intertek managers have participated in our UK Management Development Programme. The 10-month course developed people's competencies, seeking to bring improvements to customer service and higher confidence levels. Going forward into 2016, 60 more Intertek people will take part in the programme.

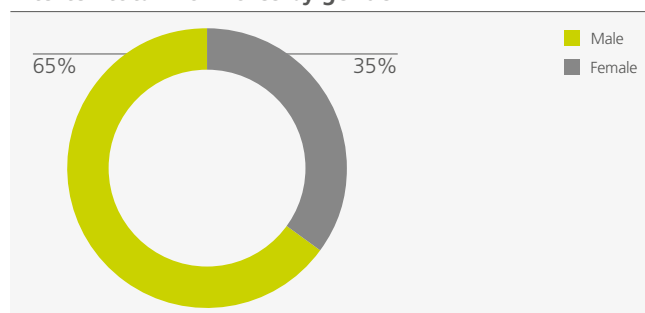
Intertek continued its scholarship programme in the USA to support the development of students in science, technology, engineering and maths ('STEM') related education to the amount of \$50,000 each year.

#### Female:Male by region



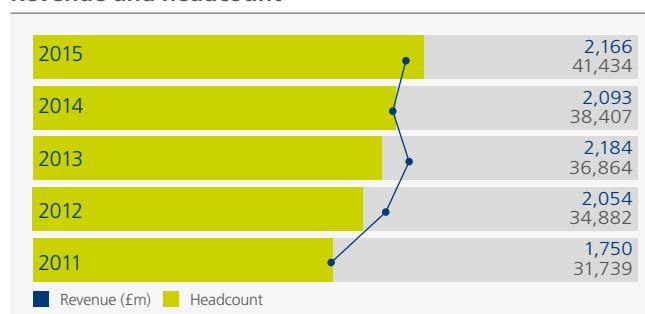
Intertek's gender diversity reflects the industries and qualification profiles typical of individuals working in the countries and business lines in which we operate.

#### Intertek total workforce by gender



At 31 December 2015 Intertek employed 41,434 people, an increase of 7.9% over the previous year.

#### Revenue and headcount



Total number of Intertek employees over the past five years in relation to revenue shows continuing growth in employment and careers.

## INCLUSION AND DIVERSITY

We apply all employment policies and practices, including recruitment, promotion, reward, working conditions and performance management related policies, in a way that is informed, fair and objective. As such, our inclusion and diversity policy acts to eliminate discrimination so that our employees are treated fairly and feel respected and included in our workplaces. We are committed to maintaining high standards of fairness, respect and safety and adhere to the principles of the UN Convention on Human Rights and the International Labour Organization's core conventions.

## PROFESSIONAL CONDUCT

Intertek strives to help customers meet quality standards. This work takes place in many markets in the world and protects them against risk by ensuring compliance with local, national and international laws. The validity and accuracy of reports and certificates that we provide to our customers and maintaining the trust and confidence of our customers, their customers and others impacted by our work, are therefore of utmost importance to us.

All those working for or on behalf of Intertek are required to sign our Code of Ethics upon joining the Company or before commencing work on our behalf, confirming acceptance of the high standards expected of them in all business dealings. The Code sets expectations that employees act with integrity and in an open, honest, ethical and socially responsible manner. Intertek employees or people acting on Intertek's behalf are responsible for applying the Intertek Code of Ethics in their own job role, their part of the business and location. To support their continual understanding, they are required to complete our Code of Ethics training course annually.

Intertek is committed to maintaining a culture where issues of integrity and professional ethics can be raised and discussed openly and has a strict policy of zero-tolerance regarding breaches of compliance policy. We have a well-publicised hotline for all employees, contractors and others representing Intertek, to enable confidential reporting of suspected misconduct or breaches of the Code.

During 2015 there were 51 reports of non-compliance which were substantiated claims requiring remedial action. Reports of non-compliance are closely monitored and the Audit & Risk Committee reviews the outcomes of the hotline and compliance reports on behalf of the Board.

## HEALTH & SAFETY

The health, safety and welfare of our people, clients and third parties connected with the business, are very important. Our aim is to achieve zero lost time accidents and Intertek is committed to the continuous review and improvement of its health and safety performance. All employees are given training on health and safety matters, including emergency response procedures and intervention and reporting of accidents, incidents and near misses, during on boarding. Where relevant, all employees and contractors are provided with personal protection equipment when performing work for the Company.

Lines of communication for health and safety matters exist at every Intertek location globally. This includes a dedicated fire warden, first-aider and health and safety representative. These representatives enable us to not only investigate incidents and implement preventive and corrective actions but also disseminate safety information through toolbox talks and continual improvement programmes to target areas of concern.

During 2015, we improved the process for reporting and managing incidents through the development and implementation of a global online incident reporting tool. Access to the tool has now been improved to enable employees to report via the intranet or mobile devices.

As a result, Intertek has achieved an increase in near-miss reporting enabling us to proactively manage health and safety. During 2015, there was an 11.9% increase in the rate of lost time injuries and medical treatment injuries due to increased reporting across Intertek. Also, zero occupational fatalities were recorded.

	2015	2014	2013
Occupational fatalities	<b>0</b>	1	2
Lost time injuries rate*	<b>0.18</b>	0.25	0.34
Medical treatment injuries rate*	<b>0.48</b>	0.34	0.36

\* Rates refer to the number of lost-time injuries and medical treatment injuries occurring per 200,000 hours worked.

In January 2015, our Asset Integrity Management ('AIM') In-Service Inspection group surpassed four million work hours without a lost-time accident or injury.

In addition, on 9 April 2015 the AIM group reached the one million hour mark since the last recordable injury.

# Strategic report

## Sustainability and CSR continued

### Our environment

We aim to minimise the impact of our operations on the environment through reducing energy consumption in our buildings and facilities, utilising renewable sources of energy, implementing 'green' waste management practices, minimising business travel, carbon offsetting and operating quality management systems. To support this effort, our environmental and climate change policy is implemented through country management to ensure compliance with local guidelines and regulations.

For 2015, Intertek's electricity consumption was reported to be 235,873 MWh (5.69 MWh per employee) and gas consumption was reported to be 83,172 MWh (2.00 MWh per employee).

In 2013, Intertek developed its Greenhouse Gas ('GHG') emissions accounting to include all Intertek operations worldwide. Since then, the focus has been on increasing the quality of information captured and seeking out how the better data collected can add value to the business. The levels of GHG emissions have been calculated using the guidelines of the GHG protocol and DEFRA and relate to the reporting period from 1 October 2014 to 30 September 2015.

CO<sub>2</sub>e<sup>1</sup> emissions from activities for which Intertek is responsible include:

		GHG Emissions (tonnes of CO <sub>2</sub> e) <sup>1</sup>
Scope 1	the combustion of fuel	52,145
	operation of facilities	11,583
Scope 2	purchase of electricity, heat or steam	137,024
Outside of scope		714
<b>Total emissions</b>		<b>201,466</b>

#### Intensity ratios

2015	CO <sub>2</sub> e per employee	4.86
2014	CO <sub>2</sub> e per employee	5.29
2013	CO <sub>2</sub> e per employee	5.75

1. CO<sub>2</sub>e – Carbon dioxide equivalent.

It is important to ensure full completeness of the business's GHG emissions globally. To achieve this actual data were compiled for all the major operating countries and, where necessary, to cover some sites that were not able to provide data some figures were extrapolated. Extrapolation was based on equivalent activity data figures, i.e. electricity and gas consumption, of one employee and then multiplied by the actual amount people at sites. This was not the case for minor contributions such as fugitive emissions. Where sites provided data covering only part of the year where, figures were extrapolated linearly to cover the full year.

In relation to Intertek's Scope 3 emissions (indirect GHG emissions from sources not owned or directly controlled by Intertek but which relate to the business' activities), there are a number of programmes in place which focus on waste management, water management and business travel. These programmes seek to reduce GHG emissions in our supply chain.

#### BETTER INFORMATION

Better data collection has permitted the identification of opportunities within Intertek sites to increase internal efficiencies. A good example of this approach is the collection of granular electricity data in our biggest spending and biggest user of electricity, our US business. This has permitted more accurate GHG emissions reporting and the more cost-effective procurement of electricity.

Our Transportation Technologies business has implemented several electricity-producing dynamometers in its Milton Keynes facility in the UK. In 2015, the energy savings have been significant resulting in a reduction of 74 tonnes of CO<sub>2</sub>e. Going forward, this facility expects to self-generate a significant amount of its total electricity demand resulting in further CO<sub>2</sub>e reductions and significant operating cost reductions.

As the process for accounting for GHG emissions matures more accurate data will support a targeted approach of allocating carbon budgets, absolute emissions reduction targets and/or intensity ratio reduction/improvement targets to sites to further implement Intertek's commitment to tackling climate change.

#### STANDARDS

Many Intertek sites have environmental management systems which are certified to ISO 14001. Environmental management systems support the continuous improvement of energy consumption and waste and water management, helping to reduce the impact of risk to the environment, control costs and improve environmental performance. To this end, in 2015, all of the Cargo & Analytical Assessment laboratories in the UK have achieved joint ISO 14001 and OHSAS 18001 accreditation.

As part of Intertek's environmental management system, there are strict controls in place to manage the handling, storage and disposal of harmful and hazardous substances to minimise the risk of their release into the environment. Intertek employees are fully trained in the safe handling of such substances and are provided with appropriate equipment and clothing to protect themselves and reduce the risk to the environment. A critical element of permitting continuous improvement is the reporting of all incidents which all employees are required to do.

## Our communities

Our employees' cultural values and relationships within the communities in which they live and work is important to them, to our business and to our clients. Here are some examples of how our people helped their local communities during 2015.

### EMEA

In the UK, Intertek's Exploration and Production business continued to inspire youngsters to embark on careers in the STEM industries through organising school careers events.

An Intertek employee led a campaign to raise awareness of, and action against, water pollution in her local community in KwaZulu-Natal, South Africa. The campaign supported an Intertek employee's personal development of working towards an environmental management degree and Intertek South Africa's social development policy.

Intertek employees in Stuttgart, Germany took time away from their desks to support their local community by attending the annual summer party of Deacon Stetten, a state-owned organisation for assisted-living and permanent care of mentally and physically disabled people.

Intertek Sweden employees together spent a total of 12 hours on exercise bikes in a relay of spinning classes to raise awareness and money for the Swedish Childhood Cancer Foundation. The event, called Spin of Hope, was run simultaneously at some 30 fitness centres across Sweden.

### APAC

Intertek India organised the inauguration of 'Swachh Bharat Abhiyan Initiative', a hygiene and sanitation improvement project driving the development of the Mohan cooperative Industrial Estate in New Delhi. Only 500 metres from Intertek India headquarters, the initiative will focus on ensuring the cleanliness and upkeep of the area for the local community. The initiative, entirely funded by Intertek India to the amount of 170 Lakhs (around \$250,000) invested over the next few years, will help improve the hygiene and sanitation of the area.



The unveiling of the Swachh Bharat Abhiyan Initiative, New Delhi, India.

Intertek Indonesia has extended its social responsibility programme by participating in the community's health program, 'Posyandu', in Jakarta. The programme aims for a healthier community by promoting healthy and hygienic practices and by providing basic medical and health monitoring services.

In 2015, Intertek China received the 'Responsibility Case' Award with its public welfare programme 'Yangtze River Programme'. This involved enlisting nearly 100 volunteers to carry out water quality testing the river which is 4,000 miles long. Working with media and other organisations the profile of clean rivers was raised reaching many local communities.



Volunteers on the Yangtze River Programme receiving certificates of achievement.

Intertek Bangladesh took the initiative in helping homeless people during this year's cold winter. Our volunteers helped to procure 200 blankets, 70 of which were distributed in Dhaka city areas and the rest sent to various other parts of the country such as North Bengal where the winter was particularly harsh.

### AMERICAS

Intertek volunteers in the US spent a day building roof trusses for a local home, and constructing a playhouse to be raffled off in the community. Together, Intertek and its employees raised around \$1,000 for Habitat for Humanity of Tompkins and Cortland Counties.

In Mexico, Intertek arranges monthly school visits to its sites each year to support students' education in STEM subjects.

The Strategic Report was approved by the Board on 1 March 2016.

By order of the Board

**ANDRE LACROIX**  
Chief Executive Officer

### Sustainability and CSR

This report contains Standard Disclosures from the Global Reporting Initiative (GRI) Sustainability Reporting Guidelines.

A table outlining the GRI standard and specific disclosures is provided at the end of this document on pages 142 and 143.

# Directors' report

## Chairman's introduction

### FOR MORE DETAIL ON CORPORATE GOVERNANCE

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**SIR DAVID REID**  
Chairman



### DEAR SHAREHOLDER

Once again, on behalf of the Board, I am pleased to present the Corporate Governance Report for the year ended 31 December 2015. The Board believes that good governance is key to the long-term success of the Group and we shall continue to pursue the 'comply or explain' approach. Corporate Governance lies at the heart of our Company as compliance and integrity form part of the foundations upon which our values and mission as a Company are based. The Board continues to be committed to improving the governance framework and the need to demonstrate to shareholders that the Company is properly governed in order to support the delivery of our strategic and business goals.

### COMPLIANCE WITH THE UK CORPORATE GOVERNANCE CODE (THE 'CODE')

The Company is subject to the principles and provisions of the Code, which is published and regularly updated by the UK Financial Reporting Council ('FRC'). The latest applicable update was released in September 2014. A copy of the Code is available at [www.frc.org.uk](http://www.frc.org.uk).

I am pleased to report that throughout the year ended 31 December 2015, the Company has complied with the main and supporting principles and provisions of the Code, except for provision B.3.3. for the period 14 January to 15 May 2015. Wolfhart Hauser was given approval to join the Board of Associated British Foods plc as Non-Executive Director, taking the number of his non-executive directorships during this period to two. The Board considered Wolfhart's other significant commitments and the decision was taken, in view of his publicly announced intention to retire, that despite taking on a second non-executive directorship he would continue to allocate sufficient time to the Company to discharge his responsibilities. From 16 May 2015 the Company complied fully with the Code.

Overleaf is an overview of the Company's compliance with the Code, which should be read in conjunction with this Corporate Governance Report. A fuller explanation of our compliance with the Code and the Disclosure Rules and Transparency Rules is set out on our website at [www.intertek.com](http://www.intertek.com).

## SUCCESSION PLANNING

As Chairman, I am focused on ensuring that the Board works effectively and cohesively under my leadership, with the right range and balance of skills, expertise and attributes to ensure the continued growth and success of the Group. In making any board appointments, the Nomination Committee is careful to ensure that it is presented with, and considers, a broad range of candidates. With Wolfhart's retirement in May 2015 one of our key priorities has been to ensure and support a smooth transition in the role of Chief Executive Officer to André Lacroix. Wolfhart remained available to support André as required until the end of December 2015. I would like to thank him on behalf of the Board and our shareholders for his exceptional leadership over the past decade.

With the retirement of Christopher Knight at the 2015 Annual General Meeting ('AGM'), the Nomination Committee focused on evaluating the composition of the Board and its Committees. We welcomed Gill Rider to the Board as Non-Executive Director and Chair of the Remuneration Committee on 1 July 2015. She brings valuable experience to our Board and further strengthens our diversity not just in respect of gender but also experience, skill and personal attributes. With Gill's appointment we have three women on our Board, representing 30%, exceeding the aspirational target of the Lord Davies Report that 25% of the Board positions at FTSE 100 companies should be filled by women.

More information on the role and activity of the Nomination Committee is detailed on pages 83 and 84.

## PERFORMANCE EVALUATION

As announced last year, the evaluation and performance review of the Board and its Committees was undertaken with the assistance of an independent party, Egon Zehnder. I am pleased to report that the evaluation concluded that the Board and its Committees operate effectively, with each Director making significant contributions to debate and discussion. Further details on the outcome of the evaluation and its process can be found on pages 60 and 61.

## SHAREHOLDER ENGAGEMENT

During the year we consulted extensively with our shareholders and we hope to continue this positive trend in 2016.

More information about our engagement with shareholders is outlined in the Corporate Governance Report on page 62 and in the Remuneration report in the letter from the Chairman to the Remuneration Committee on page 63.

I am interested in hearing the views of our shareholders and ensuring that the Board take these into account when considering the strategic direction of the Group.

## BUSINESS FOCUS

A key role for me as Chairman is ensuring that we continually strive to have high standards of corporate governance whilst ensuring that the right controls are in place to provide the Board with the appropriate level of oversight and assurance.

I hope the following report provides you with more information and gives a greater insight into the discussions held at the Board and its Committee meetings during the year.



**SIR DAVID REID**  
Chairman

# Directors' report

## Corporate governance

### COMPLIANCE WITH THE UK CORPORATE GOVERNANCE CODE

For the year ended 31 December 2015, the Company has complied with the main and supporting principles and provisions of the 2014 UK Corporate Governance Code (the 'Code'), except for provision B.3.3. for the period from 14 January to 15 May 2015. Further details can be found on page 52. From 16 May 2015 to the date of this Report the Company fully complied with the Code.

A full version of the Code can be found on the Financial Reporting Council's website at [www.frc.org.uk](http://www.frc.org.uk).

<b>A. LEADERSHIP</b>	<b>A.1 Role of the Board</b>	The Board meets formally on a regular basis in order to formulate Intertek's strategy and commercial objectives and to review the Company's performance and strategy against set objectives, whilst ensuring the necessary finances and human resources are in place. There is a clear schedule of matters reserved for the Board as detailed on our website at <a href="http://www.intertek.com">www.intertek.com</a> .
	<b>A.2 A clear division of responsibilities</b>	The Company has both a Chairman, who is responsible for the leadership and effectiveness of the Board, and a Chief Executive Officer who is responsible for leading the day-to-day management of the Company within the strategy set by the Board.
	<b>A.3 Role of the Chairman</b>	The Chairman sets the agendas for the meetings ensuring adequate discussion time especially on strategy, planning and execution, manages the meeting timetable and facilitates open and constructive dialogue during the meetings.
	<b>A.4 Role of the Non-Executive Directors</b>	The Non-Executive Directors actively engage and monitor performance and help to develop proposals on strategy. They are responsible for determining the remuneration of the Executive Directors and have a prime role in appointing Executive Directors and in succession planning.
<b>B. EFFECTIVENESS</b>	<b>B.1 The Board's composition</b>	The composition of the Board is reviewed regularly by the Nomination Committee to ensure that there is an appropriate mix of skills, experience, independence, knowledge, gender and other qualities.
	<b>B.2 Board appointments</b>	The appointment of new Directors to the Board is led by the Nomination Committee. The appointment process is clear, rigorous and transparent. Further details of the appointments undertaken during the year and succession planning can be found on page 83.
	<b>B.3 Commitment</b>	The time commitments of Non-Executive Directors are defined on appointment and regularly evaluated. In practice, the time commitments go beyond those set out in the Letters of Appointment. The Chairman gives consideration to new directorships that may impact existing time commitments.
	<b>B.4 Training and development</b>	A comprehensive induction programme is in place for all new Directors. The Chairman reviews and discusses training and development requirements with each of the Directors. Directors attend relevant training as necessary to update their knowledge.
	<b>B.5 Information and support</b>	The Chairman, in conjunction with the Group Company Secretary, ensures that all Board members receive timely, accurate and effective information using the latest technology.
	<b>B.6 Board, Director and Committee evaluation</b>	An externally facilitated evaluation was undertaken at the end of 2015 by Egon Zehnder and is described on pages 60 and 61.
	<b>B.7 Re-election of Directors</b>	All Directors were subject to shareholder re-election or election at the 2015 Annual General Meeting ('AGM'), as will be the case at the 2016 AGM, with the exception of Edward Astle, who is retiring. The Directors' biographies are available on pages 56 and 57.



## COMPLIANCE WITH THE UK CORPORATE GOVERNANCE CODE

<b>C. ACCOUNTABILITY</b>	<b>C.1 Financial and business reporting</b>	The Annual Report and Accounts sets out the performance of the Company, the business model, strategy and the risks and uncertainties relating to the Company. The Board have arrangements in place to ensure that the Annual Report and Accounts present a fair, balanced and understandable assessment of the Company's position and prospects.
	<b>C.2 Risk management and internal control</b>	The Board sets the Company's risk appetite to achieve its strategic objectives and annually reviews the effectiveness of the Company's risk management and internal control systems. The activities of the Audit & Risk Committee, which assist the Board with its responsibilities in relation to risk setting and management, are set out on page 78 and 79.  The Company's long-term viability statement is also set out on page 39.
	<b>C.3 Audit Committee and auditing</b>	The Board has delegated a number of responsibilities to the Audit & Risk Committee, which has oversight of the risk management framework on behalf of the Board. The Chairman of the Committee provides regular reports to the Board.
<b>D. REMUNERATION</b>	<b>D.1 The level and components of remuneration</b>	The levels of remuneration of the Executive Directors, and how this promotes the long-term success of the Company, together with an alignment of interests between the Directors and shareholders by linking reward to performance, are explained in the Directors' Remuneration report on pages 63 to 77.
	<b>D.2 Development of remuneration policy and packages</b>	The activities of the Remuneration Committee, and the way in which it sets executive remuneration, are set out in the Directors' Remuneration report on pages 63 to 77. No Director is involved in setting his or her own remuneration.
<b>E. RELATIONS WITH SHAREHOLDERS</b>	<b>E.1 Shareholder engagement and dialogue</b>	The Board seeks to actively engage with both institutional and retail shareholders. Details of the shareholder engagement programme are set out on page 62.
	<b>E.2 Constructive use of the AGM</b>	The Board values the AGM as an important opportunity to engage with shareholders. Attendees at the AGM have the opportunity to put questions to the Board and to speak to individual Directors following the formal business of the meeting.

### Compliance with the Code

A fuller explanation of our compliance with the Code can be found at [www.intertek.com](http://www.intertek.com).

# Directors' report

## Board of Directors

### COMMITTEES:

Nomination

N

Audit & Risk

A

Remuneration

R



**SIR DAVID REID**  
**Chairman**

N

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 Chairman of the charity Whizz-Kidz. In February 2012 he was appointed a member of the Global Senior Advisory Board of Jefferies International Limited, a global securities and investment banking group. He was formerly the Senior Independent Non-Executive Director of Reed Elsevier Group PLC (now RELX Group), Chairman of Kwik-Fit Group Ltd, Non-Executive Director at Greenalls Group Plc (now De Vere Group), Legal & General Group Plc and Westbury plc.



**ANDRE LACROIX**  
**Chief Executive Officer**

Appointed to the Board as Chief Executive Officer in May 2015. André is an experienced Chief Executive with a strong track record of delivering long-term growth strategies and shareholder value with global companies across diverse territories. André was previously Group Chief Executive of Inchcape plc from 2005 to 2015 and prior to this he was Chairman and Chief Executive Officer of Euro Disney S.C.A. From 1996 to 2003 he was the President of Burger King International, previously part of Diageo. André is currently the Senior Independent Director of Reckitt Benckiser Group plc and Chairman of Good Restaurants AG.



**EDWARD LEIGH**  
**Chief Financial Officer**

Appointed to the Board as Chief Financial Officer in October 2014. He joined Intertek in March 2013 as the Group's Financial Controller. Prior to that, Edward spent nine years at Dixons Retail plc, where he held several senior financial management positions, including Divisional & Corporate Development Finance Director, UK & Ireland CFO and Group Financial Controller. From 1995 to 2004 Edward held commercial financial leadership roles at Procter & Gamble Co. covering the UK and international markets.



**EDWARD ASTLE**  
**Non-Executive Director**

N A

Appointed to the Board as a Non-Executive Director in September 2009. Until July 2013, he was Pro Rector (Enterprise) at Imperial College London where he had overseen the university's relationships with industry, and led 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 member of the BT Equality of Access Board, a member of the Governing Board of the University of Manchester and Vice Chair of the Shannon Trust.



**ALAN BROWN** A  
**Non-Executive Director**

Appointed to the Board as a Non-Executive Director in April 2011. He is currently Group Chief Executive Officer of ASCO Global, an international oilfield support services business. Alan was Chief Executive Officer of Rentokil Initial plc for five years until October 2013. He 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.



**DAME LOUISE MAKIN** N R  
**Non-Executive Director**

Appointed to the Board as a Non-Executive Director in July 2012. Dame Louise Makin 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, 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 held a variety of roles at ICI between 1985 and 1998. Louise is a Trustee of The Outward Bound Trust, an Honorary Fellow of St John's College Cambridge, and a Non-Executive Director of Woodford Patient Capital Trust plc. She was previously a Non-Executive Director of Premier Foods plc.



**GILL RIDER CB** R  
**Non-Executive Director**

Appointed to the Board as a Non-Executive Director in July 2015. She currently holds non-executive directorships with Pennon Group Plc, where she chairs the Sustainability Committee and Charles Taylor Plc where she chairs their Remuneration Committee. She is the Senior Independent Director at both. Gill is also the Chair of Council (Board) of the University of Southampton and was the President of the Chartered Institute of Personnel & Development for the last five years. Formerly Gill was head of the Civil Service Capability Group in the Cabinet Office reporting to the Cabinet Secretary and prior to that held a number of senior positions with Accenture culminating in the post of Chief Leadership Officer for the global firm. She was previously a Non-Executive Director of De La Rue plc.



**MICHAEL WAREING CMG** N A  
**Senior Independent Non-Executive Director**

Appointed to the Board as a Non-Executive Director in April 2011. He is currently the Senior Independent Director and Audit Committee Chairman at Cobham plc and was previously a Non-Executive Director and Audit Committee Chairman at Wolseley plc. Michael was appointed as the Economic Development Advisor to the Government of Afghanistan in August 2011. He has major international and board level knowledge gained during an extensive global career up to senior partner level at KPMG, where his last position was as International Chief Executive Officer, which he occupied for four years until 2009. He was previously the Prime Minister's Special Envoy for Reconstruction in Southern Iraq.



**MARK WILLIAMS** N R  
**Non-Executive Director**

Appointed to the Board as a Non-Executive Director in September 2013. Until February 2013, Dr. Mark Williams worked for over 33 years at Royal Dutch Shell Plc ('Shell'), including more than 21 years in Shell's Exploration & Production and midstream businesses in the US, serving most recently as Downstream Director and a member of the Executive Committee of Shell, where he was one of the top three operating executives responsible for all strategic, capital and operational matters. Mark has held Board positions on non-profit and industry Boards and is currently Chairman of Hess Corporation in the US.



**LENA WILSON CBE** A  
**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, a member of Scotland's Financial Services Advisory Board and Chair of Scotland's Energy Jobs Taskforce. 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. Lena was also 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 and the Edinburgh Military Tattoo. She served on the Board of the Prince's Scottish Youth Business Trust for ten years.

# Directors' report

## Corporate governance continued

### Leadership

#### THE ROLE OF THE BOARD

The Board is collectively responsible and accountable to shareholders for providing entrepreneurial leadership of the Company to ensure that the strategic aims and financial performance are delivered within a prudent framework of control systems. It spends time reviewing the following key activities:

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

The Board also reviews and approves the method and approach to risk management and internal control systems and the Group's risk register. The overall powers of Directors are set out in the Company's Articles of Association, which are available on the Company's website and may be amended by special resolution of the shareholders. The Board may exercise all powers conferred on it by the Articles in accordance with the Companies Act 2006 and other applicable legislation.

The Board has the ultimate responsibility to the Company's shareholders for the conduct of our business and also establishes the Company's policies. There is a clear division of responsibility between the running of the Board and the executive responsibility for running the Company's business. The Board Approval Matrix formally outlines the matters specifically requiring the consent of the full Board. The Board also delegates specific responsibilities, subject to certain financial limits, to management and this is governed by the Authorities Cascade which is regularly reviewed and updated to meet business needs. 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.

#### BOARD COMPOSITION AND INDEPENDENCE

As at 31 December 2015, the Board comprised the Chairman, two Executive Directors and seven Non-Executive Directors. Biographical details of individual Directors are set out on pages 56 and 57.

The Nomination Committee is responsible for reviewing the composition of the Board and its Committees and assessing whether the balance of skill, experience, independence and knowledge is appropriate to enable them to operate effectively. Following the retirement of Christopher Knight on 15 May 2015 the Nomination Committee reviewed the composition of the Board and its Committees and recommended the appointment of Gill Rider as a Non-Executive Director on 1 July 2015. More detail on the procedure for appointments can be found in the report of the Nomination Committee on page 83.

The Company's Non-Executive Directors provide a strong, independent and external insight to the Board's proceedings and bring with them a wealth of experience and knowledge from other business sectors and industries. The Board has reviewed the independence of the Non-Executive Directors, other than the Chairman, in accordance with the factors set out for consideration in the Code and determined that each continues to be independent.

#### Experience of the Board



Where a Director is considered to have experience in multiple sectors, they have been recognised in all relevant areas.

The Non-Executive Directors are appointed for specified terms subject to election and re-election by shareholders at the AGM each year, if the Board, on the recommendation of the Nomination Committee deems it appropriate that they remain in office. Any term beyond six years for a Non-Executive Director is subject to a particularly rigorous review to ensure the progressive refreshing of the Board to meet the evolving needs of the Company. The Letters of Appointment of the Non-Executive Directors, as well as the Service Agreements of Executive Directors, are available for inspection at the Company's registered office and at the AGM.

**KEY ROLES AND RESPONSIBILITIES**

In line with the Code there is a clear division of responsibilities between the Chairman and the Chief Executive Officer, and these responsibilities have been formalised in writing. Their key responsibilities are set out below:

Role	Name	Responsibility
<b>Chairman</b>	Sir David Reid	<ul style="list-style-type: none"> <li>• Leadership and governance of the Board to ensure its effectiveness.</li> <li>• Ensure that the Directors receive accurate, timely and clear information.</li> <li>• Ensure that there is effective communication with shareholders.</li> <li>• Facilitate the effective contribution to the Board of the Non-Executive Directors.</li> <li>• Hold meetings with the Non-Executive Directors without the Executives present.</li> </ul>
<b>Chief Executive Officer</b>	Wolfhart Hauser (Retired 15 May 2015)	<ul style="list-style-type: none"> <li>• Run the day-to-day operation of the business in line with the strategy and commercial objectives as agreed by the Board.</li> </ul>
	André Lacroix (Appointed 16 May 2015)	<ul style="list-style-type: none"> <li>• Responsible for promoting and conducting the affairs of the Company with the highest standards of ethics, integrity and corporate governance.</li> <li>• Lead the Executive Management Team.</li> </ul>
<b>Senior Independent Non-Executive Director</b>	Michael Wareing	<ul style="list-style-type: none"> <li>• Provide a sounding board for the Chairman.</li> <li>• Responsible for leading the Directors' review of the Chairman's performance.</li> <li>• Be available to meet with shareholders should they have concerns which have not been resolved through normal channels.</li> </ul>

**GROUP COMPANY SECRETARY**

The Group Company Secretary supports the Chairman in the delivery of our Board and governance procedures, in particular in the planning of agendas for the annual cycle of Board and Committee meetings, and in ensuring that information is made available to the Board members on a timely basis. She also arranges for the Non-Executive Directors to meet with investors to discuss aspects of our corporate governance arrangements on request.

The Group Company Secretary also supports the Board by providing advice and services, including access to independent professional advice, at the Group's expense, and ensures that an accurate record of all the meetings and Committee meetings is taken. If a member of the Board has any concerns about the Company or any of the decisions taken, this would be recorded in the minutes. No such concerns were raised 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.

**DIRECTORS' CONFLICTS OF INTEREST**

Under the Companies Act 2006 all Directors have a duty to avoid conflicts of interest and to disclose any outside appointments. The Board has a formal procedure to identify actual and potential conflicts of Directors' interests. The Directors are advised of the process for dealing with conflicts of interest upon appointment and they are reminded of this obligation at subsequent Board meetings.

Any authorised decisions are reviewed on an annual basis or when a new Director is appointed, or if a new potential conflict arises. The Conflicts of Interest Register is maintained by the Group Company Secretary and is reviewed annually by the Board. Directors abstain from voting when there is a vote to approve their own reported conflicts. In 2015, this process operated effectively.

# Directors' report

## Corporate governance continued

### Effectiveness

#### BOARD ACTIVITY DURING THE YEAR

During 2015, there were six scheduled Board meetings. There was also frequent ad-hoc contact between Directors to discuss the Group's affairs and development of its business. A table of Directors' attendance at Board meetings during the year is set out below. Details of the Directors' Committee attendance are set out in their respective reports.

Regular agenda items included:

- Updates on Group strategy and commercial objectives;
- Chief Executive's Business Performance Reports;
- 2015 annual business budget;
- Approval of full year results, Annual Report and Accounts, half year results, the AGM circular and dividends;
- Reports of the activities of the Audit & Risk, Remuneration and Nomination Committees;
- Reappointment of Directors at the 2015 AGM;
- Conflicts of interest;
- Updates on governance, risk, internal controls and compliance;
- Updates on developments, acquisitions and disposals; and
- Talent mapping and succession planning.

The Non-Executive Directors also 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 receive updates on debt financing and investor relations.

#### BOARD MEETING ATTENDANCE

##### Board Membership and Meeting Attendance

Board Members	Number of scheduled meetings held in 2015	
	Eligible to attend	Attendance
<b>Sir David Reid</b> Chairman	6	6
<b>Wolfhart Hauser</b> Chief Executive Officer (retired 15 May 2015)	3	3
<b>André Lacroix</b> Chief Executive Officer (appointed 16 May 2015)	3	3
<b>Edward Leigh</b> Chief Financial Officer	6	6
<b>Edward Astle</b> Non-Executive Director	6	6
<b>Alan Brown</b> Non-Executive Director	6	6
<b>Christopher Knight</b> Non-Executive Director (retired 15 May 2015)	3	3
<b>Dame Louise Makin</b> Non-Executive Director	6	5 <sup>1</sup>
<b>Gill Rider</b> Non-Executive Director (appointed 1 July 2015)	3	3
<b>Michael Wareing</b> Senior Independent Non-Executive Director	6	6
<b>Mark Williams</b> Non-Executive Director	6	6
<b>Lena Wilson</b> Non-Executive Director	6	6

When required the Board also met at short notice on a quorate basis.

1. Dame Louise Makin was unable to attend one meeting due to an unavoidable commitment.

#### Board visit to Chicago (USA)

In October 2015, the Board visited the Intertek operations in Chicago.

This provided an excellent opportunity for the Board to meet with the US management and to visit sites. The local management team presented on the drivers of the local operations and businesses and opportunities in the region. There was also time for informal interaction between the Board and senior management after the meetings.

#### DIRECTORS' INDUCTION AND DEVELOPMENT

There is a formal induction programme which is tailored to meet the needs of new Directors. This is managed by the Chairman and the Group Company Secretary. During the programme, new Directors receive background information on the Company and details of board procedures, directors' responsibilities and various governance related issues. The induction also includes a series of meetings with other members of the Board, senior members of management and external advisers.

During the year André Lacroix and Gill Rider completed their induction programmes including orientation from the relevant senior executives in relation to each of the business lines and other functions to ensure that they gain a deeper understanding and knowledge of the business. They received information about the business operations, internal audit activities, Group risks and management processes and procedures. Both conducted visits to various sites and laboratories to see the operations.

All Directors are kept up-to-date with information about Intertek's business and there is an ongoing programme of information dissemination. It is important that the Directors have an appreciation of our business both in the UK and overseas and during the year there were presentations from senior management to the Board, and meetings have been held on regional strategy to increase the understanding of operations, opportunities and risks. The Group Company Secretary, in conjunction with the Group's advisers, monitors legal and governance developments and Directors are regularly updated on such matters.

#### PERFORMANCE EVALUATION

The effectiveness of the Board is vital to the success of the Group and the Company undertakes a rigorous evaluation review each year in order to assess how well the Board, the Committees, the Directors and the Chairman are performing.

#### 2015 External Board evaluation

As planned, and recommended by the Code, a formal evaluation process was facilitated by a third party, Egon Zehnder, under the direction of the Chairman at the end of 2015. Egon Zehnder has no other connection to the Company apart from in relation to the 2015 Board evaluation and search consultancy services.

A key context for this year's review was our CEO succession where, after 10 years as CEO, Wolfhart Hauser retired at the AGM in May 2015 and was succeeded by André Lacroix. Accordingly the review focused mainly on the period since May when André assumed the CEO position, while also taking into account the outstanding learnings and opportunities from the previous leadership to ensure continuity.

It was noted that the CEO succession process was well led by the Chairman and the Board had found and appointed a highly capable and proven CEO who could take the Company through the next era of leadership. Further, the feedback on this early period of his leadership was extremely positive; this included a major strategic review and working it through with the executive management and the Board.

There is a real sense of clarity and alignment on the comprehensive strategy review completed over the last seven months to December 2015. The Board is delighted to see André's purposeful, thoughtful and energetic leadership producing an improvement in business performance and constructive board dynamics. There is a clear plan looking forward with timescales and milestones and priorities for implementation and review at the Board.

The Board recognise the scale of the challenges and opportunities in realising the value they can deliver for shareholders and are optimistic that it can be done. This is based on the work done inter alia on the 'differentiated value proposition' and the 'good to great accelerators'.

Alongside the Strategy, André has led a detailed review with his management team of the vision, core purpose, mission and values which is a key element of alignment and ensuring good execution right across the Group.

The Board recognises the importance of People in our business and André has been quick to lead a strong focus on strategic capability in HR, people processes and talent development.

The Board processes were reviewed in terms of the construction, composition, and dynamics of their Committees. The connections between the Board and the Committees are good with its Executives and Non-Executives Directors working well together. Governance overall is seen to be sound. An exception, and a surprise, was the voting down of last year's Remuneration Report. The Board took this very seriously and has carried out a detailed review of the underlying reasons. In particular our new Chair of the Remuneration Committee, Gill Rider, together with our new external remuneration advisers have as required engaged with shareholders on our response to their concerns. The Board believe on the basis of this constructive engagement and changes we have made that our 2015 Remuneration Report will receive a positive vote from our Shareholders at this year's AGM.

Lastly, and importantly, the Board believe the Company is entering a new era of opportunity. We have a good strategy for growth. We have a capable, motivated, and energised team and an excellent CEO to lead them to deliver shareholder value. In conclusion, the review has shown that the Board and its Committees continue to operate in an efficient and effective manner.

**Chairman and Non-Executive Director evaluation**

The Non-Executive Directors, led by the Senior Independent Non-Executive Director, conducted a performance review of the Chairman. They considered his leadership, performance and overall contribution to be of a high standard and he continues to have their full support.

The Chairman met with each Non-Executive Director to discuss individual contributions and performance, together with training and development needs. The Board has confirmed that the contribution of each of the Directors continues to be effective and recommends that shareholders should be supportive of their election or re-election to the Board.

**GOVERNANCE FRAMEWORK AND BOARD COMMITTEES**

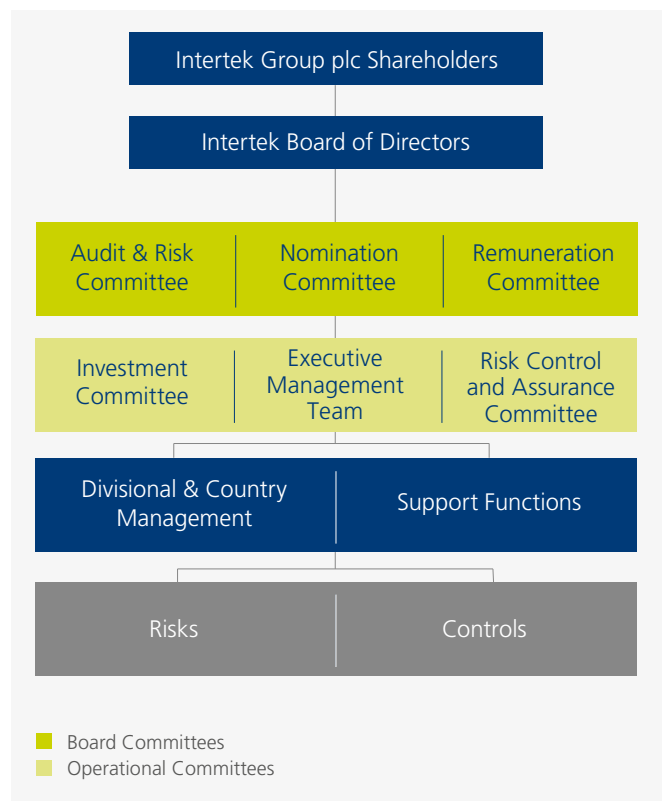
The Group has a clear Governance Framework, as set out in the diagram below, which explains how authority is delegated from the Board.

The principal Board Committees comprise the Audit & Risk Committee, the Nomination Committee and the Remuneration Committee.

Each of the Board's Committees has received delegated authority to carry out the business defined in its respective Terms of Reference. The Board is satisfied that the Terms of Reference for each of these Committees reflect current best practice and satisfy the terms of the Code. The Terms of Reference for these principal Committees are available on our website at [www.intertek.com](http://www.intertek.com).

At each Board Meeting, the Chair of each Committee provides the Board with a brief summary of the work carried out by their Committee, if any, between Board meetings and makes recommendations to the Board for approval. Further information on the responsibilities and activities of each of the Committees can be found on pages 63 to 77 (Remuneration Committee), pages 78 to 82 (Audit & Risk Committee) and on pages 83 and 84 (Nomination Committee).

The Board also delegates certain responsibilities to management and this is governed by the Authorities Cascade which is regularly reviewed and updated to meet business needs.



# Directors' report

## Corporate governance continued

### OPERATIONAL COMMITTEES

#### Executive Management Team

The Executive Management Team, which comprises the Executive Directors, the senior Group and Executive Vice-Presidents and other senior management, meet regularly to discuss and decide business and operational issues. The biographical details of the members of the Committee can be found on pages 22 and 23.

#### Investment Committee

The Investment Committee is responsible for reviewing significant contracts, leases and acquisitions, undertaking post investment appraisal reviews, and overseeing capital expenditure and investments as defined in the Authorities Cascade and forms part of the Intertek Corporate Governance Framework. The membership of the Investment Committee consists of the Chief Executive Officer and the Chief Financial Officer. The Committee is serviced by the Deputy Company Secretary.

#### Risk Control and Assurance Committee ('RCA')

There are two key elements to the work of the RCA:

1. To oversee the development and improvement of the Group's risk management, internal controls and assurance framework and the related procedures and systems; and
2. To oversee the operation and implementation of the procedures and systems identified.

The RCA is comprised of the Chief Financial Officer, Group Company Secretary, Chief Information Officer, Executive Vice-President Human Resources, Group Financial Controller, Group General Counsel and Head of Internal Audit.

More information on the RCA is available in the report of the Audit & Risk Committee on page 81.

### RELATIONSHIP WITH SHAREHOLDERS

#### Shareholder engagement

The views and opinions of our shareholders are important to the Company and we maintain an ongoing engagement programme for major shareholders.

An independent Investor Study for Intertek was undertaken during April and May 2015. This involved a quantitative assessment of the business based on past performance and forecasts of the future, together with a qualitative assessment based on interviews with 19 leading institutional investors in the UK and North America controlling an identified 45% of the issued share capital of the Company between them. The findings of the study were then presented to the Board in July 2015.

The Chairman and the Senior Independent Non-Executive Director are available to meet with shareholders. The other Non-Executive Directors are also available to meet with institutional shareholders to discuss any matters relating to the Company. The Company's website has an investors section which includes a wealth of information that may be of interest to our shareholders and investors.

Our largest shareholders are invited annually to meet with the Chairman to share their views. In 2015 we invited shareholders holding more than 40% of the share register collectively to these meetings. The Company has also consulted extensively with shareholders in relation to remuneration following the 2015 AGM. There was engagement and meetings held between the Chair of the Remuneration Committee and shareholders representing over 50% of the share register.

#### 2015 Investor Relations Calendar

<b>February</b>	Chairman shareholder meetings
<b>March</b>	Annual Results Roadshows
<b>April</b>	Investor site visit Testing, Inspection & Assurance Conference
<b>May</b>	Annual General Meeting AGM Trading Update New CEO introductory shareholder meetings
<b>June</b>	European Business Services Conference Independent shareholder study with UK and US investors
<b>August</b>	Interim Results Roadshows
<b>September</b>	Support & Business Services Conference European Large Cap Conference Private Wealth Management Roadshow Shareholder consultation on remuneration
<b>November</b>	Trading Statement
<b>December</b>	US Business Services Conference

#### Annual General Meeting

This year the AGM will be held on 25 May 2016 at 9.00am in the Park Room at the Westbury Hotel, Conduit Street, London, W1S 2FY. The AGM provides the opportunity for all shareholders to develop their understanding of the Company's strategy and operations, to ask questions of the full Board on the matters put to the meeting, including the Annual Report and Accounts. All Board members attend the AGM and, in particular, the Chairs of the Audit & Risk, Nomination and Remuneration Committees are available to answer questions. The Company proposes a resolution on each separate issue and does not combine resolutions inappropriately. The Notice of the AGM ('Notice') is sent to shareholders by e-communications or by post.

A copy of the Notice is available on the website at [www.intertek.com](http://www.intertek.com).



# Directors' report

## Remuneration report

The elements specifically required to be audited within the shaded sections of pages 70 to 74 have been audited by KPMG Audit Plc in compliance with the requirements of the Regulations.

**Gill Rider** – Chair of the Remuneration Committee



### DEAR SHAREHOLDER

2015 has been a year of change, in which we have experienced the retirement of Wolfhart Hauser after 10 years as CEO and the appointment of André Lacroix as his successor, whilst responding positively to the continued economic challenge in key markets.

This is my first report to you and I want to start by emphasising that the Remuneration Committee (the 'Committee') takes the views of the Group's shareholders very seriously. We are sorry that our Report on Remuneration last year did not receive our shareholders' support. I would like to extend our thanks to all of our shareholders who have taken the time over the recent months to provide us with their views on executive remuneration matters. Taking into account the feedback that we received, the Committee has worked to ensure that the approach to executive remuneration at Intertek is in the best interests of both the Group and its shareholders.

The main concern for many of our shareholders last year was the approach taken to the joining arrangements for the new CEO, André Lacroix, and in particular the guaranteed bonus. Following the feedback and opposition from shareholders to this element of guarantee, and as we communicated at the time of the result of the AGM, the Board, in consultation with André Lacroix, determined that his 2015 Bonus is subject to the usual performance criteria and a compensatory award in this regard will no longer be made. In future, the Committee will ensure that we take into account the views of shareholders when considering and agreeing the remuneration arrangements for new recruits.

Following the AGM, the Committee undertook a 'deep dive' review of all of the components of the remuneration policy to ensure that they continue to support the Group's strategy and the objective of delivering sustainable long-term returns to shareholders.

Overall, the Committee determined that the core remuneration policy, which was approved by shareholders at the 2014 AGM, remained appropriate and this is reflected in the largely unchanged policy presented on the following pages for approval at our 2016 AGM.

The key area that the Committee considered appropriate to change was the approach to the annual incentive. As you will see in this year's Annual Report on Remuneration, we have simplified our measures for 2016 and aligned them more closely to the delivery of the growth strategy of the business and shareholder feedback. In line with the growth strategy of the new CEO, the annual incentive will be based solely on financial performance as follows, with effect from 1 January 2016:

- 80% – a matrix based on revenue growth and operating profit growth; and
- 20% – based on return on invested capital performance.

Bonuses will continue to be subject to a quality of earnings review at the end of the year to ensure that pay-outs are appropriate based on the underlying performance of the Group and to ensure that any awards are commensurate with the Group's culture and values.

The Committee has also updated the policy to reflect the minor changes in benefits included in the terms and conditions of the new CEO following his appointment in 2015. Benefits provided will remain within the maximum opportunity of 12% of base salary.

As outlined in the 2014 Remuneration report, the Committee deferred the setting of performance targets and the award of the 2015 LTIP; the award was made in September 2015, following the appointment of André Lacroix as CEO and consultation with shareholders. Details of the final targets are provided on page 72.

Given the increasing focus from some investors on the time horizons for long-term incentive plans, the Committee had substantial debate on the matter of extending the holding period for our Long Term Incentive Plan beyond the current six month post-vesting. In our view, given the nature of our customer facing business, the new management team now in place, the new business growth strategy and direction and also the recent history of LTIP pay-outs at Intertek – we felt it prudent to keep the holding period as it is for now. The Committee will review this next year and has provided itself with the flexibility within the policy report to increase the time horizons for LTIP awards.

With respect to 2015, the Company delivered solid financial performance, illustrated by 5.9% growth in adjusted operating profit over 2014, 6.5% growth in adjusted diluted EPS and a return on capital employed of 16.9%, with strong cash conversion. In light of the financial performance delivered during the year by the management team, the Committee approved bonus pay-outs relating to financial performance of 95.7% of the maximum. The bonus payments of André Lacroix and Wolfhart Hauser have been pro-rated for time in service.

As the performance targets attached to the 2013 LTIP, which was measured based on EPS and relative TSR performance over the three-year period to 31 December 2015, were not met, this award will lapse in full in 2016.

An additional change being made by the Committee is the introduction of a new all employee share plan to increase alignment to shareholders across the Group. The new plan, the Intertek Group plc Savings Related Share Option Scheme (comprising the UK tax-advantaged scheme and the International Scheme – the 'SRS'), will be operated in all of the jurisdictions within which the Group operates (subject to feasibility and minor changes for tax and legal purposes as required). The SRS will be subject to shareholder approval at the forthcoming AGM.

I hope you will find that you are able to support the level of remuneration we have determined for 2015 and our remuneration policy as submitted for your approval at this year's AGM. Once again I would like to thank you for your engagement and guidance during our consultation rounds this year.

Yours sincerely,



**GILL RIDER**  
Chair of the Remuneration Committee

# Directors' report

## Remuneration report continued

### Directors' Remuneration Policy Report

The section below sets out the Remuneration policy for executive and non-executive Directors, which is subject to a binding vote of shareholders and will, if applied, be effective from the date of the 2016 AGM.

#### POLICY OVERVIEW

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 continued profitable growth.

Our remuneration strategy is to:

- align and recognise the individual's contribution to help us succeed in achieving our growth 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
- motivate high performers to increase shareholder value and share in the Group's success.

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.

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, our 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 and we operate a global remuneration policy framework to achieve our reward strategy.

Our peer groups for the majority of our employees consist of international industrial or business service organisations and similar-sized businesses. For 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 that there is a strong link to the sustained future success of the Group.

#### REMUNERATION POLICY FOR DIRECTORS

The following table sets out the key aspects of the remuneration policy for Directors:

ELEMENT OF PAY	PURPOSE AND LINK TO STRATEGY	OPERATION	MAXIMUM OPPORTUNITY	PERFORMANCE MEASURES
<b>BASE SALARY</b>	To attract and retain high performing Executive Directors to lead the Group.	The Committee reviews salaries annually, taking account of the scale of responsibilities, the individual's experience and performance.  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 unjustified upward ratchet in base salary.	There is no prescribed maximum annual increase.  The Committee is guided by the general increase for the employee population but on occasions may need to recognise other factors including, but are not limited to, development in role, change in responsibility and/or variance to market levels of remuneration.	Individual performance is taken into account when salary levels are reviewed.
<b>BENEFITS</b>	To provide competitive benefits to ensure the well-being of employees.	Benefits include, but are not limited to, annual medicals, life assurance cover of up to six times base salary, allowances in lieu of a company car or other benefits, private medical insurance (for the individual and his dependants) and other benefits typically provided to senior executives.  Executive Directors can participate in the all-employee share plans operated by the Company on the same basis as all other employees.	The total value of these benefits (excluding the all-employee plans) will not exceed 12% of salary.  The maximum opportunity under any all-employee share plan is in line with all other employees and is as determined by the prevailing HMRC rules.	n/a
<b>PENSION</b>	To provide competitive retirement benefits.	Executive Directors can elect to join the Company's defined contribution pension scheme, receive pension contributions into their personal pension plan or receive a cash sum in lieu of pension contributions.	Up to 30% of salary.	n/a

ELEMENT OF PAY	PURPOSE AND LINK TO STRATEGY	OPERATION	MAXIMUM OPPORTUNITY	PERFORMANCE MEASURES
<b>ANNUAL INCENTIVE PLAN ('AIP')</b>	To drive the short-term strategy and recognise annual performance against targets which are based on business objectives.	<p>Awards are based on Group annual financial performance targets, with performance targets set annually by the Committee.</p> <p>Normally, 50% of any bonus is paid in cash and 50% deferred into shares which will vest after a period of three years subject to continued employment.</p> <p>Accrued dividends on deferred shares during the deferral period are paid in in cash or shares at the end of the deferral period.</p> <p>Not pensionable.</p> <p>Malus and clawback provisions apply.</p>	<p>The maximum opportunity is 200% of salary for all Executive Directors.</p> <p>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.</p> <p>The Committee can adjust upwards the bonus outturn (up to the maximum set out above) to recognise very exceptional circumstances 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.</p>	<p>The annual bonus will be measured against a range of key Group financial measures.</p> <p>The current intention is that none of the bonus will be subject to non-financial measures or personal performance measures. The Committee however retains the discretion to introduce such measures in the future, up to a maximum of 20% of the bonus. Where the Committee were to introduce such measures, it would normally consult with the Company's largest institutional shareholders.</p> <p>The stretch targets, when met, reward exceptional achievement and contribution. There is no bonus pay-out if threshold targets are not met.</p>
<b>LONG-TERM INCENTIVE PLAN ('LTIP')</b>	<p>To retain and reward Executive Directors for the delivery of long-term performance.</p> <p>To support the continuity of the leadership of the business.</p> <p>To provide long-term alignment of Executives' interests with shareholders by linking rewards to Intertek's performance.</p>	<p>Annual grant of conditional shares which vest after three years, subject to Company performance and continued employment.</p> <p>Awards may be made in other forms (e.g. nil-cost options) if considered appropriate.</p> <p>The shares will also be subject to a six-month holding period after vesting. The Committee has the discretion to increase the length of the holding period in future years.</p> <p>Performance targets are set annually for each three-year performance cycle by the Committee.</p> <p>Accrued dividends during the vesting period to be paid in cash or shares at vesting, to the extent that shares vest.</p> <p>The Committee may adjust and amend awards in accordance with the LTIP rules.</p>	Up to 250% of salary in respect of any financial year.	<p>LTIP awards are subject to performance conditions based on Earning Per Share ('EPS') growth and relative Total Shareholder Return ('TSR').</p> <p>At least a quarter of each award will be based on each of these measures, with the split determined each year by the Committee.</p> <p>25% of an award will vest for achieving threshold performance, increasing pro-rata to full vesting for the achievement of stretch performance targets.</p> <p>Awards under the TSR element of the LTIP are also subject to the satisfaction of a financial underpin.</p>
<b>SHARE OWNERSHIP GUIDELINES</b>	To increase alignment between executives and shareholders.	<p>Executive Directors are required to retain any vested shares (net of tax) under the Group's share plans until the guideline is met.</p> <p>The guideline should be met within five years of the guideline being set.</p>	<p>CEO: 200% of salary.</p> <p>CFO: 200% of salary.</p>	n/a
<b>NON-EXECUTIVE DIRECTORS' FEES</b>	To attract and retain high calibre Non-Executive Directors through the provision of market competitive fees.	<p>A proportion of the fees (at least 50%) are paid in cash, with the remainder used to purchase shares.</p> <p>Fees are determined based on the responsibility and time committed to the Group's affairs and appropriate market comparisons.</p> <p>With the exception of benefits-in-kind arising from the performance of duties, no other benefits are provided, other than to the Chairman, who receives a car allowance of £25,000 per annum.</p>	As for the Executive Directors, there is no prescribed maximum annual increase. The Committee is guided by the general increase for the employee population but on occasions may need to recognise other factors including, but not limited to, change in responsibility and/or variance to market levels of remuneration.	n/a

### CHANGES TO THE POLICY TABLE

All changes made to our policy are detailed in the Chair's statement. Minor wording changes have also been made to ensure that the policy can be implemented as intended by the Remuneration Committee.

### SELECTION OF PERFORMANCE METRICS

The annual bonus is based on performance against a mix of financial measures. The mix of financial measures is aligned to the Group's Key Performance Indicators (KPIs) and is reviewed each year by the Remuneration Committee to ensure that they remain appropriate to reflect the priorities for the business in the year ahead. The targets are set for each KPI to encourage continuous improvement and challenge the delivery of stretch performance.

# Directors' report

## Remuneration report continued

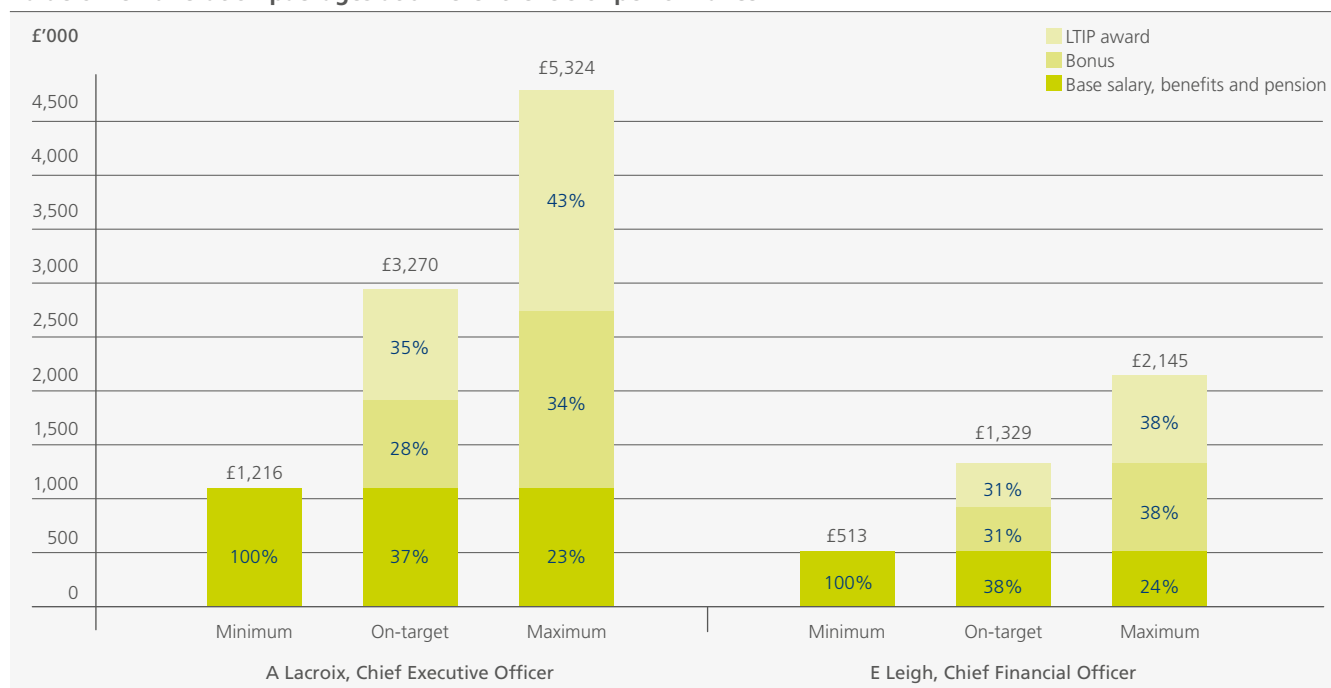
The LTIP is based on EPS growth and TSR performance. EPS is a measure of the Group's overall financial success and TSR provides an external assessment of the Company's performance against the market. It also aligns the rewards received by executives with the returns received by shareholders. A sliding scale of challenging performance targets is set for each measure. The Committee reviews the choice of performance measures and the appropriateness of the performance targets prior to each LTIP grant. The Committee reserves the discretion to set different targets for future awards, without consulting with shareholders. The targets for awards granted under this remuneration policy are set out in the Annual Report on Remuneration.

When setting the targets for the annual bonus and the LTIP, the Remuneration Committee takes into account a range of factors, including the business plan, prior year performance, market conditions and consensus forecasts.

### REMUNERATION SCENARIOS FOR EXECUTIVE DIRECTORS

The charts below illustrate how the Executive Directors' remuneration packages vary at different levels of performance under the ongoing policy, which will apply in 2016 for both the Chief Executive Officer ('CEO') and Chief Financial Officer ('CFO'):

#### Value of remuneration packages at different levels of performance



Points relating to the above table:

1. Salary levels are based on those applying on 1 April 2016.
2. The value of taxable benefits is based on the cost of supplying those benefits (as disclosed) for the year ended 31 December 2015.
3. The value of pension receivable by the CEO and CFO in 2016 is taken to be 30% of salary and 20% of salary respectively.
4. The on-target level of bonus is taken to be 50% of the maximum bonus opportunity.
5. The on-target level of the LTIP is taken to be 50% of the face value of the award at grant.
6. Share price movement and dividend accrual have not been incorporated into the values shown above.

### APPROACH TO RECRUITMENT AND PROMOTIONS

The remuneration package for a new Executive Director – base salary, benefits, pension, annual bonus and long-term incentive awards – would be set in accordance with the terms of the Company's prevailing approved remuneration policy at the time of appointment. The Committee may set the base salary at a value to reflect the calibre, experience and earnings potential of a candidate, subject to the Committee's judgement that the level of remuneration is in the Company's best interest. The maximum level of variable pay (annual bonus and long-term incentive awards) which may be awarded to a new executive director at or shortly following recruitment shall be limited to 450% of salary. These limits exclude buy-out awards and are in line with the 'Remuneration Policy for Directors' set out previously.

The Committee may offer additional cash and/or share-based elements to take account of remuneration relinquished when leaving the former employer when it considers these to be in the best interests of the Company (and therefore shareholders) ('buy-outs'). Any such awards would reflect the nature, time horizons and performance requirements attaching to the remuneration it is intended to replace. Where appropriate the Committee retains the flexibility to utilise Listing Rule 9.4.2 for the purpose of making an award to 'buy out' remuneration relinquished when leaving the former employer.

For external and internal appointments, the Committee may agree that the Company will meet certain relocation expenses and continuing allowances as appropriate. Additionally, in the case of any Executive Director being recruited from overseas, or being recruited by the Company to relocate overseas to perform their duties, the Committee may offer expatriate benefits on an ongoing basis subject to their aggregate value to the individual not exceeding 50% of salary per annum.

For an internal Executive Director appointment, any variable pay element awarded in respect of the prior role may be allowed to pay out according to its terms, adjusted as relevant to take into account the appointment. In addition, any other ongoing remuneration obligations existing prior to appointment may continue.

If a new Chairman or non-executive Director is appointed, remuneration arrangements will be in line with those detailed in the remuneration policy for non-executive directors set out in the Remuneration Policy for Directors above.

### SERVICE CONTRACTS FOR EXECUTIVE DIRECTORS

The service agreements of the Executive Directors are not fixed-term and are terminable by either the Company or the Director on 12 months' notice and make provision, at the Board's discretion, for early termination by way of payment of salary and pension contributions in lieu of 12 months' notice. In calculating the amount payable to a Director on termination of employment, the Board would take into account the commercial interests of the Company and apply usual common law and contractual principles. Any payments in lieu of notice may be paid in a lump sum or may be paid in instalments and reduce if the director finds alternative employment. The service contracts are available for inspection at the Company's registered office. The Committee reviews the contractual terms for new Executive Directors to ensure these reflect best practice. In summary, the contractual provisions are:

Provision	Detailed Terms
Notice period	12 months
Common law and contractual principles	Common law and contractual principles apply
Remuneration entitlements	A bonus may be payable (pro-rata where relevant) and outstanding share awards may vest (see below)
Change of control	No Executive Director's contract contains provisions or additional payments in respect of change of control. The treatment of bonus awards and outstanding share awards will be treated in line with the relevant plan rules.

The annual bonus may be payable with respect to the period of the financial year served. Any share-based entitlements granted to an Executive Director under the Company's share plans will be determined based on the relevant plan rules.

The default treatment under the 2011 LTIP is that any outstanding awards lapse on cessation of employment. However, in certain prescribed circumstances, such as death, ill-health, disability, retirement or other circumstances at the discretion of the Committee, 'good leaver' status may be applied. For good leavers, awards will normally vest on the original vesting date, subject to the satisfaction of the relevant performance conditions at that time and reduced pro-rata to reflect the proportion of the performance period actually served. However, the Committee has discretion to determine that awards vest at an earlier date and/or to disapply time pro-rating, although it is envisaged that this would only be applied in exceptional circumstances. Any such incidents, where

discretion is applied by the Committee in relation to executive Directors, will be disclosed in the following Annual Report on Remuneration.

The default treatment for deferred bonus awards is that any outstanding awards lapse on cessation of employment. However in certain 'good leaver' circumstances (as described under the 2011 LTIP above), awards will vest in full on the original vesting date, unless (as permitted under the plan rules) the Committee determines that awards should vest at an earlier date.

In determining whether an executive should be treated as a good leaver or not, the Committee will take into account the reasons for their departure.

### LETTERS OF APPOINTMENT FOR NON-EXECUTIVE DIRECTORS

The Letter of Appointment 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 and after rigorous review the appointment may be renewed for a further period, usually three years, if the Company and the Director agree and subject to annual re-election at the AGM. Each letter of appointment states that if the Company were to terminate the appointment, the Director would not be entitled to any compensation for loss of office.

The table below sets out the terms for all current members of the Board.

	Date of Appointment	Notice Period/ unexpired term as at 31 December 2015
<b>Sir David Reid</b>	1 December 2011 Reappointed: 1 December 2014	One month/ 23 months
<b>Edward Astle*</b>	1 September 2009 Reappointed: 1 September 2012 Reappointed: 1 September 2015	One month/ 32 months
<b>Alan Brown</b>	15 April 2011 Reappointed: 15 April 2014	One month/ 15 months
<b>Dame Louise Makin</b>	1 July 2012 Reappointed: 1 July 2015	One month/ 30 months
<b>Gill Rider</b>	1 July 2015	One month/ 30 months
<b>Michael Wareing</b>	15 April 2011 Reappointed: 15 April 2014	One month/ 15 months
<b>Mark Williams</b>	1 September 2013	One month/ 8 months
<b>Lena Wilson</b>	1 July 2012 Reappointed: 1 July 2015	One month/ 30 months

\* Edward Astle will be stepping down from the Board at the AGM on 25 May 2016.

# Directors' report

## Remuneration report continued

### CONSIDERATION OF EMPLOYMENT CONDITIONS ELSEWHERE IN THE COMPANY

When setting the remuneration policy for executive directors, the Remuneration Committee takes into account the pay and employment conditions elsewhere within the Group. When considering the remuneration arrangements for the executive directors for the year ahead, the Committee is informed of salary increases across the wider group. The Committee also approves the overall reward strategy in operation across the Group.

The remuneration strategy set out at the beginning of the Directors' Remuneration Policy Report reflects the strategy in place across all employees across the Group. Although this remuneration strategy applies across the Group, given the size of the group and the geographical spread of its operations, the way in which the remuneration policy is implemented varies across the Group. For example bonus deferral applies at the more senior levels within the Group and participation in the LTIP is at the Remuneration Committee's discretion and is typically limited to senior executives employed within the Group.

Given the geographical spread of the Group's operations, the Remuneration Committee does not consider it appropriate to consult employees on the remuneration policy in operation for Executive Directors.

### CONSIDERATION OF SHAREHOLDER VIEWS

The Remuneration Committee takes the views of the Group's shareholders very seriously, and as highlighted in both the Remuneration Committee Chair's statement and the Chairman's statement, following the vote on the Annual Remuneration Report at the 2015 AGM, has taken considerable time to engage with and listen to shareholders over the course of 2015 and early 2016 on their views and the remuneration policy going forward. The policy that is being put to shareholders for approval at the 2016 AGM reflects the policy discussed with shareholders during the consultation process.

### LEGACY ARRANGEMENTS

For avoidance of doubt, through this approved Directors' Remuneration Policy Report, authority is given to the Company to honour any commitments entered into with current or former Directors (such as the vesting of past share awards) that were agreed:

- (i) before the policy set out above, or any previous policy, came into effect;
- (ii) at a time when a previous policy approved by shareholders was in place provided that the payment is in line with the terms of that policy; and
- (iii) at a time when the relevant individual was not a Director of the Company and the payment was not in consideration for the individual becoming a director of the Company.

## Annual Report on Remuneration

### COMMITTEE MEMBERSHIP AND MEETING ATTENDANCE

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

Committee Members	Number of meetings held in 2015	
	Eligible to attend	Attendance
<b>Christopher Knight<sup>1</sup></b> (Committee Chair)	4	4
<b>Gill Rider<sup>2</sup></b> (Committee Chair)	3	3
<b>Alan Brown<sup>3</sup></b>	5	4
<b>Dame Louise Makin</b>	8	8
<b>Mark Williams<sup>4</sup></b>	4	4

1. Christopher Knight retired from the Committee on 15 May 2015.
2. Gill Rider was appointed to the Committee as Chair on 1 July 2015.
3. Alan Brown stepped down from the Committee on 1 July 2015, having missed one meeting called at very short notice due to outside commitments.
4. Mark Williams was appointed to the Committee on 15 May 2015 and acted as Chair for the period 15 May to 30 June 2015.

The Chairman, CEO, and the Executive 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 has had any personal financial interest, except as shareholders, in the matters decided. The Group Company Secretary acts as Secretary to the Committee.

### THE ROLE OF THE COMMITTEE

On behalf of the Board, the Committee:

- determines the Company's policy on the remuneration of the Chairman, the CEO, the Executive Directors and senior executives;
- 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 CEO 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](http://www.intertek.com).

### THE ACTIVITY OF THE COMMITTEE

The Committee met eight times and considered:

- the 2015 Reward Strategy;
- the salary for senior management and the determination of the bonus payments for 2015;
- the TSR and EPS performance results for the 2012 – 2015 share plan award cycles;
- the 2015 bonus targets and performance measures;
- share plan awards for 2015 – 2018 and TSR and EPS performance criteria;
- feedback from shareholders and corporate governance organisations in respect of the vote on the Remuneration report at the 2015 AGM, the Remuneration Policy and the

amendment of the LTIP performance conditions for the 2015 share award to ensure that the targets remain realistic and incentivising;

- the remuneration proposals for the new CEO, CFO and other new senior employees;
- the departure terms for senior executives;
- the remuneration advisers;
- motivation & retention;
- the review of the Directors' Remuneration report to ensure compliance with Remuneration Reporting Regulations; and
- the Remuneration Policy for Directors.

### ADVISERS

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 2015, the Committee received advice on remuneration matters from New Bridge Street ('NBS'), a trading name of Aon plc, which provided no other services to the Committee during the year under review.

Following the AGM, the Committee also received advice from Deloitte LLP. Deloitte provided no other services to the Committee during the year under review.

NBS and Deloitte are members of the Remuneration Consultants Group and adhere to the Voluntary Code of Conduct in relation to executive remuneration consulting in the UK.

NBS and Deloitte were both selected for their particular expertise both at a local and global level due to the worldwide operations of the Group.

The fees paid to NBS for providing advice in relation to executive remuneration over the financial year under review were £57,280. The fees paid to Deloitte in the year were £26,700.

### 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.

#### André Lacroix

André is the Senior Independent Non-Executive Director at Reckitt Benckiser Group plc for which his earnings from 16 May 2015 to 31 December 2015 were £76,118 which he retained. He is also Chairman of Good Restaurants AG for which he received no earnings for the period 16 May 2015 to 31 December 2015.

#### Wolfhart Hauser

Wolfhart Hauser is a Non-Executive Director of RELX Group (previously Reed Elsevier PLC and Reed Elsevier NV), and his earnings for this appointment from 1 January to 15 May 2015, which he retained, were £33,750 with taxable benefits of £780. He was appointed a Non-Executive Director of Associated British Foods plc with effect from 14 January 2015 and his earnings for the period from appointment to the 15 May 2015 were £24,556 which he retained.

### STATEMENT OF SHAREHOLDER VOTING

At the 2015 AGM, a resolution was proposed to shareholders to approve the Remuneration report for the year ended 31 December 2014. This resolution received the following votes from shareholders:

Remuneration report		
In favour	57,723,515	48.32%
Against	61,739,614	51.68%
Total	119,463,129	74.03%
Withheld	1,092,723	

On 15 May 2015 we announced the AGM voting figures and advised that, noting the outcome of the vote on the Remuneration report, the Committee had engaged with major shareholders and had taken into account their feedback. As a result, the Board, in consultation with André Lacroix, determined that his 2015 Bonus would be subject to the usual performance criteria. Further details on actions taken by the Committee are provided in the Remuneration Committee Chair's statement.

### RETIREMENT AND APPOINTMENT OF CEO

**Retirement of CEO:** Wolfhart Hauser retired from the position of CEO on 15 May 2015; he continued as an employee until 31 December 2015, with no change to his terms and conditions.

**Appointment of new CEO:** André Lacroix joined the Company as CEO on 16 May 2015. His remuneration arrangements on appointment were within the defined structure and limits of the Directors' Remuneration Policy approved by shareholders at the 2014 AGM. He received an annual salary of £895,000, a pension allowance of 30% of salary, and standard benefits commensurate with his position. He is eligible to be considered for a discretionary bonus of up to 200% of salary with half of any bonus paid being deferred into shares which will vest three years later. Following engagement with shareholders, it was agreed his bonus in 2015 was subject to the normal structure and limits, with the payment adjusted pro-rata for the proportion of the year from his date of appointment. He was also eligible to participate in the Intertek LTIP and an award in shares equal to 250% of his salary was made in September 2015.

To compensate André Lacroix for the loss of payments that would have been made to him by Inchcape plc under its annual and long-term incentive plans if he had not resigned, share awards have been made to him of 91,575 shares to vest in May 2016 and 91,574 shares to vest in May 2017 both with no performance conditions other than continued service. In determining the level of compensatory awards, the Company has taken account of the value of the awards forfeited as well as the performance hurdles attached to them.

# Directors' report

## Remuneration report continued

### DIRECTORS' REMUNERATION EARNED IN 2015

The table below summarises Directors' remuneration received in 2015 and the prior year for comparison.

		Base salary or fees £'000	Benefits <sup>1</sup> £'000	BIK arising from performance of duties <sup>8</sup> £'000	Pension £'000	Annual bonus <sup>4</sup> £'000	Long-term incentives £'000	Other £'000	Total £'000
<b>Executive Directors</b>									
André Lacroix <sup>9</sup>	2015	557	20	–	167	1,080	–	–	1,824
Wolfhart Hauser	2015	274	23	–	84 <sup>2</sup>	495	–	–	876
	2014	725	72	–	181 <sup>2</sup>	644	389 <sup>6</sup>	–	2,011
Edward Leigh <sup>3</sup>	2015	390	24	–	78 <sup>7</sup>	772	– <sup>5</sup>	–	1,264
	2014	90	5	–	18 <sup>7</sup>	69	– <sup>6</sup>	–	182
<b>Non-Executive Directors</b>									
Edward Astle	2015	71	–	1	–	–	–	–	72
	2014	71	–	1	–	–	–	–	72
Alan Brown	2015	67	–	–	–	–	–	–	67
	2014	66	–	–	–	–	–	–	66
Christopher Knight	2015	38	–	–	–	–	–	–	38
	2014	86	–	–	–	–	–	–	86
Dame Louise Makin	2015	66	–	1	–	–	–	–	67
	2014	66	–	–	–	–	–	–	66
Gill Rider	2015	32	–	–	–	–	–	–	32
Sir David Reid	2015	320	25	3	–	–	–	–	348
	2014	320	25	6	–	–	–	–	351
Michael Wareing	2015	93	–	7	–	–	–	–	100
	2014	93	–	7	–	–	–	–	100
Mark Williams	2015	65	–	4	–	–	–	–	69
	2014	58	–	8	–	–	–	–	66
Lena Wilson	2015	68	–	6	–	–	–	–	74
	2014	68	–	6	–	–	–	–	74

1. Benefits include allowances in lieu of company car, annual medicals, life assurance and private medical insurance, and the use of a car and driver for the CEO. With respect to the Non-Executive Directors, other than Sir David Reid, who receives a car allowance of £25,000 per annum, no other benefits are provided.

2. Pension contributions for Wolfhart Hauser were made into his personal scheme.

3. Information for Edward Leigh for 2014 is for remuneration from 1 October 2014 on his appointment as CFO.

4. This relates to the payment of the annual bonus and Deferred Bonus Share Award for the financial year end. Further details of this payment are set out on the following pages.

5. This relates to the vesting of the 2013 LTIP award. The performance period for this award ended on 31 December 2015.

6. This figure has been updated to show the actual value of the vested 2012 LTIP award based on the share price of £25.7967 as the 2014 Report included figures based on £24.75.

7. The pension contributions for Edward Leigh include the sum of £39,600 (2014: £9,900) which was paid into the Intertek Group Personal Pension Plan, which is a defined contribution scheme.

8. Following a review by HMRC, certain expenses relating to the performance of a director's duties (not included in the Benefits in Kind column above) in carrying out the activities such as travel to and from Company meetings and related accommodation have now been classified as taxable. In such cases, the Company will ensure that the director is not out of pocket by settling the related tax via the PSA. In line with current regulations, these taxable benefits have been disclosed and are shown in the benefits arising from performance of duties column. The figures shown are the cost of the taxable benefit.

9. Information for André Lacroix for 2015 is for remuneration from 16 May 2015, on his appointment as CEO.

### ANNUAL BONUS

The annual bonus for the 2015 financial year was based on performance against adjusted diluted EPS growth, adjusted operating profit growth, cash conversion, return on invested capital and general contribution. Performance against the financial targets is set out below:

Financial measures	% Weighting	2013 Actual	2014 Actual	2015 Target <sup>2</sup>	2015 Actual	% Achieved <sup>3</sup>	% Weighted achievement
Adjusted diluted EPS growth <sup>1</sup>	50%	128.8p	132.1p	134.8p	139.2p	100%	50%
Adjusted operating profit growth <sup>1</sup>	25%	£320.6m	£324.4m	£333.6m	£340.1m	82.9%	20.7%
Operating cash flow % of adjusted operating profit	15%	72.8%	91.0%	93.0%	103.7%	100%	15%
Return on invested capital	10%	18.4%	16.3%	16.0%	16.9%	100%	10%
<b>Total</b>	<b>100%</b>						<b>95.7%</b>

1. Calculated using constant 2014 exchange rates. Adjusted results exclude the impact of Separately Disclosed Items, which includes the impairment of Industry Services (see note 3 to the financial statements).

2. Target is equivalent to 50% pay-out.

3. Percentage achieved against stretch target.



General Contribution is a qualitative award taking into account the overall personal contribution of the Executive Director to developing the strategy for the Group, ensuring sustainability, team building and leadership.

The Remuneration Committee discussed and assessed the general contribution of André Lacroix and Edward Leigh to be 100% for the year, and 70% for Wolfhart Hauser.

The combined bonus outturn for both the financial and General Contribution elements is as follows:

	Financial targets		General contribution		Total	
	Maximum % of salary	Actual % of salary	Maximum % of salary	Actual % of salary	Maximum % of salary	Actual % of salary
André Lacroix	160.0%	153.2%	40.0%	40.0%	200.0%	193.2%
Wolfhart Hauser	160.0%	153.2%	40.0%	28.0%	200.0%	181.2%
Edward Leigh	160.0%	153.2%	40.0%	40.0%	200.0%	193.2%

The annual bonus outturn in cash and shares is as follows:

	Payable in cash £'000	Deferred Share Award £'000	LTIP Share Award £'000
André Lacroix	540.1	540.1	2,237.5 <sup>2</sup>
Wolfhart Hauser <sup>1</sup>	247.5	247.5	–
Edward Leigh	386.2	386.2	800 <sup>2</sup>

1. As a result of his retirement as a Director on 16 May 2015 and ceasing employment with Intertek on 31 December 2015, it was determined that no LTIP would be awarded for 2015.
2. See page 76: LTIP awards to be granted later in 2016.

The Committee has the discretion to adjust the final bonus outcome downwards if it considers short-term performance has been achieved at the expense of long-term future success. The Committee may also adjust the final bonus outcome upwards to recognise exceptional circumstances that were beyond the direct responsibility of the Executive Director and the Executive has managed and mitigated the impact of any loss. The Committee did not exercise any discretion in respect of the above bonus outturn.

Both the cash and share elements of the bonus are subject to malus and clawback. Overpayments may be reclaimed in the event of performance achievements being found to be significantly misstated.

### VESTING OF LTIP SHARE AWARDS

The LTIP Share awards granted in 2013 are based on performance for the three-year period ended 31 December 2015. The performance conditions attached to this award and actual performance against these conditions is as follows:

Metric	Performance condition	Threshold target	Stretch target	Actual performance	Vesting level
Earnings Per Share	Annualised fully diluted, adjusted EPS growth, calculated on the basis of foreign exchange rates adopted at the start of the performance cycle	6%	16%	4.1%	0%
Total Shareholder Return	Relative TSR performance against the FTSE 31 to 130 (excluding banks and investment trusts)	Median	Upper quartile	Below median <sup>1</sup>	0%
<b>Total vesting</b>					<b>0%</b>

1. TSR performance calculation was calculated by Deloitte; Intertek was ranked 68th of the 92 members of the comparator group of companies.

The LTIP Share awards granted in 2013 to the Executive Directors were as follows:

Executive Director	Number of shares at grant	Number of shares based on accrued dividends	Total number of shares	Number of shares to lapse	Number of shares to vest <sup>1</sup>	Value £
Wolfhart Hauser <sup>2</sup>	41,378	2,079	43,457	(43,457)	–	–
Edward Leigh <sup>3</sup>	1,755	88	1,843	(1,843)	–	–
<b>Total vesting</b>						

1. The 2013 award includes accrual of dividends paid and payable during the vesting period.
2. Awards granted on 5 March 2013 to be pro-rated to reflect 33 months employment out of 36 month term.
3. Awards granted on 20 May 2013 which reflect awards made prior to Edward Leigh's appointment as CFO on 1 October 2014.

# Directors' report

## Remuneration report continued

### LTIP SHARE AWARDS GRANTED DURING THE YEAR

The following LTIP Share awards were granted to the Executive Directors on 22 September 2015:

	Type of award	Basis of award granted	Share price at date of grant £	Number of shares over which award was granted	Face value of award £'000	% of face value that would vest at threshold performance	Vesting determined by performance over
André Lacroix	LTIP Share Award	250% of salary	24.74	90,440	2,237	25%	Three years to 31 December 2017
Edward Leigh	LTIP Share Award	200% of salary	24.74	32,336	800	25%	

The LTIP Share awards granted in 2015 are based on performance for the three-year period ended 31 December 2017. During 2015, the Remuneration Committee consulted with the Group's largest shareholders on the EPS performance targets for the 2015 LTIP awards.

Following a review of the challenging trading environment within which the Company is operating in, particularly within the oil and gas capex and minerals business, and having reviewed external expectations over the performance period, the Remuneration Committee considered it appropriate to re-position the EPS targets that apply for the 2015 awards (which will apply to 50% of the award). In line with this consultation, the performance conditions attached to this award and actual performance against these conditions is as follows:

Metric	Performance condition	Threshold target	Stretch target
Earnings Per Share	Annualised fully diluted, adjusted EPS growth, calculated on the basis of foreign exchange rates adopted at the start of the performance cycle	4%	10%
Total Shareholder Return	Relative TSR performance against the FTSE 31 to 130 (excluding banks and investment trusts)	Median	Upper quartile

### MIRROR SHARE AWARDS

On 20 May 2015 André Lacroix was granted conditional rights to acquire 183,149 shares under a one-off arrangement as a condition of his recruitment as CEO of the Company. The principal terms of the award are summarised below. The award comprised two parts, tranche A and B, with tranche A vesting on 20 May 2016 and tranche B vesting on 20 May 2017.

Type of award	Granted in 2015 Number of shares	Award price £	Dividend accrued in 2015	Vested in 2015 Number of shares	Lapsed in 2015 Number of shares	31 December 2015 Number of shares	Date of vesting
Mirror Award Tranche A	91,575	28.006	1,810	–	–	93,385	May 2016
Mirror Award Tranche B	91,574	28.006	1,810	–	–	93,384	May 2017
<b>Total</b>	<b>183,149</b>	<b>–</b>	<b>3,620</b>	<b>–</b>	<b>–</b>	<b>186,769</b>	

Shares were awarded at a share price of £28.006, being the average closing mid-market price of an ordinary share of 1p on the trading days during the first 10 calendar days of September 2014 (being the date used for the calculation of the mirror awards in the negotiations with the Director). Each tranche will ordinarily vest on its normal vesting date subject to André Lacroix's continued employment with Intertek. The awards may only be satisfied with market purchased shares or cash. No newly issued shares or treasury shares will be used in connection with the awards. The Mirror Share awards attract dividend equivalent shares.

## SHARE PLAN AWARDS

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

	Type of Award	31 December 2014 Number of shares	Granted in 2015 Number of shares	Award price <sup>1</sup> £	Dividend accrued in 2015 <sup>9</sup>	Vested in 2015 Number of shares <sup>2</sup>	Lapsed in 2015 Number of shares	31 December 2015 Number of shares	Date of vesting
<b>André Lacroix</b>									
2015 <sup>7</sup>	LTIP Share	–	90,440	24.74	–	–	–	<b>90,440</b>	Sep 2018
	Dividend	–	–	–	612	–	–	<b>612</b>	
<b>Total</b>		<b>–</b>	<b>90,440</b>	<b>–</b>	<b>612</b>	<b>–</b>	<b>–</b>	<b>91,052</b>	
<b>Edward Leigh</b>									
2013 <sup>4</sup>	Share	1,755	–	34.17	–	–	–	<b>1,755</b>	May 2016
	Dividend	53	–	–	35	–	–	<b>88</b>	
	Performance	1,755	–	34.17	–	–	–	<b>1,755</b>	May 2016
	Dividend	53	–	–	35	–	–	<b>88</b>	
2014 <sup>5</sup>	Deferred Share	1,331	–	30.41	–	–	–	<b>1,331</b>	Mar 2017
	Dividend	22	–	–	26	–	–	<b>48</b>	
	LTIP Share	6,576	–	30.41	–	–	–	<b>6,576</b>	Mar 2017
	Dividend	111	–	–	130	–	–	<b>241</b>	
2015	Deferred Share <sup>6</sup>	–	5,405	25.572	–	–	–	<b>5,405</b>	Mar 2018
	Dividend	–	–	–	106	–	–	<b>106</b>	
	LTIP Share <sup>7</sup>	–	32,336	24.74	–	–	–	<b>32,336</b>	Sep 2018
	Dividend	–	–	–	218	–	–	<b>218</b>	
<b>Total</b>		<b>11,656</b>	<b>37,741</b>	<b>–</b>	<b>550</b>	<b>–</b>	<b>–</b>	<b>49,947</b>	
<b>Wolfhart Hauser</b>									
2012	Share	28,696	–	23.24	–	(28,696)	–	–	Mar 2015
	Dividend	1,258	–	–	–	(1,258)	–	–	
	Performance	57,392	–	23.24	–	(14,462)	(42,930)	–	Mar 2015
	Dividend	2,517	–	–	–	(634)	(1,883)	–	
2013	Share <sup>8</sup>	20,689	–	33.528	–	–	–	<b>20,689</b>	Jan 2016
	Dividend	630	–	–	409	–	–	<b>1,039</b>	
	Performance <sup>3</sup>	41,378	–	33.528	–	–	–	<b>41,378</b>	Mar 2016
	Dividend	1,261	–	–	818	–	–	<b>2,079</b>	
2014	Deferred Share <sup>8</sup>	10,507	–	30.41	–	–	–	<b>10,507</b>	Jan 2016
	Dividend <sup>8</sup>	177	–	–	208	–	–	<b>385</b>	
	LTIP Share <sup>5</sup>	46,991	–	30.41	–	–	–	<b>46,991</b>	Mar 2017
	Dividend	794	–	–	929	–	–	<b>1,723</b>	
2015	Deferred Share <sup>8</sup>	–	12,585	25.572	–	–	–	<b>12,585</b>	Jan 2016
	Dividend <sup>8</sup>	–	–	–	248	–	–	<b>248</b>	
<b>Total</b>		<b>212,290</b>	<b>12,585</b>	<b>–</b>	<b>2,612</b>	<b>(45,050)</b>	<b>(44,813)</b>	<b>137,624</b>	

- 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.
- Awards vested on 6 March 2015, on which date the closing market price of shares was £25.7967 having been granted on 6 March 2012 on which date the closing market price was £22.62.
- Awards will vest on 5 March 2016, subject to performance and continued employment, having been granted on 5 March 2013 on which date the closing market price was £34.40. 50% of awards are subject to EPS and 50% are subject to relative TSR. The EPS threshold level was set at 6% per annum and the upper target at 16% per annum. Under the TSR condition, the Company's TSR ranking is measured relative to the FTSE index members 31 to 130 (excluding banks and investment trusts).
- Awards will vest on 20 May 2016, subject to performance and continued employment, having been granted on 20 May 2013 on which date the closing market price was £33.27. 50% of awards are subject to EPS and 50% are subject to relative TSR. The EPS threshold level was set at 6% per annum and the upper target at 16% per annum. Under the TSR condition, the Company's TSR ranking is measured relative to the FTSE index members 31 to 130 (excluding banks and investment trusts).
- Awards will vest on 10 March 2017, subject to performance and continued employment, having been granted on 10 March 2014 on which date the closing market price was £30.46. 50% of awards are subject to EPS and 50% are subject to relative TSR. The EPS threshold level was set at 6% per annum and the upper target at 14% per annum. Under the TSR condition, the Company's TSR ranking is measured relative to the FTSE index members 31 to 130 (excluding banks and investment trusts).
- Awards will vest on 9 March 2018, subject to continued employment, having been granted on 9 March 2015 on which date the closing market price was £25.70.
- Awards will vest on 22 September 2018, subject to performance and continued employment, having been granted on 22 September 2015 on which date the closing market price was £23.94. 50% of awards are subject to EPS and 50% are subject to relative TSR. The EPS threshold level was set at 4% per annum and the upper target at 10% per annum. Under the TSR condition, the Company's TSR ranking is measured relative to the FTSE index members 31 to 130 (excluding banks and investment trusts).
- Awards vested in January 2016, and will be held until the original vesting dates.
- The dividend shares are accrued on the date the dividend is paid and determined using the closing market price of the shares on that date. The dividend accruals relate to share awards made in lieu of not receiving cash dividends during the vesting period.

# Directors' report

## Remuneration report continued

### MALUS AND CLAWBACK

Malus and clawback will operate in circumstances where there is reasonable evidence of misbehaviour or material error, conduct considered gross misconduct, breach of any restrictive covenants by participants, conduct which resulted in (a) significant loss(es) to the Company, failure to meet appropriate standards of fitness and propriety; a material failure of management in the Company; a discovery of a material misstatement in the audited consolidated accounts or the behaviour of a Director has a significant detrimental impact on the reputation of the Group.

### DIRECTORS' INTERESTS IN ORDINARY SHARES

The interests of the Directors in the shares of the Company as at the year end, or date of retirement, 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.

	Beneficially owned at 31 December 2014 or on appointment	Beneficially owned at 31 December 2015 or on retirement <sup>7</sup>	Outstanding LTIP Share Awards	Outstanding Deferred Shares/ Mirror Awards	Outstanding Share Award dividends	Shareholding as a % of salary <sup>3</sup>	Shareholding guideline met?
André Lacroix <sup>1</sup>	–	100,000	90,440	183,149	4,232	310 <sup>3</sup>	Yes
Edward Leigh	1,000	1,000	40,667	8,491	789	7 <sup>3</sup>	No <sup>2</sup>
Edward Astle	1,220	1,443	–	–	–	n/a	n/a
Alan Brown	1,391 <sup>8</sup>	1,623	–	–	–	n/a	n/a
Dame Louise Makin	342	546	–	–	–	n/a	n/a
Sir David Reid	2,192	2,828	–	–	–	n/a	n/a
Gill Rider <sup>4</sup>	–	–	–	–	–	n/a	n/a
Michael Wareing	3,578	3,801	–	–	–	n/a	n/a
Mark Williams	2,172	2,384	–	–	–	n/a	n/a
Lena Wilson	326	530	–	–	–	n/a	n/a
Wolfhart Hauser <sup>5</sup>	139,777	150,554	88,369	43,781	2,862	557 <sup>6</sup>	Yes
Christopher Knight <sup>5</sup>	7,601	7,813	–	–	–	n/a	n/a

1. Appointed 16 May 2015.

2. Appointed on 1 October 2014 with the guideline to hold 150% of base salary in shares by 1 October 2019. This guideline is to be increased to 200% once the remuneration policy is approved by shareholders in 2016 and must be met five years after that point.

3. Based on a share price of £27.77 as at 31 December 2015.

4. Appointed 1 July 2015.

5. As at date of retirement, 15 May 2015.

6. As at date of retirement, based on a share price as at 15 May 2015 of £26.95.

7. No changes in the above Directors' interests have taken place between 31 December 2015 and the date of this report.

8. The number of shares beneficially owned at 31 December 2014 have been restated to include an additional 21 ordinary shares acquired as part of a dividend reinvestment scheme.

### PAYMENTS TO PAST DIRECTORS

#### Wolfhart Hauser

After retiring as CEO and Executive Director on 15 May 2015, Wolfhart Hauser remained an employee and was available to provide support to André Lacroix as required until 31 December 2015. Wolfhart Hauser received his full salary and benefits for the period 15 May 2015 until 31 December 2015. No payment was made in lieu of notice.

He was eligible for an annual bonus in 2015 for the period from 1 January 2015 to 15 May 2015 which was calculated according to the usual full year criteria and pro-rated. It will be paid in 2016 and is disclosed in the single figure of remuneration. No bonus was paid for the period from 16 May 2015 to 31 December 2015.

Wolfhart Hauser did not receive an LTIP Share Award for 2015. The 2011 LTIP awards made in 2013 and 2014 will vest as follows: his Deferred Share Awards were released in full (after 31 December 2015) and will be held until the original vesting dates, his LTIP Share Awards will vest according to the original dates and criteria and be pro-rated for time served. The Performance Shares awarded in 2012 vested on 6 March 2015. As noted earlier in the report, following a review of the performance criteria, the 2013 LTIP award will lapse in full.

#### Christopher Knight

No remuneration payments were made following his retirement and no payments have been made for loss of office.

### PAYMENTS FOR LOSS OF OFFICE

No payments were made in respect of loss of office during the year ended 31 December 2015.

## PERCENTAGE CHANGE IN REMUNERATION LEVELS

The table below shows the average movement in salary and annual bonus for UK employees between the 2014 and 2015 financial years. In 2015 Wolfhart Hauser's salary was unchanged from his 2014 award of £729,000 as part of the Group's salary review. On taking up his appointment as CEO on 16 May 2015, André Lacroix's salary was £895,000 for 2015.

	Salary	Bonus	Benefits
CEO (W Hauser <sup>1</sup> )	0%	(23.1)%	(68.1)%
CEO (A Lacroix <sup>2</sup> )	–	–	–
Average pay based on Intertek's UK employees	2.8%	16%	1.2%

1. The percentage change for bonus and benefits for Wolfhart Hauser are based on actual amounts earned as set out on page 70.
2. There were no salary, bonus and benefits in the comparative period for André Lacroix.

## RELATIVE IMPORTANCE OF THE SPEND ON PAY

The table below shows the movement in spend on staff costs between the 2014 and 2015 financial years, compared to dividends.

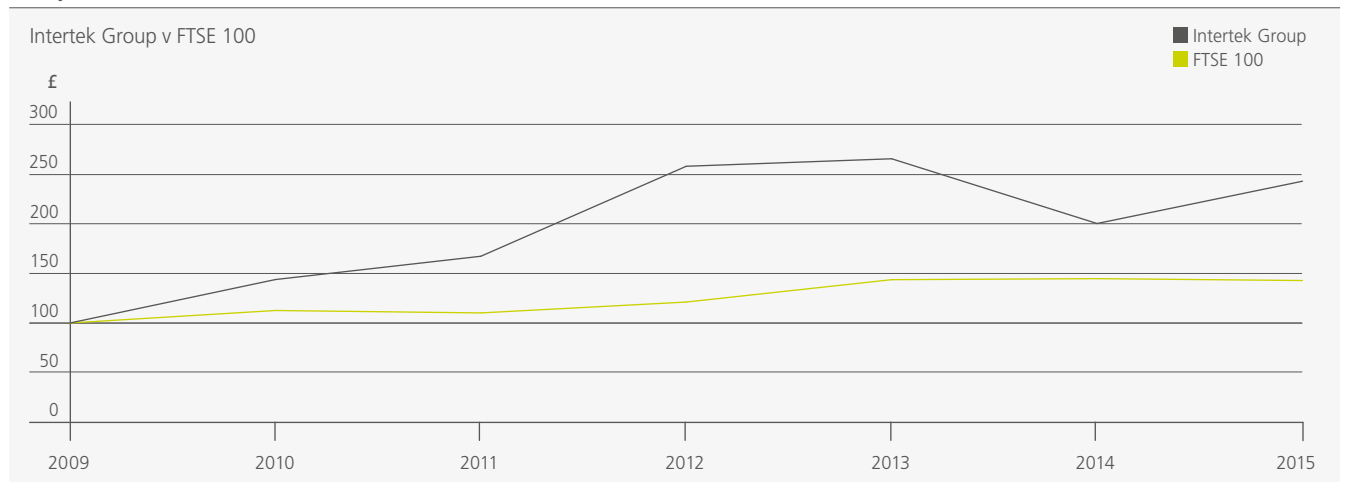
	2015 £m	2014 £m	% change
Staff costs*	<b>956.2</b>	921.5	3.8%
Dividends	<b>80.7</b>	75.5	6.9%

\* Staff costs are shown at actual rates, which include a 0.2% foreign exchange impact.

## PERFORMANCE GRAPH

The graph below shows the TSR in respect of the Company over the last seven financial years, compared with the TSR for the FTSE 100 Index. TSR, reflecting the change in the value of a share and dividends paid, 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



## CEO TOTAL REMUNERATION

The total remuneration figures for the CEO during each of the past six financial years are shown in the table below. Consistent with the calculation methodology for the single figure for total remuneration, the total remuneration figure includes the total annual bonus and Deferred Share Award based on that year's performance and LTIP Share awards based on the three-year performance period ending in the relevant year. The annual bonus pay-out and LTIP award vesting level as a percentage of the maximum opportunity are also shown for each of these years.

	Year ended 31 December							2015	2015
	2009	2010	2011	2012	2013	2014	W Hauser	A Lacroix	
Total remuneration £'000	2,451	3,164	4,554	5,298	3,195	2,011 <sup>1</sup>	<b>876</b>	<b>1,824</b>	
Annual bonus (%)	100	96.6	92.3	83.1	34.6	38.4	<b>90.6</b>	<b>96.6</b>	
LTIP award vesting (%)	100	100	100	100	81.8	25.2	–	–	

1. The total remuneration figure for 2014 has been updated to include the actual value of the vested 2011 LTIP share award.

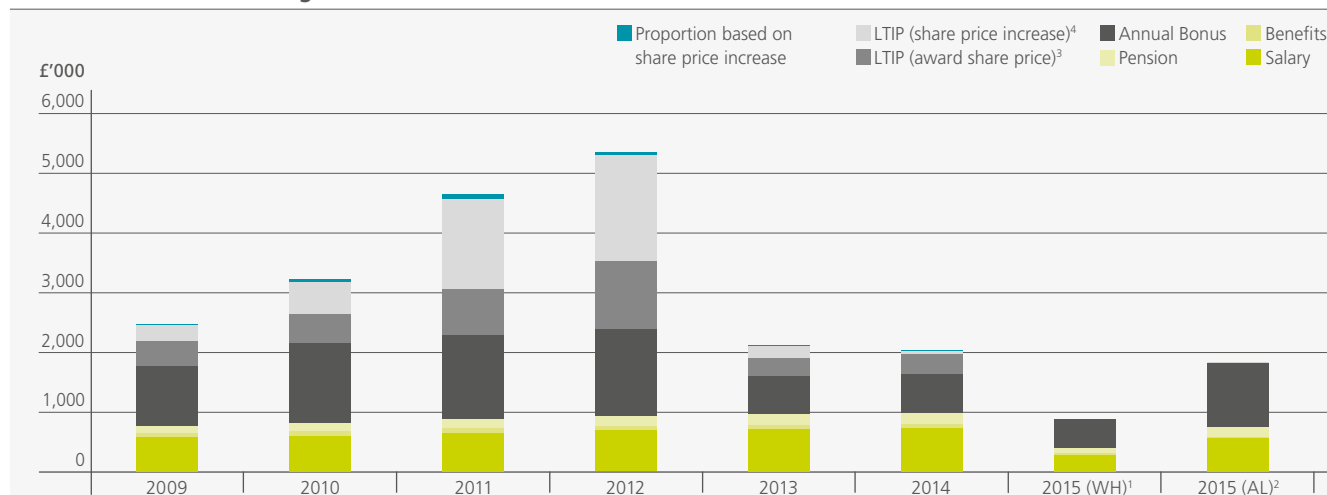
# Directors' report

## Remuneration report continued

### CEO TOTAL REMUNERATION

The graph below shows the total remuneration of the Intertek CEO over the seven year period from 2009 to 2015.

#### CEO total remuneration figure



1. Shows W Hauser remuneration based on period to 15 May 2015.

2. Shows A Lacroix remuneration for the period from appointment as CEO on 16 May 2015.

3. LTIP (award share price) shows the proportion of the LTIP value received which resulted from the share price on award date.

4. LTIP (share price increase) shows the proportion of the LTIP value received which resulted from increase in the share price over the vesting period.

#### THE IMPACT OF SHARE PRICE ON THE VALUE OF THE CEO'S LTIP AWARD

The table below shows the change in share price from the date of award to the vesting of LTIP share awards for the 2010 to 2015 financial years for Wolfhart Hauser.

	LTIP award share price £	LTIP vesting share price £	Share price change over the performance period
2010	9.15	19.06	108.3%
2011	8.34	24.34	191.8%
2012	13.33	34.37	157.8%
2013	18.99	30.59	61.1%
2014	23.24	25.80	11.0%
2015	<b>33.53</b>	<b>26.57<sup>1</sup></b>	<b>(20.8)%</b>

1. The value shown for the 2015 vesting share price is the average price during the three months to 31 December 2015; this will be updated to actual vesting share price in the 2016 Report.

#### REMUNERATION DECISIONS TAKEN IN RESPECT OF THE FINANCIAL YEAR ENDING 31 DECEMBER 2016

##### Base salary

Following a review of each individual's performance in the year, the Remuneration Committee approved salary increase of 2% for the Executive Directors. This is in line with the increase provided to UK employees in the Group.

The Executive Directors' salaries are:

	Base salary from 1 April 2015 £'000	Base salary from 1 April 2016 £'000	% increase
André Lacroix <sup>1</sup>	<b>895</b>	913	2.0%
Edward Leigh	<b>400</b>	408	2.0%

1. The 2015 base salary for André Lacroix is shown as the annual salary awarded on taking up the role of CEO.

##### Annual Bonus and LTIP awards to be granted in 2016

For 2016, the annual bonus opportunity expressed as a percentage of base salary will be 200% for the CEO and CFO. The Committee has determined that the Annual Bonus will be based on financial performance as follows:

- 80% will be determined by a matrix (illustration provided below) based on revenue growth and operating profit growth; and
- 20% will be based on return on invested capital performance.

Annual Bonus will continue to be subject to a quality of earnings review at the end of the year to ensure that pay-outs are appropriate based on the underlying performance of the Group and to ensure that any awards are commensurate with the Group's culture and values.

## Overview of the matrix (80% of the award)

		Operating profit performance (£m)			
		Below threshold	Threshold	Target	Maximum
Revenue performance (£m)	Maximum	0%	40%	65%	100%
	Target	0%	30%	50%	75%
	Threshold	0%	25%	35%	60%
	Below threshold	0%	0%	0%	0%

Straight line pay-outs occur between each of the points noted above.

The Committee has chosen not to disclose, in advance, the performance targets for the forthcoming year as these include items which the Committee considers commercially sensitive. In accordance with good governance, the Committee is however committed to providing insightful and transparent disclosure to our shareholders. In this regard, and in line with the Investment Association's position regarding bonus target disclosure, the Committee will disclose the performance targets for the annual incentive as soon as they are no longer considered to be commercially sensitive.

For 2016, the LTIP opportunity for the CEO and CFO will be 250% and 200% of salary respectively. The Committee reviewed the performance targets for awards to be made in 2016, and in line with the targets set for the 2015 LTIP award, the Committee considered it appropriate to appropriate to set the following targets for the 2016 LTIP awards:

Metric	Performance condition	Threshold target	Stretch target
Earnings Per Share	Annualised fully diluted, adjusted EPS growth, calculated on the basis of foreign exchange rates adopted at the start of the performance cycle	4%	10%
Total Shareholder Return	Relative TSR performance against the FTSE 31 to 130 (excluding banks and investment trusts)	Median	Upper quartile

### NON-EXECUTIVE DIRECTORS' FEES

As detailed in the remuneration policy, fees for the Non-Executive Directors are determined by the Board, based on the responsibility and time committed to the Group's affairs and appropriate market comparisons. Individual Non-Executive Directors do not take part in discussions regarding their own fees. A summary of current fees is as follows:

	2015 £'000	2016 £'000
<b>Board membership</b>		
Chairman	320	320
Non-Executive Director	58	58
Senior Independent Non-Executive Director	12	12
<b>Committee membership</b>		
Chair Audit & Risk Committee	20	20
Chair Remuneration Committee	15	15
Chair Nomination Committee	–	–
Member Audit & Risk Committee	10	10
Member Remuneration Committee	7.5	7.5
Member Nomination Committee	2.5	2.5

Pursuant to the policy of aligning Directors' interests with those of shareholders, £10,000 of the fees paid to the Non-Executive Directors and £30,000 of the fees paid to the Chairman are used each year to purchase shares in the Company.

### Approval of the Directors' Remuneration report

The Directors' Remuneration report, including both the Directors' Remuneration Policy Report and Annual Report on Remuneration, was approved by the Board on 1 March 2016.



**GILL RIDER**  
Chair of the Remuneration Committee

# Directors' report

## Audit & Risk Committee

**Michael Wareing** – Chair of the Audit & Risk Committee



### DEAR SHAREHOLDER

I am pleased to present this year's report of the Audit & Risk Committee ('Committee'). The report outlines the activities and the responsibilities of the Committee, on behalf of the Board, in scrutinising the conduct of the business, its management and auditors to protect the interests of shareholders. During the year the Committee continued to draw on the recommendations in last year's review of the Group's total assurance and risk management framework. One of the changes introduced in the 2014 version of the UK Corporate Governance Code ('Code') is focused on risk management and internal control. In light of this, we reviewed the Committee's procedures to ensure that the Group continues to comply with the requirements of the Code.

A further key aspect of the Committee's work during the year was to oversee a formal and comprehensive tender process for the external auditor appointment. Following the completion of the tender process, the Board agreed to recommend to shareholders, for approval at the 2016 Annual General Meeting ('AGM'), the appointment of PricewaterhouseCoopers LLP ('PwC') as the Group's auditor for the year ending 31 December 2016. The Group's current auditor, KPMG Audit Plc ('KPMG'), has continued in the role and has undertaken the audit of the Group's consolidated accounts for the year ended 31 December 2015. On behalf of the Committee I would like to thank KPMG for their significant contribution as the Group's auditor over many years. We expect an orderly transition and look forward to working with PwC in the future. The audit tender process is described in more detail in the following pages, together with the Committee's other activities during the year, which include a thorough review of the internal audit function. During the year the Committee also ensured that separate meetings with the CFO, Group General Counsel, Head of Internal Audit and the external auditor without management present took place in order to provide a forum for any issues to be raised.

Finally, there have been a number of changes during the year to the membership of the Committee. As announced, Christopher Knight retired at the 2015 AGM and Alan Brown joined the Committee on 1 July 2015. I am pleased to welcome Alan as a member of the Committee, and his relevant industry experience adds breadth and knowledge.

The external evaluation of the performance of the Committee was conducted during the year and it was shown that the Committee is able and effective in discharging its duties in accordance with its Terms of Reference and the requirements of the Code.

### COMMITTEE MEMBERSHIP AND MEETING ATTENDANCE

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

Committee Members	Number of meetings held in 2015	
	Eligible to attend	Attendance
<b>Michael Wareing</b> (Committee Chair)	5	5
<b>Edward Astle</b>	5	5
<b>Christopher Knight<sup>1</sup></b>	2	2
<b>Alan Brown<sup>2</sup></b>	3	3
<b>Lena Wilson</b>	5	5

1. Christopher Knight retired from the Committee on 15 May 2015  
2. Alan Brown joined the Committee on 1 July 2015

Throughout 2015, the composition of the Committee was in compliance with the Code and all members are independent Non-Executive Directors. The Board had determined that Michael Wareing has recent and relevant financial experience. Alan Brown also has relevant financial experience as detailed in his biography on page 57.

New Committee members receive an appropriate induction, consisting of the review of the Terms of Reference, previous Committee meeting papers, information on the Company's financial and operational risks and also have access to senior operational staff and the Group's internal and external auditors.

The business of the Committee is linked to the Group's financial calendar of events and the timetable for the annual audit. At the invitation of the Committee, the Chairman, CEO, CFO, Group Financial Controller, Group General Counsel, the Head of Internal Audit and the audit partner and audit lead from KPMG attended all meetings. Other senior executives were invited to attend the Committee meetings as required. The Terms of Reference of the Committee are available on the Company's website at [www.intertek.com](http://www.intertek.com).

### ROLE AND ACTIVITY OF THE COMMITTEE

The Board has authorised the Committee to review the effectiveness of the Company's financial reporting and internal controls and risk management systems together with procedures for the identification, assessment and reporting of key risks. A summary of the key matters considered by the Committee during 2015 is set out below and on the next page.

### Audit & Risk Committee agenda items 2015

Financial statements and reports	Feb	May	Jul	Sep	Dec
Full year results 2014	•				
Annual Report and Accounts 2014	•				
Management highlights memorandum	•		•		
Going concern assessment	•		•		
Fair, balanced and understandable assessment	•				
Review of significant accounting policies					•
Half year results 2015			•		
Viability Statement Methodology					•
Internal Controls sign-off	•				
Review of models and methodology for impairment testing					•



	Feb	May	Jul	Sep	Dec
<b>External audit</b>					
Audit strategy & plan 2015			•		
Audit fee proposal 2015			•		
Engagement letter			•		
Non-audit fees review of policy, spend and cap	•				
Update on non-audit fees			•		
Report on interim findings					•
KPMG highlights/review memorandum	•		•		
KPMG effectiveness		•			
Letter of representation to the auditors	•		•		
External audit tender – update & auditor presentations		•		•	
<b>Internal audit</b>					
2016 Internal Audit plan					•
Internal audit reports	•	•	•		•
Internal audit effectiveness			•		
<b>Governance, risk and assurance</b>					
Group risk register review			•		•
Compliance and operational risk report	•	•	•		•
Key claims report	•	•	•		•
<b>Other</b>					
2015 rolling Committee agenda	•				
Discussion on Finance Systems, Controls and Transformation				•	
Review and endorsement of Tax and Treasury policies					•

### SIGNIFICANT ISSUES CONSIDERED BY THE COMMITTEE

In preparation for each year end, the Committee reviews the significant accounting policies, estimates and judgements to be applied in the financial statements and discusses their application with management. The external auditor also considers the appropriateness of these assessments as part of the external audit.

In accordance with the Code, the external auditor prepares a report for the Committee on both the half year and full year results, which summarises the approach to key risks in the external audit and highlights any issues arising out of their work on those risks, or any other work undertaken on the audit. During the year, the Committee reviewed and considered the following areas of judgement to be exercised in the application of the accounting policies:

#### Claims

From time to time the Group is involved in various claims and lawsuits incidental to the ordinary course of business. The Committee considered the claims provision which reflects the estimates of amounts payable in connection with identified claims from customers, former employees and others. The Committee noted that once claims have been notified the finance teams liaise with the business to determine whether a provision is required, based on IAS 37 'Provisions, Contingent liabilities and Contingent assets' ('IAS 37').

The level of provision is subsequently reviewed on a regular basis with the Group General Counsel, taking into account the advice of external legal counsel. The Group General Counsel briefs the Committee at every meeting on the latest status of key claims and the level of provision. The Committee, following assurance from management and review of the report presented by the external auditor, considered and agreed that the claims provision was appropriate given the size, status and number of claims reported during the year.

#### Taxation

The determination of profits subject to tax is calculated according to complex laws and regulations, the interpretation and application of which can be uncertain. In addition, deferred tax assets and liabilities require judgement in determining the amounts to be recognised, with consideration given to the timing and level of future taxable income. The main areas of judgement in the Group tax calculation are the expected central tax provisions for the full year and the recognition of the UK deferred tax asset. Twice a year, the Committee receives a report from management providing an evaluation of existing risks and tax provisions which is reviewed and rigorously challenged by the Committee. The Committee also considered reports presented by the external auditor before determining that the levels of tax provisioning were appropriate.

#### Restructuring

In reviewing the provision for restructuring, details of which are contained in the financial review on page 36 and in note 3 to the financial statements, the Committee reviewed details of each of the activities pursued as part of the restructuring to ensure that the appropriate level of provision is put in place. The Committee also sought confirmation from the external auditor that the restructuring plan met the criteria for recognising a provision under IAS 37 before determining that the provision was appropriate.

#### Accounting for acquisitions

In November 2015, the Group made the significant acquisition of PSI in the US. The recognition of goodwill, intangible assets, other assets and liabilities and estimates of the fair value of consideration transferred are all based on a number of assumptions. The Committee considered the valuation of these assets and liabilities, and reviewed management's assumptions underpinning the valuations. Management is required to estimate the fair value of the consideration transferred and to estimate the fair value of the assets and liabilities acquired, including any separately identifiable intangible assets, and engaged external advisers as necessary to support this process. The Committee has reviewed management's accounting papers on the acquisition, and taken into account the report presented by the external auditor, before determining that the acquisition accounting is appropriate.

#### Impairment

The Group's strategy includes acquisition-led growth to generate new services and expand into new locations. These acquisitions, being in the service sector, generate significant goodwill that benefits the Group as a whole and specifically the business to which the acquisition relates. Goodwill, aggregated at the business line level, must be tested annually for impairment under IAS 36 'Impairment' ('IAS 36'), or when there are indicators of impairment. These indicators include poor performance compared to budget.

# Directors' report

## Audit & Risk Committee continued

The Committee reviewed the impairment consideration and calculations prepared by management considering the trading assumptions, the discount rates used as well as the sensitivities included by management, details of which are contained in note 9 to the financial statements. The Committee also took into account the work undertaken by the external auditor in respect of impairment and is satisfied that the impairment recorded against the Industry Services cash-generating unit ('CGU') is appropriate, and that no impairment is required against any other CGU.

The significant issues considered by the Committee in relation to the financial statements were consistent, with the exception of restructuring, with those identified by the external auditor in their report on pages 138 to 140.

### **FAIR, BALANCED AND UNDERSTANDABLE ASSESSMENT**

Further to the request of the Board, the Committee has reviewed the Annual Report and Accounts with the intention of providing advice to the Board on whether, as required by the Code, the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the necessary information for shareholders and other readers of the Annual Report and Accounts to assess the Group's position and performance for 2015, its business model and strategy. In justifying this statement, the Committee has considered the robust process that underpins it, which includes:

- Clear guidance and instruction given to all contributors, including at business line level;
- Revisions as a result of regulatory requirements were monitored on a regular basis;
- Pre year-end discussions held with the external auditor in advance of the year-end reporting process;
- Pre year-end input provided by senior management and corporate functions;
- A verification process dealing with the factual content of the reports to ensure accuracy and consistency;
- Comprehensive review by the senior management team to ensure overall consistency and balance;
- Review conducted by external advisers and the external auditor on best practice with regard to the content and structure of the Annual Report and Accounts;
- Review and consideration of the Annual Report and Accounts by the Committee; and
- Final sign-off provided by the Board.

The results are presented to the Committee to ensure compliance with the Code. The Committee challenge judgemental statements to ensure that they are reasonable within the context of the report.

This process enabled the Committee, and then the Board, to confirm that the 2015 Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy.

### **EXTERNAL AUDIT TENDER**

In November 2014, the Committee agreed to start the process for the formal tender of the external audit with the intention of selecting a new external auditor to be appointed for the year ending 31 December 2016 following the completion of the 2015 year end process and recommending their appointment at the 2016 AGM.

KPMG were not invited to participate in the audit tender. The process was led by an audit tender team comprising the Committee Chair, the CFO, the Group Financial Controller and the Deputy Group Financial Controller. It included a Request for Proposal, interviews with management and the Committee, and site visits followed by an assessment of the proposals. The Committee reviewed and approved the tender process, governance and selection criteria. Following the first stage of the process, two shortlisted firms were invited to respond to specific questions from the Committee and then to present to the Committee, followed by a Q&A session. At the conclusion of the second stage of the process, the Committee discussed their findings and the audit tender team made a recommendation to the Committee. The Committee then made a recommendation to appoint PwC which was approved by the Board.

Following the conclusion of the formal tender process, a resolution proposing the appointment of PwC as auditor of the Group for the year ending 31 December 2016 and giving authority to the Directors to determine its remuneration will be submitted to the forthcoming AGM.

### **INDEPENDENCE**

The Terms of Reference of the Committee include ensuring the continued independence and objectivity of the Group's external auditors. This is achieved through:

- The annual approval of the policy for the engagement of external auditors for audit and non-audit services;
- Setting limits and a budget for non-audit spend for the external auditors;
- An annual review of the auditors performance in conducting the external audit; and
- Where appropriate, audit tendering and rotation.

### **AUDIT AND NON-AUDIT FEES**

The Company has set out a policy on the provision of non-audit work by the external auditors to make sure that the auditors' independence is safeguarded. The policy was reviewed during the year and is consistent with the Auditing Practices Board's Ethical Standards No. 5 – Non Audit Services. The policy is designed to ensure that the provision of such services does not create a threat to the external auditors' independence and objectivity.

It identifies certain types of engagement that the external auditors shall not undertake, including internal audit and actuarial services relating to the preparation of accounting estimates for the financial statements, appraisal or valuation services, tax services in relation to marketing, planning or opining in favour of a transaction and any other services that, locally, are prohibited through regulation. An annual cap for non-audit services is presented to the Committee for approval, which should not ordinarily exceed 50% of the audit fee. Caps are also assigned to each category, compared to spend in the previous two years and prior approval is required for all items over an agreed level.

A report is presented to the Committee twice a year showing year to date spend against each category of the annual cap previously approved by the Committee.

The policy also recognises that there are some types of work, such as accounting and tax advice, where a detailed understanding of the Group's business is advantageous.

The policy is designed to ensure that the external auditor is only appointed to provide a non-audit service where it was subject to a competitive tender and is considered to be the most suitable supplier of the service.

A summary of the fees paid for non-audit fees is set out in the table below and further information is contained in note 4 to the financial statements on page 100:

Auditor fee breakdown	2015 £m	2014 £m
Total non-audit fees, of which	<b>0.6</b>	0.6
– audit related services	–	–
– tax services	<b>0.4</b>	0.4
– other non-audit services	<b>0.2</b>	0.2
Audit fee	<b>2.5</b>	2.3
% of audit fee	<b>25%</b>	26%

The Committee remains satisfied with KPMG's independence and their overall challenge to management with respect to the work undertaken in 2015 and in respect of this Annual Report and Accounts. PwC have confirmed their independence in preparation for their appointment as auditor following the 2016 AGM.

#### EFFECTIVENESS OF THE EXTERNAL AUDIT

The Committee conducts an annual assessment of the effectiveness of the external audit. During the year KPMG presented its approach to maintaining audit quality to the Committee and a questionnaire was circulated to those within the Group who were involved in the audit process seeking their views on the service provided as to adequacy of planning, resources, fieldwork and quality of reporting. The Committee considered in detail the feedback received from the internal review, KPMG's performance and independence and the effectiveness of the overall audit process.

#### INTERNAL CONTROL AND RISK MANAGEMENT

The Board is responsible for monitoring the Group's system of internal control and risk management and for reviewing their effectiveness. Risk management and internal controls are embedded in the running of each business line, country and support function. The risk register process follows the global organisation, and risk registers are produced for significant countries and for each business line and support function, and then consolidated at Group level. The time commitment and breadth of data gathering in completing the risk registers have been expanded and have been reviewed in the context of the wider controls framework initiatives. The Committee reviews the Group risk register twice a year and presents the register to the Board for final approval in December.

A detailed verification programme assists the Committee to check that all the statements made in the Annual Report and Accounts are accurate. Intertek's Manual of Accounting Policies and Procedures is issued to all finance staff and gives instructions and guidance on all aspects of accounting and reporting that apply to the Group. The Intertek Core Control Framework is a key Group-wide framework that provides an easy reference to the core elements of the Group's Governance Framework. It includes those mandatory policies applying across the Group in all locations and provides a single place where each employee has easy access to mandatory policies.

This is reviewed and refreshed on a regular basis to reflect the changes in the risk and governance environments.



Any material breaches of the Group's systems of internal and risk management controls that are identified by the Group's control review procedures are reported to the Committee and corrective action is taken. The 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 and an Investment Committee ('IC') is in place with the remit of reviewing and approving material expenditure and other key actions throughout the business within certain limits as outlined in the Board Approval Matrix. Further information on the membership and remit of the RCA and IC is on page 62.

#### INTERNAL CONTROLS AND REPORTING

In order to provide assurance that the Intertek controls and policy framework is being adhered to, a self-certification exercise is undertaken across the Group's global operations. This process is facilitated by Company Secretariat. An online questionnaire requesting confirmation of adherence to financial and operation controls is sent to all Intertek country operations. Where corrective actions are needed, the country is required to provide an outline and a confirmed timeline. These items are monitored closely to ensure timely completion.

Once reviewed and signed-off at country level, a consolidated assessment is made at regional level for further approval. An evaluation is undertaken with Executive Vice-Presidents following which a company-wide position is submitted to the CEO and the CFO. A final summary assessment is provided to the Committee.

The Committee can confirm that it reviewed the Group's internal controls and risk management systems and concluded that there was a sound and effective control environment in place across the Group during 2015 and up to the date upon which these financial statements were approved. No material weaknesses had been identified.

# Directors' report

## Audit & Risk Committee continued

### AUDIT AND RISK STRATEGY

The Audit and Risk Strategy was presented to the Committee during the year. The strategy has focused on ensuring that the programme is annually strengthened and enhanced to reflect the size and global reach of the Intertek Group. The Group has a programme of training and on-line courses for compliance matters, covering topics such as health and safety, anti-bribery, and integrity. The Group has a zero-tolerance policy to any bribery. 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. Each year as part of the appraisal process every employee is asked to confirm their understanding of and adherence to the Code of Ethics.

As highlighted, our Code of Ethics was reviewed and updated in 2014 to simplify and consolidate Intertek's approach to compliance. This has reinforced the Intertek Compliance Principles in respect of integrity, conflicts of interest, confidentiality, anti-bribery and fair marketing and strengthened our approach to protecting our environment. The Code of Ethics is available on the Group's website. An on-line training programme was developed for the new Code of Ethics and was rolled out to employees during 2015. The Code of Ethics is available in 28 languages.

### CONFIDENTIAL HOTLINE

We are committed to maintaining a culture where issues of integrity and professional ethics can be raised and discussed. There is a global hotline system, which is operated by an independent third party, providing a web-based system in 24 languages, for the confidential reporting of any suspected or real breaches in compliance by any employee, contractor, customer or other stakeholder. There is also a telephone hotline where calls are answered 24/7 by trained specialists. This underpins the ethics programme and also helps the business protect itself against any unethical behaviour. The details of the hotline have been communicated to staff through the Group's main intranet page and by posters at Intertek locations. All reports are investigated thoroughly, with action taken when required. Reports of significant matters raised on the hotlines are also provided to the Committee, if appropriate.

### INTERNAL AUDIT

The annual Internal Audit plan is reviewed and approved by the Committee. Where there is no internal expertise to perform a specialised audit, a third party auditor with the requisite skills is appointed to undertake the audit, the findings of which are reported to the Committee. In its quarterly reports to the Committee, Internal Audit provided summaries of each audit performed, with commentary on the robustness of risk management activities and internal control design and operating effectiveness. In 2015 there was a varied plan of work across key risk areas, including reviews of businesses, functions and projects, as well as regular follow-up activities.

As part of its annual programme, the Committee reviewed the effectiveness of the Group Internal Audit function. In addition a more detailed external benchmarking review was performed in July by Deloitte. This was the first such review performed, and led to the conclusion that the function was effective. It also provided useful input for the future direction of the department.

### COMPLIANCE

We have dedicated compliance officers across the Group's markets who undertake investigations of issues that arise either from quality assurance audits or from other sources, such as routine compliance questions. Reports of significant findings are presented to the Committee which monitors and reviews the effectiveness of the risk management and internal control activities across the Company.

### PRIORITIES FOR 2016

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

- Oversee an orderly transition to the new external auditor;
- Continue to monitor the impact of external economic factors on the Group and its financial position; and
- Monitor any relevant changes in the corporate governance and regulatory arena.

### GOING CONCERN

The Directors have a reasonable expectation that the Group has adequate resources for a period of at least 12 months from the date of signing the Annual Report and Accounts, and have therefore assessed that the going concern basis of accounting is appropriate in preparing the financial statements and that there are no material uncertainties to disclose.

This conclusion is based on a review and an assessment of the levels of facilities expected to be available to the Group, based on levels of cash held, Group Treasury funding projections, and the Group's financial projections for a period to 31 December 2020. With the exception of £91m of facilities maturing in 2016, all the current borrowing facilities are expected to be available at 31 December 2016.

In making this assessment, management has considered the covenants attached to the Group's borrowing facilities and performed downside scenarios on the Group's financial projections of 10% and 20% reduction in EBITDA forecast. Even in these circumstances, there is significant headroom on the debt covenants.

After making diligent enquiries the Directors have a reasonable expectation based upon current financial projections and bank facilities available, 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.



**MICHAEL WAREING**  
Chair of the Audit & Risk Committee

# Nomination Committee

**Sir David Reid** – Chair of the Nomination Committee



## DEAR SHAREHOLDER

I am pleased to report on how the Nomination Committee ('Committee') has continued to undertake its role during 2015. Following the extensive work undertaken in 2014 to successfully fill the roles of the CEO and CFO, the Committee's focus continued to be on succession planning and the review of the composition of the Board and the Committees.

Following a rigorous selection process the Committee was pleased to recommend the appointment of Gill Rider to the Board as a Non-Executive Director and Chairman of the Remuneration Committee with effect from 1 July 2015. Her successful career in both the Non-Executive and Executive worlds adds further valuable experience to our Board.

The Committee continues to ensure that the composition of the Board retains the right balance of skills, experience, industry and technical knowledge and diversity to provide the quality of leadership necessary to implement the strategy and achieve the strategic objectives necessary for the long-term success of the Company.

The Terms of Reference of the Committee are available on the website at [www.intertek.com](http://www.intertek.com). I will be available at the forthcoming AGM to answer any questions on the work of the Committee during the year.

## COMMITTEE MEMBERSHIP AND MEETING ATTENDANCE

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

Committee Members	Number of meetings held in 2015	
	Eligible to attend	Attendance
<b>Sir David Reid</b> (Committee Chairman)	4	4
<b>Edward Astle<sup>1</sup></b>	4	3
<b>Christopher Knight<sup>2</sup></b>	2	2
<b>Dame Louise Makin<sup>3</sup></b>	1	1
<b>Michael Wareing</b>	4	4
<b>Mark Williams<sup>4</sup></b>	2	2

1. Edward Astle was unable to attend one Committee Meeting due to an unavoidable commitment.
2. Christopher Knight retired from the Committee on 15 May 2015.
3. Dame Louise Makin was appointed to the Committee on 1 December 2015.
4. Mark Williams was appointed to the Committee on 15 May 2015.

The Group Company Secretary attends all meetings of the Committee.

## MAIN RESPONSIBILITIES OF THE COMMITTEE

- Review the structure, size and composition of the Board and its Committees.
- Identify, review and nominate candidates to fill Board vacancies.<sup>1</sup>
- Evaluate the balance of skills, knowledge, experience and diversity on the Board and Committees.
- Review the results of the performance evaluation process that relate to the composition of the Board and Committees.
- Review the time commitment required from Non-Executive Directors.

1. Neither the Chairman nor the CEO participates in the recruitment of their own successor.

## THE ACTIVITY OF THE COMMITTEE DURING THE YEAR

### Composition of the Board, the Committees and appointments

In the first half of 2015 the Committee spent a significant amount of time considering the succession requirements of the Board and its Committees and subsequently overseeing the process which led to Gill Rider joining the Board as Non-Executive Director on 1 July 2015.

The Committee considered a number of factors including the experience, competency and personal qualities that would be required for this position. We also considered the current balance of skills, knowledge and experience on the Board and whether the candidate would be able to allocate sufficient time to the Company to discharge their responsibilities. We worked with the external search firm Egon Zehnder to identify suitable candidates. We can confirm that they have no other connection to the Company apart from in relation to the 2015 Board evaluation and search consultancy services.

Gill Rider was deemed to be the most suitable candidate based on merit and her biography is available on page 57.

## Directors' report

### *Nomination Committee continued*

With the retirement of Christopher Knight at the 2015 AGM each of the principal Committees was left with a vacancy. This gave us the opportunity to appoint Mark Williams to the Remuneration Committee and Nomination Committee with effect from 15 May 2015. To ensure compliance with the Code, Mark acted as Interim Chair of the Remuneration Committee until Gill's appointment. With effect from 1 July 2015, Alan Brown moved from the Remuneration Committee and became a member of the Audit & Risk Committee given his financial background and experience in the industry. Dame Louise Makin was also appointed to the Nomination Committee with effect from 1 December 2015.

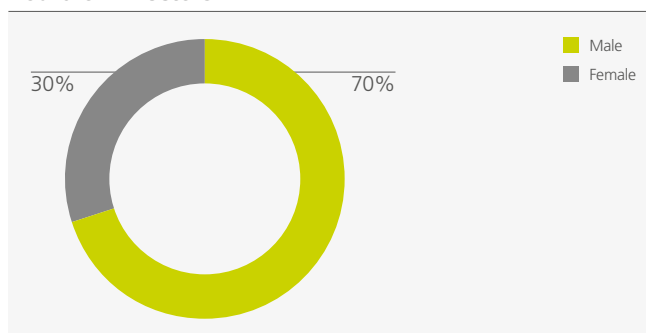
Also during 2015, the Board, upon the recommendation of the Committee, took the decision to reappoint Dame Louise Makin and Lena Wilson CBE as Non-Executive Directors of the Company for a further three years. Where the reappointment of a member of the Committee is being discussed, they are precluded from any involvement in the discussions and the Senior Independent Non-Executive Director would chair the Committee when the reappointment of the Chairman is discussed.

#### **DIVERSITY ON THE BOARD**

The Board continues to endorse the recommendations made by Lord Davies in his report issued in 2011 on 'Women on Boards' and our policy of diversity is available at [www.intertek.com](http://www.intertek.com). The Committee is committed to achieving a Board which includes and makes the best use of differences in culture, gender, skills, background, regional and industry experience as well as other qualities. All of these factors are considered by the Committee in determining the composition of the Board as outlined on the previous page. With the appointment of Gill Rider during the year, the Company has exceeded Lord Davies' recommendation of 25% gender diversity ratio and now has 30% women on the Board. Whilst the Board's wish is to maintain at least 25% female representation at Board level, the need to ensure the progressive refreshing of the Board to maintain the correct balance of skills, knowledge and experience remains paramount.

An analysis of the diversity of the Board by gender as at 31 December 2015 is provided below. Details of our total workforce by gender can be found in the Sustainability and CSR report on page 48.

#### **Board of Directors**



**SIR DAVID REID**  
Chair of the Nomination Committee

## Other statutory information

In accordance with the requirements of the Companies Act 2006 ('Act') and the Disclosure Rules and Transparency Rules ('DTR') of the Financial Conduct Authority ('FCA'), 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:

Director	Position
<b>Sir David Reid</b>	Chairman
<b>Wolfhart Hauser</b>	Chief Executive Officer (retired 15 May 2015)
<b>André Lacroix</b>	Chief Executive Officer (appointed 16 May 2015)
<b>Edward Leigh</b>	Chief Financial Officer
<b>Edward Astle</b>	Non-Executive Director
<b>Alan Brown</b>	Non-Executive Director
<b>Christopher Knight</b>	Non-Executive Director (retired 15 May 2015)
<b>Dame Louise Makin</b>	Non-Executive Director
<b>Gill Rider</b>	Non-Executive Director (appointed 1 July 2015)
<b>Michael Wareing</b>	Senior Independent Non-Executive Director
<b>Mark Williams</b>	Non-Executive Director
<b>Lena Wilson</b>	Non-Executive Director

The biographies of the Directors at the date of this report are set out on pages 56 and 57.

### ARTICLES OF ASSOCIATION

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 continuing Directors will stand for election or re-election at the Annual General Meeting ('AGM').

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' 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. In accordance with the Articles of Association, the Company has executed deed polls of indemnity for the benefit of Directors of the Company.

These provisions which are deemed to be qualifying third-party indemnity provisions (as defined by section 234 of the Act), were in force during the financial year ended 31 December 2015, for the benefit of the Directors and, at the date of this report, remain in force in relation to certain losses and liabilities which they may incur (or have incurred) in connection with their duties, powers or office.

### 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 Agreements and the Directors' interests in the shares and share awards of the Company, in respect of which transactions are notifiable to the Company under Rule 3 of the DTR of the FCA are disclosed in the Remuneration report on pages 63 and 77.

### DIRECTORS' POWERS

The Directors are responsible for the strategic 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.

### DIVIDEND

The Directors are recommending a final dividend of 35.3p per ordinary share (2014: 33.1p) making a full year dividend of 52.3p per ordinary share (2014: 49.1p) which will, if approved at the AGM, be paid on 3 June 2016 to shareholders on the register at close of business on 20 May 2016.

### 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 Annual 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 514,938 shares held by the Intertek Group Employee Share Ownership Trust ('Trust') as at 31 December 2015. Details of the shares purchased by the Trust during the year are outlined within note 15 to the financial statements. 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.

# Directors' report

## Other statutory information continued

### ALLOTMENT OF SHARES

At the AGM held in 2015 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 Investment Association. The resolution will be set out in the Notice of AGM.

Also at the AGM in 2015 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 10%, at the forthcoming AGM. This limit has increased from the authority given at last year's AGM to reflect the Pre-Emption Group's revised Statement of Principles issued in March 2015. It is the Company's intention that the extra 5% would be used only for the purpose of an acquisition or a specified capital investment.

### 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 ten-year period under our relevant share plan rules.

### SIGNIFICANT AGREEMENTS – CHANGE OF CONTROL

The Company is not a party to significant agreements which take effect, alter or terminate upon a change of control following a takeover bid apart from a number of credit facilities with banks together with certain senior notes issued by the Company. The total amount owing under such credit facilities and senior note agreements as at 31 December 2015 is shown in note 14 to the financial statements. These agreements contain clauses such that, in the event of a change of control, the Company can offer to or must repay all such borrowings together with accrued interest, fees and other sums owing as required by the individual agreements.

The rules of the Company's incentive plans contain clauses relating to a change of control resulting from a takeover and in such an event awards would vest subject to the satisfaction of any associated performance criteria.

### MATERIAL INTERESTS IN SHARES

Up to 23 February 2016, being the latest practicable date before the publication of this report, 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 Rule 5 of the DTR of the FCA:

Shareholder	At date of notification	
	Number of voting rights	% of voting rights
BlackRock, Inc.	11,865,413	7.35
MFS Investment Management	9,547,182	5.92
Marathon Asset Management LLP	8,024,521	4.97
Mawer Investment Management Ltd	4,857,399	3.01

### EMPLOYMENT

Information about the Group's employees, employment of disabled persons and employment practices is contained within the Sustainability and CSR report on pages 48 and 49. Information on employee share schemes appears in note 17 to the financial statements.

### GREENHOUSE GAS EMISSIONS ('GHG')

Details regarding the Group's Greenhouse Gas emissions are given in the Sustainability and CSR report on page 50.

### POLITICAL DONATIONS

At the AGM in 2015 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 (2014: £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 information is contained in the Notice of AGM.



## BRANCHES

The Company, through various subsidiaries has established branches in a number of different countries in which the business operates. The list of subsidiaries is available on pages 129 to 132.

## FINANCIAL INSTRUMENTS

Details about the Group's use of financial instruments are outlined in note 14 to the financial statements.

## AUDITORS

Following the audit tender process, PwC have expressed their willingness to be appointed as auditors of the Company. Upon the recommendation of the Audit & Risk Committee, resolutions to appoint them as auditors and to authorise the Directors to determine their remuneration will be proposed at the forthcoming AGM in accordance with section 485(4) of the Act.

## ANNUAL GENERAL MEETING

The Notice of AGM, to be held on 25 May 2016, is available for download from the Company's website at [www.intertek.com/investors](http://www.intertek.com/investors). The Notice details the business to be conducted at the meeting and includes 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 of the Company to make himself or herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

## ANNUAL REPORT AND ACCOUNTS AND COMPLIANCE WITH LISTING RULE ('LR') 9.8.4 R

The Board has prepared a Strategic report (pages 4 to 51) which provides an overview of the development and performance of the Company's business during the year ended 31 December 2015 and its position at the end of that year, and which covers likely future developments in the business of the Company and Group.

For the purposes of compliance with DTR 4.1.5 R(2) and DTR 4.1.8 R, the required content of the 'Management Report' can be found in the Strategic report and this Directors' report (pages 52 to 88), including the sections of the Annual Report and Accounts incorporated by reference.

For the purposes of LR 9.8.4C R, the information required to be disclosed by LR 9.8.4 R can be found in the following locations:

Topic	Location
1. Amount of interest capitalised	Not applicable
2. Any information required by LR 9.2.18 R (Publication of unaudited financial information)	Not applicable
3. Details of long-term incentive schemes	Directors' Remuneration report (pages 63 to 77)
4. Waiver of emoluments by a director	Not applicable
5. Waiver of future emoluments by a director	Not applicable
6. Non pre-emptive issues of equity for cash	Not applicable
7. Information required by (6) above for any unlisted major subsidiary undertaking of the Company	Not applicable
8. Company participation in a placing by a listed subsidiary	Not applicable
9. Any contracts of significance	Other statutory information (page 86)
10. Any contracts for the provision of services by a controlling shareholder	Not applicable
11. Shareholder waivers of dividends	Other statutory information (page 85)
12. Shareholder waivers of future dividends	Other statutory information (page 85)
13. Agreements with controlling shareholders	Not applicable

# Directors' report

## 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, including FRS 101 *Reduced Disclosure Framework*.

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the 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 Strategic report, 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 pages 56 and 57, 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;
- 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; and
- the Company's 2015 Annual Report and Accounts, taken as a whole, is fair, balanced and understandable, and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy.

The Directors' report comprising pages 52 to 88 and the Group Strategic report comprising pages 4 to 51 have been approved by the Board and signed on its behalf by:



**ANDRE LACROIX**  
Chief Executive Officer

1 March 2016

Registered Office  
25 Savile Row  
London  
W1S 2ES

Registered Number: 04267576

# Financial statements

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## Notes to the financial statements

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# Financial statements

## Consolidated income statement

For the year ended 31 December 2015	Notes	Adjusted results £m	Separately Disclosed Items* £m	Total 2015 £m	Adjusted results £m	Separately Disclosed Items* £m	Total 2014 £m
<b>Revenue</b>	2	<b>2,166.3</b>	–	<b>2,166.3</b>	2,093.3	–	2,093.3
Operating costs		<b>(1,822.9)</b>	<b>(626.9)</b>	<b>(2,449.8)</b>	(1,768.9)	(47.8)	(1,816.7)
<b>Group operating profit/(loss)</b>	2	<b>343.4</b>	<b>(626.9)</b>	<b>(283.5)</b>	324.4	(47.8)	276.6
Finance income	14	<b>1.0</b>	–	<b>1.0</b>	1.8	–	1.8
Finance expense	14	<b>(25.2)</b>	–	<b>(25.2)</b>	(26.0)	(0.2)	(26.2)
<b>Net financing costs</b>		<b>(24.2)</b>	–	<b>(24.2)</b>	(24.2)	(0.2)	(24.4)
<b>Profit/(loss) before income tax</b>		<b>319.2</b>	<b>(626.9)</b>	<b>(307.7)</b>	300.2	(48.0)	252.2
Income tax expense	6	<b>(77.5)</b>	<b>38.2</b>	<b>(39.3)</b>	(72.0)	10.2	(61.8)
<b>Profit/(loss) for the year</b>	2	<b>241.7</b>	<b>(588.7)</b>	<b>(347.0)</b>	228.2	(37.8)	190.4
<b>Attributable to:</b>							
Equity holders of the Company		<b>228.2</b>	<b>(588.7)</b>	<b>(360.5)</b>	214.1	(37.8)	176.3
Non-controlling interest	20	<b>13.5</b>	–	<b>13.5</b>	14.1	–	14.1
<b>Profit/(loss) for the year</b>		<b>241.7</b>	<b>(588.7)</b>	<b>(347.0)</b>	228.2	(37.8)	190.4
<b>Earnings per share**</b>							
Basic	7			<b>(224.2)p</b>			109.5p
Diluted	7			<b>(224.2)p</b>			108.8p

\* See note 3.

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

## Consolidated statement of comprehensive income

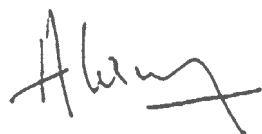
For the year ended 31 December 2015	Notes	2015 £m	2014 £m
<b>(Loss)/profit for the year</b>	2	<b>(347.0)</b>	190.4
<b>Other comprehensive income</b>			
Remeasurements on defined benefit pension schemes	16	<b>(2.2)</b>	(12.9)
Income tax recognised in other comprehensive income	6	–	(0.1)
<b>Items that will never be reclassified to profit or loss</b>		<b>(2.2)</b>	(13.0)
Foreign exchange translation differences of foreign operations	14	<b>2.0</b>	31.9
Net exchange loss on hedges of net investments in foreign operations	14	<b>(33.1)</b>	(42.9)
Gain on fair value of cash flow hedges	14	–	0.2
Tax on items that are or may be reclassified subsequently to profit or loss	6	<b>3.0</b>	(7.8)
<b>Items that are or may be reclassified subsequently to profit or loss</b>		<b>(28.1)</b>	(18.6)
<b>Total other comprehensive expense for the year</b>		<b>(30.3)</b>	(31.6)
<b>Total comprehensive income for the year</b>		<b>(377.3)</b>	158.8
<b>Total comprehensive income for the year attributable to:</b>			
Equity holders of the Company		<b>(391.8)</b>	144.0
Non-controlling interest	20	<b>14.5</b>	14.8
<b>Total comprehensive income for the year</b>		<b>(377.3)</b>	158.8

# Financial statements

## Consolidated statement of financial position

As at 31 December 2015	Notes	2015 £m	2014 £m
<b>Assets</b>			
Property, plant and equipment	8	365.3	363.3
Goodwill	9	471.1	779.9
Other intangible assets	9	160.4	174.9
Investments in associates		0.3	1.4
Deferred tax assets	6	42.7	24.6
<b>Total non-current assets</b>		<b>1,039.8</b>	1,344.1
Inventories		16.1	14.7
Trade and other receivables	11	583.5	526.5
Cash and cash equivalents	14	116.0	119.5
Current tax receivable		15.6	14.1
<b>Total current assets</b>		<b>731.2</b>	674.8
<b>Total assets</b>		<b>1,771.0</b>	2,018.9
<b>Liabilities</b>			
Interest bearing loans and borrowings	14	(96.7)	(89.8)
Current taxes payable		(52.6)	(53.4)
Trade and other payables	12	(356.6)	(301.8)
Provisions	13	(30.7)	(23.4)
<b>Total current liabilities</b>		<b>(536.6)</b>	(468.4)
Interest bearing loans and borrowings	14	(794.7)	(663.2)
Deferred tax liabilities	6	(51.7)	(35.2)
Net pension liabilities	16	(26.9)	(25.3)
Other payables	12	(17.3)	(16.1)
Provisions	13	(4.4)	(4.0)
<b>Total non-current liabilities</b>		<b>(895.0)</b>	(743.8)
<b>Total liabilities</b>		<b>(1,431.6)</b>	(1,212.2)
<b>Net assets</b>		<b>339.4</b>	806.7
<b>Equity</b>			
Share capital	15	1.6	1.6
Share premium		257.8	257.8
Other reserves		(58.0)	(25.9)
Retained earnings		110.2	547.1
<b>Total equity attributable to equity holders of the Company</b>		<b>311.6</b>	780.6
Non-controlling interest	20	27.8	26.1
<b>Total equity</b>		<b>339.4</b>	806.7

The financial statements on pages 90 to 132 were approved by the Board on 1 March 2016 and were signed on its behalf by:



**ANDRE LACROIX**  
Chief Executive Officer



**EDWARD LEIGH**  
Chief Financial Officer

# Consolidated statement of changes in equity

	Notes	Attributable to equity holders of the Company					Total before non-controlling interest £m	Non-controlling interest £m	Total equity £m
		Share capital £m	Share premium £m	Translation reserve £m	Other reserves Other £m	Retained earnings* £m			
For the year ended 31 December 2015									
<b>At 1 January 2014</b>		1.6	257.8	(20.6)	6.4	487.4	<b>732.6</b>	24.1	<b>756.7</b>
<b>Total comprehensive income for the year</b>									
Profit		–	–	–	–	176.3	<b>176.3</b>	14.1	<b>190.4</b>
Other comprehensive income		–	–	(11.7)	–	(20.6)	<b>(32.3)</b>	0.7	<b>(31.6)</b>
<b>Total comprehensive income for the year</b>		–	–	(11.7)	–	155.7	<b>144.0</b>	14.8	<b>158.8</b>
<b>Transactions with owners of the company recognised directly in equity</b>									
<b>Contributions by and distributions to the owners of the company</b>									
Dividends paid	15	–	–	–	–	(75.5)	<b>(75.5)</b>	(12.8)	<b>(88.3)</b>
Purchase of own shares	15	–	–	–	–	(20.6)	<b>(20.6)</b>	–	<b>(20.6)</b>
Tax paid on share awards vested**		–	–	–	–	(6.8)	<b>(6.8)</b>	–	<b>(6.8)</b>
Equity-settled transactions	17	–	–	–	–	7.6	<b>7.6</b>	–	<b>7.6</b>
Income tax on equity-settled transactions	6	–	–	–	–	(0.7)	<b>(0.7)</b>	–	<b>(0.7)</b>
<b>Total contributions by and distributions to the owners of the company</b>		–	–	–	–	(96.0)	<b>(96.0)</b>	(12.8)	<b>(108.8)</b>
<b>At 31 December 2014</b>		<b>1.6</b>	<b>257.8</b>	<b>(32.3)</b>	<b>6.4</b>	<b>547.1</b>	<b>780.6</b>	<b>26.1</b>	<b>806.7</b>
<b>At 1 January 2015</b>		<b>1.6</b>	<b>257.8</b>	<b>(32.3)</b>	<b>6.4</b>	<b>547.1</b>	<b>780.6</b>	<b>26.1</b>	<b>806.7</b>
<b>Total comprehensive income for the year</b>									
(Loss)/profit		–	–	–	–	(360.5)	<b>(360.5)</b>	13.5	<b>(347.0)</b>
Other comprehensive income		–	–	(32.1)	–	0.8	<b>(31.3)</b>	1.0	<b>(30.3)</b>
<b>Total comprehensive income for the year</b>		–	–	(32.1)	–	(359.7)	<b>(391.8)</b>	14.5	<b>(377.3)</b>
<b>Transactions with owners of the company recognised directly in equity</b>									
<b>Contributions by and distributions to the owners of the company</b>									
Dividends paid	15	–	–	–	–	(80.7)	<b>(80.7)</b>	(13.3)	<b>(94.0)</b>
Purchase of non-controlling interest		–	–	–	–	(0.7)	<b>(0.7)</b>	0.5	<b>(0.2)</b>
Purchase of own shares	15	–	–	–	–	(5.2)	<b>(5.2)</b>	–	<b>(5.2)</b>
Tax paid on share awards vested**	17	–	–	–	–	(3.0)	<b>(3.0)</b>	–	<b>(3.0)</b>
Equity-settled transactions	17	–	–	–	–	12.9	<b>12.9</b>	–	<b>12.9</b>
Income tax on equity-settled transactions	6	–	–	–	–	(0.5)	<b>(0.5)</b>	–	<b>(0.5)</b>
<b>Total contributions by and distributions to the owners of the company</b>		–	–	–	–	(77.2)	<b>(77.2)</b>	(12.8)	<b>(90.0)</b>
<b>At 31 December 2015</b>		<b>1.6</b>	<b>257.8</b>	<b>(64.4)</b>	<b>6.4</b>	<b>110.2</b>	<b>311.6</b>	<b>27.8</b>	<b>339.4</b>

\* 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.

\*\* The tax paid on share awards vested is related to settlement of the tax obligation on behalf of employees by the Group via the sale of a portion of the equity-settled shares.

# Financial statements

## Consolidated statement of cash flows

For the year ended 31 December 2015	Notes	2015 £m	2014 £m
<b>Cash flows from operating activities</b>			
(Loss)/profit for the year	2	<b>(347.0)</b>	190.4
Adjustments for:			
Depreciation charge	8	<b>75.1</b>	69.0
Amortisation of software	9	<b>10.1</b>	7.3
Amortisation of acquisition intangibles	9	<b>21.4</b>	20.8
Impairment of goodwill and other assets	8,9	<b>589.4</b>	–
Equity-settled transactions	17	<b>12.9</b>	7.6
Net financing costs	14	<b>24.2</b>	24.4
Income tax expense	6	<b>39.3</b>	61.8
Loss on disposal of property, plant, equipment and software		<b>0.2</b>	0.4
<b>Operating cash flows before changes in working capital and operating provisions</b>		<b>425.6</b>	381.7
Change in inventories		<b>(1.0)</b>	(2.1)
Change in trade and other receivables		<b>(10.8)</b>	(2.6)
Change in trade and other payables		<b>24.9</b>	8.8
Change in provisions		<b>6.4</b>	1.9
Special contributions into pension schemes	16	<b>(2.8)</b>	(0.9)
<b>Cash generated from operations</b>		<b>442.3</b>	386.8
Interest and other finance expense paid		<b>(26.4)</b>	(27.9)
Income taxes paid		<b>(70.8)</b>	(67.4)
<b>Net cash flows generated from operating activities</b>		<b>345.1</b>	291.5
<b>Cash flows from investing activities</b>			
Proceeds from sale of property, plant, equipment and software		<b>1.3</b>	1.0
Interest received		<b>1.0</b>	1.8
Acquisition of subsidiaries, net of cash acquired	10	<b>(231.3)</b>	(40.2)
Consideration paid in respect of prior year acquisitions	13	–	(0.3)
Purchase of non-controlling interest	20	<b>(0.3)</b>	–
Sale of associate		<b>1.1</b>	–
Acquisition of property, plant, equipment and software	8,9	<b>(112.2)</b>	(109.5)
<b>Net cash flows used in investing activities</b>		<b>(340.4)</b>	(147.2)
<b>Cash flows from financing activities</b>			
Purchase of own shares	15	<b>(5.2)</b>	(20.6)
Tax paid on share awards vested		<b>(3.0)</b>	(6.8)
Drawdown of borrowings		<b>169.0</b>	103.8
Repayment of borrowings		<b>(63.5)</b>	(129.5)
Dividends paid to non-controlling interest	20	<b>(13.3)</b>	(12.8)
Equity dividends paid	15	<b>(80.7)</b>	(75.5)
<b>Net cash flow used in financing activities</b>		<b>3.3</b>	(141.4)
Net increase in cash and cash equivalents	14	<b>8.0</b>	2.9
Cash and cash equivalents at 1 January	14	<b>119.5</b>	116.4
Effect of exchange rate fluctuations on cash held	14	<b>(11.5)</b>	0.2
<b>Cash and cash equivalents at 31 December</b>	14	<b>116.0</b>	119.5

The notes on pages 95 to 132 are an integral part of these consolidated financial statements.

Cash outflow relating to Separately Disclosed Items was £23.4m for year ended 31 December 2015 (2014: £16.9m).



# Notes to the financial statements

## 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 2015 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 133 to 137.

### IFRS's announced but not yet effective

The following IFRS's have been announced but are not yet effective in the preparation of these financial statements. Their adoption is not expected to have a material effect on the financial statements, unless otherwise indicated:

Clarification of Acceptable Methods of Depreciation and Amortisation (effective 1 January 2016).

Annual Improvements to IFRS's – 2012-2014 Cycle (effective 1 January 2016).

IFRS 15 Revenue from contracts with customers (effective 1 January 2018, not yet endorsed by the International Accounting Standards Board ('IASB')).

IFRS 16 Leases (effective 1 January 2019, not yet endorsed by the IASB) – management has not yet completed its analysis of this standard.

IFRS 9 Financial Instruments (not yet endorsed by the IASB) – management has not yet completed its analysis of this standard.

### 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 2015 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 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 power to direct the relevant activities, exposure to variable returns from the investee and the ability to use its power over the investee to affect the amount of investor returns. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

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.

# Financial statements

## Notes to the financial statements continued

### 1 Significant accounting policies (continued)

#### 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.

##### 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:

Value of £1	Assets and liabilities Actual rates		Income and expenses Cumulative average rates	
	31 Dec 2015	31 Dec 2014	2015	2014
US dollar	<b>1.48</b>	1.55	<b>1.53</b>	1.65
Euro	<b>1.36</b>	1.28	<b>1.38</b>	1.24
Chinese renminbi	<b>9.61</b>	9.65	<b>9.62</b>	10.15
Hong Kong dollar	<b>11.48</b>	12.04	<b>11.87</b>	12.80
Australian dollar	<b>2.03</b>	1.91	<b>2.04</b>	1.83

#### 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.

##### 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.

##### 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 power over the investee to affect the amount of investor returns; see page 95 'Basis of consolidation' policy.

##### Intangible assets

When the Group makes an acquisition, management determines whether any intangible assets should be recognised separately from goodwill, and the amounts at which to recognise those assets; see note 9.

##### Restructuring

In making a provision for restructuring, management has based its estimate of future costs on the specific circumstances of each local and regional restructuring plan, including estimated costs and timing of completion.

#### 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.

##### 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.

## 1 Significant accounting policies (continued)

### 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.

### 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.

### 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 receivables if the customer has been invoiced or in accrued income if billing has yet to be completed.

Long-term projects consist of two main types: a) time incurred is billed at agreed rates on a periodic basis, such as monthly; or b) staged payment invoicing occurs, requiring an assessment of percentage completion, based on services provided and revenue accrued accordingly. Expenses are recharged to clients where permitted by the contract.

Payments received in advance from customers are recognised in deferred income where services have not yet been rendered.

#### OPERATING SEGMENTS

The Group is organised into business lines, which are the Group's operating segments and are reported to the CEO, the chief operating decision maker. These operating segments are aggregated into the five divisions, which are the Group's reportable segments based on similar nature of the products and services, and type of customer. The five divisions, each of which offer services to different industries and are managed separately, are: Consumer Goods; Commercial & Electrical; Chemicals & Pharmaceuticals; Commodities and Industry & Assurance. The costs of the corporate head office and other costs which are not controlled by the five divisions are allocated appropriately.

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 stated before Separately Disclosed Items. A reconciliation to operating profit by division and Group profit for the year is included overleaf.

# Financial statements

## Notes to the financial statements continued

### 2 Operating segments and presentation of results (continued)

Principal activities are as follows:

**Consumer Goods** – the division is a market leading provider of services to the textiles, toys, footwear, hardlines and retail industries. As a partner to retailers, manufacturers and distributors the Company offers expertise on quality issues ranging from restricted hazardous substances 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. Our customers include the world's leading retailers, their partners and suppliers.

**Commercial & Electrical** – Our global network of accredited facilities provides manufacturers and retailers with a comprehensive scope of safety, performance and quality testing and certification services. The division supports a wide range of industries including home appliances, consumer electronics, information and communication technology, transportation, lighting, medical, building products, industrial and renewable energy products. Our customers include the world's leading brands and manufacturers of a wide range of consumer electrical and industrial products and components.

**Chemicals & Pharmaceuticals** – Serving a wide range of industries, including chemicals and refined products, pharmaceutical, healthcare and beauty, 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. The division's world leading technical experts also support internal technical development. Our customers include leading brands and suppliers of products and R&D to the pharma industries, makers of healthcare and beauty products, and a wide range of industrial and consumer-facing corporations who use our expertise to help them develop the materials and chemicals of the future.

**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. Our customers are global and national commodities retailers, traders and storage companies, and government ministry clients in the Middle East, Africa and South America.

**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 optimise their assets and meet global quality standards for their products. Our services provide clients with independent verification of the integrity of new assets being constructed, and existing assets being maintained, with key services that include technical inspection, asset integrity management, analytical testing, and consulting and training services. The division also provides quality and safety services to the Food and Agri sectors, certification services, second-party supplier auditing, sustainability data verification and process performance analysis. Our customers include the owners, operators and developers of new and existing industrial infrastructure, global food and hospitality brands and their suppliers, and the world's agricultural trading companies and growers.

The results of these divisions for the year ended 31 December 2015 are shown below:

#### Year ended 31 December 2015

	Revenue from external customers £m	Depreciation and software amortisation* £m	Adjusted operating profit £m	Separately Disclosed Items £m	Operating profit/(loss) £m
Consumer Goods	404.3	(11.9)	136.1	(6.3)	129.8
Commercial & Electrical	411.7	(25.2)	60.5	(10.2)	50.3
Chemicals & Pharmaceuticals	183.8	(5.0)	22.3	(2.8)	19.5
Commodities	554.8	(20.5)	79.1	(6.4)	72.7
Industry & Assurance	611.7	(13.4)	45.4	(601.2)	(555.8)
<b>Total</b>	<b>2,166.3</b>	<b>(76.0)</b>	<b>343.4</b>	<b>(626.9)</b>	<b>(283.5)</b>
<b>Group operating profit/(loss)</b>			<b>343.4</b>	<b>(626.9)</b>	<b>(283.5)</b>
Net financing costs			(24.2)	–	(24.2)
<b>Profit/(loss) before income tax</b>			<b>319.2</b>	<b>(626.9)</b>	<b>(307.7)</b>
Income tax expense			(77.5)	38.2	(39.3)
<b>Profit/(loss) for the year</b>			<b>241.7</b>	<b>(588.7)</b>	<b>(347.0)</b>

\* Depreciation and software amortisation of £85.2m (2014: £76.3m) includes unallocated charges of £9.2m (2014: £6.6m).

## 2 Operating segments and presentation of results (continued)

Year ended 31 December 2014

	Revenue from external customers £m	Depreciation and software amortisation* £m	Adjusted operating profit £m	Separately Disclosed Items £m	Operating profit £m
Consumer Goods	375.3	(11.3)	124.8	(2.4)	122.4
Commercial & Electrical	359.6	(21.4)	51.0	(5.6)	45.4
Chemicals & Pharmaceuticals	173.1	(4.9)	18.6	(6.9)	11.7
Commodities	542.4	(21.7)	65.5	(10.5)	55.0
Industry & Assurance	642.9	(10.4)	64.5	(22.4)	42.1
<b>Total</b>	<b>2,093.3</b>	<b>(69.7)</b>	<b>324.4</b>	<b>(47.8)</b>	<b>276.6</b>
<b>Group operating profit</b>			324.4	(47.8)	276.6
Net financing costs			(24.2)	(0.2)	(24.4)
<b>Profit before income tax</b>			300.2	(48.0)	252.2
Income tax expense			(72.0)	10.2	(61.8)
<b>Profit for the year</b>			228.2	(37.8)	190.4

### 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; 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	
	2015 £m	2014 £m	2015 £m	2014 £m
China (including Hong Kong)	<b>422.6</b>	389.6	<b>51.0</b>	48.9
Other	<b>358.6</b>	341.6	<b>93.3</b>	121.3
<b>Total Asia Pacific</b>	<b>781.2</b>	731.2	<b>144.3</b>	170.2
United States	<b>609.1</b>	541.5	<b>552.8</b>	590.3
Other	<b>154.9</b>	164.9	<b>53.0</b>	36.8
<b>Total Americas</b>	<b>764.0</b>	706.4	<b>605.8</b>	627.1
United Kingdom	<b>171.7</b>	179.9	<b>131.9</b>	384.5
Other	<b>449.4</b>	475.8	<b>132.3</b>	151.4
<b>Total Europe, Middle East and Africa</b>	<b>621.1</b>	655.7	<b>264.2</b>	535.9
Unallocated	–	–	<b>25.5</b>	10.9
<b>Total</b>	<b>2,166.3</b>	2,093.3	<b>1,039.8</b>	1,344.1

### MAJOR CUSTOMERS

No revenue from any individual customer exceeded 10% of total Group revenue in 2014 or 2015.

## 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.

# Financial statements

## Notes to the financial statements continued

### 3 Separately Disclosed Items (continued)

#### SEPARATELY DISCLOSED ITEMS

The Separately Disclosed Items are described in the table below:

		2015 £m	2014 £m
<b>Operating costs:</b>			
Amortisation of acquisition intangibles	(a)	<b>(21.4)</b>	(20.8)
Acquisition costs	(b)	<b>(5.8)</b>	(3.5)
Restructuring costs	(c)	<b>(6.7)</b>	(23.5)
Impairment of goodwill and other assets	(d)	<b>(589.4)</b>	–
Material claims and settlements	(e)	<b>(3.6)</b>	–
<b>Total operating costs</b>		<b>(626.9)</b>	(47.8)
Net financing costs		–	(0.2)
<b>Total before income tax</b>		<b>(626.9)</b>	(48.0)
Income tax credit on Separately Disclosed Items		<b>38.2</b>	10.2
<b>Total</b>		<b>(588.7)</b>	(37.8)

(a) Of the amortisation of acquisition intangibles in the current year, £13.4m (2014: £13.3m) relates to the customer contracts and customer relationships acquired with the purchase of Moody International Limited ('Moody') in 2011.

(b) Acquisition costs comprise £5.2m (2014: £1.3m) for transaction costs in respect of current year acquisitions, and £0.6m in respect of prior years' acquisitions (2014: £2.2m).

(c) Restructuring costs relate to asset write-offs and staff redundancies in certain regions in which the Group operates.

(d) Impairment of goodwill and other assets of £589.4m (2014: £nil) comprises £577.3m for the Industry Services CGU (consisting of £481.4m relating to goodwill, £60.3m relating to the customer contracts and customer relationships and £35.6m relating to property, plant & equipment) and £12.1m in respect of computer software.

(e) Material claims and settlements relate to a commercial claim that is separately disclosable due to its nature.

### 4 Expenses and auditor's remuneration

An analysis of operating costs by nature is outlined below:

	2015 £m	2014 £m
Employee costs	<b>956.2</b>	921.5
Depreciation and software amortisation	<b>85.2</b>	76.3
Impairment of goodwill and other assets	<b>589.4</b>	–
Other expenses	<b>819.0</b>	818.9
<b>Total</b>	<b>2,449.8</b>	1,816.7

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

	2015 £m	2014 £m
<b>Included in profit for the year are the following expenses:</b>		
Property rentals	<b>65.6</b>	59.2
Lease and hire charges – fixtures, fittings and equipment	<b>17.1</b>	15.2
Depreciation and software amortisation	<b>85.2</b>	76.3
Impairment of goodwill and other assets	<b>589.4</b>	–
Loss on disposal of property, fixtures, fittings, equipment and software	<b>0.2</b>	0.4

#### Auditor's remuneration:

Audit of these financial statements	<b>0.5</b>	0.4
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#### Amounts receivable by the auditors and their associates in respect of:

Audit of financial statements of subsidiaries pursuant to legislation	<b>2.0</b>	1.9
Total audit fees payable pursuant to legislation	<b>2.5</b>	2.3
Taxation compliance services	<b>0.3</b>	0.3
Taxation advisory services	<b>0.1</b>	0.1
Other	<b>0.2</b>	0.2
<b>Total</b>	<b>3.1</b>	2.9

The auditors and their associates were paid £11,000 (2014: £16,000) in respect of the audit of Group pension schemes.

## 5 Employees

Total employee costs are shown below:

	2015 £m	2014 £m
<b>Employee costs</b>		
Wages and salaries	<b>814.3</b>	785.0
Equity-settled transactions	<b>12.9</b>	7.6
Social security costs	<b>89.4</b>	91.8
Pension costs (note 16)	<b>39.6</b>	37.1
<b>Total employee costs</b>	<b>956.2</b>	921.5

Details of pension arrangements and equity-settled transactions are set out in notes 16 and 17 respectively.

<b>Average number of employees by division</b>	2015	2014
Consumer Goods	<b>10,898</b>	10,789
Commercial & Electrical	<b>5,812</b>	5,442
Chemicals & Pharmaceuticals	<b>1,770</b>	1,745
Commodities	<b>9,879</b>	10,252
Industry & Assurance	<b>10,305</b>	9,690
Central	<b>271</b>	244
<b>Total average number for the year ended 31 December</b>	<b>38,935</b>	38,162
<b>Total actual number at 31 December</b>	<b>41,434</b>	38,407

The total remuneration of the Directors is shown below:

	2015 £m	2014 £m
<b>Directors' emoluments</b>		
Directors' remuneration	<b>4.6</b>	2.9
Amounts charged under the long-term incentive scheme	–	0.4
Company contributions to the defined contribution schemes	<b>0.2</b>	0.3
<b>Total Directors' emoluments</b>	<b>4.8</b>	3.6

## 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, for the periods 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.

# Financial statements

## Notes to the financial statements continued

### 6 Taxation (continued)

#### Deferred tax (continued)

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 loss before tax for the year ended 31 December 2015 is £39.3m (2014: £61.8m). The Group's consolidated effective tax rate for the year ended 31 December 2015 is (12.8)% (2014: 24.5%).

The income tax expense for the adjusted profit before tax for the year ended 31 December 2015 is £77.5m (2014: £72.0m). The Group's adjusted consolidated effective tax rate for the 12 months ended 31 December 2015 is 24.3% (2014: 24.0%).

Differences between the consolidated effective tax rate of (12.8)% and notional statutory UK rate of 20.25% 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.

The Group receives tax incentives in certain jurisdictions, resulting in a lower tax charge to the income statement. Without these incentives the adjusted effective tax rate would be 26.7% (2014: 27.1%). There is no guarantee that these reduced rates will continue to be applicable in future years (see note 22).

Following the acquisition of the US businesses, PSI and the MT Group (see note 10), our expectation is that our effective tax rate for the forthcoming year is likely to increase.

#### 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:

	2015 £m	2014 £m
Current tax charge for the period	72.6	65.1
Adjustments relating to prior year liabilities	(2.6)	–
Current tax	70.0	65.1
Deferred tax movement related to current year	(35.1)	(6.3)
Deferred tax movement related to prior year	4.4	3.0
Deferred tax movement	(30.7)	(3.3)
<b>Total tax in income statement</b>	<b>39.3</b>	<b>61.8</b>
Tax on adjusted result	77.5	72.0
Tax on Separately Disclosed Items	(38.2)	(10.2)
<b>Total tax in income statement</b>	<b>39.3</b>	<b>61.8</b>

#### 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.

	2015 £m	2014 £m
<b>(Loss)/profit before taxation</b>	<b>(307.7)</b>	252.2
Notional tax charge at UK standard rate 20.25% (2014: 21.50%)	(62.3)	54.2
Differences in overseas tax rates	(2.6)	(5.6)
Tax on dividends	7.0	7.5
Non-deductible expenses	3.5	6.8
Tax exempt income	(3.9)	(6.7)
Impairment losses with no tax effect	97.3	–
Movement in unrecognised deferred tax	0.5	4.0
Adjustments in respect of prior years	1.8	3.0
Other*	(2.0)	(1.4)
<b>Total tax in income statement</b>	<b>39.3</b>	<b>61.8</b>

\* The Other category contains R&D tax credits £0.9m (2014: £nil).



## 6 Taxation (continued)

### Reconciliation of effective tax rate (continued)

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

### Income tax recognised in other comprehensive income ('OCI')

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 2015 £m	Tax credit 2015 £m	Net of tax 2015 £m	Before tax 2014 £m	Tax charge 2014 £m	Net of tax 2014 £m
Foreign exchange translation differences of foreign operations	2.0	–	2.0	31.9	–	31.9
Net exchange (loss)/gain on hedges of net investments in foreign operations	(33.1)	–	(33.1)	(42.9)	–	(42.9)
Gain on fair value of cash flow hedges	–	–	–	0.2	–	0.2
Remeasurements on defined benefit pension schemes	(2.2)	–	(2.2)	(12.9)	(0.1)	(13.0)
Deferred tax assets recognised in other comprehensive income	–	3.0	3.0	–	(7.8)	(7.8)
<b>Total other comprehensive income for the year</b>	<b>(33.3)</b>	<b>3.0</b>	<b>(30.3)</b>	<b>(23.7)</b>	<b>(7.9)</b>	<b>(31.6)</b>

### 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 2015 £m	Tax charge 2015 £m	Net of tax 2015 £m	Before tax 2014 £m	Tax credit 2014 £m	Net of tax 2014 £m
<b>Equity-settled transactions</b>	<b>12.9</b>	<b>(0.5)</b>	<b>12.4</b>	7.6	(0.7)	6.9

## DEFERRED TAX

### Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets 2015 £m	Assets 2014 £m	Liabilities 2015 £m	Liabilities 2014 £m	Net 2015 £m	Net 2014 £m
Intangible assets	0.4	0.6	(67.6)	(51.2)	(67.2)	(50.6)
Property, fixtures, fittings and equipment	19.1	5.7	(5.6)	(3.3)	13.5	2.4
Pensions	1.3	1.0	–	–	1.3	1.0
Equity-settled transactions	4.3	4.6	–	–	4.3	4.6
Provisions and other temporary differences	29.2	32.2	(1.9)	(3.7)	27.3	28.5
Tax value of losses	11.8	3.5	–	–	11.8	3.5
<b>Total</b>	<b>66.1</b>	<b>47.6</b>	<b>(75.1)</b>	<b>(58.2)</b>	<b>(9.0)</b>	<b>(10.6)</b>
<b>As shown on balance sheet:</b>						
Deferred tax assets*					42.7	24.6
Deferred tax liabilities*					(51.7)	(35.2)
<b>Total</b>					<b>(9.0)</b>	<b>(10.6)</b>

\* The deferred tax by category shown above is not netted off within companies or jurisdictions. The balance sheet shows the net position within companies or jurisdictions. The difference between the two asset and liability totals is £23.4m, but the net liability of £9.0m is the same in both cases.

# Financial statements

## Notes to the financial statements continued

### 6 Taxation (continued)

#### 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 2015 £m	Exchange adjustments £m	Acquisitions £m	Recognised in income statement £m	Recognised in equity and OCI £m	31 December 2015 £m
Intangible assets	(50.6)	(3.0)	(26.2)	12.6	–	<b>(67.2)</b>
Property, fixtures, fittings and equipment	2.4	(0.7)	–	11.8	–	<b>13.5</b>
Pensions	1.0	–	–	0.3	–	<b>1.3</b>
Equity-settled transactions	4.6	0.1	–	(0.8)	0.4	<b>4.3</b>
Provisions and other temporary differences	28.5	0.6	–	(1.8)	–	<b>27.3</b>
Tax value of losses	3.5	(0.3)	–	8.6	–	<b>11.8</b>
<b>Total</b>	<b>(10.6)</b>	<b>(3.3)</b>	<b>(26.2)</b>	<b>30.7</b>	<b>0.4</b>	<b>(9.0)</b>

	1 January 2014 £m	Exchange adjustments £m	Acquisitions £m	Recognised in income statement £m	Recognised in equity and OCI £m	31 December 2014 £m
Intangible assets	(51.4)	(2.2)	(0.1)	3.3	(0.2)	(50.6)
Property, fixtures, fittings and equipment	4.3	0.9	–	(2.8)	–	2.4
Pensions	0.9	–	–	0.2	(0.1)	1.0
Equity-settled transactions	6.8	–	–	(0.2)	(2.0)	4.6
Provisions and other temporary differences	23.7	1.4	–	3.4	–	28.5
Tax value of losses	9.9	(0.4)	–	(0.6)	(5.4)	3.5
<b>Total</b>	<b>(5.8)</b>	<b>(0.3)</b>	<b>(0.1)</b>	<b>3.3</b>	<b>(7.7)</b>	<b>(10.6)</b>

#### UNRECOGNISED DEFERRED TAX ASSETS

Deferred tax assets have not been recognised in respect of the items shown below. The numbers shown are the gross temporary differences, and to calculate the potential deferred tax asset it is necessary to multiply these by the tax rates in each case:

	2015 £m	2014 £m
Property, fixtures, fittings and equipment	<b>46.4</b>	24.2
Pensions	<b>18.4</b>	19.2
Intangibles	<b>22.8</b>	–
Equity-settled transactions	–	0.5
Provisions and other temporary differences	<b>12.1</b>	21.9
Tax losses	<b>71.9</b>	67.4
<b>Total</b>	<b>171.6</b>	133.2

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

There is a temporary difference of £206.1m (2014: £214.6m) 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. Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares in issue on the assumption of conversion of all potentially dilutive ordinary shares. Potential ordinary shares shall be treated as dilutive when, and only when, their conversion to ordinary shares would decrease earnings per share or increase loss per share from continuing operations. Basic loss per share in 2015 is therefore equal to diluted loss per share.

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:

	2015 £m	2014 £m
(Loss)/profit attributable to ordinary shareholders	<b>(360.5)</b>	176.3
Separately Disclosed Items after tax (note 3)	<b>588.7</b>	37.8
<b>Adjusted earnings</b>	<b>228.2</b>	214.1
<b>Number of shares (millions)</b>		
Basic weighted average number of ordinary shares	<b>160.8</b>	161.0
Potentially dilutive share awards	<b>1.4</b>	1.1
<b>Diluted weighted average number of shares</b>	<b>162.2</b>	162.1
<b>Basic (loss)/earnings per share</b>	<b>(224.2)p</b>	109.5p
Potentially dilutive share awards	–	(0.7)p
<b>Diluted (loss)/earnings per share</b>	<b>(224.2)p</b>	108.8p
<b>Adjusted basic earnings per share</b>	<b>141.9p</b>	133.0p
Potentially dilutive share awards	<b>(1.2)p</b>	(0.9)p
<b>Adjusted diluted earnings per share</b>	<b>140.7p</b>	132.1p

## 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.

##### 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 expected 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 to 10 years

Depreciation methods, residual values and the useful lives of 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.

# Financial statements

## Notes to the financial statements continued

### 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
<b>Cost</b>			
At 1 January 2014	67.7	680.1	747.8
Exchange adjustments	(0.7)	12.5	11.8
Additions	3.9	86.1	90.0
Impairments	–	(0.7)	(0.7)
Disposals	(0.2)	(13.4)	(13.6)
Transfer to assets held for resale	–	(1.2)	(1.2)
Businesses acquired (note 10)	–	3.4	3.4
At 31 December 2014	70.7	766.8	837.5
<b>Depreciation</b>			
At 1 January 2014	13.9	396.8	410.7
Exchange adjustments	(0.3)	7.9	7.6
Charge for the year	2.8	66.2	69.0
Impairments	–	(0.4)	(0.4)
Disposals	(0.1)	(12.1)	(12.2)
Transfer to assets held for resale	–	(0.5)	(0.5)
At 31 December 2014	16.3	457.9	474.2
<b>Net book value at 31 December 2014</b>	<b>54.4</b>	<b>308.9</b>	<b>363.3</b>

<b>Cost</b>			
At 1 January 2015	70.7	766.8	837.5
Exchange adjustments	3.2	(7.2)	(4.0)
Additions	2.1	93.3	95.4
Disposals	(0.4)	(14.6)	(15.0)
Businesses acquired (note 10)	6.8	13.9	20.7
<b>At 31 December 2015</b>	<b>82.4</b>	<b>852.2</b>	<b>934.6</b>
<b>Depreciation</b>			
At 1 January 2015	16.3	457.9	474.2
Exchange adjustments	0.5	(2.6)	(2.1)
Charge for the year	2.8	72.3	75.1
Impairments (note 9)	1.3	34.3	35.6
Disposals	(0.1)	(13.4)	(13.5)
<b>At 31 December 2015</b>	<b>20.8</b>	<b>548.5</b>	<b>569.3</b>
<b>Net book value at 31 December 2015</b>	<b>61.6</b>	<b>303.7</b>	<b>365.3</b>

Fixtures, fittings, plant and equipment include assets in the course of construction of £34.9m at 31 December 2015 (2014: £27.3m), 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:

	2015 £m	2014 £m
Freehold	55.5	47.7
Long leasehold	2.3	2.3
Short leasehold	3.8	4.4
<b>Total</b>	<b>61.6</b>	54.4

## 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 expected 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 2015 £m	Other 2015 £m	Total 2015 £m	Land and buildings 2014 £m	Other 2014 £m	Total 2014 £m
Within one year	51.5	5.0	56.5	50.8	7.9	58.7
In the second to fifth years inclusive	84.5	5.0	89.5	85.3	5.5	90.8
Over five years	62.6	–	62.6	47.8	–	47.8
<b>Total</b>	<b>198.6</b>	<b>10.0</b>	<b>208.6</b>	183.9	13.4	197.3

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 £4.4m (2014: £6.2m).

## 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 and liabilities acquired.

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 prospectively applied IFRS 3 'Business Combinations (revised 2008)'.

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

The Group measures goodwill as the fair value of the consideration transferred 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.

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.

# Financial statements

## Notes to the financial statements continued

### 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
Trade names	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 may be 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 group of assets, i.e. cash generating unit, to which the goodwill relates. A CGU represents an asset grouping at the lowest level for which there are separately identifiable cash flows.

The recoverable amount of an asset or a CGU 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.

## 9 Goodwill and other intangible assets (continued)

### INTANGIBLES

The intangibles employed by the business are analysed below:

	Other intangible assets					Total £m
	Goodwill £m	Customer relationships £m	Licences £m	Other acquisition intangibles £m	Computer software £m	
<b>Cost</b>						
At 1 January 2014	750.4	220.8	7.9	16.7	78.2	323.6
Exchange adjustments	17.5	3.9	0.2	0.4	5.4	9.9
Additions	–	–	–	–	19.5	19.5
Disposals	–	–	–	–	(0.1)	(0.1)
Businesses acquired (note 10)	24.9	7.6	–	–	–	7.6
At 31 December 2014	792.8	232.3	8.1	17.1	103.0	360.5
<b>Amortisation and impairment losses</b>						
At 1 January 2014	13.6	101.8	7.2	15.5	28.6	153.1
Exchange adjustments	(0.7)	1.9	0.3	0.4	1.9	4.5
Charge for the year	–	20.3	0.2	0.3	7.3	28.1
Disposals	–	–	–	–	(0.1)	(0.1)
At 31 December 2014	12.9	124.0	7.7	16.2	37.7	185.6
<b>Net book value at 31 December 2014</b>	<b>779.9</b>	<b>108.3</b>	<b>0.4</b>	<b>0.9</b>	<b>65.3</b>	<b>174.9</b>

### Cost

At 1 January 2015	792.8	232.3	8.1	17.1	103.0	360.5
Exchange adjustments	14.6	3.7	0.2	0.4	4.9	9.2
Additions	–	–	–	–	16.8	16.8
Disposal	–	–	–	–	(0.1)	(0.1)
Businesses acquired (note 10)	157.9	59.8	–	5.7	1.4	66.9
<b>At 31 December 2015</b>	<b>965.3</b>	<b>295.8</b>	<b>8.3</b>	<b>23.2</b>	<b>126.0</b>	<b>453.3</b>

### Amortisation and impairment losses

At 1 January 2015	12.9	124.0	7.7	16.2	37.7	185.6
Exchange adjustments	(0.1)	1.4	0.2	0.4	1.5	3.5
Charge for the year	–	21.1	0.2	0.1	10.1	31.5
Disposal	–	–	–	–	(0.1)	(0.1)
Impairment	481.4	60.3	–	–	12.1	72.4
<b>At 31 December 2015</b>	<b>494.2</b>	<b>206.8</b>	<b>8.1</b>	<b>16.7</b>	<b>61.3</b>	<b>292.9</b>
<b>Net book value at 31 December 2015</b>	<b>471.1</b>	<b>89.0</b>	<b>0.2</b>	<b>6.5</b>	<b>64.7</b>	<b>160.4</b>

In accordance with accounting standards, an impairment of £577.3m against the Industry Services CGU has been allocated across the different asset classes of £481.4m to goodwill, £60.3m to intangible assets and £35.6m relating to property, plant and equipment (see note 8).

### Other intangible assets

The other acquisition intangibles of £6.5m (2014: £0.9m) consist of covenants not to compete, know-how, trade names and guaranteed income. The average remaining amortisation period for customer relationships is seven years (2014: six years).

Computer software net book value of £64.7m at 31 December 2015 (2014: £65.3m) includes software in construction of £30.5m (2014: £35.5m).

### Impairment review

Other intangible assets were reviewed for impairment in addition to the goodwill impairment review, which included a strategic review of IT and the systems landscape for potential obsolescence. As a result, an impairment of £12.1m of IT assets related to computer software has been recorded in the year.

### Goodwill

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

	2015 £m	2014 £m
Commercial & Electrical	141.3	–
Industry & Assurance	16.6	24.9
<b>At 31 December</b>	<b>157.9</b>	<b>24.9</b>

# Financial statements

## Notes to the financial statements continued

### 9 Goodwill and other intangible assets (continued)

The total carrying amount of goodwill by operating segment is as follows, which is also used for the disclosure of the Group's impairment review:

	2015 £m	2014 £m
Industry Services	13.2	467.4
Exploration & Production	3.5	3.6
Business Assurance	6.2	3.1
Food & Agriculture Services	17.8	17.7
Cargo & Analytical Assessment	17.2	18.5
Government & Trade Services	0.2	0.2
Minerals	45.3	46.9
Softlines	3.4	3.5
Hardlines	6.5	7.5
Product Intelligence	2.4	2.6
Electrical & Wireless	46.3	43.0
Transportation Technologies	12.2	13.0
Building Products	194.5	52.4
Chemicals & Pharma/Health, Environmental & Regulatory	102.4	100.5
<b>Net book value at 31 December*</b>	<b>471.1</b>	<b>779.9</b>

\* 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

In order to determine whether impairments are required, the Group estimates the recoverable amount of each operating segment or 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. A discount factor is applied to obtain a value in use which is the recoverable amount.

#### Key assumptions

The key assumptions include the rate of revenue and profit growth within each of the territories and business lines in which the Group operates. These are based on the Group's approved budget and five year Strategic Plan. The long-term growth rate is also key since it is used in the perpetuity calculations. Finally, the discount rate used to bring the cash flow back to a present value varies depending on the location of the operation and the nature of the operations. The estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

The calculation of the value in use is sensitive to long-term growth rates and discount rates. Long-term growth rates predict growth beyond the Group's planning cycle, and range from 1.7% to 3.5% (2014: 2.5% to 4.5%). The higher long-term growth rates reflect the weighting of a CGU's operations within China. The discount rate for each CGU reflects the Group's weighted average cost of capital adjusted for the risks specific to the CGU. Discount rates ranged from 8.4% to 10.3% (2014: 9.1% to 12.7%).

#### Sensitivity analysis

None of the reasonable downside sensitivity scenarios on key assumptions would cause the carrying amount of each CGU to exceed its recoverable amount, with the exception of Industry Services. The sensitivities modelled by management include:

- Assuming revenues decline each year by 1% in 2017 to 2020 from the 2016 budgeted revenues, with margins increasing with base assumptions.
- Assuming zero growth in operating profit margins in 2016 to 2020 with revenues increasing per base assumptions.
- Assuming an increase in the discount rates used by 1%.

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

#### Impairment

At 31 December 2015, before impairment testing, goodwill of £494.6m was allocated to the Industry Services CGU. The oil and gas sector in which this CGU operates has experienced a significant downturn with a material reduction in capital and operating expenditure by its main customers. As a result, the Group revised its cash flow forecasts for Industry Services and has therefore reduced the CGU value to its recoverable amount. This has resulted in an impairment loss against goodwill of £481.4m, against intangible assets of £60.3m and against property, plant and equipment of £35.6m, in total £577.3m.



## 10 Acquisitions

### ACQUISITIONS IN 2015

On 23 November 2015, the Group completed the significant acquisition of Professional Service Industries, Inc., for a purchase price of £220.0m (£215.4m net of cash acquired), generating goodwill of £146.1m. PSI is a provider of industry-leading testing and assurance services to the commercial and civil construction markets and non-destructive testing for onshore pipelines in the USA.

On 3 February 2015, the Group acquired Adelaide Inspection Services Pty Ltd, an Australian-based business providing non-destructive testing and associated services to the power generation, construction, oil, gas and mining industries. On 10 September 2015, the Group acquired Dansk Institut for Certificering A/S, a Danish company that provides business assurance services to a wide range of industries including Hospitality, Transport and Food. On 8 October 2015, the Group acquired MT Group LLC and Materials Testing Lab, Inc. (together 'MT'), a leading provider in the US of materials testing and inspection services to the building industry. Cash consideration for these three acquisitions was £17.2m (£15.9m net of cash acquired) generating goodwill of £11.8m.

Provisional details of the net assets acquired and fair value adjustments are set out in the following tables. These analyses are provisional and amendments may be made to these figures in the 12 months following the date of acquisition.

	2015		
	Book value prior to acquisition £m	Provisional fair value adjustments £m	Fair value to Group on acquisition £m
<b>Professional Service Industries, Inc.</b>			
<b>Total</b>			
Property, plant and equipment	15.9	3.8	19.7
Goodwill	108.1	38.0	146.1
Other intangible assets	66.1	0.1	66.2
Trade and other receivables	50.7	(0.8)	49.9
Trade and other payables	(24.6)	(2.7)	(27.3)
Provisions for liabilities and charges	–	(13.2)	(13.2)
Deferred tax liabilities	(26.8)	0.8	(26.0)
<b>Net assets acquired</b>	<b>189.4</b>	<b>26.0</b>	<b>215.4</b>
Cash outflow (net of cash and debt assumed)			215.4
Contingent consideration			–
<b>Total consideration</b>			<b>215.4</b>

	2015			2014		
	Book value prior to acquisition £m	Provisional fair value adjustments £m	Fair value to Group on acquisition £m	Book value prior to acquisition £m	Fair value adjustments £m	Fair value to Group on acquisition £m
<b>Other acquisitions</b>						
<b>Total</b>						
Property, plant and equipment	1.0	–	1.0	3.3	0.1	3.4
Goodwill	–	11.8	11.8	–	24.9	24.9
Other intangible assets	–	0.7	0.7	–	7.6	7.6
Inventories	0.2	–	0.2	0.3	(0.3)	–
Trade and other receivables	4.8	–	4.8	12.3	(3.5)	8.8
Trade and other payables	(2.4)	–	(2.4)	(3.4)	(1.0)	(4.4)
Deferred tax liabilities	–	(0.2)	(0.2)	–	(0.1)	(0.1)
<b>Net assets acquired</b>	<b>3.6</b>	<b>12.3</b>	<b>15.9</b>	12.5	27.7	40.2
Cash outflow (net of cash and debt assumed)			15.9			40.2
Contingent consideration			–			–
<b>Total consideration</b>			<b>15.9</b>			40.2

### Goodwill and intangible assets

The total goodwill arising on acquisitions made during 2015 was £157.9m. There was no change to goodwill in respect of prior years' acquisitions. The goodwill arising represents the value of the assembled workforce and the benefits the Company expects to gain from increasing its presence in the relevant sectors in which the acquired businesses operate. The intangible assets of £66.9m primarily represent the value placed on customer relationships and the deferred tax thereon was £26.2m.

### Consideration paid

The total cash consideration paid for the acquisitions in the year was £237.2m (2014: £43.1m). Including cash and debt acquired of £5.9m, the purchase price was £231.3m.

### Contribution of acquisitions to revenue and profits

In total acquisitions made during 2015 contributed revenues of £26.8m and a net profit after tax of £2.0m from their respective dates of acquisition to 31 December 2015. The Group revenue and loss after tax for the year ended 31 December 2015 would have been £2,377.0m and £330.5m respectively if all the acquisitions were assumed to have been made on 1 January 2015.

# Financial statements

## Notes to the financial statements continued

### 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, and 25% of balances six to 12 months old. 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:

	2015 £m	2014 £m
Trade receivables	413.7	368.1
Other receivables	57.9	60.0
Prepayments and accrued income	111.8	97.7
Fixed assets held for resale	0.1	0.7
<b>Total trade and other receivables</b>	<b>583.5</b>	<b>526.5</b>

Trade receivables are shown net of an allowance for impairment losses of £20.0m (2014: £18.3m) and are all expected to be recovered within 12 months. Impairment on trade receivables charged as part of operating costs was £6.9m (2014: £8.4m).

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:

	2015 £m	2014 £m
Under 3 months	342.0	302.4
Between 3 and 6 months	50.1	46.9
Between 6 and 12 months	26.5	24.5
Over 12 months	15.1	12.6
<b>Gross trade receivables</b>	<b>433.7</b>	<b>386.4</b>
Allowance for impairment	(20.0)	(18.3)
<b>Trade receivables, net of allowance</b>	<b>413.7</b>	<b>368.1</b>

Included in trade receivables under three months of £342.0m (2014: £302.4m) are trade receivables of £185.1m (2014: £164.7m) which are not yet due for payment under the Group's standard terms and conditions of sale.

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

	2015 £m	2014 £m
<b>Impairment allowance for doubtful trade receivables</b>		
At 1 January	18.3	16.6
Exchange differences	(0.7)	0.3
Acquisitions	1.6	2.0
Cash recovered	0.6	(0.4)
Impairment loss recognised	6.9	4.6
Receivables written off	(6.7)	(4.8)
<b>At 31 December</b>	<b>20.0</b>	<b>18.3</b>

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 2015 £m	Current 2014 £m	Non-current 2015 £m	Non-current 2014 £m
Trade payables	64.7	42.5	–	–
Other payables	41.6	33.0	9.5	9.1
Accruals and deferred income	250.3	226.3	7.8	7.0
<b>Total trade and other payables</b>	<b>356.6</b>	<b>301.8</b>	<b>17.3</b>	<b>16.1</b>

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 2015	4.0	6.8	16.6	27.4
Exchange adjustments	(0.3)	0.2	(0.2)	(0.3)
Provided in the year:	–	0.9	10.5	11.4
in respect of current year acquisitions	–	13.2	–	13.2
in respect of prior year acquisitions	0.7	–	–	0.7
Released during the year	–	–	–	–
Utilised during the year	–	(2.6)	(14.7)	(17.3)
<b>At 31 December 2015</b>	<b>4.4</b>	<b>18.5</b>	<b>12.2</b>	<b>35.1</b>
<b>Included in:</b>				
Current liabilities	–	18.5	12.2	30.7
Non-current liabilities	4.4	–	–	4.4
<b>At 31 December 2015</b>	<b>4.4</b>	<b>18.5</b>	<b>12.2</b>	<b>35.1</b>

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.

The provision for claims of £18.5m (2014: £6.8m) 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 £12.2m (2014: £16.6m) includes restructuring provisions. The timing of the cash outflow is uncertain, but is likely to be within one year.

# Financial statements

## Notes to the financial statements continued

### 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.

### Net financing costs

Net financing costs are shown below:

Recognised in income statement	2015 £m	2014 £m
<b>Finance income</b>		
Interest on bank balances	1.0	1.8
<b>Total finance income</b>	<b>1.0</b>	<b>1.8</b>
<b>Finance expense</b>		
Interest on borrowings	(26.2)	(26.7)
Net pension interest cost (note 16)	(0.8)	(0.5)
Foreign exchange differences on revaluation of net monetary assets and liabilities	3.1	2.5
Facility fees and other*	(1.3)	(1.5)
<b>Total finance expense*</b>	<b>(25.2)</b>	<b>(26.2)</b>
<b>Net financing costs*</b>	<b>(24.2)</b>	<b>(24.4)</b>
* Includes £nil (2014: £0.2m) relating to SDIs.		
	2015 £m	2014 £m
<b>Recognised directly in other comprehensive income</b>		
Foreign exchange translation differences of foreign operations	2.0	31.9
Net exchange loss on hedges of net investment in foreign operations	(33.1)	(42.9)
Effective portion of changes in fair value of cash flow hedges	–	(0.1)
Gain on fair value of cash flow hedges	–	0.3
<b>Finance expense recognised directly in other comprehensive income, net of tax</b>	<b>(31.1)</b>	<b>(10.8)</b>
Attributable to:		
Equity holders of the Company	(32.1)	(11.5)
Non-controlling interest	1.0	0.7
<b>Finance expense recognised directly in other comprehensive income, net of tax</b>	<b>(31.1)</b>	<b>(10.8)</b>
Recognised in:		
Translation reserve and non-controlling interest	(31.1)	(11.0)
Retained earnings	–	0.2
<b>Finance expense recognised directly in other comprehensive income, net of tax</b>	<b>(31.1)</b>	<b>(10.8)</b>

# Financial statements

## Notes to the financial statements continued

### 14 Borrowings and financial instruments (continued)

#### Analysis of net debt

The components of net debt are outlined below:

	1 January 2015 £m	Cash flow £m	Exchange adjustments £m	31 December 2015 £m
<b>Cash</b>	119.5	8.0	(11.5)	<b>116.0</b>
<b>Borrowings:</b>				
Revolving credit facility US\$800m 2020	(124.1)	(123.9)	(5.8)	(253.8)
Bilateral term loan facilities US\$100m 2017	(25.8)	(39.8)	(1.9)	(67.5)
Bilateral term loan facilities US\$60m 2016	(38.6)	–	(1.8)	(40.4)
Senior notes US\$100m 2015	(64.4)	63.5	0.9	–
Senior notes US\$75m 2016	(48.3)	–	(2.3)	(50.6)
Senior notes US\$100m 2017	(64.4)	–	(3.0)	(67.4)
Senior notes US\$20m 2019	(12.9)	–	(0.6)	(13.5)
Senior notes US\$150m 2020	(96.7)	–	(4.5)	(101.2)
Senior notes US\$15m 2021	(9.7)	–	(0.4)	(10.1)
Senior notes US\$140m 2022	(90.2)	–	(4.3)	(94.5)
Senior notes US\$40m 2023	(25.8)	–	(1.2)	(27.0)
Senior notes US\$125m 2024	(80.6)	–	(3.8)	(84.4)
Senior notes US\$40m 2025	(25.8)	–	(1.2)	(27.0)
Senior notes US\$75m 2026	(48.3)	–	(2.3)	(50.6)
Other*	2.6	(6.2)	0.2	(3.4)
<b>Total borrowings</b>	<b>(753.0)</b>	<b>(106.4)</b>	<b>(32.0)</b>	<b>(891.4)</b>
<b>Total net debt</b>	<b>(633.5)</b>	<b>(98.4)</b>	<b>(43.5)</b>	<b>(775.4)</b>

\* Other borrowings of £6.2m (2014: £0.7m) and facility fees.

	1 January 2014 £m	Cash flow £m	Exchange adjustments £m	31 December 2014 £m
<b>Cash</b>	116.4	2.9	0.2	119.5
<b>Borrowings:</b>				
Revolving credit facility US\$800m 2019	(191.7)	78.2	(10.6)	(124.1)
Bilateral multi-currency facility 2016	(37.3)	36.1	1.2	–
Bilateral term loan facilities US\$40m 2015	(12.1)	(12.1)	(1.6)	(25.8)
Bilateral term loan facilities US\$60m 2016	(12.1)	(24.1)	(2.4)	(38.6)
Senior notes US\$25m 2014	(15.1)	15.1	–	–
Senior notes US\$100m 2015	(60.7)	–	(3.7)	(64.4)
Senior notes US\$75m 2016	(45.5)	–	(2.8)	(48.3)
Senior notes US\$100m 2017	(60.7)	–	(3.7)	(64.4)
Senior notes US\$20m 2019	(12.1)	–	(0.8)	(12.9)
Senior notes US\$150m 2020	(91.0)	–	(5.7)	(96.7)
Senior notes US\$15m 2021	–	(8.7)	(1.0)	(9.7)
Senior notes US\$140m 2022	(84.9)	–	(5.3)	(90.2)
Senior notes US\$40m 2023	(24.3)	–	(1.5)	(25.8)
Senior notes US\$125m 2024	(63.7)	(11.7)	(5.2)	(80.6)
Senior notes US\$40m 2025	(24.3)	–	(1.5)	(25.8)
Senior notes US\$75m 2026	–	(47.1)	(1.2)	(48.3)
Other*	0.9	1.8	(0.1)	2.6
<b>Total borrowings</b>	<b>(734.6)</b>	<b>27.5</b>	<b>(45.9)</b>	<b>(753.0)</b>
<b>Total net debt</b>	<b>(618.2)</b>	<b>30.4</b>	<b>(45.7)</b>	<b>(633.5)</b>

## 14 Borrowings and financial instruments (continued)

### Borrowings

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

	Current 2015 £m	Current 2014 £m	Non-current 2015 £m	Non-current 2014 £m
Senior term loans and notes	90.5	89.1	794.7	663.2
Other borrowings	6.2	0.7	–	–
<b>Total borrowings</b>	<b>96.7</b>	<b>89.8</b>	<b>794.7</b>	<b>663.2</b>
			2015 £m	2014 £m
<b>Analysis of debt</b>				
Debt falling due:				
In one year or less			96.7	89.8
Between one and two years			134.2	86.4
Between two and five years			367.0	199.9
Over five years			293.5	376.9
<b>Total borrowings</b>			<b>891.4</b>	<b>753.0</b>

#### Description of borrowings

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

#### US\$800m revolving credit facility

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

#### Bilateral term loan facility 1

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

#### Bilateral term loan facility 2

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

#### Private placement bonds

In June 2008 the Group issued US\$100m of senior notes. The notes, which were repaid on 26 June 2015, paid a fixed annual interest rate of 5.54%.

In December 2008 the Group issued 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 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 US\$265m of senior notes. 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%.

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

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

# Financial statements

## Notes to the financial statements continued

### 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, and in the Strategic Report – Financial Review that starts on page 34.

#### 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:

	2015 £m	2014 £m
Trade receivables, net of allowance (note 11)	413.7	368.1
Cash and cash equivalents	116.0	119.5
<b>Total</b>	<b>529.7</b>	<b>487.6</b>

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

	2015 £m	2014 £m
Asia Pacific	111.5	101.4
Americas	160.2	123.6
Europe, Middle East and Africa	142.0	143.1
<b>Total</b>	<b>413.7</b>	<b>368.1</b>

#### 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/(assets) including interest (for floating rate instruments, interest payments are based on the interest rate at 31 December 2015):

2015	Carrying amount £m	Contractual cash flows £m	Six months or less £m	6-12 months £m	1-2 years £m	2-5 years £m	More than five years £m
<b>Non-derivative financial liabilities</b>							
Senior term loans and notes	885.2	1,014.7	52.9	62.8	173.0	420.5	305.5
Other loans	6.2	6.2	–	6.2	–	–	–
Trade payables (note 12)	64.7	64.7	63.2	1.5	–	–	–
	956.1	1,085.6	116.1	70.5	173.0	420.5	305.5
<b>Derivative financial liabilities/(assets)</b>							
Forward exchange contracts:							
Outflow	–	423.4	366.5	56.9	–	–	–
Inflow	(1.6)	(425.0)	(367.7)	(57.3)	–	–	–
	(1.6)	(1.6)	(1.2)	(0.4)	–	–	–
<b>Total</b>	<b>954.5</b>	<b>1,084.0</b>	<b>114.9</b>	<b>70.1</b>	<b>173.0</b>	<b>420.5</b>	<b>305.5</b>

2014	Carrying amount £m	Contractual cash flows £m	Six months or less £m	6-12 months £m	1-2 years £m	2-5 years £m	More than five years £m
<b>Non-derivative financial liabilities</b>							
Senior term loans and notes	752.3	990.5	13.2	103.4	320.4	197.2	356.3
Other loans	0.7	0.7	–	0.7	–	–	–
Trade payables (note 12)	42.5	42.3	42.1	0.2	–	–	–
	795.5	1,033.5	55.3	104.3	320.4	197.2	356.3
<b>Derivative financial liabilities/(assets)</b>							
Forward exchange contracts:							
Outflow	–	368.5	368.5	–	–	–	–
Inflow	(4.1)	(372.6)	(372.6)	–	–	–	–
	(4.1)	(4.1)	(4.1)	–	–	–	–
<b>Total</b>	<b>791.4</b>	<b>1,029.4</b>	<b>51.2</b>	<b>104.3</b>	<b>320.4</b>	<b>197.2</b>	<b>356.3</b>

### 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 financial year. The Group's debt portfolio beyond this period is to be managed within the range of a 20%-60% fixed to floating rate ratio. To do this the Group uses hedging instruments where considered appropriate.

### Sensitivity

At 31 December 2015, 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 £4.5m (2014: £6.0m). This analysis assumes all other variables remain constant.

# Financial statements

## Notes to the financial statements continued

### 14 Borrowings and financial instruments (continued)

#### 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 subject to translation risk and transaction risk, at the reporting date were as follows:

	Carrying amount £m	Sterling £m	US dollar £m	Chinese renminbi £m	Hong Kong dollar £m	Euro £m	Other currencies £m
<b>2015</b>							
<b>Cash</b>	116.0	6.2	13.6	16.4	2.2	1.3	76.3
<b>Trade receivables (note 11)</b>	413.7	37.7	138.1	37.6	11.2	40.9	148.2
<b>Trade payables (note 12)</b>	64.7	11.0	15.3	9.0	2.1	8.8	18.5
<b>2014</b>							
Cash	119.5	12.8	7.9	25.3	2.4	4.6	66.5
Trade receivables (note 11)	368.1	39.7	98.1	36.0	10.3	37.5	146.5
Trade payables (note 12)	42.5	4.6	7.0	4.6	1.6	9.8	14.9

#### 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 2015 was £885.2m (2014: £752.3m).

A foreign exchange loss of £33.1m (2014: loss £42.9m) 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 2015 by approximately £15.9m (2014: £15.2m). This analysis assumes all other variables remain constant.

#### 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 2015 £m	Fair value 2015 £m	Book value 2014 £m	Fair value 2014 £m
<b>Financial assets</b>				
Cash and cash equivalents	<b>116.0</b>	<b>116.0</b>	119.5	119.5
Trade receivables (note 11)	<b>413.7</b>	<b>413.7</b>	368.1	368.1
Forward exchange contracts*	<b>1.6</b>	<b>1.6</b>	4.1	4.1
<b>Total financial assets</b>	<b>531.3</b>	<b>531.3</b>	491.7	491.7
<b>Financial liabilities</b>				
Interest bearing loans and borrowings*	<b>891.4</b>	<b>900.6</b>	753.0	790.6
Trade payables (note 12)	<b>64.7</b>	<b>64.7</b>	42.5	42.5
Forward exchange contracts*	<b>–</b>	<b>–</b>	–	–
<b>Total financial liabilities</b>	<b>956.1</b>	<b>965.3</b>	795.5	833.1

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

## 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 Share Ownership Trust ('ESOT')

Transactions of the Group sponsored ESOT 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	2015 Number	2015 £m	2014 £m
Allotted, called up and fully paid:			
Ordinary shares of 1p each at start of year	161,361,777	1.6	1.6
Share options exercised	–	–	–
Share awards	–	–	–
<b>Ordinary shares of 1p each at end of year</b>	<b>161,361,777</b>	<b>1.6</b>	1.6
<b>Shares classified in shareholders' funds</b>		<b>1.6</b>	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, all share options vesting were settled via the ESOT and as a result the Company issued nil (2014: nil) ordinary shares in respect of all share plans.

#### Purchase of own shares for trust

During the year ended 31 December 2015, the Company financed the purchase of 200,126 (2014: 705,537) of its own shares with an aggregate nominal value of £2,001 (2014: £7,055) for £5.2m (2014: £20.6m) which was charged to retained earnings in equity and was held by the ESOT. This trust is managed and controlled by an independent offshore trustee. During the year, 295,908 shares were utilised to satisfy the vesting of share awards and share options (note 17). At 31 December 2015, the ESOT held 514,938 shares (2014: 610,720 shares) with an aggregate nominal value of £5,149 (2014: £6,107). The associated cash outflow of £5.2m (2014: £20.6m) has been presented as a financing cash flow.

Dividends	2015 £m	2015 Pence per share	2014 £m	2014 Pence per share
Amounts recognised as distributions to equity holders:				
Final dividend for the year ended 31 December 2013	–	–	49.9	31.0
Interim dividend for the year ended 31 December 2014	–	–	25.6	16.0
Final dividend for the year ended 31 December 2014	53.3	33.1	–	–
Interim dividend for the year ended 31 December 2015	27.4	17.0	–	–
<b>Dividends paid</b>	<b>80.7</b>	<b>50.1</b>	75.5	47.0

After the reporting date, the Directors proposed a final dividend of 35.3p per share in respect of the year ended 31 December 2015, which is expected to amount to £57.0m. 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 3 June 2016.

### 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.

#### Other

This relates to a merger difference that arose in 2002 on the conversion of share warrants into share capital.

# Financial statements

## Notes to the financial statements continued

### 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 material 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. The fair value of any plan assets are deducted.

In calculating the defined benefit deficit, the discount rate is the yield at the reporting date on 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. The United Kingdom and Hong Kong schemes are funded schemes, with assets held in separate trustee administered funds and the Switzerland scheme is an insured scheme. 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 remeasurements in each year in equity through the consolidated statement of comprehensive income.

In June 2011, the International Accounting Standards Board issued revisions to IAS 19 Employee Benefits ('IAS 19') that provide changes in the recognition, presentation and disclosure of post-employment benefits. The Group has adopted the revised accounting standard from 1 January 2013.

#### TOTAL PENSION COST

The total pension cost included in operating profit for the Group was:

	2015 £m	2014 £m
Defined contribution schemes	<b>(36.3)</b>	(34.3)
Defined benefit schemes – current service cost and administration expenses	<b>(3.3)</b>	(2.8)
<b>Pension cost included in operating profit (note 5)</b>	<b>(39.6)</b>	(37.1)

The pension cost for the defined benefit schemes was assessed in accordance with the advice of qualified actuaries. The last full triennial actuarial valuation of The Intertek Pension Scheme in the United Kingdom ('United Kingdom Scheme') was carried out as at 1 April 2013, and for accounting purposes has been updated to 31 December 2015 for IAS 19 purposes. The last full actuarial valuation of the Hong Kong scheme was carried out as at 31 December 2013, for local accounting purposes but this has been updated to 31 December 2015 for IAS 19 purposes. The Swiss scheme was actuarially valued for IAS 19 purposes at 31 December 2013 and for accounting purposes has been updated to 31 December 2015 for IAS 19 purposes. The average duration of the schemes are 20 years, 10 years and 15 years for the United Kingdom, Hong Kong and Switzerland schemes respectively.

## 16 Employee benefits (continued)

### DEFINED BENEFIT SCHEMES

#### The cost of defined benefit schemes

The amounts recognised in the income statement were as follows:

	2015 £m	2014 £m
Current service cost	(2.9)	(2.6)
Scheme administration expenses	(0.4)	(0.2)
Net pension interest cost (note 14)	(0.8)	(0.5)
<b>Total charge</b>	<b>(4.1)</b>	<b>(3.3)</b>

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

Included in Other Comprehensive Income:

	2015 £m	2014 £m
Remeasurements arising from:		
Demographic assumptions	0.7	(0.3)
Financial assumptions	(0.5)	(14.1)
Experience adjustment	(0.5)	(1.2)
Asset valuation	(1.6)	3.1
Other	(0.3)	(0.4)
<b>Total</b>	<b>(2.2)</b>	<b>(12.9)</b>

#### Company contributions

The Company assessed the triennial actuarial valuation and its impact on the scheme funding plan in 2016 and future years.

In 2016 the Group expects to make normal contributions of £0.6m (2015: £1.3m) and a special contribution of £2.8m (2015: £2.8m) to the United Kingdom scheme. The next triennial valuation is due to take place as at 1 April 2016.

The Hong Kong scheme has an annual actuarial valuation, identifying the funding requirements for 2016.

#### Pension liability for defined benefit schemes

The amounts recognised in the statement of financial position for defined benefit schemes were as follows:

	United Kingdom Scheme £m	Hong Kong Scheme £m	Switzerland Scheme £m	Total £m
Fair value of scheme assets	89.4	17.6	13.9	120.9
Present value of funded defined benefit obligations	(107.8)	(22.7)	(17.3)	(147.8)
<b>Deficit in schemes</b>	<b>(18.4)</b>	<b>(5.1)</b>	<b>(3.4)</b>	<b>(26.9)</b>

The fair value changes in the scheme assets are shown below:

	2015 £m	2014 £m
Fair value of scheme assets at 1 January	120.1	113.3
Interest income	3.7	4.4
Normal contributions by the employer	1.6	1.7
Special contributions by the employer	2.8	0.9
Contributions by scheme participants	0.5	0.7
Benefits paid	(7.5)	(4.4)
Effect of exchange rate changes on overseas schemes	1.5	0.4
Remeasurements	(1.6)	3.1
Scheme administration expenses	(0.4)	—
Contribution to fund scheme administration expenses	0.2	—
<b>Fair value of scheme assets at 31 December</b>	<b>120.9</b>	<b>120.1</b>

# Financial statements

## Notes to the financial statements continued

### 16 Employee benefits (continued)

#### ASSET ALLOCATION:

Investment statements were provided by the Investment Managers which showed that, as at 31 December 2015 the invested assets of the United Kingdom Scheme totalled £89.4m (2014: £87.8m) and of the Hong Kong Scheme totalled £17.6m (2014: £18.0m) broken down as follows:

Asset class	United Kingdom Scheme		Hong Kong Scheme	
	2015 £m	2014 £m	2015 £m	2014 £m
Equities	<b>41.8</b>	45.7	<b>11.3</b>	11.5
Property	<b>8.4</b>	1.5	–	–
Bonds	–	14.8	<b>6.2</b>	6.2
Absolute Return Fund*	<b>23.0</b>	17.1	–	–
Liability Driven Investment**	<b>13.0</b>	2.8	–	–
Cash	<b>3.2</b>	5.9	<b>0.1</b>	0.3
<b>Total</b>	<b>89.4</b>	87.8	<b>17.6</b>	18.0

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

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

The United Kingdom Scheme had bank account assets of £0.1m as at 31 December 2015 (2014: £0.2m).

All unvested assets of the United Kingdom and Hong Kong Schemes are unquoted. The Switzerland Scheme is fully insured therefore there are no invested assets.

Changes in the present value of the defined benefit obligations were as follows:

	2015 £m	2014 £m
Defined benefit obligations at 1 January	<b>145.4</b>	126.4
Current service cost	<b>2.9</b>	2.6
Interest cost	<b>4.5</b>	4.9
Contributions by scheme participants	<b>0.5</b>	0.7
Benefits paid	<b>(7.5)</b>	(4.4)
Effect of exchange rate changes on overseas schemes	<b>1.7</b>	(0.4)
Remeasurements	<b>0.3</b>	15.6
<b>Defined benefit obligations at 31 December</b>	<b>147.8</b>	145.4

Principal actuarial assumptions:

	United Kingdom Scheme		Hong Kong Scheme		Switzerland Scheme	
	2015 %	2014 %	2015 %	2014 %	2015 %	2014 %
Discount rate	<b>3.7</b>	3.6	<b>1.6</b>	1.9	<b>0.8</b>	1.5
Inflation rate (based on CPI)	<b>2.5</b>	2.3	<b>n/a</b>	n/a	<b>n/a</b>	n/a
Rate of salary increases	<b>3.3</b>	3.1	<b>4.0</b>	4.0	<b>1.0</b>	1.0
Rate of pension increases:						
CPI subject to a maximum of 5% p.a.	<b>2.5</b>	2.3	<b>n/a</b>	n/a	<b>n/a</b>	n/a
Increases subject to a maximum of 2.5% p.a.	<b>1.9</b>	1.9	<b>n/a</b>	n/a	<b>n/a</b>	n/a

The retirement arrangement in Hong Kong pays a lump sum to members instead of a pension and the Switzerland Scheme is an insured plan.

## 16 Employee benefits (continued)

Life expectancy assumptions at year end for:

	United Kingdom Scheme		Hong Kong Scheme*		Switzerland Scheme	
	2015	2014	2015	2014	2015	2014
Male aged 40	<b>47.2</b>	47.0	<b>n/a</b>	n/a	<b>41.6</b>	41.6
Male aged 65	<b>22.2</b>	22.2	<b>n/a</b>	n/a	<b>18.9</b>	18.9
Female aged 40	<b>49.1</b>	49.0	<b>n/a</b>	n/a	<b>44.6</b>	44.6
Female aged 65	<b>24.5</b>	24.4	<b>n/a</b>	n/a	<b>21.4</b>	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 2015 and 2014 for the United Kingdom Scheme are the S1PA projected by year of birth, based on the CMI 2013 mortality projection model with a 1.25% long-term annual rate for future improvements. For the Switzerland Scheme, the mortality table adopted for both 2015 and 2014 is the BVG 2010, an industry standard in Switzerland which is based on statistical evidence of major Switzerland pension funds.

### SENSITIVITY ANALYSIS

The table below sets out the sensitivity on the United Kingdom and Hong Kong pension assets and liabilities as at 31 December 2015 of the two main assumptions:

Change in assumptions	UK Scheme		Hong Kong Scheme	
	Liabilities £m	Increase/ (decrease) in deficit £m	Liabilities £m	Increase/ (decrease) in deficit £m
No change	107.8	–	22.7	–
0.25% rise in discount rate	102.0	(5.8)	22.2	(0.5)
0.25% fall in discount rate	113.7	5.9	23.3	0.6
0.25% rise in inflation	110.6	2.8	22.7	–
0.25% fall in inflation	104.8	(3.0)	22.7	–

The United Kingdom Scheme is also subject to the mortality assumption. If the mortality tables used are rated up/down one year, the value placed on the liabilities increases by £3.0m and decreases by £2.9m respectively.

### FUNDING ARRANGEMENTS

#### United Kingdom Scheme

The trustees use the Projected Unit credit method with a three-year control period. Currently the scheme members pay contributions at the rate of 8.5% of salary. The employer pays contributions of 16.4% of salary, plus £0.2m per year to fund scheme expenses, and is due to make an additional contribution of £2.8m in 2016 to reduce the deficit disclosed by the 2013 valuation.

#### Hong Kong Scheme

The Trustees use the Attained Age funding method. The last actuarial valuation was as at 31 December 2013. Scheme members do not contribute to the scheme. The employer pays contributions of 8.5% of salaries including 0.6% in respect of scheme expenses.

#### Funding Risks

The main risks for the Schemes are:

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

#### Role of Third Parties

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

# Financial statements

## Notes to the financial statements continued

### 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 for service conditions. The expense of the Performance Awards (previously Matching Awards) is calculated using the Black-Scholes method and is adjusted for the probability of EPS 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 ('2002 Plan') and the Intertek Group plc 2002 Approved Share Option Plan ('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:

	2015		2014	
	Weighted average exercise price	Number of options	Weighted average exercise price	Number of options
At beginning of year	778p	44,286	710p	86,917
Exercised	778p	(26,008)	646p	(38,067)
Forfeited	762p	(18,278)	612p	(4,564)
<b>Outstanding options at end of year</b>	–	–	778p	44,286
<b>Exercisable at end of year</b>	–	–	778p	44,286

The weighted average share price of the Company at the date of exercise of share options was 2,501p (2014: 2,944p). There were no options outstanding at the year end.

#### Share Plans

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

	2015			2014		
	Deferred Share Awards	LTIP Share Awards	Total awards	Deferred Share Awards	LTIP Share Awards	Total awards
At beginning of year	851,376	649,280	1,500,656	999,279	713,329	1,712,608
Granted*	408,958	455,806	864,764	264,520	312,189	576,709
Vested**	(334,269)	(54,511)	(388,780)	(352,482)	(227,457)	(579,939)
Forfeited	(26,551)	(171,084)	(197,635)	(59,941)	(148,781)	(208,722)
<b>At end of year</b>	<b>899,514</b>	<b>879,491</b>	<b>1,779,005</b>	<b>851,376</b>	<b>649,280</b>	<b>1,500,656</b>

\* Includes 3,798 Deferred Share Awards (2014: 2,459) and 3,026 LTIP Share awards (2014: 3,223) granted in respect of dividend accruals.

\*\* Of the 388,780 awards vested in 2015, nil were satisfied by the issue of shares and 295,908 by the transfer of shares from the ESOT (see note 15).

The balance of 92,872 awards represented a tax liability of £3.0m which was settled in cash on behalf of employees by the Group, of which £1.8m was settled by the Company.

#### Deferred Share Plan

On 9 March 2015 the Remuneration Committee approved the adoption of the Intertek Deferred Share Plan (the 'DSP'). Awards may be granted under the DSP to employees of the Group (other than the executive directors of the Company) selected by the Remuneration Committee over existing, issued ordinary shares of the Company only. The DSP was adopted primarily to allow for the deferral of a proportion of selected employees annual bonus into shares in the Company, but may also be used for the grant of other awards (such as incentive awards and buy-out awards for key employees) in circumstances that the Remuneration Committee deems appropriate. The initial award under the DSP had a two-year vesting period; any subsequent awards will normally have a three-year vesting period. Awards may be made subject to performance conditions and are subject to normal good and bad leaver provisions and malus and clawback.



## 17 Share schemes (continued)

	2015	2015
	Deferred Share Awards	Total awards
<b>Outstanding Awards</b>		
At beginning of year	–	–
Granted*	<b>101,886</b>	<b>101,886</b>
Vested	–	–
Forfeited	–	–
<b>At end of year</b>	<b>101,886</b>	<b>101,886</b>

\* Includes 659 Share Awards (2014: nil) granted in respect of dividend accruals.

### Mirror Share Awards

On 20 May 2015, André Lacroix was granted conditional rights to acquire 183,149 shares under a one-off arrangement as a condition of his recruitment as CEO of the Company. The award comprised two parts, tranche A and B, with tranche A vesting on 20 May 2016 and tranche B vesting on 20 May 2017. None vested or lapsed in 2015. Further details are shown in the Remuneration Report on pages 63 to 77.

### Equity-settled transactions

During the year ended 31 December 2015, the Group recognised an expense of £12.9m (2014: £7.6m). The fair values and the assumptions used in their calculations are set out below:

	Awards					
	Deferred Share Awards	Share Awards	Performance Awards EPS element	Performance Awards TSR element	Share Awards*	Performance Awards TSR element
	2015	2015	2015	2015	2014	2014
Year shares awarded						
Fair value at measurement date (pence)	<b>2,570</b>	<b>2,570</b>	<b>2,394</b>	<b>1,317</b>	3,046	1,633
Share price (pence)	<b>2,570</b>	<b>2,570</b>	<b>2,394</b>	<b>2,394</b>	3,046	3,046
Expected volatility	n/a	n/a	n/a	<b>21.0%</b>	n/a	20.5%
Risk free interest rate	n/a	n/a	n/a	<b>0.9%</b>	n/a	1.0%
Time to maturity (years)	<b>2</b>	<b>3</b>	<b>3</b>	<b>3</b>	3	3

\* The fair values and assumptions are also the same for the EPS element of the Performance Awards.

The expected volatility is based on the historical 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

### ACQUISITIONS SUBSEQUENT TO THE BALANCE SHEET DATE

On 8 January 2016 the Group completed the acquisition of Food International Trust ('FIT-Italia'), an Italian-based provider of food quality and safety services to the retail and agricultural sectors.

## 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 note 14.

The Group uses key performance indicators, including return on invested capital and adjusted diluted 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.

# Financial statements

## Notes to the financial statements continued

### 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.

#### NON-CONTROLLING INTEREST

An analysis of the movement in non-controlling interest is shown below:

	2015 £m	2014 £m
At 1 January	26.1	24.1
Exchange adjustments	1.0	0.7
Share of profit for the year	13.5	14.1
Dividends paid to non-controlling interest	(13.3)	(12.8)
Purchase of non-controlling interest	0.5	–
<b>At 31 December</b>	<b>27.8</b>	<b>26.1</b>

### 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:

	2015 £m	2014 £m
Short-term benefits	6.9	5.8
Post-employment benefits	0.5	0.4
Equity-settled transactions	1.1	2.0
<b>Total</b>	<b>8.5</b>	<b>8.2</b>

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

	2015 £m	2014 £m
<b>Guarantees, letters of credit and performance bonds</b>	<b>23.6</b>	<b>24.3</b>

#### LITIGATION

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 Group maintains appropriate insurance cover to provide protection from the small number of significant claims it is subject to from time to time.

#### 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. In some jurisdictions the Group receives tax incentives (see note 6) which are subject to renewal and review and reduce the amount of tax payable. 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 Group companies

The principal subsidiaries whose results or financial position, in the opinion of the Directors, principally affect the figures of the Group have been shown below. All the subsidiaries shown were consolidated with Intertek Group plc as at 31 December 2015. Unless otherwise stated, these entities are wholly-owned subsidiaries.

Company name	Country of Incorporation and principal place of operation	Activity
Intertek Testing Services Shenzhen Limited	China	Trading
Intertek Testing Services Limited Shanghai (iii)	China	Trading
Intertek USA Inc.	USA	Trading
Intertek Testing Services NA Inc.	USA	Trading
Intertek Testing Services Holdings Limited (i)	England	Holding
Intertek Finance plc	England	Finance
Intertek Testing Services Hong Kong Limited	Hong Kong	Trading
Testing Holdings USA Inc.	USA	Holding
Intertek USD Finance Limited	England	Finance
Intertek Holdings Limited (i)	England	Finance
Labtest Hong Kong Ltd	Hong Kong	Trading
Intertek Technical Services Inc. (ii)	USA	Trading
RCG-Moody International Limited	England	Holding

(i) Directly owned by Intertek Group plc

(ii) Ownership held in Ordinary and Preference shares

(iii) Equity shareholding 85%, Company controlled by the Group based on management's assessment

### GROUP COMPANIES

In accordance with section 409 of the Companies Act 2006 a full list of subsidiaries, partnerships, associates, joint ventures and joint arrangements, the country of incorporation and the effective percentage of equity owned, as at 31 December 2015 are disclosed. The above principal subsidiaries have not been duplicated in the list below. Unless otherwise stated the share capital disclosed comprises ordinary shares which are indirectly held by Intertek Group plc.

#### FULLY OWNED SUBSIDIARIES

0949491 B.C. Limited (Canada)	H.P. White Laboratory Inc. (United States)
4th Strand, LLC (United States)	Industry Services, US Construction (i) (United States)
Adelaide Inspection Services Pty Limited (Australia)	Inspection Services (US), LLC (United States)
Ageus Solutions Inc. (Canada)	Inteco Group Services Limited (i) (British Virgin Islands)
Alta Analytical Laboratory, Inc. (i) (United States)	International Cargo Services, Inc. (i) (United States)
Amtac Certification Services Limited (England)	International Inspection Services Limited (Isle of Man)
Architectural Testing Canada, Inc. (Canada)	Intertek (KG) Limited Liability Company (ii) (Kyrgyzstan)
Architectural Testing Holdings, Inc. (United States)	Intertek (Mauritius) Limited (Mauritius)
Architectural Testing, Inc. (United States)	Intertek (Schweiz) AG (Switzerland)
Atlantic Verification Cape (Proprietary) Limited (South Africa)	Intertek Academy A/S (Denmark)
BiDiagnostics Holding AB (Sweden)	Intertek Argentina Certificaciones S.A. (iii) (Argentina)
Caleb Brett Ecuador S.A. (Ecuador)	Intertek Aruba N.V. (Aruba)
Cantox US Inc. (United States)	Intertek Asset Integrity Management, Inc. (United States)
Capcis Limited (England)	Intertek ATI SRL (Romania)
Center for the Evaluation of Clean Energy Technology, Inc. (United States)	Intertek Australia Holdings Pty Limited (Australia)
Charon Insurance Limited (Bermuda)	Intertek Azeri Limited (Azerbaijan)
Electrical Mechanical Instrument Services (UK) Limited (Scotland)	Intertek BA EOOD (Bulgaria)
Entela-Taiwan, Inc. (United States)	Intertek Bangladesh Limited (Bangladesh)
Esperanza Guernsey Holdings Ltd. (Guernsey)	Intertek Belgium NV (Belgium)
Esperanza International Services (Southern Africa) (Pty.) Limited (South Africa)	Intertek Burkina Faso Ltd Sarl (i) (Burkina Faso)
Four Front Research (India) Pvt Limited (ii) (India)	Intertek C&T Australia Holdings PTY Ltd (i) (Australia)
Gellatly Hankey Marine Services (M) Sdn Bhd (Malaysia)	Intertek C&T Australia Pty Ltd (i) (Australia)
Genalysis Laboratory Services Pty Limited (v) (Australia)	Intertek Caleb Brett (Uruguay) S.A. (Uruguay)
Geotechnical Services Pty Limited (Australia)	Intertek Caleb Brett Chile S.A. (Chile)
Global X-Ray & Testing Corporation (United States)	Intertek Caleb Brett Colombia S.A. (Colombia)
Global X-Ray Holdings, Inc. (iv) (United States)	Intertek Caleb Brett El Salvador S.A. de C.V. (El Salvador)
Hawks Acquisition Holding, Inc (United States)	Intertek Caleb Brett Germany GmbH (Germany)
Hi-Tech Holdings, Inc. (United States)	Intertek Caleb Brett Panama, Inc. (i) (Panama)
Hi-Tech Testing Service, Inc. (United States)	Intertek Caleb Brett Venezuela C.A. (Venezuela)
	Intertek Capacitacion Chile Spa (Chile)
	Intertek Capital Resources Limited (England)
	Intertek Certification AB (Sweden)

# Financial statements

## Notes to the financial statements continued

### 23 Principal Group companies (continued)

Intertek Certification AS (Norway)	Intertek Industry WLL (Bahrain)
Intertek Certification France (France)	Intertek Inspection Services Ltd (Canada)
Intertek Certification GmbH (Germany)	Intertek Inspection Services Scandinavia AS (Norway)
Intertek Certification International Sdn. Bhd. (Malaysia)	Intertek Inspection Services UK Limited (England)
Intertek Certification Japan Limited (Japan)	Intertek Insurance Surveyors and Loss Assessors Private Limited (India)
Intertek Certification Limited (England)	Intertek International France (France)
Intertek Ceska Republika, s.r.o. (ii) (Czech Republic)	Intertek International Guinee S.A.R.L. (Guinea)
Intertek Commodities Botswana (Proprietary) Limited (Botswana)	Intertek International Inc. (United States)
Intertek Commodities Mozambique Lda (Mozambique)	Intertek International Kazakhstan, LLC (Kazakhstan)
Intertek Consulting & Training (UK) Limited (Scotland)	Intertek International Limited (England)
Intertek Consulting & Training (USA), Inc. (United States)	Intertek International LLC (Uzbekistan)
Intertek Consulting & Training Colombia Limitada (Colombia)	Intertek International Ltd Egypt (Egypt)
Intertek Consulting & Training Egypt (Egypt)	Intertek International Nederland BV (Netherlands)
Intertek Consulting AB (Sweden)	Intertek International Niger SARL (Niger)
Intertek Consumer Goods GmbH (Germany)	Intertek International Suriname N.V. (Suriname)
Intertek Curacao N.V. (Curacao)	Intertek International Tanzania Limited (United Republic of Tanzania)
Intertek de Guatemala SA (Guatemala)	Intertek Italia SpA (Italy)
Intertek de Nicaragua S.A. (Nicaragua)	Intertek Japan K.K. (Japan)
Intertek Denmark A/S (Denmark)	Intertek Kalite Servisleri Limited Sirketi (Turkey)
Intertek Deutschland GmbH (Germany)	Intertek Korea Industry Service Ltd (Republic of Korea)
Intertek DIC A/S (Denmark)	Intertek Labtest S.A.R.L (Morocco)
Intertek Egypt for Testing Services (Egypt)	Intertek Ltd (Bahamas)
Intertek Engineering Service Shanghai Limited (China)	Intertek Luxembourg S.a.r.l (Luxembourg)
Intertek Engineering Services (Wuhu) Ltd (China)	Intertek Management Services (Australia) Pty Ltd (Australia)
Intertek Estonia OÜ (Estonia)	Intertek Med SARL AU (Morocco)
Intertek Evaluate AB (Sweden)	Intertek Medical Diagnostic Testing Centre (Shanghai) Co. Ltd (China)
Intertek Finance Ireland (Ireland)	Intertek Minerales Services SARL (Guinea)
Intertek Finance No. 2 Ltd (England)	Intertek Minerals Limited (Ghana)
Intertek Finland OY (Finland)	Intertek Myanmar Limited (Myanmar)
Intertek Fisheries Certification Limited (England)	Intertek Nederland B.V. (Netherlands)
Intertek Food Services GmbH (Germany)	Intertek Nominees Limited (England)
Intertek France (France)	Intertek Overseas Holdings Limited (England)
Intertek Fujairah FZC (United Arab Emirates)	Intertek Overseas Holdings, Eritrea Limited (Eritrea)
Intertek Genalysis (Zambia) Limited (Zambia)	Intertek Pakistan (Private) Limited (Pakistan)
Intertek Genalysis Madagascar SA (Madagascar)	Intertek Poland sp.z o.o. (Poland)
Intertek Genalysis SI Ltd (Solomon Islands)	Intertek Poland-Certification Sp. z.o.o (Poland)
Intertek Ghana Limited (Ghana)	Intertek Polychemlab B.V. (Netherlands)
Intertek Global (Iraq) Limited (i) (England)	Intertek Portugal Unipessoal Lda (Portugal)
Intertek Global International LLC (Qatar)	Intertek Quality Services Ltd (i) (England)
Intertek Global Limited (Jersey)	Intertek Resource Solutions (Trinidad) Limited (Trinidad and Tobago)
Intertek Health Sciences Inc. (Canada)	Intertek Resource Solutions, Inc. (United States)
Intertek Holding Deutschland GmbH (Germany)	Intertek Rus CJSC (Russia)
Intertek Holdings France (France)	Intertek S.R.O (Czech Republic)
Intertek Holdings Italia SRL (Italy)	Intertek Saudi Arabia Limited (England)
Intertek Holdings Nederland B.V. (Netherlands)	Intertek Saudi Arabia Limited (Saudi Arabia)
Intertek Holdings Norge AS (Norway)	Intertek ScanBi Diagnostics AB (Sweden)
Intertek Hungary Kft. (Hungary)	Intertek Secretaries Limited (i) (England)
Intertek Ibérica Spain S.L. (Spain)	Intertek Semko AB (Sweden)
Intertek India Private Limited (India)	Intertek Services (Pty) Ltd (South Africa)
Intertek Industrial Services GmbH (Germany)	Intertek Servicios C.A. (i) (Venezuela)
Intertek Industry and Certification Services (Thailand) Limited. (Thailand)	Intertek Settlements Limited (i) (England)
Intertek Industry Services (PTY) LTD (South Africa)	Intertek Status N.V. (Saint Martin)
Intertek Industry Services (S) Pte Ltd (Singapore)	Intertek Surveying Services (USA) LLC (United States)
Intertek Industry Services Brasil Ltda (Brazil)	Intertek Surveying Services UK Limited (Scotland)
Intertek Industry Services Colombia Limited (Colombia)	Intertek Tajikistan, LLC (ii) (Tajikistan)
Intertek Industry Services Japan Limited (Japan)	Intertek Technical Inspections Canada Inc. (iii) (Canada)
Intertek Industry Services Romania Srl (Romania)	Intertek Technical Services PTY Limited (Australia)
	Intertek Testing & Certification Limited (England)

## 23 Principal Group companies (continued)

Intertek Testing and Inspection Services UK Limited (England)  
 Intertek Testing Management Limited (England)  
 Intertek Testing Services (Australia) Pty Limited (Australia)  
 Intertek Testing Services (Cambodia) Company Limited (Cambodia)  
 Intertek Testing Services (East Africa) Pty Limited (South Africa)  
 Intertek Testing Services (Fiji) Limited (Fiji)  
 Intertek Testing Services (Guangzhou) Ltd (China)  
 Intertek Testing Services (ITS) Canada Ltd. (Canada)  
 Intertek Testing Services (Japan) K. K. (Japan)  
 Intertek Testing Services (NZ) Limited (New Zealand)  
 Intertek Testing Services (Shanghai FTZ) Co., Ltd (China)  
 Intertek Testing Services (Singapore) Pte Ltd. (Singapore)  
 Intertek Testing Services (Thailand) Limited (Thailand)  
 Intertek Testing Services Argentina S.A. (Argentina)  
 Intertek Testing Services Bolivia S.A. (Bolivia)  
 Intertek Testing Services Caleb Brett Egypt Limited (England)  
 Intertek Testing Services Center (Russia)  
 Intertek Testing Services Chongqing Co. Limited (China)  
 Intertek Testing Services de Honduras, S.A. (Honduras)  
 Intertek Testing Services De Mexico, S.A. De C.V. (iii) (Mexico)  
 Intertek Testing Services Environmental Laboratories Inc. (i) (United States)  
 Intertek Testing Services International (Hong Kong) Limited (Hong Kong)  
 Intertek Testing Services International AB (i) (Sweden)  
 Intertek Testing Services Korea Limited (Republic of Korea)  
 Intertek Testing Services NA Limited (Canada)  
 Intertek Testing Services NA Sweden AB (i) (Sweden)  
 Intertek Testing Services Namibia (Proprietary) Limited (Namibia)  
 Intertek Testing Services Pacific Limited (Hong Kong)  
 Intertek Testing Services Peru S.A. (Peru)  
 Intertek Testing Services Philippines, Inc. (Philippines)  
 Intertek Testing Services Taiwan Limited (Taiwan)  
 Intertek Testing Services Tianjin Limited (China)  
 Intertek Torton Limited (Hong Kong)  
 Intertek Training Malaysia Sdn. Bhd. (Malaysia)  
 Intertek Trinidad Limited (Trinidad and Tobago)  
 Intertek UK Holdings Limited (England)  
 Intertek Ukraine (Ukraine)  
 Intertek USA Finance LLC (United States)  
 Intertek Vietnam Limited (Vietnam)  
 Intertek West Africa SARL (Cote d'Ivoire)  
 Intertek West Lab AS (Norway)  
 Intertek Genalysis (South Africa) Pty Limited (South Africa)  
 ITS (PNG) Limited (Papua New Guinea)  
 ITS Hong Kong NA, Limited (i) (Hong Kong)  
 ITS Labtest Bangladesh Limited (Bangladesh)  
 ITS Testing Holdings Canada Limited (Canada)  
 ITS Testing Services (UK) Limited (England)  
 Labtest International Inc. (United States)  
 Labtest (South Africa) (Proprietary) Ltd (ii) (South Africa)  
 Labtest Portugal-Testes Laboratoriais, Unipessoal Lda. (Portugal)  
 Lintec Testing Services Limited (England)  
 Louisiana Grain Services, Inc. (i) (United States)  
 Mace Land Company, Inc. (United States)  
 Management & Industrial Consultancy (i) (Egypt)  
 Management Systems International Limited (i) (England)  
 Material Testing Lab Inc (United States)  
 Materials Testing & Inspection Services Limited (England)  
 McPhar Geoservices (Philippines) Inc. (i) (Philippines)  
 Melbourn Scientific Limited (England)  
 Metoc Limited (England)  
 Midwest Engineering Services, Inc. (United States)  
 Moody Algeria SARL (Algeria)  
 Moody Energy Technical Service Co Ltd (China)  
 Moody International (Holdings) Limited (England)  
 Moody International (India) Private Limited (India)  
 Moody International (Malaysia) Sdn Bhd (Malaysia)  
 Moody International (Russia) Limited (England)  
 Moody International Angola Ltda (Angola)  
 Moody International Certification India Limited (India)  
 Moody International de Argentina SA (Argentina)  
 Moody International Holdings LLC (United States)  
 Moody International LLC (i) (Ukraine)  
 Moody International Philippines Inc. (Philippines)  
 Moody International Scandinavia AB (Sweden)  
 Moody Shanghai Consulting Ltd (China)  
 Moody United Certification Limited (China)  
 MT Group LLC (United States)  
 MT Operating of New Jersey LLC (United States)  
 MT Operating of New York LLC (United States)  
 NDT Services Limited (England)  
 Northern Territory Environmental Laboratories Pty Ltd (Australia)  
 OY Intertek Trading Limited (ii) (Finland)  
 Paulsen & Bayes-Davy Ltd (Hong Kong)  
 Petroleum Services of Union Lab Sdn Bhd (Malaysia)  
 Pittsburgh Testing Laboratory, Inc (United States)  
 Professional Service Industries Holding, Inc. (United States)  
 Professional Service Industries (Canada), Inc. (Canada)  
 Professional Service Industries, Inc. (United States)  
 PSI Acquisitions, Inc. (United States)  
 PT. Moody Technical Services (Indonesia)  
 PT. RCG Moody (Indonesia)  
 RCG Moody International Uruguay S.A. (Uruguay)  
 S.A.R.L. Intertek OCA France (France)  
 Schindler & Associates (L.C.) (i) (United States)  
 Shanghai Orient Intertek Testing Services Company Limited (China)  
 Shanghai Tianxiao Investment Consultancy Company Limited (China)  
 Technical Company for Testing and Conformity Services & Systems LLC (Iraq)  
 Testing Holdings Sweden AB (Sweden)  
 Tradegood Singapore Pte. Ltd. (Singapore)  
 Tradegood WFOE – Beijing Rui Gu Information Consultancy Company Ltd (China)  
 Tradegood.com International Limited (Hong Kong)  
 UAB Intertek Lithuania (Lithuania)  
 Utah Inspection, L.L.C. (United States)  
 Van Sluys & Bayet NV (Belgium)  
 Western X-Ray Service, L.L.C. (United States)  
 White Land Company, Inc. (United States)  
 Wilson Inspection X-Ray Services, Inc. (United States)  
 Wisco SE Asia PTE Limited (i) (Singapore)  
 Yickson Enterprises Limited (Hong Kong)  
 Youngever Holdings Limited (British Virgin Islands)

# Financial statements

## Notes to the financial statements continued

### 23 Principal Group companies (continued)

#### SUBSIDIARIES WHERE THE EFFECTIVE INTEREST IS LESS THAN 100%

Hi-Cad de Mexico SA de CV (i) (Mexico, 98%)  
International Inspection Services LLC (Oman, 70%)  
Intertek Angola LDA (Angola, 99%)  
Intertek do Brasil Inspecoes Ltda (Brazil, 99%)  
Intertek Engineering Service Shanghai Limited (China, 90%)  
Intertek Laboratorios (Brazil, 85%)  
Intertek Testing Services (South Africa) (Proprietary) Limited (South Africa, 75%)  
Intertek Testing Services Nigeria Limited (Nigeria, 60%)  
ITS (Subic Bay), Inc. (Philippines, 99%)  
ITS Testing Services (M) Sdn Bhd (Malaysia, 74%)  
Laboratory Services International Rotterdam B.V. (Netherlands, 75%)  
Lynx Diagnostics Inc. (vii) (Canada, 50%)  
Moody International Certification Limited (i) (Latvia, 40%)  
Moody International Holdings Chile Ltda (Chile, 99%)  
Moody International Lanka (Private) Ltd. (Sri Lanka, 99.90%)  
PT Citrabuana Indoloka (vii) (Indonesia, 50%)  
RCG Moody International de Venezuela S.A. (Venezuela, 99.03%)  
Shanghai Moody Management & Technical Services Co. Ltd (China, 90%)

#### JOINT VENTURES

Caleb Brett Abu Dhabi LLC (United Arab Emirates, 49%)  
Euro Mechanical Instrument Services LLC (United Arab Emirates, 49%)  
Intertek (Qeshm Island) Limited (Iran, 51%)  
Intertek ETL SEMKO KOREA Limited (Republic of Korea, 90%)  
Intertek Industry Services (PTY) LTD (Cote d'Ivoire, 34%)  
Intertek Kimsco Co. Ltd. (vii) (Republic of Korea, 50%)  
Intertek Lanka (Private) Limited (Sri Lanka, 69%)  
Intertek Libya Technical Services and Consultations Company Spa (Libya, 65%)  
Intertek Robotic Laboratories Pty Limited (vii) (Australia, 50%)  
Intertek Test Hizmetleri Anonim Sirketi (Turkey, 89.97%)  
Intertek Testing Services (Hangzhou) Limited (China, 70%)  
Intertek Testing Services Wuxi Ltd (China, 70%)  
Intertek-Motabaqah Testing (Saudi Arabia, 51%)  
ITS Caleb Brett Deniz Survey A S (vii) (Turkey, 50%)  
ITS Testing Services Holdings (M) Sdn Bhd (Malaysia, 49%)  
Moody International Bangladesh Limited (Bangladesh, 99.98%)  
Moody International Certification Ltd (Malta, 40%)  
PT. Intertek Utama Services (vii) (Indonesia, 50%)  
Qatar Calibration Services LLC (Qatar, 49%)  
Shenzhen Moody Quality Management (China, 55%)  
Societe Tunisienne d'Inspection Caleb Brett SARL (Tunisia, 51%)  
UzIntertek Testing Services LLC (Uzbekistan, 51%)

#### ASSOCIATES

Intertek Riyadh Geotechnique and Foundations Laboratory (Saudi Arabia, 51%)

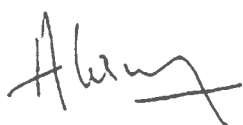
Decernis LLC (United States, 20%)

- (i) Dormant Company.
- (ii) In Liquidation.
- (iii) Ownership held in class of A shares and B shares.
- (iv) Ownership held in class of A shares and E shares.
- (v) Ownership held in ordinary and preference shares.
- (vi) Shares held in Class A, B, C, D, E and F.
- (vii) Intertek shares joint control over the company under a shareholders' agreement, and its rights to the profit, assets and liabilities of the company are dependent on the performance of the group's brands rather than the effective equity ownership of the company.

# Intertek Group plc – Company balance sheet

As at 31 December 2015	Notes	2015 £m	2014 £m
<b>Fixed assets</b>			
Investments in subsidiary undertakings	(d)	<b>308.1</b>	300.9
<b>Current assets</b>			
Debtors due after more than one year	(e)	<b>124.5</b>	153.4
Debtors due within one year		<b>66.9</b>	32.6
		<b>191.4</b>	186.0
Cash at bank and in hand		<b>1.0</b>	–
		<b>192.4</b>	186.0
<b>Creditors due within one year</b>			
Overdraft and loans		–	(3.6)
Other creditors		<b>(30.6)</b>	(7.1)
		<b>(30.6)</b>	(10.7)
<b>Net current assets</b>			
		<b>161.8</b>	175.3
<b>Total assets less current liabilities</b>			
		<b>469.9</b>	476.2
<b>Creditors due after one year</b>			
Other creditors	(f)	<b>(55.2)</b>	(8.5)
		<b>(55.2)</b>	(8.5)
<b>Net assets</b>			
		<b>414.7</b>	467.7
<b>Capital and reserves</b>			
Called up share capital	(g)	<b>1.6</b>	1.6
Share premium	(g)	<b>257.8</b>	257.8
Profit and loss account	(g)	<b>155.3</b>	208.3
<b>Shareholders' funds</b>			
		<b>414.7</b>	467.7

The financial statements on pages 133 to 137 were approved by the Board on 1 March 2016 and were signed on its behalf by:



**ANDRE LACROIX**  
Chief Executive Officer



**EDWARD LEIGH**  
Chief Financial Officer

# Financial statements

## *Intertek Group plc – Company statement of changes in equity*

	Notes	Share capital £m	Share premium £m	Retained earnings £m	Total equity £m
<b>At 1 January 2014</b>		1.6	257.8	217.6	<b>477.0</b>
<b>Total comprehensive income for the year</b>					
Profit	(b)	–	–	85.5	<b>85.5</b>
<b>Total comprehensive income for the year</b>		–	–	85.5	<b>85.5</b>
<b>Transactions with owners of the company recognised directly in equity</b>					
<b>Contributions by and distributions to the owners of the company</b>					
Dividends paid	(c)	–	–	(75.5)	<b>(75.5)</b>
Purchase of own shares		–	–	(20.6)	<b>(20.6)</b>
Tax paid on share awards vested		–	–	(6.3)	<b>(6.3)</b>
Equity-settled transactions	(d)	–	–	7.6	<b>7.6</b>
<b>Total contributions by and distributions to the owners of the company</b>		–	–	(94.8)	<b>(94.8)</b>
<b>At 31 December 2014</b>		<b>1.6</b>	<b>257.8</b>	<b>208.3</b>	<b>467.7</b>
<b>At 1 January 2015</b>		<b>1.6</b>	<b>257.8</b>	<b>208.3</b>	<b>467.7</b>
<b>Total comprehensive income for the year</b>					
Profit	(b)	–	–	21.8	<b>21.8</b>
<b>Total comprehensive income for the year</b>		–	–	21.8	<b>21.8</b>
<b>Transactions with owners of the company recognised directly in equity</b>					
<b>Contributions by and distributions to the owners of the company</b>					
Dividends paid	(c)	–	–	(80.7)	<b>(80.7)</b>
Purchase of own shares		–	–	(5.2)	<b>(5.2)</b>
Tax paid on share awards vested		–	–	(1.8)	<b>(1.8)</b>
Equity-settled transactions	(d)	–	–	12.9	<b>12.9</b>
<b>Total contributions by and distributions to the owners of the company</b>		–	–	(74.8)	<b>(74.8)</b>
<b>At 31 December 2015</b>		<b>1.6</b>	<b>257.8</b>	<b>155.3</b>	<b>414.7</b>



# 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

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

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

In the transition to FRS 101, the Company has applied IFRS 1 whilst ensuring that its assets and liabilities are measured in compliance with FRS 101. The transition to FRS 101 has not affected the reported financial position and financial performance of the Company.

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

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

As the consolidated financial statements include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of IFRS 2 Share Based Payments in respect of group settled share based payments.

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

Under Section 408 of the Companies Act 2006 the Company is exempt from the requirement to present its own profit and loss account.

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

### Foreign currencies

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

### Taxation

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

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

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

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

# Financial statements

## Notes to the Company financial statements continued

### Dividends on shares presented within shareholders' funds

Dividend income is recognised in profit or loss on the date that the Company's right to receive payment is established.

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

### Investments in subsidiaries

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

### 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.

### (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:

	2015 £m	2014 £m
Final dividend paid in respect of prior year but not recognised as a liability in that year	53.3	49.9
Interim dividends paid in respect of the current year	27.4	25.6
<b>Aggregate amount of dividends paid in the financial year</b>	<b>80.7</b>	<b>75.5</b>

The aggregate amount of dividends proposed and recognised as liabilities as at 31 December 2015 is £nil (2014: £nil). The aggregate amount of dividends proposed and not recognised as liabilities as at 31 December 2015 is £57.0m (2014: £53.3m).

### (D) INVESTMENT IN SUBSIDIARY UNDERTAKINGS

	2015 £m	2014 £m
Cost and net book value		
At 1 January	300.9	301.2
Additions due to share-based payments	12.9	7.6
Recharges of share-based payments to subsidiaries	(5.7)	(7.9)
<b>At 31 December</b>	<b>308.1</b>	<b>300.9</b>

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 £12.9m (2014: £7.6m). Details of the principal operating subsidiaries are set out in note 23 to the Group financial statements.

The Company had two direct subsidiary undertakings at 31 December 2015; 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. 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

	2015 £m	2014 £m
<b>Amounts owed by Group undertakings</b>	<b>124.5</b>	<b>153.4</b>

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.

## **(F) CREDITORS DUE AFTER MORE THAN ONE YEAR**

	<b>2015</b>	<b>2014</b>
	<b>£m</b>	<b>£m</b>
<b>Amounts owed to Group undertakings</b>	<b>55.2</b>	<b>8.5</b>

The amounts owed to Group undertakings represent long-term loans due in two to five years, which carry interest based on the denomination of the borrowing currency.

## **(G) STATEMENT OF CHANGES IN EQUITY**

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 £80.7m (2014: £75.5m), was £21.8m (2014: £85.5m) 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 2015 amounting to £3.0m of which the Company settled £1.8m (2014: £6.3m).

During the year ended 31 December 2015, the Company purchased, through its Employee Benefit Trust, 200,126 (2014: 705,537) of its own shares with an aggregate nominal value of £2,001 (2014: £7,055) for £5.2m (2014: £20.6m) which was charged to profit and loss in equity.

## **(H) RELATED PARTY TRANSACTIONS**

Details of related party transactions are set out in note 21 of the Group financial statements.

## **(I) 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 £10.5m at 31 December 2015 (2014: £29.5m).

From time to time, in the normal course of business, the Company may give guarantees in respect of certain liabilities of subsidiary undertakings.

## **(J) 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 Information

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

#### **OPINIONS AND CONCLUSIONS ARISING FROM OUR AUDIT**

##### **1 Our opinion on the financial statements is unmodified**

We have audited the financial statements of Intertek Group plc for the year ended 31 December 2015 set out on pages 90 to 137. 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 2015 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union;
- the parent Company financial statements have been properly prepared in accordance with UK Accounting Standards, including FRS 101 Reduced Disclosure Framework; 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.

##### **2 Our assessment of risks of material misstatement**

In arriving at our audit opinion above on the financial statements the risks of material misstatement that had the greatest effect on our audit, in decreasing order of audit significance, were as follows:

###### **Impairment of goodwill £481.4m (2014: £nil)**

Refer to page 79 (Audit Committee Report), page 107 (accounting policy), and pages 107 to 110 (financial disclosures)

**The risk** – The Group has significant goodwill and other acquired intangible assets in a wide range of geographical locations, and during the year recognised a £577.3m impairment charge of which £481.4m related to the impairment of the goodwill held in respect of the Industry Services CGU, with the remainder being against other intangible assets and property, plant and equipment of that CGU following a decline in current and forecast performance in light of the continued deterioration of oil and gas prices. These assets are reviewed, either on a stand-alone basis or as part of a wider cash-generating unit (CGU), for impairment using a value in use calculation, based on forecast cash flows, growth rates and discount rates, all of which require a high level of judgement. The assessment of future cash flows for the Industry Services CGU is particularly dependent on the expectation of the timing of the recovery in the Oil & Gas sector as explained on page 32.

**Our response** – We challenged the key assumptions used in the value in use calculation for each CGU tested, such as earnings and cashflow forecasts, the terminal growth and discount rate assumptions: comparing earnings forecasts with Board approved budgets; comparing the results of the discounted cash flows against the Group's market capitalisation to determine if there were any significant differences that required further examination; and applying sensitivities where assets had a higher risk of impairment. We used external data, where necessary, in assessing and corroborating the assumptions used in the impairment testing, the most significant being the assumption over future oil and gas prices and challenged the basis for the Group's forecasts. We also tested the mathematical accuracy of the impairment models and performed sensitivity analysis to test the completeness and amount of the impairment charge recognised in the year. We

used our own Corporate Finance specialists to assist us in assessing the discount rates and terminal growth rates applied to the forecast cash flows and compared the earnings forecasts to external market data such as analyst reports

We also assessed the adequacy of the Group's disclosures in respect of asset carrying values and impairment testing in note 9.

###### **Identification and valuation of intangible assets acquired as part of Professional Services Industries, Inc (PSI) (Goodwill and other intangible assets acquired on acquisition £212.3 million (see notes 9 and 10) (New event-driven risk)**

Refer to page 79 (Audit & Risk Committee Report), page 107 (accounting policy) and page 111 (financial disclosures).

**The risk** – During the year, the Group acquired 100% of PSI. Identification and valuation of intangible assets as part of the acquisition accounting is considered a significant risk as a result of the judgements involved. In determining the fair value of these assets, medium term cash flow forecasts have been prepared by the Group. The inherent uncertainty involved in forecasting future cash flows, and the judgement involved in the selection of the appropriate discount rate, make this a subjective area.

**Our response** – Our procedures included using our own valuation specialists to assist us in critically assessing the appropriateness of both: the identification of acquired intangibles against the criteria of the relevant accounting standards; and the discount rates applied in estimating the fair value of those assets, by comparing the inputs used in determining the discount rate to externally derived data. Our testing of the principles and integrity of the Group's cash flow models included comparing the Group's forecast revenue growth and margin assumptions to Board approved reports as well as our own assessments in relation to key inputs such as growth rates and asset lives. We also considered the adequacy of the Group's disclosures in respect of the acquisition and the related judgements in note 10.

###### **Current tax provisioning and deferred tax balances: Current tax liability £51.7m (2014: £35.2m), Deferred tax asset £42.7m (2014: £24.6m)**

Refer to page 79 (Audit & Risk Committee Report), pages 96, 101 and 102 (accounting policy) and pages 101 to 104 (financial disclosures).

**The risk** – The Group operates in numerous tax jurisdictions across the world. As a result the tax charge is determined according to a variety of sometimes complex tax laws and regulations. Where the effect of these laws and regulations is unclear, judgement is applied in determining the liability for the tax to be paid. In addition, the recognition of deferred tax assets can be complex due to the judgements and estimates required in forecasting future taxable profits across these jurisdictions.

**Our response** – Our procedures included using our own tax specialists, in the UK, USA and China, to assist us in assessing and challenging the assumptions and judgements made by the Directors and in assessing specific local tax issues. In assessing the Directors' assumptions in determining provisions for transfer pricing and other exposures, we have used both our own tax

specialists' knowledge of recent tax cases and, where available, external data on the pattern of recent local tax settlements. In assessing the level of deferred tax balances recognised in the statement of financial position we compared the assumptions used in respect of future taxable income to the Group's long-term forecasts for the relevant countries. We challenged the Group's long-term forecasts by evaluating the assumptions and methodologies used as well as checking for consistency against forecasts used to support the recoverable amount of goodwill. In particular, we considered the assumptions relating to the forecast revenue growth and profit margins in the relevant countries using externally derived data and our own assessments in relation to key inputs. We also assessed the adequacy of the Group's related disclosures in note 6.

**Carrying amount of the customer claims provision: £18.5m (2014: £6.8m)**

Refer to page 79 (Audit & Risk Committee Report), page 96 (accounting policy) and page 113 (financial disclosures).

**The risk** – The Group is involved in various claims and lawsuits incidental to the ordinary course of its business. The omission of one or more significant claim from the customer claims provision and the judgement involved in estimating the amounts included for an individual claim is considered a key audit risk due to the large number of subsidiaries and geographically diverse operations of the Group. For the various customer claims identified and reported across the Group, and those acquired as a result of the acquisition of PSI, the determination of the required provision amount, if any, is inherently subjective due to the range of potential outcomes and the uncertainty around its resolution.

**Our response** – Our procedures included: challenging the completeness of the Group's monitoring of claims by assessing the process by which claims across the Group are reported and collated for the Group Claims Summary; assessing the completeness of claims reported by local management for inclusion in the Group's Claims Summary, based on a comparison with claims identified at a subsidiary level by component auditors; assessing the historical accuracy of the Group in identification of claims and inclusion thereof in the Claims Summary; obtaining formal confirmations from the Group's lawyers in respect of key claims in the last 24 months as well as legal due diligence reports performed for the acquisition of PSI, in order to assess the status of any legal claims which the Group is dealing with and whether all potential exposures have been identified; and, challenging the key assumptions made by the Directors in calculating the provision based on our assessment of the historical accuracy of the Group's estimates and assumptions in previous periods and in consideration of the relevant insurance cover and relevant accounting standards. We also assessed the adequacy of the Group's related disclosures in notes 13 and 22.

**3 Our application of materiality and an overview of the scope of our audit**

Materiality for the Group financial statements as a whole was set at £14.4m, determined with reference to a benchmark of Group loss before tax for continuing operations normalised to exclude this year's impairment charge disclosed on the face of the income statement as part of separately disclosed items, (being a profit of £281.7m), of which it represents 5.1%, reflecting industry consensus levels. (2014: 6.5% of group profit before tax).

We reported to the Audit & Risk Committee any corrected and uncorrected identified misstatements in excess of £0.5m (2014: £1m), in addition to other identified misstatements that warranted reporting on qualitative grounds.

The Group has over 45 reporting components, of which we subjected 34 (2014: 32) to audits for group reporting purposes, and 3 (2014:1) to specified risk-focused audit procedures. The latter was not individually financially significant enough to require an audit for group reporting purposes, but did present specific individual risks that needed to be addressed. These procedures covered 83% (2014: 81%) of Group revenue, 91% (2014: 83%) of the total profits and losses that made up group profit before tax and 87% (2014: 78%) of Group total assets. For the remaining components, we performed analysis at an aggregated level to re-examine our assessment that there were no significant risks of material misstatement within these.

The Group team instructed component auditors as to the significant areas to be covered, including the relevant risks detailed above and the information to be reported back. The Group team approved each component materiality, which ranged from £0.1m to £4.6m (2014: £0.1m to £4.5m) having regard to the mix of size and risk profile of the Group across the components. The audits and specified risk-focused audit procedures for group reporting purposes were performed by component auditors with the rest of the work being performed by the Group team. The Group team visited three locations in the year: UK, US and China. Telephone meetings were also held with these component auditors and certain others that were not physically visited. At these meetings, the findings reported to the Group team were discussed in more detail, and any further work required by the Group team was then performed by the component auditor.

**4 Our opinion on other matters prescribed by the Companies Act 2006 is unmodified**

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 Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

## Other Information

### *Independent Auditor's Report to the members of Intertek Group plc only continued*

#### **5 We have nothing to report on the disclosures of principal risks**

Based on the knowledge we acquired during our audit, we have nothing material to add or draw attention to in relation to:

- the Directors' long-term viability statement on page 39, concerning the principal risks, their management, and, based on that, the Directors' assessment and expectations of the Group continuing in operation over the 5 years to 2020; or
- the disclosures in note 1 of the financial statements concerning the use of the going concern basis of accounting.

#### **6 We have nothing to report in respect of the matters on which we are required to report by exception**

Under ISAs (UK and Ireland) we are required to report to you if, based on the knowledge we acquired during our audit, we have identified other information in the annual report that contains a material inconsistency with either that knowledge or the financial statements, a material misstatement of fact, or that is otherwise misleading.

In particular, we are required to report to you if:

- we have identified material inconsistencies between the knowledge we acquired during our audit and the Directors' statement that they consider that the Annual Report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the group's position and performance, business model and strategy; or
- the Audit & Risk Committee Report does not appropriately address matters communicated by us to the Audit & Risk Committee.

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 pages 82 and 39, in relation to going concern and longer term viability; and
- the part of the Corporate Governance Statement on pages 54 to 55, relating to the Company's compliance with the eleven provisions of the 2014 UK Corporate Governance Code specified for our review.

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

#### **SCOPE OF REPORT AND RESPONSIBILITIES**

As explained more fully in the Directors' Responsibilities Statement set out on page 88, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. 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](http://www.frc.org.uk/auditscopeukprivate). This report is made solely to the Company's members as a body and is subject to important explanations and disclaimers regarding our responsibilities, published on our website at [www.kpmg.com/uk/auditscopeukco2014a](http://www.kpmg.com/uk/auditscopeukco2014a), which are incorporated into this report as if set out in full and should be read to provide an understanding of the purpose of this report, the work we have undertaken and the basis of our opinions.

#### **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 2016

# Shareholder and corporate information

## SHAREHOLDERS' ENQUIRIES

Any shareholder with enquiries relating to their shareholding should, in the first instance, contact our Registrar, 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, at [www.shareview.co.uk](http://www.shareview.co.uk). Shareview is Equiniti's suite of online services that helps shareholders to manage their holdings and gives access to a wide range of useful information.

There is no fee for using this service and you will automatically receive confirmation that a request has been registered. Should you wish to change your mind or request a paper version of any documents in the future, you may do so by contacting the Registrar by email or by post.

The facility also allows shareholders to view their holding details, submit a proxy vote 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 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](http://www.sharegift.org)  
T: +44 (0) 20 7930 3737

## SHARE PRICE INFORMATION

Information on the Company's share price is available from the investor pages of [www.intertek.com](http://www.intertek.com).

## FINANCIAL CALENDAR

Financial year end	31 December 2015
Results announced	2 March 2016
Ex-dividend date for final dividend	19 May 2016
Record date for final dividend	20 May 2016
Annual General Meeting	25 May 2016
Final dividend payable	3 June 2016
Interim results announced	1 August 2016
Ex-dividend date for interim dividend	29 September 2016
Record date for interim dividend	30 September 2016
Interim dividend payable	14 October 2016

All future dates are indicative and subject to change.

## INVESTOR RELATIONS

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[www.intertek.com](http://www.intertek.com)

Registered number: 04267576

ISIN: GB0031638363

London Stock Exchange  
Support Services  
FTSE 100  
Symbol: ITRK

# Other Information

## Global Reporting Initiative Index G4

Profile disclosures	Inclusion	Location	Comments
<b>Strategy &amp; analysis</b>			
G4-1 Statement from the most senior decision-maker of the organisation	✓	p.16-20	
G4-2 A description of key impacts, risks and opportunities	✓	p.39-45	
<b>Organisational profile</b>			
G4-3 Name of the organisation	✓	p.1	
G4-4 Primary brands, products and/or services	✓	p.4	
G4-5 Location of organisation's headquarters	✓	p.141	
G4-6 Number of countries where the organisation operates	✓	p.3	
G4-7 Nature of ownership and legal form	✓	p.141	
G4-8 Markets served (including geographic breakdown, sectors served and types of customers/beneficiaries)	✓	p.4-11	
G4-9 Scale of the reporting organisation	✓	p.3	
G4-10 The total number of employees by employment contract and gender	✓	p.48	
G4-13 Significant changes during the reporting period regarding size, structure or owners	✓	p.2-3 & 86	
<b>Identified Material Aspects and Boundaries</b>			
G4-17 List all entities included in the organisation's consolidated financial statements or equivalent documents.	✓	p.129-132	Note 23
G4-18 Process for defining report content	✓	p.80	Fair, balanced and understandable process
G4-19 List all the material Aspects identified in the process for defining report content	✓	p.61 & 81	
G4-20 For each material Aspect, report the Aspect Boundary within the organisation	✓	p.61 & 81	
G4-23 Significant changes from previous reporting periods in the scope, boundary or measurement methods applied in the report	✓	p.61 & 81	
<b>Stakeholder Engagement</b>			
G4-26 Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body	✓	p.49	
G4-27 Report key topics and concerns raised through stakeholder engagement	✓	p.62	
<b>Report profile</b>			
G4-28 Reporting period	✓	–	1 January – 31 December
G4-29 Date of most recent previous report	✓	–	2014 Annual Report
G4-30 Reporting cycle	✓	–	Annual
G4-31 Contact point for questions regarding the report or its contents	✓	p.141	
G4-33 External assurance for the report	✓	p.138-140	
G4-36 Responsibility for economic, environmental and social topics	✓	p.16-20 & 46-51	
<b>Governance</b>			
G4-34 Governance structure of the organisation, including committees under the highest governance body	✓	p.61	
G4-35 Process of delegation of economic, environmental and social topics from the highest governance body to senior executives and other employees	✓	p.47	
G4-38 Composition of governance bodies	✓	p.56-58	
G4-39 Independence of the Chair of the highest governance body	✓	p.56	
G4-40 Nomination and selection processes for the highest governance body and its committees	✓	p.83-84	
G4-41 Process to ensure conflicts of interests are avoided and managed	✓	p.59	
G4-42 Development, approval, updating of purpose, values and mission	✓	p.16-20	
G4-44 Evaluation of Board of Directors performance	✓	p.60-61	
G4-45 Role of Board of Directors in identification and management of impacts	✓	p.78-82	
G4-46 Reviewing effectiveness of risk management of economic, social and environmental topics	✓	p.78-82	



# Global Reporting Initiative Index G4

Profile disclosures	Inclusion	Location	Comments
G4-47 Frequency of review of risks and opportunities	✓	p.79	
G4-48 Review and approval of sustainability report	✓	p.51	
G4-49 Process for communicating critical concerns to Board of Directors	✓	p.59 & 82	
G4-50 Nature and total number of critical concerns	✓	p.49	
G4-51 Remuneration policies	✓	p.64-65	
G4-52 Determination of remuneration	✓	p.70	
G4-53 Results on remuneration policies and proposal	✓	p.66	
<b>Ethics and integrity</b>			
G4-56 Values, principles, standards and codes of ethics	✓	p.49	
G4-57 Mechanism for seeking advice on ethical behaviour	✓	p.49	
G4-58 Whistleblowing hotline and escalation	✓	p.49	
<b>Specific profile disclosures</b>			
EC1 Direct economic value generated and distributed	✓	p.3	
EC3 Coverage of the organisation's defined benefit plan obligations	✓	p.122-125	Note 16
EC7 Procedures for local hiring and proportion of senior management hired from the local community at significant level of the organisation	P	p.48	Description of employment policies and practices
EN3 Direct energy consumption	✓	p.50	
EN4 Indirect energy consumption	✓	p.50	
EN5 Energy intensity ratio	P	p.50	
EN6 Initiatives to provide energy efficient or renewable energy based products and services, and reductions in energy requirements as a result of these initiatives	P	p.50	Description of some of the services provided to clients
EN7 Initiatives to reduce indirect energy consumption and reductions achieved	P	p.50	
EN15 Gross direct (Scope 1) GHG emissions in metric tons of CO <sub>2</sub> equivalent	✓	p.50	
EN16 Total direct and indirect greenhouse gas emissions by weight	✓	p.50	Our environment
EN18 Report the GHG emissions intensity ratio	P	p.50	Some initiatives identified
HR3 Total number of incidents of discrimination and corrective actions taken	P	p.49	Description of employment policies and practices
LA5 Minimum notice period(s) regarding significant operational changes, including whether it is specified in collective agreements	✓	–	Minimum notice periods, where applicable, are governed by local law
LA6 Rates of injury, occupational diseases, lost days and absenteeism, and number of work-related fatalities	P	p.49	Data on rates of injuries and work-related fatalities
LA10 Programmes for skills management and lifelong learning that support the continued employability of employees assist them in managing career endings	P	p.48	Number of courses and number of courses undertaken by employees
LA12 Employees according to gender and global region	P	p.48	
SO1 Percentage of operations with implemented local community engagement, impact assessments and development programmes	P	p.51	Description of activities undertaken
SO3 Operations assessed for risks related to corruption	✓	p.49	Professional conduct
SO4 Communication and training on anti-corruption policies and procedures	✓	p.49	Professional conduct
SO5 Confirmed incidents of corruption and actions taken	✓	p.49	
SO6 Total value of financial and in-kind contributions to political parties, politicians and related institutions by country	✓	p.86	'Political Donations'

'P' indicates partial reporting. The above index indicates the page references for the Global Reporting Initiative (GRI) index G4.

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