Intertek

Valued Quality. Delivered.

Connected expertise

Annual report 2014

TUESDAY

A4965MXU

A23 09/06/2015 #77

COMPANIES HOUSE

A global partner for customer quality

From auditing and inspection, to testing, training, advisory, quality assurance and certification, Intertek adds value to customers' products, assets and processes. We help our customers meet end users' expectations for safety, sustainability, performance, integrity and desirability in virtually any market worldwide.

Contents

Read our CEO's review

4

"Intertek continued to deliver on its strategic priorities in 2014, as we aligned our businesses to deliver stronger performance."

Read our Operating reviews

20

Read our strategy and business model

7

Read our Sustainability and CSR report

35

For more information on KPIs

10

Read our financial statements

76

OVERVIEW

IFC Intertek at a glance
1 Financial highlights

STRATEGIC REPORT

2 Chairman's statement
4 Chief Executive Officer's review
6 Our markets
7 Our strategy and business model
10 KPIs – Measuring our strategy
11 Principal risks and uncertainties
18 Intertek Executive Management Team
20 Operating reviews
30 Financial review
35 Sustainability and CSR

DIRECTORS' REPORT

42 Chairman's introduction
44 Corporate governance
46 Board of Directors
58 Remuneration report
72 Other statutory information
75 Statement of Directors' responsibilities

FINANCIAL STATEMENTS

76 Contents
77 Consolidated primary statements
82 Notes to the financial statements
118 Intertek Group plc Company balance sheet and notes

OTHER

122 Independent Auditor's Report
125 Shareholder and corporate information
126 Global Reporting Initiative Index

Cautionary statement
This Annual Report contains certain forward-looking statements with respect to the financial condition, results, operations and business of Intertek Group plc. These statements and forecasts involve risk and uncertainty because they relate to events and depend upon circumstances that will occur in the future. There are a number of factors that could cause actual results or developments to differ materially from those expressed or implied by these forward-looking statements and forecasts. Nothing in this Annual Report should be construed as a profit forecast.

Connect with us online

intertek.com/investors/report-and-accounts
twitter.com/intertek
youtube.com/IntertekGroup

Intertek at a glance

Intertek is a leading quality solutions provider to industries worldwide. Our experts enable businesses to perform and innovate, help keep cities running, assist governments in finding efficiencies and bring untold benefits to millions of people.

Revenue by region

We provide services across the globe, in over 100 countries.

Our global operations

For more detail, refer to the Operating Review p22

COMMODITIES

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

We provide inspection and analytical assessment services to petroleum and mining clients on a global basis.

26%
of revenue

For more detail, refer to the Operating Review p28

CHEMICALS & PHARMACEUTICALS

Key business areas
- Chemicals & Pharmaceuticals
- Health, Environmental & Regulatory Services

Our advanced lab testing and expert consultancy services help support R&D and production activities across multiple industries.

8%
of revenue

For more detail, refer to the Operating Review p20

INDUSTRY & ASSURANCE

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

We provide a diverse range of services to clients across a broad range of industries including energy, food and agriculture.

31%
of revenue



What we do for our customers

We help our customers to meet end users' expectations for safety, sustainability, performance, integrity and desirability in virtually any market worldwide.

AUDITING
Our global network of more than 1,000 expert auditors delivers innovative, customised auditing solutions virtually everywhere our clients do business.

CERTIFICATION
Offering a broad range of certification and accreditation marks accepted around the world, these represent Intertek's mark of quality.

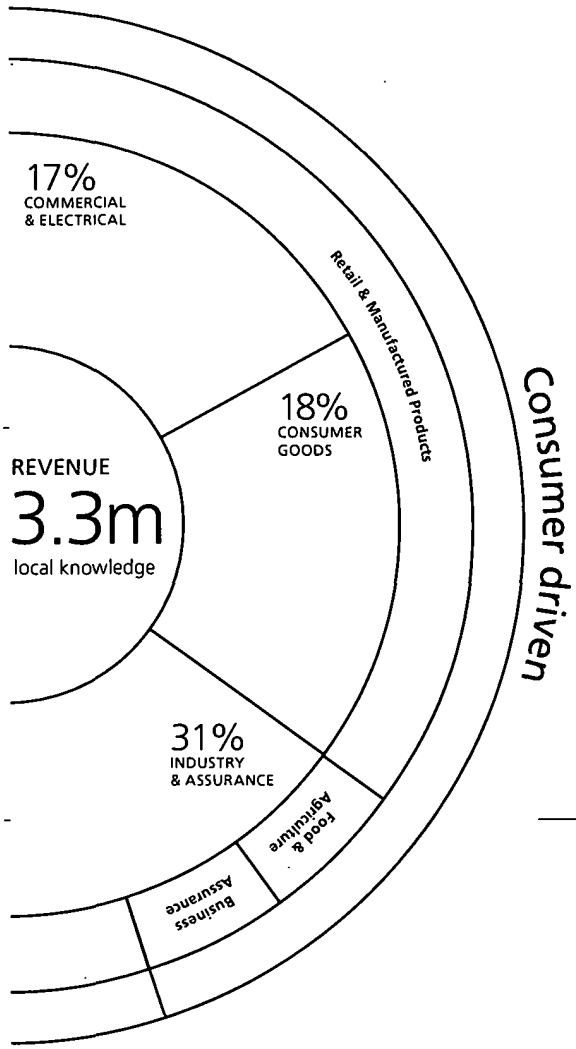
INSPECTION
Independent observation of activities and products, carried out by trained professionals, helps clients to manage risk along the supply chain.

TESTING & ANALYSIS
Ensuring a product meets the defined performance and safety standards gives the end user confidence in its safety and performance.

TRAINING
Our customised training programmes address a broad range of subjects, and can be delivered online, on-site, or at an Intertek office around the world.

OUTSOURCING
By sourcing support, we help our clients replace overhead and high fixed costs with lower and more efficient variable costs, reducing capital investment needs and improving their bottom line.

CONSULTANCY
We help clients comply with regulatory mandates and gain competitive advantage by improving short-term and long-term performance of their business and supply chains.



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

For more detail, refer to the Operating Review p24

CONSUMER GOODS

Key business areas
- Softlines
- Hardlines
- Product Intelligence
- Auditing

We provide services to the textiles, toys, footwear, hardlines and retail industries.

18%
of revenue

For more detail, refer to the Operating Review p26

COMMERCIAL & ELECTRICAL

Key business areas
- Electrical & Wireless
- Transportation Technologies
- Building Products

Our accredited facilities provide a comprehensive scope of safety, performance and quality testing and certification services.

17%
of revenue

Financial highlights

Business growth in 2014 impacted by currency and revenue headwinds

- Revenue down 4%
- Organic revenue[4] down 1%
- Adjusted operating profit[1] down 5%
- Adjusted operating margin[1] of 15.5%

Strong five year compound annual growth record

- Revenue up 11%
- Adjusted operating profit[1] up 9%
- Adjusted diluted EPS[1] up 10%
- Dividend per share[2] up 15%

2014

Revenue (£m)

(4)%

Adjusted diluted EPS[1] (pence)

(5)%

Adjusted operating profit[1] (£m)

(5)%

Statutory diluted EPS[5] (pence)

(12)%

Five year trend

Revenue (£m)

+11%
CAGR[3]

Adjusted diluted EPS[1] (pence)

+10%
CAGR[3]

Adjusted operating profit (£m)

+9%
CAGR[3]

Dividend per share[2] (pence)

+15%
CAGR[3]

1. Adjusted operating profit, adjusted operating margin and adjusted diluted earnings per share ('EPS') are stated before Separately Disclosed Items, which are described in note 3 to the financial statements.
2. Dividend per share for 2014 is based on the interim dividend paid of 16.0p (2013: 15.0p) plus the proposed final dividend of 33.1p (2013: 31.0p).
3. CAGR represents the compound annual growth rate from 2010 to 2014.
4. Growth at constant exchange rates compares both 2014 and 2013 at the average exchange rates for 2014. Organic revenue excludes acquisitions and disposals in the past two years.
5. Statutory basic EPS decreased 12.0% to 109.5p in 2014 (2013: 124.4p).

Chairman's statement

"Intertek helps connect its customers to quality across their supply chains around the world."

SIR DAVID REID
Chairman

With our 38,000 people, and more than 1,000 laboratories and offices, we work in over 100 countries as a global partner to support our customers' needs across their global supply chains to meet end users' expectations for safety, sustainability, performance, integrity and desirability.

As trade patterns change, supply chains lengthen and emerging economies grow, we help our customers adapt to these shifting dynamics. Whether it is helping them understand local regulations, ensuring the quality of their products, assets and processes in their chosen markets, or working with them to enter new markets, Intertek is a trusted partner that helps connect our customers to quality across global supply chains.

Our customers range from multinationals to small operators, and our priority is to meet their needs – large or small. Our strategies allow us to combine their evolving needs and expectations, with our knowledge of changing market dynamics, to help them navigate these changes. We work closely with our customers to deliver a level of quality that is valued by them, every time.

RESULTS

In 2014, the Group generated revenue of £2,093m, a decrease of 4% over the prior year. Excluding acquisitions, revenue decreased 1% at constant exchange rates. Operating profit was £277m, down 11% over the prior year. Adjusted operating profit decreased to £324m, down 5%, and our adjusted operating margin was 15.5%. Excluding acquisitions and disposals, adjusted operating profit was down 1% at constant exchange rates.

The operating results in 2014 reflected variable market conditions in some businesses and industries we serve. Solid growth in the majority of our businesses and industries was offset primarily by weakness in the minerals and oil and gas infrastructure sectors, which impacted upon the Group's growth rate during the year.

EARNINGS AND RETURNS TO SHAREHOLDERS

The Board continues to focus on Total Shareholder Returns ('TSR') through a combination of dividends and investment in the business where the return is in excess of the Group's cost of capital. The share price decreased by 26% in the year, with significant negative foreign exchange effects and weaker top-line sales growth from certain end-markets. However, over the past three and five years, the Group has delivered TSR of 20% and 102% respectively.

The Group's strategy includes both organic and acquisition-related investment to drive sustained growth and shareholder value across the longer term.

Notwithstanding the negative impact of currency on Earnings per Share ('EPS') growth, the Board has a progressive dividend policy seeking to grow dividend per share annually in a sustainable way whilst maintaining a minimum cover of 2.5. An interim dividend of 16.0p per share (2013: 15.0p) was paid to shareholders on 14 October 2014. The Directors will propose a final dividend of 33.1p per share at the Annual General Meeting which will make a full year dividend of 49.1p per share (2013: 46.0p), an increase of 7%.

The final dividend will be paid on 5 June 2015 for those shareholders on the register on 22 May 2015.

Basic earnings per share were 109.5p, down 12% over the prior year and adjusted diluted earnings per share were 132.1p, down 5%.

CASH FLOW AND INVESTMENT

Intertek continues to maintain a strong financial profile, operating with a cash generative business model, low capital intensity and robust balance sheet. In 2014, the Group generated good cash flow, with adjusted cash flow from operations of £404m, an increase of 2% on the prior year. The Group invested £110m in new laboratories and equipment in the year which represents 5.2% of total revenue (2013: £145m, 6.6%) and in line with our five year average of 5.4%. These investments were made in areas of strong business growth opportunities, in order to grow our services and maintain value creation for our shareholders.

ACQUISITIONS

In 2014, Intertek acquired three new companies to add complementary capabilities to our global offering and value-enhancing services to customers. We acquired International Inspection Services Limited ('INSPEC'), a non-destructive testing company supporting the oil and gas sector for £40m, and two other businesses for a total cash consideration of £3m: the analytical division of QPS Bioserve, a food and agricultural analytical testing business in Southern India; and ScanBi Diagnostics in Sweden providing analysis to the agriculture, food and feed industries. Further details are in the Operating Review by division and in note 10 to the financial statements.

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

THE BOARD AND MANAGEMENT

On 1 October 2014 we welcomed Edward Leigh to the Board as Executive Director and Chief Financial Officer, succeeding Lloyd Pitchford. We thank Lloyd for his significant contribution over his four and a half years with the Group. In September 2014, we announced that from 16 May 2015, André Lacroix will succeed Wolfhart Hauser as Chief Executive Officer and join the Board. André is an experienced and successful Chief Executive and has been Inchcape Group's Chief Executive since 2005. He will lead our experienced team in Intertek's continued focus on strategic priorities, commitment to customers and employees and positioning itself for long-term, sustainable growth.

After ten years as CEO, Wolfhart Hauser will retire after the AGM on 15 May 2015. He will remain available in an advisory capacity until the end of 2015. During his tenure, the Group's market capitalisation has grown by over three times to £3.8bn demonstrating his leadership and the performance of the team. I am joined by all of the Board in thanking him for his outstanding leadership. At the May AGM, Christopher Knight, who has served as Chairman of the Remuneration Committee and Non-Executive Director will retire, and the Board thanks him for his service.

The Board is committed to the highest standards of corporate governance. In line with the Corporate Governance Code and the 2011 Davies Report, the Board is committed to achieving a Board composition which includes, and makes the best use of, differences in culture, gender, skills, background, regional and industry experience as well as other qualities. The Board's Diversity Policy can be found on the Company's website.

SUSTAINABILITY

Sustainable business practices are an inherent part of Intertek's operations and we make a significant contribution to improving the quality of our customers' products, processes, and assets across multiple dimensions. These include: improving safety, reliability and durability, social responsibility, reducing environmental impact in production, packaging and operations, and assuring supply chains around the globe.

We have continued to develop our metrics around our impact on climate change. Some of our own Greenhouse Gas ('GHG') emissions relate to our offices and operations through the work we do for clients. More specifically these include testing of fuels, inspection of processes and products and the certification of consumer products or other equipment. It is also important to note that we help our customers reduce their GHG emissions as a part of our commercial offering.

We remain focused on the health and safety ('H&S') of our employees and appointed a Group leader for H&S in 2014. Given the varied nature of our employees' roles, and the different operating environments, we have robust policies in place to ensure staff welfare remains of utmost importance.

INTEGRITY

The integrity and ethical conduct of our employees is central to our values as an organisation and the independent quality solutions that we deliver. Our integrity is critical to our customers and to the success of our businesses. It underpins everything we do.

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. In 2014 we revised and implemented our new Code of Ethics which better communicates and incorporates the different elements of our approach to our many internal and external stakeholders.

Further details on this and other aspects of our ethical compliance in 2014 can be viewed in the Sustainability and CSR report on pages 35 to 41.

OUR PEOPLE

Intertek's strategies and initiatives are achieved through the commitment and expertise of our employees and experienced leadership team. We are proud to be a growth employer, through creating new jobs and our commitment to the development of our people. We have deep levels of expertise both geographically and across our business lines, provided by chemists, engineers, consultants, biologists, inspectors, geologists and auditors, amongst others.

As part of our people strategy, we create an environment where our talented employees can deliver against our global customer requirements and feel connected within the Company. We continue to focus on talent development, training, reward and recognition and the development of future leaders by ensuring they have appropriate people skills to grow our business.

The Board extends its thanks to all of our employees for their continued focus on our strategic priorities in 2014 which has allowed the Group to lay foundations for further success into the future.

OUTLOOK

The Group continues to implement its clear strategy in delivering global quality solutions in markets with strong structural growth drivers. This, together with a strong leadership team, skilled management and a sound financial position, means that Intertek remains able to capture opportunities to deliver resilient growth and performance even in times of economic uncertainty. Despite current challenges the Board is confident of delivering further growth and sustained returns to shareholders over the longer term.



SIR DAVID REID
Chairman

Chief Executive Officer's review

"Intertek continued to deliver on its strategic priorities in 2014, as we aligned our businesses to deliver stronger performance."

WOLFHART HAUSER
Chief Executive Officer

Intertek continued to deliver on its strategic priorities in 2014. Despite continuing headwinds in certain business areas, we saw good growth in many businesses.

REFLECTIONS ON THE YEAR

It has been a year of continuing headwinds in certain business areas, which has offset the good growth experienced in the majority of our businesses. This can be seen in our divisions with the combination of good growth in our product related activities, and more challenging conditions in our minerals and oil and gas capex related businesses.

We saw very good growth rates within emerging markets, which account for 38% of the total revenue. Revenue growth in more established markets remained solid and in-line with historical averages. Revenue growth in some parts of Europe remains weak in response to more challenging economic conditions across the region.

To address market weakness and align our businesses, capital and management focus to growth markets, we have continued to restructure and actively manage our diverse portfolio of businesses in 2014. During the year, we closed and restructured a number of underperforming operations. We also exited certain low-value contracts in our Industry & Assurance division which reduced the Group's growth rate in 2014, but which will free up capital and management time that we can invest in exciting growth and value enhancing areas elsewhere.

DIVERSIFIED GLOBAL PORTFOLIO

Intertek operates a diversified portfolio of services with a global platform across more than 15 different industries, each with different growth drivers. We operate across all major industry sectors from consumer products to minerals, IT to chemicals, energy infrastructure to food, agriculture to pharmaceuticals. Geographically we operate along the supply chain in each industry, which leads us to operate in over 100 countries.

We maintain a balanced regional revenue profile with around a third of our revenue generated evenly in each of Europe, Middle East and Africa, Americas and Asia Pacific.

The demand for quality by our customers is driven by new technologies, end user preferences, supply chain changes and regulations, all of which vary between industries. Being such a diversified portfolio of businesses provides Intertek with some resilience from exposure to only one or two key growth drivers.

Organisationally we continue to focus our growth strategies on our key global business lines, whilst delivering operational excellence on a country basis. This ensures we are connecting with our customers on a global level, while building our capabilities and network at a local level.

OUR MISSION AND STRATEGY

Our mission is to make it easier for our customers to achieve quality across their supply chains. Our local knowledge, combined with our global network and connected expertise, makes the difference for our customers who operate in an ever more competitive marketplace.

Our strategy allows us to drive long-term growth in our business, constantly adapting to the changing marketplace for quality solutions, and meeting the needs of our customers.

Delivery of the strategy is supported by the Group's business model which is detailed on pages 7 to 9.

THE MARKET FOR QUALITY

We operate in a marketplace where companies are demanding quality solutions to drive business growth, gain competitive edge, and deliver the highest level of safety standards across their products and processes.

These organisations are looking for a trusted partner whom they can rely upon to deliver global safety standards while bringing local market knowledge and expertise. We work with each organisation to deliver individual quality solutions which can range from safety and performance, to integrity, desirability and sustainability. The demand for quality services is also influenced by changing macro-economic trends, developments in new and emerging markets and customer needs for increased safety and quality.

All of these factors are leading to an increased demand for our services and we will continue to invest in our capabilities and our network to help them achieve these quality standards.

OUR CUSTOMERS

At Intertek we support customers ranging from small local producers to large conglomerates across the globe within a wide range of industries. Our expertise and global connectivity to be able to support them in over 100 countries is increasingly important to our global customers. They look to us as a partner who can follow them into the many different markets they operate. It is this, our relationship and customer service commitment, and emphasis on adding value, that differentiates us from local testing companies.

Our priority to our customers is to understand and meet their evolving needs and expectations. We support and guide our customers across complex and ever-changing aspects of local and global regulation and quality trading standards. Wherever our customers choose to do business, we are on hand with our extensive range of services. Whether this is a smaller company operating in a local market with unique local needs or a large multinational seeking support on a global basis, we are their trusted partner.

Our customers increasingly want more than just delivering quality standards or meeting regulatory requirements. They are under pressure to increase their competitive edge through increased efficiency, time to market and reducing costs. By leading with great quality services, we enable our customers to develop and grow their businesses in smarter and more efficient ways.

EVOLVING CAPABILITIES AND OPPORTUNITIES

As technology changes and new industries emerge, we are constantly innovating our service offering to meet the needs of our customers. The scope of what our customers ask us to test for, and the capabilities we can deliver, are constantly evolving.

In 2014 we continued to see a trend in global markets where our customers are shifting supply chains to new and emerging markets and countries. Within both emerging and developed markets, there is scope for Intertek to deliver a wider range of services and capabilities.

For example, this year in the US we have expanded our capabilities in our building products business into complementary new areas such as building sciences and field testing. Through these techniques we are helping customers respond to emerging trends regarding building envelope commissioning, environmental, and on-site testing. These added capabilities allow us to go farther downstream adding more value to both our core business and to our core customers.

In emerging markets, our mix of work continues to evolve reflecting the new market opportunities that are unfolding as their national economies develop and the increasing quality demands from a rapidly expanding middle-class. A decade ago 64% of our revenue in China was related to the Consumer Goods division services and two product types: Toys & Textiles. Today this is just 46%, and we now operate in 17 business lines in China, from Toys to Transport, Chemicals to Clothing, Pharmaceuticals to Petrochemicals.

We are excited by the commitment that China's AQSIQ and Premier Li have made this year to develop the country's quality testing market and believe this will be a positive development for the global testing industry. Intertek is well positioned to support the government and industry partners in this 'Quality Era' of Chinese economic and social development, having provided testing and certification services in China for over two decades.

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

As well as investing organically, in 2014 the Group made a series of acquisitions to expand the services we can offer. These comprised INSPEC, a non-destructive testing company supporting the oil and gas sector, the analytical division of QPS Bioserve in India and ScanBi Diagnostics, a Swedish company providing analysis to the agriculture, food and feed industries.

LEADERSHIP

This year we announced my intended retirement as Chief Executive Officer effective on 15 May 2015. I am proud of the development of the Company over the last decade and excited for Intertek's future. André Lacroix will join the company as CEO on 16 May 2015 and brings an impressive background and valuable skills for Intertek in its stage of development. I wish to congratulate Edward Leigh on his promotion to our Executive Team, taking over as CFO from Lloyd Pitchford in October after 18 months with the company and a smooth transitionary period.

I would like to thank our people for their hard work this year, and over the past decade. In particular I am grateful for the commitment and talent of our senior leadership team who deliver the Company's performance day-in and day-out. It is their knowledge and expertise of our key end-markets and global customers that drive our strategy and how we execute our business within our many different global operations.

GOING FORWARD

Reflecting back on the last 30 years in the industry, I have seen how our activities have helped improve the health and safety of people, prevent accidents and support a new level of technology that helps improve quality of life. Indeed the industry plays an important social role. Looking further ahead, our strategic choice of portfolio positions Intertek to benefit from attractive long-term structural growth drivers. Expanding middle-classes, the demand for quality in emerging markets, increasing regulation and product variety have been our important growth drivers for many years. These will remain important in the future. Our energy products and infrastructure businesses enable Intertek to take advantage of the long-term growth in energy demand. Through these strategic choices and long-term trends, Intertek is well placed to deliver mid-single digit organic revenue growth supplemented by growth from acquisitions over the coming years.



WOLFHART HAUSER
Chief Executive Officer

Our markets

Intertek operates in the global 'Quality' industry assessing the products and commodities bought or sold by our customers against a wide range of safety, regulatory and performance standards, to help our customers achieve their "quality" goals and improve their products, assets and processes.

The quality industry has a number of different growth drivers

Our markets

Emerging and developing economic and local market demands
As emerging markets develop, global brands look to enter these markets to achieve growth, while local brands focus on improving their product offering to compete against these new entrants. Both these forces drive demand for services within the industry.

Increasing regulations
Quality, safety and environmental regulations and industry standards continue to expand and change across companies and cultures.

Energy sector growth & development
Global demand for energy is driving increased development and trading of energy resources and infrastructure.

New technologies, variety, brand & product development
Companies are constantly challenged to develop new products and technologies, to create new markets, increase sales and to respond to diverse end-user demands.

Composition of World GDP, 2010

Composition of World GDP, 2030

Energy Outlook 2035

Our customers

Consumer quality demands
Consumers in developed economies trust brands and companies that perform and deliver products with consistent quality. Consumers in emerging markets are increasingly demanding higher levels of quality across a diverse range of criteria, creating new markets for local and international brands.

Supply chain complexity
Our customers create products and infrastructure using suppliers and components across multiple countries as they seek to gain cost and strategic advantages. This strategy also increases risk, with provenance across the supply chain being an area of focus. The quality industry benefits from the growth in global trade, with increased shipments of commodities, materials and products resulting in the need for increased testing across the supply chain.

Evolution of outsourcing and consulting
As companies have outsourced non-core activities such as quality and safety related services, participants in the quality industry have assumed responsibility for providing these services, which has helped expand the size of the overall market.

Brand promotion & protection
Branding is an important means of differentiation for companies in a crowded marketplace. The development and promotion of these brands takes a significant investment, and there is ongoing effort to protect this investment over time.

Our strategy and business model

The market drivers in our customers' industries create opportunities for us to provide services and to grow our business.

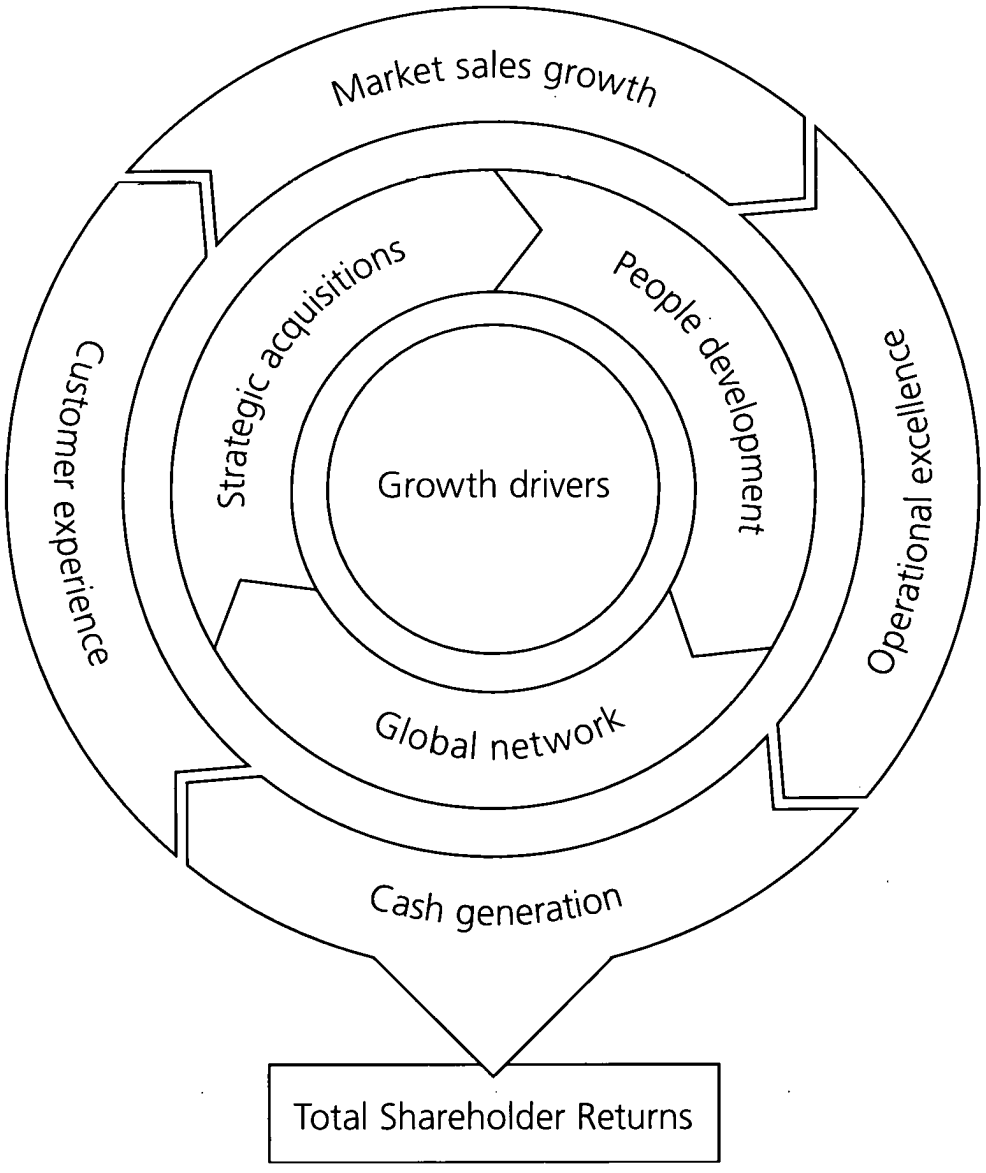
How we create value

We create value in a number of ways for our investors, our customers and our people as a result of our strategic priorities.

Our customers benefit from a business with global reach, but a local focus, which is continually developing additional services and supported by the best people.

We promote opportunities for our people through the ability to upskill through our training programmes and global people development opportunities.

Through a combination of the above, we drive real value for our investors by focusing on long-term growth through organic investment and acquisition supported by operational excellence.



How we create value

Industry services

Refer to case study on page 21.

Food & Agriculture Services

Refer to divisional overview on page 20.

How we run our business

OUR BUSINESS MODEL	OUR STRATEGIC PRIORITIES	ACHIEVEMENTS IN 2014 See Chairman and CEO's reports on pages 2 and 4, and Operating reviews on pages 20 to 29
MARKET SALES GROWTH	LEADING POSITIONS IN CORE INDUSTRIES	• Leading positions in Softlines, Hardlines and Transportation Technologies • Diversification into services for operating expenditure in the oil and gas industry • Added incremental services to portfolio
GLOBAL NETWORK	GLOBAL NETWORK & SERVICE EXPANSION	• Additional accreditations achieved in 2014 include ISO 22301, ISO 55001 and EDGE • New market offerings • Three acquisitions in Industry & Assurance
CUSTOMER EXPERIENCE	CUSTOMER RELATIONSHIPS & SERVICE	• Superior Supplier Quality Award in the US • Contractor Safety Awards (from a global customer) • Supplier of the Year in Norway
STRATEGIC ACQUISITIONS	INDUSTRY CONSOLIDATION & TARGETED ACQUISITIONS	• Acquisition of INSPEC in UAE to enhance our global capabilities in Non-Destructive Testing • Acquisition of ScanBi Diagnostics and the analytical division of QPS Bioserve India to enhance our capabilities in Food & Agriculture Services
OPERATIONAL EXCELLENCE	PROCESS EFFICIENCY	• Continuation of global Shared Service Centre ('SSC') strategy – two new SSCs opened in Manila and Johannesburg • Restructuring initiatives to streamline business processes and respond quickly to declining businesses
PEOPLE DEVELOPMENT	INVESTING IN PEOPLE	• Internal development and promotion • Over 250 people participated in Management Development programmes or academies • 130,000 training courses completed by 17,000 employees

Cargo

Refer to case study on page 23.

Electrical

Refer to divisional overview on page 26.

Building Products

Refer to divisional overview on page 26.

Transportation Technologies

Refer to case study on page 27.

Softlines

Refer to case study on page 25.

KPIs See principal KPIs on page 10	**PLANS FOR 2015** See Chairman and CEO's reports on pages 2 and 4	**RISKS** See Principal risks and uncertainties on page 11
• Divisional and business line growth • Key country growth	• Further geographic expansion in key markets • Continued portfolio development across all business lines	• Cyclical risk • Loss or abuse of accreditation • Harm to the Group's reputation
• Divisional mix • Geographic mix	• Expanding service offerings and global reach through organic investment	• Political risk • Financial irregularity risk • Labour and human rights
• Customer satisfaction • Turnaround times • Claims value	• Global Account Management programme development • Enhancements to customer business intelligence tools and technologies	• Key staff reliance • Harm to the Group's reputation • Loss or abuse of accreditation • Major claims
• Return on Invested Capital ('ROIC') • Internal rate of return	• Expansion of service offerings and global reach through acquisitions	• Financial irregularity risk • Key staff reliance • IT systems risk
• Cash flow from operations • Revenue per employee by division • Operating profit per employee by division	• Continuation of global SSC strategy • Continuing roll-out of global general ledger and Chart of Accounts • Country operational excellence focus	• Environment and climate change • IT system risk
• Engagement scores • Number of people per division • Male:Female mix • Number of training courses completed • Health & Safety metrics	• CEO departure – successful recruitment	• Key staff reliance • Business ethics and bribery and corruption • Operational Health & Safety

KPIs – Measuring our strategy

In overview for 2014, several headwinds impacted the Group's financial performance including currency movements and impacts in Minerals and Industry Services. With this backdrop, the Group held operating margins relatively stable, improved cashflow 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 35 to 41.

Revenue (£m)

Revenue growth measures how well the Group is expanding its business. The decline includes negative currency impact.

(4.2)%

Organic revenue at constant exchange rates[3] (£m)

Excluding currency movements and acquisitions, revenue growth was slightly down.

(0.6)%

Adjusted operating profit[1] (£m)

Measures profitability of the Group. The decline includes negative currency impact.

(5.3)%#

Organic adjusted operating profit at constant exchange rates[1,3] (£m)

Measures profitability of the Group excluding acquisitions.

(1.4)%

Adjusted operating margin[1] (%)

Margin measures profitability as a proportion of revenue.

(20)bps

Adjusted cashflow from operations[1] (£m)

Shows the ability of the Group to turn profit into cash. Good cash generation.

+2.4%

Adjusted diluted earnings per share[1] (pence)

A key measure of value creation for the Board.

(4.7)%#

Dividend per share[2] (pence)

Dividend per share measures returns provided to shareholders.

+6.7%

Return on invested capital (%)

Measures how effectively the Group generates profit from its invested capital.

(11.4)%#

#. Return on Invested Capital, and, when re-calculated using 2013 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 65 to 66.

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 16.0p (2013: 15.0p) plus the proposed final dividend of 33.1p (2013: 31.0p).
3. Growth at constant exchange rates compares both 2014 and 2013 at the average exchange rates for 2014. Organic revenue excludes acquisitions and disposals in the past two years.

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 42 to 56.

The Head of Internal Audit and the Head of Legal, who report to the Chief Financial Officer and Chief Executive Officer respectively, have accountability for reporting the key risks that the Group faces, the controls 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 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 operations, compliance, risk management and finance.

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 below including a commentary on how the Group mitigates these risks. These risks and uncertainties do not appear in any particular order of potential materiality or probability of occurrence.

In addition, Intertek has the ambition of being good for business, people and the planet as set out as its mission vis-à-vis Sustainability and CSR (see pages 35 to 41).
As a part of the process of achieving its mission, a stakeholder engagement exercise was undertaken to identify the most important environmental and social risks. This involved collecting qualitative data of interactions with clients, investors, suppliers, management, employees and other stakeholders. Stakeholders contributing information are chosen by a combination of their importance to business reputation, growth and profitability and availability of information. After the risks were identified a materiality assessment was completed, involving managers from around the business to prioritise the topics in relation to what was most important for the business. Three topics emerged as the most important to Intertek from this exercise and are included on the following pages.

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.

Principal risks and uncertainties continued

Operational

PRINCIPAL RISK	CONTEXT	POSSIBLE IMPACT
HARM TO THE GROUP'S REPUTATION L C Please refer to page 8	The Group relies on its reputation to maintain and grow its business. Adverse litigation, ethical breaches and operational failures have the potential to damage its reputation. There is also a risk that poor performance of services leads to a loss of confidence in the Group's standards and reputation for quality and safety service excellence.	• Failure to meet financial performance expectations. • Exposure to material legal claims, associated costs and wasted management time. • Share price may fall. • Loss of existing or new business.
LOSS OR ABUSE OF ACCREDITATION LEADING TO LOSS OF BUSINESS L C Please refer to page 8	The Group relies on being awarded and retaining appropriate accreditations and affiliations around the world in order to provide its certification services. Illegal use of Intertek marks by others abuses the accreditation process and risks negative perceptions of Intertek.	• Loss of business in the relevant industry and damage to the Group's reputation.
KEY STAFF RELIANCE AND DEPTH OF MANAGEMENT C IP I Please refer to page 8	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.	• Reduced ability to compete effectively. • Increased recruitment costs. • Loss of talent to competitors and lost market share.
OPERATIONAL HEALTH AND SAFETY IP C Please refer to page 8	Many employees undertake work which could be hazardous. Not having a good record of safety can damage trust with clients and employees.	• Injury to employees and others. • Loss of customers. • Damage to trust and reputation.

Associated strategic priorities

Leading positions in core industries	L
Customer relationships & service	C
Investing in people	IP
Industry consolidation & targeted acquisitions	I
Global network & service expansion	G
Process efficiency	P

MITIGATION	2014 UPDATE
• Risk Management Framework and associated controls and assurance processes, including contractual review and liability caps where appropriate. • Quality Management Systems; adherence to these is regularly audited and reviewed by external parties, including accreditation bodies. • Code of Ethics which is communicated to all staff, who undergo regular training. • 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. • Media comments with regard to Group activities are centrally reviewed so that senior management can, where necessary, take appropriate action on a timely basis. • Relationship management and communication with external stakeholders.	• This risk remains stable compared to 2013. • 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.
• 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. • Operations are regularly subjected to audit and review by external parties including accreditation bodies, governments, trade affiliations, retailers, manufacturers and clients. • Accreditation is usually held at an industry, country or site level and loss of accreditation will not mean loss of accreditation across the Group.	• This risk remains stable compared to 2013. • The Group regularly refines its quality assurance procedures. • 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.
• HR strategy policies and systems. • Development and reward programme to retain and motivate employees. • Succession planning to ensure effective continuation of leadership and expertise. • Employee surveys. • Intertek Executive Academy to develop the next generation of global leadership.	• This risk remains stable compared to 2013. • Further senior managers within Intertek have been through the Intertek Executive Academy in the last year, taking the number of participants to 71 since 2012.
• Quality management and associated controls. • 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.	• This risk remains stable compared to 2013. • There was one work related fatality in the year, compared to two in 2013.

Principal risks and uncertainties continued

Operational

PRINCIPAL RISK	CONTEXT	POSSIBLE IMPACT
POLITICAL RISK Ⓖ Please refer to page 8	The Group operates in over 100 countries including some where political instability can result in disruption to operations and the suspension, change or termination of contracts at short notice. The Group receives tax incentives in certain jurisdictions, resulting in a lower tax charge to the income statement. There is no guarantee that these reduced rates will continue to be applicable in the future.	• Reduction in opportunities in a particular geography. • Changes to terms of contracts. • Reduction or confiscation of Group assets, potentially without reasonable recompense; or increase in the Group's effective tax rate.
ENVIRONMENT AND CLIMATE CHANGE Ⓟ Please refer to page 8	Intertek operates many laboratories and offices which create greenhouse gas emissions and waste, and consume water.	• Failure to manage and control emissions and waste impacts the environment and our communities, as well as the Group's reputation. In addition, failure to manage the business' environmental impact could result in remediation costs.
LABOUR AND HUMAN RIGHTS ⓁⒼ Please refer to page 8	Operating in high risk countries known to have poor labour and human rights' records.	• Loss of employees. • Loss of business. • Damaged reputation.
CYCLICAL RISK ⓁⒼⒾ Please refer to page 8	All businesses are subject to cycles, with supply and demand fluctuating for economic or other factors over time. During times of cyclical strength this can place the business under pressure to meet peaks in demand whilst maintaining quality standards, whilst in cyclical downturns there is a requirement to restructure the business.	• A sustained downturn in the economic cycle can result in a lower return on invested capital, as revenue and margin levels come under pressure.
IT SYSTEMS RISK ⓁⒾⓅ Please refer to page 8	The Group is dependent on IT systems for principal business processes. The failure of one of these systems could cause significant operational disruption and loss of revenue.	• Damage to reputation leading to loss of business and media attention. • Cost to rectify. • Loss of systems and data impacts the ability to perform services and earn revenue in an efficient manner.

Associated strategic priorities

Leading positions in core industries	L
Customer relationships & service	C
Investing in people	IP
Industry consolidation & targeted acquisitions	I
Global network & service expansion	G
Process efficiency	P

	MITIGATION	2014 UPDATE
	• Monitoring of any incidents of political or social unrest and taking mitigating action. • Operations across many industries and countries diversifies the risk profile of the Group. • The Group utilises internal and external experts to keep abreast of tax and other legislation.	• This represents an increasing risk compared to 2013, as pockets of social and political unrest continue around the globe. Our work with Russian customers is subject to continuous review to ensure compliance with EU sanctions relating to Ukraine.
	• Tracking energy usage and emissions to manage the business' environmental impact is important for remaining compliant, controlling costs, controlling environmental externalities and satisfying customers' supply chain governance requirements.	• This risk remains stable compared to 2013. • The Group continues to improve its data collection to understand and help mitigate energy usage and reduce its CO_2e emissions.
	• Respect for human rights is enshrined in regulation in most jurisdictions where Intertek operates and underpins the Group's Labour and Human Rights policy. This is important for compliance, employee relations and employer legitimacy, and is linked to competitiveness in terms of having engaged employees and demonstrating to clients that this is important for running a good business.	• This risk remains stable compared to 2013.
	• 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 2013. • The Group's results are impacted by the lower levels of capital expenditure in the energy sector, driven by lower oil prices, but partially offset by the diverse nature of the Group and its ability to flex the cost base.
	• Information systems policy and governance structure. • Disaster recovery and business continuity 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 remains stable compared to 2013. • While the Group's reliance on IT grows, the implementation of regional data centres and supporting expertise ensures robust platforms and recovery processes are in place.

Principal risks and uncertainties continued

Legal and Regulatory

PRINCIPAL RISK	CONTEXT	POSSIBLE IMPACT
MAJOR CLAIMS L C Please refer to page 8	The Group is involved in claims where an event is found or is perceived to be caused by the negligence of the Group. It could subject the Group to claims for personal injury or property damage by customers, sub-contractors, employees or members of the public which could lead to the payment of damages and result in reputational damage which could in turn lead to a loss of business. There is a risk that a legal dispute could adversely affect the reputation of the Group and result in significant financial loss.	• Financial impact (fines by regulators, suspension of accreditation, compensation). • Loss of business (contract termination). • Criminal and civil action. • Damaged reputation.
BUSINESS ETHICS AND BRIBERY AND CORRUPTION G IP Please refer to page 8	The Group operates in countries which are recognised to have higher bribery and corruption risks.	• Legal action and fines against the Group. • Debarment from being able to participate in tenders. • Loss of reputation. • Media activity.

Financial

FINANCIAL IRREGULARITY RISK G I Please refer to page 8	The Group could suffer financial loss either through misappropriation of assets or the misrepresentation of financial results.	• Corresponding loss of value and reputation could result in funding being withdrawn or provided at higher interest rates. • Negative market sentiment could impact the Group's share price.

Associated strategic priorities

Leading positions in core industries	L
Customer relationships & service	C
Investing in people	IP
Industry consolidation & targeted acquisitions	I
Global network & service expansion	G
Process efficiency	P

MITIGATION	2014 UPDATE
• Effective Quality Management Systems and assurance procedures and controls, including contractual review and liability caps where appropriate. • 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 Head of Legal reports any significant claims to the Audit & Risk Committee. External legal counsel is appointed where appropriate. • Crisis management policy in place. • Seeking contractual protection from loss or insurance cover for loss where possible.	• This risk remains stable compared to 2013. • 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.
• Code of Ethics and training, risk assessments, Audit & Risk Committee review, whistle-blowing policy and policies and systems. • 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.	• This risk remains stable compared to 2013. • 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 2014, 256 HR and non-compliance issues were reported through the whistleblowing hotline and other routes. All were investigated with 31 substantiated and corrective action taken.
• The Group has financial and management controls in place to ensure that the Group's assets are protected from major financial risks. • A detailed system of financial reporting is in place to ensure that monthly financial results are thoroughly reviewed. The Group also operates a rigorous programme of internal audits and management reviews. Independent external auditors review the Group's half year results and audit the Group's annual financial statements.	• This risk remains stable compared to 2013. • The Group continues to build a shared service centre infrastructure to ensure appropriate skilled personnel review actual and forecast results, as well as improve segregation of duties.

Intertek Executive Management Team

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

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

ANN-MICHELE BOWLIN
Chief Information Officer
Joined Intertek in 2009. Ann-Michele was appointed Chief Information Officer in September 2010. She joined Intertek from Ernst & Young consulting where she led shared services transformation programmes in industries including oil & gas, manufacturing and services. Prior to Ernst & Young, she held leadership and operations roles in technology, manufacturing and services.

EDWARD LEIGH
Chief Financial Officer
Joined Intertek in 2013. Appointed to the Board as Chief Financial Officer in October 2014. Edward is responsible for the Group's global Finance, Tax, Treasury, Internal Audit and Company Secretariat functions. Edward joined Intertek from Dixons Retail Plc, where he held several senior financial management positions. Prior to that he held a variety of commercial finance roles at Procter & Gamble. He has over twenty years' experience in driving financial transformation and business performance programmes. Edward is a Chartered Management Accountant.

STEFAN BUTZ
Executive Vice President, Industry & Assurance, Chemicals & Pharmaceuticals
Joined Intertek in 2008. Stefan has responsibility for the Industry & Assurance and Chemicals & Pharmaceuticals divisions. He joined Intertek from TÜV SÜD, where he held the position of CEO Americas, with an earlier role as Head of Corporate Development. Prior to this he was a Strategy Consultant with Accenture Germany.

JAY GUTIERREZ
Executive Vice President,
Commodities
Joined Intertek in 1997. Until the end of 2014, Jay had responsibility for the Commodities division. Previously, he was Vice President for the Oil, Chemical & Agri division in the Americas. Jay has decided to retire from Intertek, later in 2015, and handed his responsibility for the Cargo & Analytical Assessment businesses to Manfred Klepacz during the course of 2014.

JONATHAN LAWRENCE
Group Vice President,
Human Resources
Joined Intertek in 2005. Jonathan has responsibility for Human Resources. He also directs Sustainability, Health & Safety and internal communications. Jonathan joined Intertek from Bureau Veritas where he was Group Vice President Human Resources. Prior to moving into business services in the TIC sector, Jonathan held HR, Quality Management and operations roles in the automotive, chemicals and general manufacturing sectors, starting his career as a Chartered Engineer in the machinery industry.

GREGG TIEMANN
Executive Vice President,
Consumer Goods,
Commercial & Electrical
Joined Intertek in 1993. Gregg has responsibility for the Consumer Goods and Commercial & Electrical divisions. Prior to assuming his current role, Gregg was President of Intertek's Commercial & Electrical division, 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.

MANFRED KLEPACZ
Executive Vice President,
Cargo & Analytical Assessment
Joined Intertek in 2014. Manfred has responsibility for the Global Cargo & Analytical Assessment businesses. Manfred has a long international career in the chemicals and industrial products sectors and was most recently Chief Executive of Al Rajhi Industrial Holdings based in Saudi Arabia. He has previously held international roles in general management and business development with the LyondellBasell and BASF groups in the USA, Singapore and Australia.

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.

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 from the oil and gas industry.

INDUSTRY & ASSURANCE IN BRIEF

Key business lines
Industry Services
Business Assurance
Food & Agriculture Services

Our services
Asset Integrity Management
Exploration & Production
Technical Inspection
Auditing
Certification
Consulting
Training
Staffing

FINANCIAL HIGHLIGHTS 2014

	£m	Change at actual rates	Change at constant rates
Revenue	642.9	(9.4)%	(2.8)%
Adjusted operating profit	64.5	(21.5)%	(14.5)%
Adjusted operating margin	10.0%	(160)bps	(140)bps

Revenue – at actual rates (£m)

(9.4)%

Average employees

+11.8%

Revenue by key business

OUR PERFORMANCE IN 2014

Total revenue was £642.9m, down 3% at constant exchange rates. This was primarily due to our decision to exit certain low value contracts, which negatively impacted the division's revenue by 6%, as well as delays to the commencement of planned oil and gas infrastructure capital project work by our customers. At actual exchange rates revenue was 9% lower.

Total adjusted operating profit at constant rates was 15% lower to £64.5m with a 140 basis point reduction in margin. At actual rates operating profit was 22% lower. The reduction in underlying margin is due to the revenue decline in our Industry Services business.

The largest proportion of the Industry & Assurance division is our Industry Services business which provides services to the energy infrastructure sector encompassing our Technical Inspection, Technical Staffing, Asset Integrity, Consulting & Training and Exploration & Production services. In 2014, we experienced customers delaying the commencement of planned oil and gas capital projects work which affected our Technical Inspection and Technical Staffing services. Revenue was also reduced by £40m from our strategic decision at the end of 2013 to exit certain low-value Technical Staffing service contracts.

We have begun to expand our Industry Services activities into processing, power, infrastructure, aerospace and other utility industries, as well as into oil and gas maintenance driven services in order to balance our leading position and exposure in the oil and gas capital projects market. We saw solid growth in 2014 in our business lines which predominantly support the maintenance of our customers' infrastructure from their operational expenditure ('opex') and where environmental and integrity concerns related to infrastructure also remain high on the public agenda.

Looking into 2015, we anticipate that further reductions in planned energy capital expenditure by our customers in response to the current low oil price will continue to impact revenue. However we expect that, as oil markets recover and we diversify our infrastructure services, the long-term increase in energy demand will drive revenue growth in Intertek's services in these markets.

In April, Intertek acquired INSPEC. This business supplements Intertek's acquisition of GXT in the US in 2013, and the acquisition in 2012 of NDT Services in the UK to create three key regional hubs as we develop our global opex services offering around NDT. The Australian-based NDT business of AIS was acquired in February 2015 for £6.5m in furtherance of this strategy.

Our Business Assurance business line grew strongly in the year with good demand for second-party auditing services from multinational corporations. We launched new services in 2014 including ISO 22301 Business Continuity; ISO 55001 Asset Integrity Management; EDGE Certification (Economic Dividend for Gender Equality); and Private Security Certification. Growing consumer demand, as well as increasing environmental regulations in developed and emerging markets, are placing an increasing emphasis on quality environmental and energy management systems for our customers, so that supply chain traceability exists.

Growing consumer demand for quality and safety in developing and developed economies, increasing regulations, and public food scandals, are all driving growth in the food testing market. Good growth in Food services during the year was driven by expansion of food safety needs and labelling in Germany, Taiwan and China. New EU food labelling regulations commenced and the US FDA introduced a proposal for new nutritional labelling requirements. Our Agriculture business grew strongly with good harvests in North America and expanding customer demands in South America. We expect these trends to support good growth in our Food & Agriculture and Business Assurance business lines going forward.

We continued to invest in expanding our global food services capabilities, and completed two bolt-on acquisitions for a total consideration of £3.3m in the year, and £3m organic investment in food labs.

Case study: Non-Destructive Testing

New immersion ultrasonic equipment at Intertek

Intertek has invested significantly in non-destructive testing capabilities with new state-of-the-art immersion ultrasonic techniques and equipment, demonstrating our on-going commitment to providing a competitive service to aerospace clients.

As part of the Company's expansion of its ultrasonic testing services, new equipment is being used to inspect the rectilinear discs used in aircraft manufacture. This utilises the latest technology in fully automated inspection systems and provides excellent resolution, allowing for real-time post-scan data processing.

For many years Intertek has been using immersion ultrasonic testing to inspect components for aerospace companies and their supply chain. Our non-destructive testing capabilities can detect flaws or irregularities in components to the most stringent inspection standards in compliance with Civil Aviation Authority and Federal Aviation Administration regulations.

State-of-the-art equipment is being used to inspect key components used in aircraft manufacture.

Commodities

The Commodities division has grown revenue and margin in its Cargo business line, broadly offsetting the weaker conditions in the Minerals business.

COMMODITIES IN BRIEF

Key business lines
Cargo
Analytical Assessment
Government & Trade Services
Minerals

Our services
Analytical assessment
Certification
Inspection
Consulting

FINANCIAL HIGHLIGHTS 2014

	£m	Change at actual rates	Change at constant rates
Revenue	542.4	(7.5)%	(0.5)%
Adjusted operating profit	65.5	(6.4)%	(0.2)%
Adjusted operating margin	12.1%	20bps	10bps

Revenue – at actual rates (£m)

(7.5)%

Average employees

(0.2)%

Revenue by key business

OUR PERFORMANCE IN 2014

Total revenue was £542.4m, down 1% at constant exchange rates, primarily due to the decline in Minerals revenues following the global slowdown in the sector and the impact of the Indonesian export ban in early 2014. At actual exchange rates total revenue was 8% lower.

Total adjusted operating profit at constant rates was £65.5m, flat versus prior year, with a 10 basis point increase in margin supported by restructuring activities. Total adjusted operating profit was down 6% at actual rates.

Demand for our oil and gas Cargo and Analytical Assessment inspection and testing business lines is driven by the end-demand for these products, as we test and verify the downstream trade and transport of a wide range of raw and processed products. Revenue grew in 2014 with the strongest growth in the Middle East while Europe remained flat. A weakening oil price in 2014 has not affected the business as our work is driven by throughput of downstream volumes which remained positive. By restructuring our activities in Europe we increased the business lines' margin in 2014. Further planned restructuring in 2015 will ensure this business remains aligned to shifting refining and trade flow patterns by our customers.

The increasing focus on environmental testing in some emerging markets driven by regulation, combined with the growth in Liquefied Natural Gas ('LNG') and unconventional (shale gas) testing and calibration-based work, has meant that Intertek is investing in new data-based technologies and increased use of automation in our laboratories, such as in Colombia. We see opportunities this year to increase our outsourced laboratory work for oil customers and refineries looking to manage costs in response to oil price pressures. Intertek has a leading track record in outsourced services and is well placed to assist customers with shorter test turnaround times and higher levels of knowledge and test quality.

Revenue in our Minerals business line is driven by clients' exploration, production and trading activity of mineral ores around the Pacific Rim, which declined in 2014. This was due to the continuing reduction in exploration activity by our customers and the effects of the introduction of an ore export ban in Indonesia in 2014. We have focused on aligning our global footprint to the changing minerals markets through an extensive restructuring during 2014. We closed a number of Minerals sites, exited businesses in India and Brazil and reduced our employee base significantly. Our production-related testing services grew in 2014. This was primarily in the iron ore sector, as we developed our mine-site services and capabilities; however this did not offset the other declines.

Revenue growth in our Government & Trade Services ('GTS') business was lower in 2014 due to the reduction in scope of our Conformity Assessment Programme with Saudi Arabia as reported in last year's Annual Report. In the final quarter of 2014 we saw the business return to good growth after annualising this effect which commenced in the fourth quarter of 2013. During 2014 we commenced restructuring of our GTS sales operations to support growth and operational efficiency with Regional Operations Centres in Manila and Johannesburg. We also created a new organisational model to better align the business to future growth opportunities. These activities supported an improved operating margin in the second half of 2014. Looking forward we see many countries in Africa improving their conformity assessment structures which creates further opportunities for our services.

Case study: Crude Oil Rail Car Services

Intertek expands crude-by-rail testing capabilities

Intertek provides a range of physical property testing services required to comply with a United States Government order mandating proper testing and classification of crude oil before the oil is loaded onto railcar shipments for delivery to oil terminals and refineries.

As per the Department of Transportation's ('DOT') Emergency Order, the crude oil tests conducted determine key crude oil physical properties, including initial boiling point, flash point, vapour pressure, and hydrogen sulfide content, among other factors.

Intertek provides the appropriate testing services, and offers guidance regarding the DOT Order. Testing helps to ensure that crude oil for shipment by rail has been classified, described, and packaged in accordance with the appropriate Hazardous Materials Regulations. In addition, we provide liquid meter proving and witnessing services in the shale fields.

Intertek is equipped with the specified steel and aluminium test specimens required for United Nations' corrosion testing.

Consumer Goods

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

CONSUMER GOODS IN BRIEF

Key business lines
Softlines
Hardlines
Product Intelligence
Auditing

Our services
Testing
Inspection
Certification
Auditing
Advisory services
Quality Assurance
Hazardous substance testing

FINANCIAL HIGHLIGHTS 2014

	£m	Change at actual rates	Change at constant rates
Revenue	375.3	(1.6)%	4.4%
Adjusted operating profit	124.8	0.2%	6.1%
Adjusted operating margin	33.3%	60bps	60bps

Revenue – at actual rates (£m)

(1.6)%

Average employees

+3.7%

Revenue by key business

OUR PERFORMANCE IN 2014

Total revenue was £375.3m, up 4% at constant exchange rates. At actual exchange rates total revenue was 2% lower.

Total adjusted operating profit was £124.8m, up 6% at constant exchange rates with 60 basis points of margin improvement, reflecting the completion of prior year investment in Tradegood and good growth in the higher margin Textiles business line. Total adjusted operating profit was flat at actual exchange rates.

Our Softlines revenues grew strongly in 2014 with good performances across all geographic regions in response to market demand and as new organic capacity expansion came on-line. Growth was strongest in emerging softlines sourcing markets, such as India, Vietnam and Bangladesh, where increasing numbers of Western retailers are asking Intertek to support them as they continue to diversify their sourcing from China to optimise their costs. During the year we expanded our leather and footwear testing facilities in India and chemical testing capacity in other Asian countries and Mexico. The fabric manufacturing market remains healthy in China where Intertek supports customers in evaluating the fabric before it is shipped to garment manufacturing countries. Chemical testing of textiles remains in demand by our customers. Regulations in the US and industry initiatives are driving greater scrutiny of the presence of hazardous chemicals in clothing and the environmental impact of the supply chain.

Luxury softlines brands continue to see emerging markets as a growth area for both production and for sales. Several countries have exacting technical regulations or import regulations which require testing to be conducted prior to import, such as the SNI clothing mark (Indonesian National Standard). Meanwhile the quality of domestic softlines brands is improving as they aim to compete with global brands on design, quality and price and this is helping to expand the market for Intertek's services. Various states in the US further developed their chemical regulations which are creating customer demand for additional evaluations of softlines and other products.

Revenue growth in Hardlines was flat in 2014, primarily from lower demand for European Union toy standard EN 71 testing in the second half which had experienced strong growth since May 2013 when the new regulations were introduced. China and Hong Kong were the most affected geographies. Looking ahead, markets such as India, Mexico, Vietnam and Turkey, are showing good growth potential as we expect the sourcing trend in hardlines product categories to diversify away from China to alternate manufacturing countries. Most emerging markets are requiring higher quality products across a range of categories for the domestic market as a result of consumer expectations and we expect this trend to also support growth in our business.

Our Product Intelligence services for retailers include product benchmark testing and consultation services that focus on product performance improvement. These services help customers to design better, safer products and to reduce the incidence of defects and returns from the outset of the product development process. This market developed positively in 2014 with more North American retailers developing 'own-label' products and seeking third-party support. In addition, retailers are outsourcing the monitoring of product defects and returns to better identify product categories with inherent quality issues, while others are seeking outsourced personnel to fill quality control oversight functions on sourced products.

Looking forward we consider that customers' shifting sourcing patterns, product variety, increasing chemical regulations and import standards and the demand for higher quality products and regulatory developments in Western and developing markets will drive good growth in demand for our Consumer Goods business lines.

Case study: Textiles & Apparel

Intertek launches first ever mobile textile testing lab

Intertek launched the first ever textile testing lab on wheels in Mumbai, serving retailers, brands and manufacturers of adult apparel, childrens' apparel, fashion accessories and household textiles to ensure that their products meet safety, regulatory, quality and performance standards.

This is a unique concept that helps our retail customers realise testing cost efficiencies and also provide access to quality testing of their products at their doorstep. The home-delivered support helps manufacturers improve competencies and also enhance acceptability with global brands.

This is a unique concept that helps our retail customers realise testing cost efficiencies.

Case study: Hardlines

Intertek opens first toy testing laboratory in India

Intertek expanded its toy testing capabilities in India with the opening of an NABL*-accredited laboratory in Gurgaon, to support toy retailers, brands and manufacturers, in meeting stringent regulatory standards and requirements established by the industry and reducing risks caused by defective toys.

Additional services include design evaluation, mock-up sample studies, initial product specification analysis, and product review; all of which help determine possible risk factors before a client's product is placed on store shelves and into the hands of consumers.

* National Accreditation Board for Testing and Calibration Laboratories.

Commercial & Electrical

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

COMMERCIAL & ELECTRICAL IN BRIEF

Key business lines
Electrical & Wireless
Transportation Technologies
Building Products

Our services
Safety testing
Performance testing
Certification
Consulting

FINANCIAL HIGHLIGHTS 2014

	£m	Change at actual rates	Change at constant rates
Revenue	359.6	6.3%	13.9%
Adjusted operating profit	51.0	3.4%	10.4%
Adjusted operating margin	14.2%	(40)bps	(40)bps

Revenue – at actual rates (£m)

+6.3%

Average employees

+12.1%

Revenue by key business

OUR PERFORMANCE IN 2014

Total revenue was £359.6m, up 14% at constant exchange rates, driven by strong growth in the Transportation Technologies business line and the 2013 acquisition of ATI in Building Products. At actual exchange rates revenue growth was 6%.

Total adjusted operating profit was £51.0m, up 10% at constant exchange rates with the total adjusted operating margin decreasing 40 basis points at constant exchange rates. Total adjusted operating profit was up 3% at actual rates.

Revenue growth in the Electrical business line was driven by demand for performance testing of new technologies being produced in China, Hong Kong, South Korea and the UK. The business line's margin in 2014 was below the prior year following new laboratory investments made in 2013 which are building to full utilisation.

Key customers are more concerned than ever with supply chain integrity, especially those who rely on multiple Original Design Manufacturers. Intertek supports this integrity by reducing overall risk for customers through a process of qualifying suppliers, validating component choices and benchmarking options within the supply chain. With their quickly expanding infrastructure, the Middle East and India have become a strategic imperative to many of our customers, while demand in Latin America for both safe and energy efficient products has steadily increased alongside the increase in local regulations.

Wireless revenue declined in 2014 due to the ending of a global customer contract in the first half of the year which also impacted the business' margin. Demand for mobile device testing as a whole remained very strong driven by North America and global customers' product variety developments and performance testing needs.

In Transportation Technologies revenue grew strongly in 2014. Further investment in the US has expanded capacity to meet new 2017 industry standards and increasingly complex engine technologies. US Environmental Protection Agency regulations are also driving customers to research and assess new component and vehicle performance towards the delivery of lower emissions and fuel economy standards that will take effect in future.

In 2014 we completed the successful integration of ATI which has helped increase Building Products revenue in North America. The business line is expanding its global footprint into China as the emerging middle-class is demanding an increase in safety and security in their buildings and building owners have an increased desire to have longer lasting and more energy efficient buildings.

Looking ahead, regulatory and industry standards for wireless products are evolving to include new technologies, such as Voice Over LTE (VoLTE), wearable products and Smart Grid technology. Customers are developing a wider range of internet-enabled products and technologies to connect products to each other, to consumers, to homes, to the Smart Grid, also known as 'The Internet of Things'. Emerging markets are adopting and enforcing the existing requirements of more mature markets. Global brands are balancing the need for quality and reliability with the cost of speed to market, while new entrants are gaining market share through low cost devices. Performance testing and benchmarking for devices and software applications provides invaluable information to manufacturers and retailers who want to ensure a quality user experience as well as protect their brands. All of these developments provide Intertek with the opportunity for long-term revenue growth.

Case study: Transportation Technologies

PLUGLESS L2 system is first of its kind to receive ETL certification

The PLUGLESS L2 System, manufactured by Evatran, is the first wireless electric vehicle ('EV') charging system to carry the prestigious ETL certification mark.

The system is available for both the Chevrolet Volt and Nissan Leaf vehicles, and has been in use with trial partners, including Google, Hertz and Duke Energy, for more than two years, logging over 16,000 charging hours without a single safety incident.

The system charges the EV as quickly as a plug-in Level 2 (240v) station, allowing the driver to continue using all standard EV charging features such as charge timers and remote status checks, and even allows the driver to continue plugging-in where wireless charging is not available.

Consumers can see the ETL certification mark on the PLUGLESS L2 system and feel confident that the product has met the relevant safety standards and performs as promised.

We certified the first advanced wireless charging technology for electric vehicles.

ETL Certification mark

The history of the ETL Mark began when Thomas Edison founded the first electrical testing laboratory in 1896, soon after to be named Electrical Testing Laboratory ('ETL'), to evaluate the quality and safety of his own inventions. Today, billions of ETL Marks appear on products across the globe as evidence of compliance to product safety standards, including household appliances, consumer electronics, medical devices, life safety and security products, among many others.

Chemicals & Pharmaceuticals

The Chemicals & Pharmaceuticals division had good growth in the Middle East, China and India, and benefited from restructuring carried out within Europe.

CHEMICALS & PHARMACEUTICALS IN BRIEF

Key business lines
Chemicals & Pharmaceuticals
Health, Environmental & Regulatory Services

Our services
Testing & analysis
Inspection
Auditing
Certification
Consulting and regulatory support

FINANCIAL HIGHLIGHTS 2014

	£m	Change at actual rates	Change at constant rates
Revenue	173.1	2.5%	5.7%
Adjusted operating profit	18.6	12.0%	18.1%
Adjusted operating margin	10.7%	90bps	110bps

Revenue – at actual rates (£m)

+2.5%

Average employees

+1.5%

Revenue by key business

OUR PERFORMANCE IN 2014

Total revenue was £173.1m, up 6% at constant exchange rates. At actual rates total revenue was up 3%.

Total adjusted operating profit was £18.6m, up 18% at constant exchange rates with a 110bps increase in margin on the prior year primarily due to restructuring activities and the contribution from the acquisition of Melbourn Scientific in 2013. Total adjusted operating profit at actual rates increased by 12%.

The business delivered improved growth in 2014 as some of the benefits of the restructuring programme, which began in 2013 to address the weak trading conditions in Europe, were realised. Growth was driven primarily by the improved performance of the Pharmaceuticals business in Europe and in India. Further restructuring activities were undertaken in the Netherlands in 2014 to address declines in the chemicals market caused by demand in this global business shifting to new geographies. In the US, demand for lubricant testing was strong following the commencement of a new regulatory standard.

In China the government signalled its intention in 2014 for international testing companies to increase their participation in the domestic testing market. Intertek received an accreditation for our lab in Shanghai to test cosmetic and beauty products destined for the Chinese market to the applicable national standard during the year.

Looking forward, regulations in the Middle East, India and China are expanding the demand for regulatory support services and analytical testing for Intertek in the pharmaceuticals and cosmetic sectors. Counterfeit products are an increasing challenge for our customers operating in these regions and countries, particularly where there is growth in demand for premium quality products and brands. In addition, consumers in mature and, increasingly, emerging markets demand safe chemicals that are used daily in their living environment. This means that Intertek's customers are extremely focused on providing transparency in their supply chain in relation to product chemical management and knowledge, which in turn drives an increased need for information exchange and compliance services that Intertek can offer.

International cosmetics companies are being asked more and more to develop products centrally, but to manufacture and deploy locally. This leads to an increasingly decentralised need for testing services and regulatory compliance review of ingredients, which Intertek provides through its extensive service portfolio.

Case study: Pharmaceutical Services

Supporting advanced biologic medicine development

Over the past decade there has been a rapid growth of the biopharmaceutical market. Biologics, or biopharmaceuticals are derived from a biotechnology process and are deployed in the treatment of life threatening and debilitating diseases. To support the growing needs from this market we have continued to invest and expand our bioanalytical capabilities supporting our clients' clinical development programmes.

Building on our existing US centre of excellence, which itself has undergone considerable expansion and key recruitment, we established a European bioanalytical centre for clinical and pre-clinical immunogenicity and pharmacokinetic studies.

With over 20 years' experience in conducting regulated Good Laboratory Practice compliant bioanalytical studies, bringing large molecule bioanalytical capability to Intertek's European network of laboratories enables us to be more responsive to the needs of our clients who increasingly seek global service support from regional locations. This will help to meet many challenges that our clients face in relation to the development of biologic medicines.

Intertek provides expert pharmaceutical development and manufacturing support services spanning analysis, bioanalysis, formulation development, regulatory consultancy, auditing and supply chain management solutions from its network of offices and regulatory laboratories across the globe.

We have continued to invest and expand our bioanalytical capabilities supporting our clients' clinical development programmes.

Case study: Scientific and Regulatory Consultancy Services

Intertek helps bring first natural carbohydrate control ingredient to market

Intertek assisted PharmaChem Laboratories Inc. in achieving Generally Recognised As Safe ('GRAS') status for their product "Phase 2 Starch Blocker" a white kidney bean extract. In a market where innovation is essential, understanding global regulatory compliance and achieving timely market approval is of upmost importance. In order to introduce a new food ingredient to the US marketplace under the Federal Food, Drug, and Cosmetic Act, the ingredient must be shown to be generally recognised as safe under the conditions of its intended use.

Phase 2 is the first natural carbohydrate control ingredient claiming to support weight loss that has been successfully Notified to the US FDA. This provides PharmaChem with the first to market GRAS advantage that is needed to successfully market their product in the United States. Intertek experts successfully minimize client risk through their broad expertise and depth of knowledge of toxicology, product safety, and risk assessment principles, as well as the regulatory approval processes that govern products across a vast range of industries in jurisdictions around the world.

Financial review

"The Group's overall financial position remains robust, supported by strong cash performance and targeted cost restructuring programmes."

EDWARD LEIGH
Chief Financial Officer

Financial highlights 2014

Actual	Constant rates
(4)%	+2%
Revenue down to £2,093m	
(5)%	+1%
Adjusted operating profit down to £324m	
(5)%	+3%
Adjusted diluted EPS	
+7%	
Dividend per share	
£43m	
Acquisitions	
£110m	
Organic investment spend	
+41%	
Free cash flow	
+2%	
Adjusted cash from operations	

Results for the year

Key financials	2014 £m	2013 £m
Revenue	**2,093.3**	2,184.4
Adjusted Group operating profit	**324.4**	342.6
Adjusted diluted EPS	**132.1p**	138.6p
Adjusted cash flow from operations	**403.7**	394.1
Dividends paid in the year	**75.5**	69.4

Good revenue performance across the Group was impacted by currency and specific business headwinds in Minerals and Industry Services. A focus on profitability and margin protection delivered EPS up 3% at constant currency.

CONSOLIDATED INCOME STATEMENT COMMENTARY

Revenue for the year was £2,093m, down 4.2% (up 2.3% at constant exchange rates), driven by organic revenue decline of 0.6% at constant exchange rates.

The Group's adjusted operating profit was £324.4m, down 5.3% on the prior year (up 1.2% at constant exchange rates). The Group's total operating profit for the year was £276.6m, down 10.8% on the prior year as a result of further restructuring costs.

The adjusted operating margin was 15.5% compared with 15.7% in the prior year, due to the Minerals and Industry Services businesses, partially offset by the benefits being delivered from restructuring activities across the Group.

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 from the oil and gas industry.

The Commodities division has grown revenue and margin in its Cargo business line, broadly offsetting the weaker conditions in the Minerals business.

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

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

The Chemicals & Pharmaceuticals division had good growth in the Middle East, China and India, and benefited from restructuring carried out within Europe.

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

		Revenue			Adjusted operating profit		
	Notes	2014 £m	Change at actual rates %	Change at constant rates %	2014 £m	Change at actual rates %	Change at constant rates %
Industry & Assurance	2	**642.9**	(9.4)	(2.8)	**64.5**	(21.5)	(14.5)
Commodities	2	**542.4**	(7.5)	(0.5)	**65.5**	(6.4)	(0.2)
Consumer Goods	2	**375.3**	(1.6)	4.4	**124.8**	0.2	6.1
Commercial & Electrical	2	**359.6**	6.3	13.9	**51.0**	3.4	10.4
Chemicals & Pharmaceuticals	2	**173.1**	2.5	5.7	**18.6**	12.0	18.1
		2,093.3	(4.2)	2.3	**324.4**	(5.3)	1.2
Net financing costs	14				**(24.2)**	12.6	
Adjusted profit before income tax					**300.2**	(4.7)	2.5
Income tax expense	6				**(72.0)**	0.5	
Adjusted profit for the year					**228.2**	(5.9)	1.2
Adjusted diluted EPS	7				**132.1p**	(4.7)	2.6

Current year performance

Revenue (£m)

(4)%

Adjusted operating profit[1] (£m)

(5)%

Adjusted diluted EPS[1] (pence)

(5)%

Dividend per share (pence)

+7%

Five year performance

Adjusted diluted EPS[1] (pence)

+10%

CAGR[3]

Dividend per share[4] (pence)

+15%

CAGR[3]

1. Presentation of results: To provide readers with a clear and consistent presentation of the underlying operating performance of the Group's business, the figures discussed in this review are presented before Separately Disclosed Items (see note 3 of the financial statements). A reconciliation between Adjusted operating profit and Profit for the year is set out in note 2 to the financial statements.
2. Organic growth excludes the results of acquisitions and disposals made in 2014 and 2013.
3. CAGR represents the compound annual growth rate from 2010 to 2014.
4. Dividend per share for 2014 is based on the interim dividend paid of 16.0p (2013: 15.0p) plus the proposed final dividend of 33.1p (2013: 31.0p).

Financial Review continued

NET FINANCING COSTS

The Group had an adjusted net financing cost of £24m (2013: £28m) in the year. This comprised £2m (2013: £2m) of finance income and £26m (2013: £30m) of finance expense. The total interest charge included £0.2m (2013: £0.5m) related to Separately Disclosed Items.

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.

SDIs	2014 £m	2013 £m
Operating costs:		
Amortisation of acquisition intangibles	**(20.8)**	(22.5)
Acquisition costs	**(3.5)**	(1.5)
Restructuring costs	**(23.5)**	(8.8)
Gain on disposal of investments	–	0.2
Total operating costs	**(47.8)**	(32.6)

In 2014, the amortisation of acquisition intangibles was £21m (2013: £23m). This reduction is a result of certain intangibles becoming fully amortised in the year; most notably from the Moody International acquisition made in 2011. Acquisition costs of £3.5m (2013: £1.5m) relate to costs in active, successful or aborted acquisitions. Further details on restructuring are provided at the end of this review.

TAX

The Group effective tax rate on adjusted profit before income tax was 24.0% (2013: 23.0%). The global nature of the Group means that the Group's exposure to income tax needs to be managed across a large number of fiscal regimes. The Group's goal is to efficiently manage its tax affairs whilst fulfilling its responsibilities to the countries in which it operates. The statutory tax charge, including the impact of SDIs, of £62m (2013: £65m), equates to an effective rate of 24.5% (2013: 23.0%) and the cash tax on adjusted results is 22.5% (2013: 25.7%).

EARNINGS PER SHARE

The Group delivered adjusted diluted earnings per share ('EPS') of 132.1p (2013: 138.6p). Diluted EPS after SDIs was 108.8p (2013: 123.0p) per share, and basic EPS was 109.5p (2013: 124.4p).

DIVIDEND

The Board recommends a full year dividend of 49.1p per share, an increase of 6.7%. 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 49.1p represents a total cost of £78.8m or 37% of adjusted profit attributable to shareholders of the Group for 2014 (2013: £74.2m and 33%). The dividend is covered 2.7 times by earnings (2013: 3.0 times), based on adjusted diluted earnings per share divided by dividend per share.

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 10.

The rate of return on invested capital ('ROIC') measures the efficiency of Group investments. This is a key measure to assess the efficiency of investment decisions and is also an important criteria in the decision making process when projects are competing for limited funds. ROIC in 2014 was 16% (2013: 18%). On a proforma basis (including annualised results for acquisitions) ROIC would also be 16%. Adjusting for movements in foreign exchange, ROIC would be 18%.

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 made three acquisitions in the year, with a purchase price of £43.1m (net of cash acquired, £40.2m).

In February 2014, the Group acquired INSPEC for £39.8m (£37.1m net of cash acquired), a non-destructive testing company, supporting the oil and gas sector, based in UAE and Oman.

In October 2014, the Group acquired the food testing laboratory and business from QPS Bioserve India PVT. Ltd ('QPS'), and in November 2014, acquired ScanBi Diagnostics ('ScanBi'), a Swedish based agriculture and food analytics company with subsidiaries in Sweden and Canada, for a combined purchase price of £3.3m (£3.1m net of cash acquired).

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, INSPEC, is in the strategically important area of non-destructive testing, where the Group sees good growth opportunities for expansion beyond the capital investment cycle.

ORGANIC INVESTMENT

The Group also invested £110m (2013: £145m) organically on the latest technology in new laboratories, capital equipment and other facilities. This investment represented 5.2% of revenue (2013: 6.6%) which was a decrease on the prior year in part due to the completion of IT platform investments in 2013. Key investments included laboratories in China & the US (Transportation Technologies), Sweden (Electrical & Wireless), UAE and Australia (Cargo and Minerals) and Bangladesh and Thailand (Textiles).

CASH FLOW AND NET DEBT

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

	2014 £m	2013 £m	Change %
Cash flow from operations	**386.8**	378.6	2%
Add back: cashflow relating to SDIs	**16.9**	15.5	
Adjusted cash flow from operations	**403.7**	394.1	2%

The components of free cash flow are summarised below:

Free cash flow	2014 £m	2013 £m
Adjusted operating profit	**324.4**	342.6
Add back: depreciation and amortisation	**76.3**	70.9
Movement in working capital and provisions	**(5.0)**	(30.9)
Net capital expenditure	**(108.5)**	(140.2)
Other*	**(102.4)**	(111.8)
Free cash flow	**184.8**	130.6

* Other includes exceptionals, interest paid/received, tax and non-cash items.

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

10%

NET DEBT

Net debt has increased from £618m at 31 December 2013 to £634m at 31 December 2014 principally as a result of cash repayments of borrowings offset by adverse exchange impacts.

In the year, the Group drew on facilities it had in place at 31 December 2013, including two bilateral term loan facilities. In addition, it issued US$110m of senior notes in July 2014 which were drawn in four tranches in the second half of 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 £391m at 31 December 2014. The components of net debt at 31 December 2014 are outlined below:

	1 January 2014 £m	Cashflow £m	Exchange adjustments £m	31 December 2014 £m
Cash	**116.4**	**2.9**	**0.2**	119.5
Borrowings	**(734.6)**	**27.5**	**(45.9)**	(753.0)
Total net debt	**(618.2)**	**30.4**	**(45.7)**	(633.5)

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 overseas assets of the Group. The composition of the Group's gross borrowings in 2014, analysed by currency is as follows:

Borrowings by currency

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 2.3% (actual exchange rates decline of 4.2%) and adjusted operating profit grew 1.2% (actual exchange rates decline of 5.3%).

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

	Statement of financial position rates		Income statement rates	
Value of £1	**2014**	2013	**2014**	2013
US dollar	**1.55**	1.65	**1.65**	1.56
Euro	**1.28**	1.20	**1.24**	1.18
Chinese renminbi	**9.65**	10.06	**10.15**	9.68
Hong Kong dollar	**12.04**	12.78	**12.80**	12.12
Australian dollar	**1.91**	1.86	**1.83**	1.62

RESTRUCTURING

The Group has undertaken a comprehensive review of its portfolio to identify businesses, locations and services which were underperforming or non-strategic. The actions that have been undertaken as a result of this include closing businesses, writing down assets and making redundancies, and have resulted in an additional £23.5m in restructuring costs being recognised.

This further restructuring will address weakness in certain businesses within the Commodities and Chemicals & Pharmaceuticals divisions, as well as the effects of the lower oil prices impacting demand in Industry Services. In addition, the restructuring is addressing cost improvement opportunities that have been identified across the wider Group. Initiatives taken include consolidating regional administrative sites for process and operational efficiency; closing underperforming businesses; and reducing overheads. Geographically, Europe and the Americas continued to be a focus within our restructuring programme accounting for just over 50% and 25% of the current year expenditure respectively. None of the disposals or closures were classified as discontinued activities.

The costs in 2014 by division were as follows:

Restructuring	Spend £m
Industry & Assurance	3.9
Commodities	7.0
Consumer Goods	1.2
Commercial & Electrical	3.0
Chemicals & Pharmaceuticals	5.0
Central and support functions	3.4
Total	**23.5**

While plans were made and notified during 2014, the timing of these actions depends on each business putting in place plans to ensure that customer service is not detrimentally impacted, as well as addressing the consultation process that is required in a number of jurisdictions in which we operate.

The Industry & Assurance division's restructure was largely focused on Europe, with the exiting of low value contracts combined with the drive for operational shared service centres enabling smaller operations to be streamlined.

Commodities restructuring focused on the global Minerals business, following further depressed commodities prices, as well as Cargo in the US and Europe.

Consumer Goods and Commercial & Electrical divisions restructured activity in China, the Middle East, Americas and Europe.

Chemicals & Pharmaceuticals restructuring focused on Europe, as sections of our customer base have restructured and/or moved away from the region.

IMPAIRMENT

The annual testing for impairment of non-current assets of the Group's cash generating units ('CGUs') was completed with no resulting requirement for impairment. Details of the sensitivity testing performed are set out in note 9 to the financial statements.

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

Sustainability and CSR

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

WOLFHART HAUSER
Chief Executive Officer

At the heart of our corporate mission and values lies our commitment to our customers, people, communities, environment and investors.

We help our clients to ensure the quality and safety of their products, assets and processes; to protect their brands and enable their success in the global marketplace.

Our employees are helping companies around the world to develop products that are used safely by millions of people every day and in all our communications with employees, we emphasise the value of the work they are doing for business, people and the planet as a whole.

Our people have a wide range of skills but share common values of integrity, honesty and respect for others. This is demonstrated by the many charitable and community activities our colleagues engage in – just a few examples of which are highlighted in this report.

We now employ more than 38,000 people around the world – an increase of 4% over the previous year. We take the safety of our employees and all those affected by our operations very seriously and are constantly improving the way we monitor our health and safety performance and the management of H&S globally at Intertek. While I am pleased to report a reduction in lost time injuries compared with 2013, we remain focused on educating our people in this area, with a view to achieving our goal of zero lost time injuries.

Throughout this report, you can read how our services are helping customers to manage their operations and produce products and services in a sustainable and ethical manner. In our own operations, we continue to improve our processes for collecting and monitoring our emissions data which for 2014, show a reduction in our CO_2e emissions per employee over the previous year. The Group's improved disclosure score in the Carbon Disclosure Project is a further validation of our improved data collection, details of which are on page 39.

I would like to take this opportunity to thank all our employees for their continued hard work in helping Intertek achieve this great progress towards our sustainability targets.



WOLFHART HAUSER
Chief Executive Officer

For more detail

36 Our business
How we are making a positive contribution to the planet through our work for clients.

37 Our people
Our commitment to the welfare and development of our people.

39 Our environment
Taking responsibility for our impact on the environment.

40 Our communities
Giving back to the communities touched by our business.

Sustainability and CSR continued

Our business

Intertek helps many of the world's largest multinational corporations and best-known brands to improve the social, ethical and environmental impact of their products, services and supply chains.

In March 2014, Intertek held the 14th Ethical Sourcing Forum for leading organisations to address emerging supply chain trends and challenges. The ES Forum, themed '20 Years of CSR Transparency: Then and Now', focused on how social media is transforming the face of corporate social responsibility as citizens worldwide have unprecedented access to information on the behaviour of corporations.

SUPPORTING COMMUNITIES THROUGH OUR WORK

In Hong Kong, Intertek has been sponsoring the leading fashion brand Kate Spade & Company, on a programme that supports a group of more than 150 artisans in Masoro, Rwanda, whose skills have become the foundation of a new business that is reshaping the community's quality of life. Intertek's Centre of New Technology is providing its expert testing services to support this programme, on a pro bono basis, to help these artisans build a trusted, successful brand.

In 2014 Intertek was awarded a contract with the Portland Development Commission ('PDC'), in Oregon, USA, to perform testing and certification for clean technology products. The PDC and the City of Portland were awarded federal funding to assist in the integration of clean technology as part of an initiative to accelerate innovation and production, and thereby stimulate job growth in the region. Intertek will be the sole testing provider for local manufacturers of products relating to clean technologies such as batteries, electric vehicles, lighting, green buildings, energy efficiency and solar power.

PROTECTING CITIZENS AGAINST COUNTERFEIT GOODS

Intertek is a member of The Certification Industry Against Counterfeiting ('CIAC'), an international network of certification organisations committed to stopping the worldwide proliferation of products bearing counterfeit certification marks that may endanger public health and safety. As part of CIAC, Intertek actively participates in Operation Overshock, a strategic and coordinated effort between INTERPOL and its certification industry partners, to detect and dismantle transnational and organised counterfeiting networks.

Since 2011, Intertek has progressively gained international recognition in the field of anti-counterfeit medicines through its activities in Switzerland, the Philippines, Mozambique and the UAE. The Intertek lab in Basel, Switzerland was instrumental in bringing a resolution to the fake medicine crisis in 2012 at the Punjab Institute of Cardiology hospital in the Lahore region, which claimed the lives of over 120 heart patients who had been treated with counterfeit antihypertensive medicines. Intertek worked closely with the government of Punjab to rapidly identify and withdraw the suspect drugs among commonly used products such as Isotab (isosorbide nitrate), Lipitor (atorvastatin calcium), Cardiovastin (simvastatin), Alfagril (clopidogrel), Concort (amlodipine) or Soloprin (aspirin).

This work, and our subsequent activity in the field of anti-counterfeit medicines led to the Intertek lab in Basel, Switzerland being added, in October 2014, to the World Health Organisation list of Prequalified Quality Control Laboratories considered acceptable for use by United Nations agencies.

IMPROVING NUTRITION FOR PEOPLE WORLDWIDE

The Global Alliance for Improved Nutrition ('GAIN') was launched in 2002 to focus on finding and delivering solutions for the complex problem of malnutrition. Through food fortification and other strategies, GAIN delivers affordable nutritious foods to 811 million people in more than 40 countries and aims to reach 1 billion people by 2015. The GAIN Premix Facility ('GPF'), founded in 2009, helps food fortification projects to access a more cost-effective way of procuring high quality vitamin and mineral premix.

Intertek has been a key partner with GAIN since the launch of GPF, auditing potential blenders and suppliers and checking that they meet minimum standards. To ensure the premix contains the correct level of micronutrients to be of benefit to people's health and to maintain quality throughout the supply chain, Intertek also assists with analytical services and checks samples from every order a customer places with the GPF. Globally, premix sourced by the GPF in partnership with Intertek has helped to improve the health of 150 million people over the past year.

HELPING BUSINESSES TO REDUCE THEIR FOOTPRINT

Intertek works with a number of organisations to analyse the environmental impact of their products and services. In 2014, we completed a project for a German chemical company which supplies glycerin (an ingredient used in many personal care products) in bulk containers. These containers are usually thrown away after one use but the company introduced a return and refill system. Intertek's analysis revealed that this reduces their packaging by 86% and achieves a 68% reduction in their carbon footprint. This independent verification of the benefits encouraged the company's customers and others in its supply chain to accept this innovation.

We are currently working with a leading manufacturer of PET plastic (polyethylene terephthalate) to analyse the carbon footprint of its new production plant in Belgium. Intertek measures the electricity and gas the new factory takes to produce one tonne of PET, the quantities of raw materials required and the emissions and wastes that result. This is then compared to existing data from the top PET producers in Europe, enabling us to verify that the new factory achieves a lower carbon footprint per tonne of PET than existing factories, due to its new design efficiencies.

STEWARDSHIP AND GOVERNANCE

Intertek's Board of Directors oversees and is responsible for the Group's strategy, performance and risk management (see pages 42 to 56). The Board acknowledges the importance of diversity in the boardroom as a driver of good governance. As at 31 December 2014, the Board's composition was 20% female and 80% male and for the senior leadership group (121 people), 23% female and 77% male. To read more about our Board diversity see page 57.

Sustainability and CSR are integrated into Intertek through policy deployment. 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' on pages 11 to 17). The Board has overall accountability for Intertek's sustainability and CSR, with Group-wide strategy and implementation being the responsibility of the Group Vice President, Human Resources.

Our people

More than 20,400 employees responded to our 2013 global employee survey and their feedback indicated that overall engagement had increased by 2% on the previous year. During 2014 we continued to focus on the three main areas that our people felt most strongly about: clarity of our strategy, social and environmental responsibility, and performance management and reward. Our sector business line leaders have been provided with toolkits to help them communicate and embed their local strategy. Our management teams have analysed their local feedback to identify specific areas for improvement in their countries. This has led to a number of new employee initiatives including focus groups, improved workplace environmental practices, mentoring and community projects, and sports, social and recreation clubs. In the UK, we are piloting a network of Corporate Social Responsibility Champions to coordinate our environmental and charitable activities in the region.

ATTRACTING AND RETAINING TALENT

Our aim is to attract, select, and promote the best available people who engage in and 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 advertised via our website (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 race, colour, religion, physical ability, gender or national origin.

INCLUSION AND DIVERSITY

Intertek's employment policies and practices operate within a framework which reflects a culture of merit where decisions are based on the individual's ability to perform in relation to the needs of the business. These policies complement and conform to local and national laws, regulations and codes of practice. We act to apply all employment policies and practices, including recruitment, promotion, reward, working conditions and performance management 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 Organisation's core conventions.

INVESTING IN OUR PEOPLE

Training helps us to strengthen the most important pillar of our organisation – our employees. We encourage our people to grow within Intertek by learning new skills to help them advance their careers, contribute to social mobility and deliver the best possible service to our customers.

Our goal is to ensure that all potential leaders of Intertek are provided with appropriate people skills to grow our business, hire and retain the best people and provide career growth for future leadership positions. Our talent mapping process is critical to the future success of our organisation to meet business strategy growth needs.

The Intertek Executive Academy, which was established in 2012 to develop our next generation of global leadership for our future business growth, has to date seen 71 participants develop their careers. More than half of those have subsequently moved into more senior leadership positions.

Further progress was also made during the year with country level schemes such as:

- The launch of our UK Management Development Programme. The 10-month course has so far welcomed 69 participants with the first cohort due to complete the Programme in March 2015.
- In Hong Kong, around 100 managers and supervisors are currently taking part in a three-year programme to develop our future talent pool in the country and several workshops have been held during the year on subjects such as project management and consultative marketing.
- In China, we have training programmes to develop our people at all levels, including our Induction Camp, Knowledge Centre, and long-term senior leadership development programmes with international business schools. Intertek has been voted as one of the '100 Best HRM companies' in China in the annual HRM survey initiated by 51Job.com for a seventh year running.

In 2014, Intertek offered over 1,300 online training courses to 26,000 employees in 68 different countries. Of these, 400 were developed through collaboration with internal subject-matter experts across the various Intertek businesses. During the year over 130,000 online courses were completed by 17,000 employees and since implementation, over 340,000 courses have been completed.

PROFESSIONAL CONDUCT

One of our primary business objectives is to help our customers meet quality standards for virtually any market in the world and protect them against risk by ensuring compliance with local, national and international laws. The accuracy and validity 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 requires that employees act with integrity and in an open, honest, ethical and socially responsible manner. It is the responsibility of each Intertek employee or person acting on Intertek's behalf to understand and apply the Intertek Code of Ethics in their own job role, their part of the business and location. All employees are required to complete our Code of Ethics training course annually.

Sustainability and CSR continued

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 2014 there were 31 hotline reports of non-compliance which were substantiated claims requiring remedial action. Reports of non-compliance are closely monitored and the Audit & Risk Committee periodically reviews the outcomes of the hotline and compliance reports on behalf of the Board.

Intertek total workforce by gender

At 31 December 2014 Intertek employed 38,407 people, an increase of 4% over the previous 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.

Revenue and headcount

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

HEALTH & SAFETY

Intertek considers the health, safety and welfare of its employees, clients and third parties connected with its business to be of paramount importance. The Company's aim is to achieve zero lost time injuries 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. 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 prescribe preventive and corrective actions but also disseminate safety information through toolbox talks and continual improvement programmes.

During 2014 we achieved a 16% reduction in lost time injuries and medical treatment injuries. One fatality was recorded in Burkina Faso in West Africa. This happened when the employee was struck by a vehicle while undertaking a work-related errand. In response to this incident, an awareness campaign about pedestrian road safety was communicated to all employees in the region.

	2014	2013	2012
Occupational fatalities	1	2	1
Lost time injuries rate*	0.25	0.34	0.43
Medical treatment injuries rate*	0.34	0.36	0.38

* Rates refer to the number of lost-time injuries and medical treatment injuries occurring per 200,000 hours worked. A lost-time injury is an accident which resulted in the employee being unable to work for more than four consecutive days.

We have continued to strengthen the process for reporting information relating to accidents, incidents and near misses through developing an online reporting tool, which is expected to be implemented in early 2015. The resultant insights will be shared globally to help reduce our accident rates and also increase efficiency in our operations globally.

Intertek employees in São Paulo, Brazil learn how to operate fire-fighting equipment.

Our environment

Intertek performs a vital role in helping its clients to sustain the environment and tackle climate change. Equally, within Intertek's own operations, there are controls in place to minimise the Group's impact on the environment through utilising renewable sources of energy, reducing energy consumption in our buildings and facilities, 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 2014, Intertek's electricity consumption was reported to be 241,900 MWh (6.30 MWh per employee) and gas consumption was reported to be 101,471 MWh (2.64 MWh per employee).

In 2013, Intertek developed its Greenhouse Gas ('GHG') emissions accounting and reporting to include all Intertek operations worldwide. In 2014 we focused on improving the quality of information captured and determining how this data can add value to the business. More details are given below. The levels of GHG emissions have been calculated using the guidelines of the GHG protocol and DEFRA and relate to the reporting period 1 October 2013 to 30 September 2014.

CO_2e[1] emissions from activities for which Intertek is responsible include:

		GHG Emissions (tonnes of CO_2e)[1]
Scope 1	the combustion of fuel	48,921
	operation of facilities	11,230
Scope 2	purchase of electricity, heat or steam	142,510
Outside of Scopes		607
Total emissions		**203,268**

Intensity ratios		
2014	CO_2e per employee[2]	5.29
2013	CO_2e per employee[2]	5.75

1. CO_2e – Carbon dioxide equivalent.
2. GHG emissions under the Kyoto protocol include fuel testing, fuel consumption and mileage, use of fire extinguishers, release of refrigerants and coolants, nitrous oxide usage, steam and heat co-generation and steam import, in addition to electricity and gas consumption.

In order to provide a more complete picture of our global GHG emissions, actual data was compiled for all our major operating countries and for the smaller sites that were unable to provide data, some figures were extrapolated. Extrapolation was based on equivalent activity data (electricity and gas consumption) of a single employee and then multiplied by the number of people at that site. Actual data was used for minor contributions such as fugitive emissions (refrigerant and coolant leaks). Where sites provided data covering only part of the year, figures were extrapolated linearly to cover the full year.

As for Scope 3 emissions (indirect GHG emissions from sources not owned or directly controlled by Intertek but which relate to our activities) Intertek sites continue, where possible, to reduce waste going to landfill, recycle and reduce water consumption. This year, our site in Perth, Australia was recognised for its contribution to tackling the challenge of water scarcity (see inset). We are also committed to utilising our in-house teleconferencing facilities to reduce our travel emissions.

As a further validation of Intertek's commitment to tackling climate change across the business, in 2014 Intertek in Japan was awarded the 'S-Ranking' from the Tokyo Metropolitan Government for the second year running. The Tokyo Government assesses Conformity Assessment Bodies ('CABs'), of which Intertek is one, on their GHG emissions. It then publishes the results on its website so that organisations can consider this ranking when selecting a CAB to work with. Only eight out of 40 CABs achieved the S-rank grade.

Intertek also participates in waste reduction and recycling activities and programmes with non-profit organisations in Hong Kong. In 2014 Intertek received the 'Low Carbon Operation Programme' label from the World Wildlife Fund and the 'Green Office' award from the World Green Organisation, which encourages and audits businesses' environmental initiatives.

Intertek's Minerals facility in Perth, Australia, was recognised for its outstanding water saving efforts by the Western Australian Government as part of its Water Efficiency Management Programme. The site was able to reduce its usage by utilising water previously sent to waste as a by-product of deionized water production. Intertek received both Platinum and Champion Awards (the Champion Awards are presented to businesses achieving Platinum or Gold for two consecutive years).

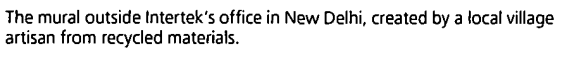
From left: Mia Davies, WA Water Minister, Rob Chapman Intertek Operations Manager Western Australia and Water Corporation CEO, Sue Murphy.

Sustainability and CSR continued

BETTER DATA
Improved data collection has enabled us to identify opportunities to increase internal efficiencies. A good example of this is the introduction of our LENS smart meter energy saving system at our Geelen site in the Netherlands (the biggest energy user in our European operations) where significant energy efficiencies have already been achieved. As our GHG emissions accounting develops further, we expect further good practice to emerge to further consolidate our commitment to tackling climate change.

STANDARDS
Many Intertek sites are certified to ISO 14001. This environmental management system supports 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. 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 enabling continuous improvement is the reporting of all incidents which all employees are required to do.

COMMUNICATION
General good practice and sustainability initiatives in Intertek are communicated to all our employees. Increasingly, Intertek sites are introducing 'green teams' that seek innovative ways to engage people into projects that support the delivery of Intertek's sustainability strategy. All employees are made aware of Intertek's Sustainability and CSR policy, of which the environment is an important element.



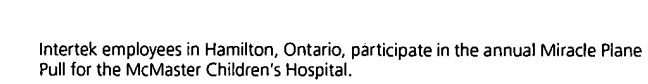
The mural outside Intertek's office in New Delhi, created by a local village artisan from recycled materials.

Our communities

The communities in which we live and work are important to us and as an organisation, we are mindful of giving back to our neighbourhoods. Intertek's involvement in local community or charitable causes is determined at a local level by our Country Managers, who support and encourage employee participation. Many of our employees also contribute their personal time to volunteering and fundraising for charity.

Some of the activities in which Intertek and its employees participated during 2014 included:

- A co-operation agreement with Llamada Solidaria, a NGO in Spain that helps investigate new treatments for adults and children with rare or complex diseases.
- In addition to annual donations to the Children with Leukemia Foundation, employees in Turkey raised £455 for families affected by the coal mine disaster in Soma, Manisa, in May.
- On 18 July, Intertek employees in South Africa celebrated Mandela Day by taking part in a number of community volunteering activities to carry forward Nelson Mandela's vision of democracy, freedom, equality, diversity, reconciliation, and respect.
- Intertek employees in the US took part in the Hood to Coast Relay, a 199 mile race that starts from the foot of Mount Hood, the tallest peak in Oregon and ends at the Pacific Ocean. The race, which involved 20,000 participants from all 50 US states, raised over US$500,000 for cancer research, treatment and support services.
- Some of the many events which took place at Intertek locations in Canada were an aeroplane pull in Hamilton, which raised CAN$800 for MacMaster Hospital's kids' charity 'MacKids', and CAN$3,250 in company and employee donations to the Club des petits déjeuners de Montreal-Est, a charity that funds local community projects and enables access to healthy food for children and teenagers.



Intertek employees in Hamilton, Ontario, participate in the annual Miracle Plane Pull for the McMaster Children's Hospital.

- In China, Intertek experts held seminars and lectures throughout the year for senior citizens on the subject of food safety, food allergies and home safety. They also provided seminars for parents and community residents, covering safety aspects of toys, food and cosmetics and held educational seminars for students at our Electrical lab in Shanghai.
- In Chile, Intertek held careers seminars for students of Santo Tomas College, provided internships to students of a local technical college in co-operation with the Liguria Investment Enterprise, and donated reagents to the chemistry lab of a local school.
- Across Australia and the Solomon Islands, our businesses and employees raised more than AUS$1,800 through a number of charitable events during the year, including 'Movember', the moustache-growing fundraising event.
- Intertek continued its work with the Leatherhead Hub in the UK, to share skills and resources in support of students and staff of local schools. Employees across the UK also took part in events to raise funds for local charities and donated to local food banks.
- Intertek employees in Germany donated around €8,500 to various charities and supported the Christmas campaign 'Geschenk mit Herz' ('A heartfelt gift'), sponsored by Humedica, a Kaufbeuren-based charity organisation. Volunteers assembled thousands of parcels containing gifts, learning and teaching materials, food and toys for disadvantaged children who live in regions affected by crisis and war.

Employees in Germany volunteer to help Humedica's Christmas Campaign

- In Hong Kong, our people took part in many events throughout the year, including blood donations, charity fundraising, supporting the Ronald McDonald children's care home, elderly care and youth development programmes. The Hong Kong Red Cross awarded Intertek with the 'Caring Company' logo for the third consecutive year in 2014.
- In India, Intertek commissioned a mural, created largely from recycled material, to adorn the wall of the main entrance to One Intertek House in New Delhi. The mural was created by a local village artisan through Art Kommune, a renowned art platform that supports artisans from all over the world.
- Intertek experts in Japan discussed renewable energy and other topics as part of an 'Environment Experience Festival' for seven local schools in Chuo-ku, Tokyo. The event, which received 1,500 visitors, was to raise young people's awareness of environmental issues through interactive experiences.
- One hundred Intertek employees in Jakarta donated 30 litres of blood to the Pelang Merah (Indonesian Red Cross).

Intertek employees in Jakarta donate blood to the Indonesian Red Cross.

Sustainability and CSR

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

The Strategic Report was approved by the Board on 27 February 2015.

By order of the Board.



WOLFHART HAUSER
Chief Executive Officer

Chairman's introduction

SIR DAVID REID
Chairman

For more detail on Corporate Governance

42 CHAIRMAN'S INTRODUCTION
43 Compliance with the UK Corporate Governance Code
44 Corporate Governance
46 Board of Directors
48 Leadership
49 Effectiveness
52 Audit & Risk Committee
57 Nomination Committee
58 Remuneration Report
72 Other statutory information
75 Statement of Directors' responsibilities

DEAR SHAREHOLDER
On behalf of the Board, I am pleased to present the Corporate Governance Report for the year ended 31 December 2014 and to confirm that we have complied with all the provisions set out in the 2012 UK Corporate Governance Code (the 'Code'). 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.

As Chairman, it is important that I ensure the Board has the right combination of skills and experience to provide the entrepreneurial leadership of the Company 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. As mentioned in my report last year, a key focus of the Nomination Committee was on succession planning and this continued to be a top priority for 2014. I am pleased to report that during the year, the Board announced that André Lacroix would join the Group as Chief Executive Officer in May 2015 and that Edward Leigh, the former Group Financial Controller, had been promoted to the role of Chief Financial Officer. Both have a very successful track record and their appointments will strengthen the Board's diversity across a range of measures, including skills, experience and nationality, which will help bring new perspectives to our discussions and decision making. These appointments demonstrate our continued commitment to developing people within Intertek and our aim to introduce proven talent as part of our growth strategy.

COMPLIANCE WITH THE UK CORPORATE GOVERNANCE CODE

The Board is required to report on the operations of the Company by reference to the 2012 UK Corporate Governance Code (the 'Code'), which sets out standards of good practice in relation to board leadership and effectiveness, remuneration, accountability and relations with shareholders.

A copy of the Code is available from the UK Financial Reporting Council at www.frc.org.uk.

Throughout the year ended 31 December 2014, the Company applied all of the principles, and complied with each of the provisions set out in sections A to E of the Code. Overleaf is an overview of the Company's compliance with the Code, which should be read in conjunction with the adjoining Corporate Governance Report.

A fuller explanation of our compliance with the Code is set out on the Company's website at www.intertek.com/investors/governance

More information about the role and activity of the Nomination Committee during the year is detailed on page 57.

The evaluation and performance review of the Board, its Committees and each Director was undertaken internally this year and I am pleased to confirm that the conclusion of the evaluation was that the Board and its Committees continue to operate effectively. Each Director makes a significant contribution to debate and discussion in a collegial and open way that facilitates the constructive review of performance and the agreed operation and strategy of the Group. Following the outcome of the evaluation, each Director will be recommended for re-election as a Director of the Company at the 2015 Annual General Meeting apart from Wolfhart Hauser who is retiring after serving as Chief Executive Officer for over ten years and Christopher Knight who is stepping down from the Board after serving as a Non-Executive Director for nine years. As per the Code, the evaluation at the end of 2015 will be externally facilitated. More information on the outcome of the internal evaluation is described on page 49.

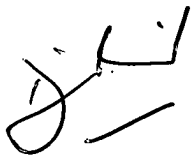
During the year, Christopher Knight as Chairman of the Remuneration Committee and I engaged with our top shareholders respectively on remuneration and corporate governance and the views of our shareholders were shared with the Board.

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. More information about our engagement with shareholders is outlined on page 51.

As part of our Governance we are constantly reviewing our risk and assurance processes. In the year we have re-assessed our risk mitigation strategies and introduced improved methods of assurance to provide clear evidence to the Board that processes are in place and operating as outlined in the Audit & Risk Committee Report on page 52.

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.

The following report provides more information on how this is achieved and outlines our governance approach.



SIR DAVID REID
Chairman

Corporate governance

COMPLIANCE WITH THE UK CORPORATE GOVERNANCE CODE

For the year ended 31 December 2014, the Company has complied with the principles and provisions of the 2012 UK Corporate Governance Code (the 'Code'). A full version of the Code can be found on the Financial Reporting Council's website at www.frc.org.uk

A. LEADERSHIP	A.1	The Board's role	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 www.intertek.com.
	A.2	A clear division of responsibilities	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.
	A.3	Role of the Chairman	The Chairman sets the agendas for the meetings, manages the meeting timetable and facilitates open and constructive dialogue during the meetings.
	A.4	Role of the Non-Executive Directors	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. EFFECTIVENESS	B.1	The Board's composition	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.2	Board appointments	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 57.
	B.3	Commitment	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.4	Training and development	A comprehensive induction programme is in place for all new Directors. The Chairman reviews and discusses training and development requirements with each of the Non-Executive Directors. Directors attend relevant training as necessary to update their knowledge.
	B.5	Information and support	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.6	Board, Director and Committee evaluation	An internally facilitated evaluation was undertaken during 2014 and is described on pages 49 to 50. The next externally facilitated evaluation will be held at the end of 2015.

COMPLIANCE WITH THE UK CORPORATE GOVERNANCE CODE

	B.7	Re-election of Directors	All Directors were subject to shareholder re-election or election at the 2014 Annual General Meeting ('AGM'), as will be the case at the 2015 AGM, with the exception of Christopher Knight and Wolfhart Hauser who are retiring. The Directors' biographies are available on pages 46 and 47.
C. ACCOUNTABILITY	C.1	Financial and business reporting	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 Report and Accounts present a fair, balanced and understandable assessment of the Company's position and prospects.
	C.2	Risk management and internal control systems	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 53.
	C.3	Role and responsibilities of the Audit & Risk Committee	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.
D. REMUNERATION	D.1	The level and elements of remuneration	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 58 to 71.
	D.2	Development of remuneration policy and packages	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 58 to 71. No director is involved in setting his or her own remuneration.
E. RELATIONS WITH SHAREHOLDERS	E.1	Shareholder engagement and dialogue	The Board seeks to actively engage with both institutional and retail shareholders. Details of the shareholder engagement programme are set out on page 51.
	E.2	Constructive use of the AGM	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 on our website at www.intertek.com.

Board of Directors

Committees:	
Nomination	N
Audit & Risk	A
Remuneration	R

SIR DAVID REID N
Chairman
Appointed to the Board in December 2011 and became Chairman in January 2012. Sir David Reid retired as Non-Executive Chairman of Tesco PLC in November 2011 after serving in that role since April 2004. Prior to that he was Deputy Chairman of Tesco PLC and had served on the Tesco Board since 1985. David is 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, Chairman of Kwik-Fit Group Ltd, Non-Executive Director at Greenalls Group Plc (now De Vere Group), Legal & General Group Plc and Westbury plc. In November 2010, Sir David was appointed a member of the Prime Minister's Business Ambassadors Network.

WOLFHART HAUSER
Chief Executive Officer
Appointed to the Board as Chief Executive Officer in March 2005 after serving as a Non-Executive Director since November 2002. Wolfhart Hauser was previously Chief Executive Officer and President of TÜV Süddeutschland AG for four years and Chief Executive Officer of TÜV Product Services for ten years. Starting his career with various research activities he went on to establish and lead a broad range of successful international service industry businesses. He has held several non-executive board director and chairman roles in a variety of technology companies. He was a Non-Executive Director of Logica plc until August 2012. He is currently a Non-Executive Director and Chairman of the Remuneration Committee of Reed Elsevier PLC and Reed Elsevier NV, and on 14 January 2015 was appointed a Non-Executive Director of Associated British Foods plc.

EDWARD LEIGH
Chief Financial Officer
Appointed to the Board as Chief Financial Officer in October 2014. Prior to joining Intertek, 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 N A
Non-Executive Director
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 (R)
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 and a Non-Executive Director to the Home Office. 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.

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

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

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 Adviser 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
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 (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 10 years as well as numerous arts, culture, business and sport organisations.

Corporate governance continued

Leadership

THE BOARD OF DIRECTORS

The Board is collectively responsible 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 ultimate responsibility for the management, strategic direction and performance of the Group. 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 outlines the matters that are specifically reserved for the Board. 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.

BOARD COMPOSITION

The Board consists of the Chairman, two Executive Directors and seven Non-Executive Directors. Biographical details of individual Directors are set out on pages 46 and 47. All Directors served throughout the year apart from Edward Leigh who was appointed Chief Financial Officer on 1 October 2014 following the resignation of Lloyd Pitchford.

ROLE OF THE CHAIRMAN AND CHIEF EXECUTIVE OFFICER

There is a clear division of responsibilities between the Chairman and the Chief Executive Officer, and these responsibilities have been formalised in writing. The Chairman, Sir David Reid, is responsible for the leadership and governance of the Board ensuring its effectiveness, setting agendas, ensuring that the Directors receive accurate, timely and clear information and that there is effective communication with shareholders. He facilitates the effective contribution to the Board of the Non-Executive Directors in particular ensuring constructive relationships between the Executive and Non-Executive Directors.

The Chief Executive Officer, Wolfhart Hauser, is responsible for the day-to-day operation of the business in line with the strategy and commercial objectives agreed by the Board. He is also responsible for promoting and conducting the affairs of the Company with the highest standards of ethics, integrity and corporate governance. The Chief Executive Officer leads the Executive Management Team, details of which, are set out on pages 18 and 19.

SENIOR INDEPENDENT DIRECTOR

The Senior Independent Director is Michael Wareing. In addition to his responsibilities as a Non-Executive Director, he provides a sounding board for the Chairman and is responsible for leading the Directors' review of the Chairman's performance. He is available to meet with shareholders who feel they are unable to raise issues through the usual channels of the Chairman, the Chief Executive Officer or the Chief Financial Officer.

NON-EXECUTIVE DIRECTORS

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 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.

GROUP COMPANY SECRETARY

The Group Company Secretary is responsible for ensuring that correct Board and governance procedures are followed and advises the Board on all corporate governance related matters. The Group Company Secretary acts as Secretary to the Board and its principal Committees, and her advice and services are available to all Directors.

All Directors are entitled to obtain independent professional advice, at the Group's expense, in the performance of their duties as Directors. No such advice was sought during the year.

The Company has granted an indemnity, to the extent permitted by law, to each of the Directors and the Group Company Secretary. Directors' and officers' liability insurance is in place.

DIRECTORS' CONFLICTS OF INTEREST

All Directors have a duty under the Companies Act 2006 to avoid conflicts of interests and to disclose any outside appointments. The Board has a formal system to deal with conflicts of Directors' interests. The Directors are advised of the process for dealing with conflicts of interests 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 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 2014, this process operated effectively.

Effectiveness

BOARD MEETINGS

During 2014, there were seven scheduled Board meetings. 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.

Board Membership and Meeting Attendance

Board Members	Number of meetings held in 2014	
	Eligible to attend	Attendance
Sir David Reid Chairman	7	7
Wolfhart Hauser Chief Executive Officer	7	6[1]
Lloyd Pitchford Chief Financial Officer (until 30 September 2014)	5	4[2]
Edward Leigh Chief Financial Officer (appointed 1 October 2014)	2	2
Edward Astle Non-Executive Director	7	7
Alan Brown Non-Executive Director	7	7
Christopher Knight Non-Executive Director	7	6[3]
Dame Louise Makin Non-Executive Director	7	7
Michael Wareing Senior Independent Non-Executive Director	7	6[4]
Mark Williams Non-Executive Director	7	7
Lena Wilson Non-Executive Director	7	7

In addition to the scheduled meetings, the Board also met at short notice on a quorate basis.

1. Wolfhart Hauser was unable to attend one meeting due to an unavoidable business commitment.
2. Lloyd Pitchford was unable to attend one meeting due to an unavoidable family commitment.
3. Christopher Knight was unable to attend one meeting due to illness.
4. Michael Wareing was unable to attend one meeting due to illness.

BOARD ACTIVITY DURING THE YEAR

During the year, the Board has considered the following matters:

- Group strategy and commercial objectives;
- 2015 annual business budget;
- Full year results, Annual Report and half year results and related announcements;
- Acquisitions;
- Governance, risk and internal controls;
- Significant capital expenditure and material contracts;
- Dividend policy;
- Tax and treasury policies;
- Talent mapping and succession planning; and
- Health and safety.

The Non-Executive Directors receive monthly Business Performance Reports and information which enables them to review the performance of the Group and management against the agreed strategy, budget objectives and prior period performance. As well as the above, during the year the Board also receive updates on debt financing, market reports, share trading reports, analysts' forecasts, litigation reports, final and interim dividend recommendations, road show and investor feedback, interim management statements, announcements and a wide range of other issues.

During the year, there was a strategy session held off-site within the UK to focus on strategic opportunities and conduct reviews on key areas of the business.

Board visit to United Arab Emirates (UAE)

In October 2014, the Board visited the Intertek operations in the UAE, which provided an excellent opportunity for the Board to meet with local 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.

BOARD DEVELOPMENT

There is a formal induction programme which is tailored to meet the needs of new Directors which is managed by the Chairman and the Group Company Secretary. During the programme, new Directors meet with senior members of management and receive 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 receive information about the business operations, internal audit activities, Group risks and management processes and procedures.

During the year the Directors were kept up-to-date with information about Intertek's business and there is an on-going programme of information dissemination. It is important that the Directors have an appreciation of our business both in the UK and overseas 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. Directors are regularly updated as necessary on various statutory obligations and corporate governance matters.

PERFORMANCE EVALUATION

During the year, the Board engaged in a performance evaluation led by the Chairman with the support of the Group Company Secretary comprising a series of detailed questionnaires which provide the framework for the evaluation. There are questionnaires for each of the following: the Board, each Committee and for each Director and the Chairman. Responses to the questionnaire were collated and the output was used by the Chairman in his one-to-one interviews with each Director.

Corporate governance continued

The Board evaluation focused on any current hot topics or issues as well as the key subjects set out below:

Key topics in the Board evaluation questionnaire

- Board composition and diversity
- Strategy and review
- Board performance
- Board processes and information
- Board expertise
- Internal controls and risk management oversight
- Senior management and succession planning
- Engagement with shareholders

The results of the evaluation were considered by the Board at its meeting in January 2015 with no significant issues being highlighted. The review clearly indicated that the Board and each of its Committees continue to work efficiently and effectively, and that the contribution and commitment of each Director, and their interaction with each other, is well developed. As a result of the evaluation, the Board agreed to continue to focus more time on:

- people capability, talent mapping and succession planning; and
- health and safety policies, frameworks and reporting.

The Board also agreed to:

- revisit the acquisition strategy;
- increase the focus on emerging trends and potential impact on the business; and
- undertake a deep dive session on risk as well as the review and approval of the Group Risk Register.

As part of the evaluation process, the Directors, led by the Senior Independent Director, conducted a performance review of the Chairman. 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. The Board will continue to review its procedures, effectiveness and development during the year ahead, and the Chairman will use the output of the most recent Board evaluation in his individual meetings with Directors during the year. In 2012, the performance evaluation of the Board and its Committees was facilitated by an independent third party firm. The Board plans to conduct a further externally facilitated evaluation in 2015.

GOVERNANCE FRAMEWORK AND BOARD COMMITTEES

The Group has a clear Governance Framework, as set out in the diagram in the next column 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 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 principle Committees are available on the Company's website at www.intertek.com.

At each Board Meeting, the Chairman 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 52 to 56 (Audit & Risk Committee), page 57 (Nomination Committee) and on pages 58 to 71 (Remuneration Committee).

OPERATIONAL COMMITTEES

Executive Management Team

The Executive Management Team ('EMT'), 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 EMT can be found on pages 18 and 19.

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 with the Group Vice President, Human Resources in attendance. The Committee is serviced by the Group Company Secretary or her representative.

Risk Control and Assurance Committee ('RCA')

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

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, Group Vice-President, Human Resources, Group Financial Controller, Head of Legal, and Head of Internal Audit. The Committee met five times during 2014.

More information on the RCA is available in the Audit & Risk Committee report on page 55.

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. Our largest shareholders are invited annually to meet with the Chairman to share their views. In 2014 we invited shareholders holding more than 40% of the share register collectively to these meetings which were held in early 2015.

The engagement programme is run by the Head of Investor Relations, and this includes road-shows, site visits, presentations, and briefings. Examples of some of the key events in our Investor Relations Calendar are shown in the next column. In 2014 we held over 350 separate meetings with investors. Feedback from investors is provided to the Board by our brokers and the Head of Investor Relations. The Chairman and the Senior Independent 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.

Investor Relations Calendar

January	Governance Roadshow
March	Annual Results Roadshows
April	Investor Site Visit Testing, Inspection & Assurance Conference
May	Annual General Meeting Interim Management Statement
June	Global Business Services Conference
August	Interim Results Roadshows
September	European Support Services Conference UK Large Cap Conference
October	Testing, Inspection & Assurance Conference
November	Interim Management Statement Private Wealth Management Roadshow Investor Site Visits
December	Senior Management Thematic Lunch European Business Services Conference

Annual General Meeting ('AGM')

This year the AGM will be held on 15 May 2015 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 Chairmen 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 Company's website, at www.intertek.com.

Audit & Risk Committee

Michael Wareing – Chairman of the Audit & Risk Committee

DEAR SHAREHOLDER

On behalf of the Board, the Audit & Risk Committee ('Committee') has a pivotal role in scrutinising the conduct of the business, its management and auditors to protect the interests of shareholders. In order to do this, the Committee reviews the integrity of the financial statements ensuring that the judgements made by management are appropriate and monitors the external auditors to ensure that they remain independent and objective and the audit continues to be effective. As part of this process, the Committee also ensures that the Annual Report and Accounts contain the necessary information to enable shareholders to assess the Company's performance, business model and strategy. It also includes the oversight of the Group's internal controls and risk management systems with the aim of ensuring that the risks that could impact the business and therefore shareholder value are managed. Therefore, I am pleased to present the Audit & Risk Committee Report for the year ended 31 December 2014 which outlines these activities and the responsibilities of the Committee in more detail.

As part of the Committee's programme of increasing its understanding of the business it received presentations during the year from Business line leaders to present an overview of the inherent risk issues and how they are managed, and from Regional Chief Financial Officers providing an overview of the function, governance and controls that are in place within their regions. The Committee also ensures that it has separate meetings with the Chief Financial Officer, Head of Legal, Head of Internal Audit and the external auditor without management present to provide a forum for any issues to be raised.

Finally, an annual evaluation of the performance of the Committee was conducted, 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 UK Corporate Governance Code. The Committee will continue to work to deliver its role as part of the assurance and governance framework.

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 2014	
	Eligible to attend	Attendance
Michael Wareing (Committee Chairman)	5	5
Edward Astle	5	5
Christopher Knight	5	4[1]
Lena Wilson	5	5

1. Christopher Knight was unable to attend one meeting due to illness.

Throughout 2014, the composition of the Committee was in compliance with the UK Corporate Governance Code (the 'Code'). As required by the Code, Michael Wareing has recent and relevant financial experience as he was formerly the Chief Executive Officer of KPMG International until his retirement in September 2009 and also in 2014 chaired the Audit Committee at both Cobham plc and Wolseley plc. Edward Astle and Christopher Knight both have relevant financial experience as detailed in their biographies on pages 46 and 47.

All of the Committee members are considered to be independent in accordance with the Code criteria. 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, Chief Executive Officer, Chief Financial Officer, Group Financial Controller, Head of Legal, 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 and give presentations as highlighted in the table on page 53. The terms of reference of the Committee are available on the Company's website at www.intertek.com.

ROLE AND ACTIVITY OF THE COMMITTEE

The Committee is authorised by the Board 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 2014 is set out below:

Audit & Risk Committee agenda items 2014

Financial statements and reports	Feb	May	Jul	Sep	Nov
Full year results 2013	•				
Annual Report and Accounts 2013	•				
Management highlights memorandum	•		•		
Going concern assessment	•		•		
Fair, balanced and understandable assessment	•				
Significant accounting policies					•
Half year results 2014			•		
External audit					
Audit strategy & plan 2014			•		
Audit fee proposal 2014			•		
Engagement letter			•		
Non-audit fees review of policy, spend and cap	•				
Update on non-audit fees	•		•		
Update on audit strategy & plan					•
KPMG highlights/review memorandum	•		•		
KPMG effectiveness		•			
Letter of representation to the auditors	•		•		
External audit tender proposal		•			•
Internal audit					
2015 audit plan				•	
Internal audit reports	•	•	•		•
Internal audit effectiveness			•		
Governance, risk and assurance					
Risk management strategy					•
Group risk register			•		•
Compliance and operational risk	•	•	•		•
Key claims report	•	•	•		•
Code of Ethics and hotline roll-out update			•		
Update on the development and effectiveness of key anti-bribery and corruption initiatives in China			•		
Inherent risk assessment including presentation from Industry Services				•	
UK Corporate Governance Code					•
Other					
Presentation by Business Line Leaders and Regional Chief Financial Officer				•	
Group-wide finance transformation update					•

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 Head of Legal, taking into account the advice of external legal counsel. The Head of Legal 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 challenged by the Committee. The Committee also considered reports presented by the external auditor before determining that the levels of provisioning were appropriate.

Audit & Risk Committee continued

Restructuring
In reviewing the provision for restructuring, details of which are contained in the financial review on page 34 and in note 13, 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.

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. The Committee reviewed and challenged 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. The Committee also took into account the work undertaken by the external auditor in respect of impairment and is satisfied that no impairment of goodwill is required.

Accounts receivable and accrued income
The Group takes a balanced approach to provisioning of accounts receivable balances and the Group provisioning policy is to provide 25% of balances six to 12 months old and 100% of balances greater than one year old. Where there are specific circumstances, central adjustments may be made to material individual items based on reviews by the Group Financial Controller and Regional Chief Financial Officers. The Group also has potential exposure within accrued income, particularly on long-term contracts within the Technical Inspection business. The Committee reviewed and challenged the update from management at year end on the approach taken to the provisioning and took into account the opinion of the external auditor. The Committee after due consideration agreed that the current provisioning policy adopted by management is appropriate to the Group's circumstances.

FAIR, BALANCED AND UNDERSTANDABLE ASSESSMENT
One of the key intentions of the Annual Report and Accounts is that it gives a fair, balanced and understandable view of the Group's position and prospects, as well as providing the necessary information for readers of the Annual Report and Accounts to assess the Group's performance for 2014, its business model and its strategy, in order that the Committee can explicitly state that view. In justifying this statement, the Audit & Risk 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 advisors 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 Audit & Risk Committee; and
- Final sign-off provided by the Board.

The Committee received a report following the process undertaken to ensure compliance with the Code together with ensuring robust challenge of judgemental statements to ensure that they were reasonable within the context of the Report. This enabled the Committee, and then the Board, to confirm that the 2014 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 AUDITORS
The Committee monitors the relationship with the external auditors, KPMG, including the provision of any non-audit services. It also seeks to ensure the continued independence and objectivity of the external auditor. The Committee discusses any fees paid to KPMG for non-audit work and the reasons why they were appointed for such work. During the year, KPMG met with the members of the Committee without any management being present. In the interests of independence and objectivity, the engagement audit partner is rotated every five years unless there are exceptional circumstances in which case the Committee may approve up to a further two years.

KPMG has been the Company's external auditors since the management buy-out from Inchcape in 1996 (17 years) and since then the Group has not formally tendered the external audit. However, the Committee has continued to keep under review and discussed the requirement contained in the UK Corporate Governance Code to put the external audit contract out to tender at least every ten years and also considered the subsequent proposals of both the Competition & Markets Authority and the European Commission. 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 Company's 2016 Annual General Meeting.

EFFECTIVENESS OF EXTERNAL AUDIT
The Committee conducts an annual review of the performance of the external auditor. In order for the Committee to be able to assess the effectiveness of the audit, a process has been developed which involves the external auditor presenting its approach to maintaining audit quality annually to the Committee and a questionnaire being circulated to those within Intertek 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. Following the feedback received from the internal review, and having reviewed the performance of the external auditor, the Committee has recommended to the Board a resolution

to re-appoint KPMG as the external auditor. The Board has accepted the recommendation and agreed that the resolution be included in the Notice of the 2015 Annual General Meeting.

AUDIT AND NON-AUDIT FEES

One of the main responsibilities of the Committee is to ensure the continued independence and objectivity of the Group's external auditors. 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 external auditors are precluded from engaging in any non-audit work that would compromise their independence or violate any laws or regulations affecting their appointment as auditors or would lead a reasonable and informed third party to regard the objectives of the proposed non-audit service as being inconsistent with the objectives of the audit. The Committee annually reviews and approves the framework of permitted non-audit services taking into account any changes in legislation and best practice. An annual cap for non-audit services is presented to the Committee for approval, with caps 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.

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 87:

Auditor fee breakdown	2014 £m	2013 £m
Total non-audit fees	0.6	0.7
Audit fee	2.3	2.1
% of audit fee	26%	33%

INTERNAL CONTROL AND RISK MANAGEMENT

The Board is responsible for establishing and maintaining the Group's system of internal control and risk management and for reviewing its effectiveness. This manages and helps mitigate the risk of failure to achieve business objectives and can provide reasonable assurance against material misstatement or loss. 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 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 this year risk registers have also been produced for the largest 20 countries following risk discussions with country managers. The country risk registers have not been used to feed into the Group Risk Register as they are country specific but will serve as a useful indicator to see whether Group-wide risks are replicated at a country level. This has helped to validate the previous process and no significant changes were made to the Group Risk Register. The Committee reviews the Group Risk Register twice a year and presents the register to the Board for final approval in December.

We have implemented a verification programme to check that all the statements made in the Annual Report and Accounts are accurate and the verification files for this process have been prepared. 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. During the year, this was reviewed and refreshed 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 pages 50 and 51.

INTERNAL CONTROLS AND REPORTING

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

Audit & Risk Committee continued

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 2014 and up to the date upon which these financial statements were approved. No material weaknesses had been identified.

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 last year, our Code of Ethics was reviewed and updated this year to simplify and consolidate Intertek's approach to compliance and 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 program has been developed for the new Code of Ethics that will be rolled out to employees during 2015. The Code of Ethics had also been translated into 28 languages, which covers the Group's employees.

CONFIDENTIAL HOTLINE

Intertek is committed to maintaining a culture where issues of integrity and professional ethics can be raised and discussed openly. A new global hotline system was put in place during 2014 which is operated by an independent third party. This provides a web-based system, which has been translated into 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. Detailed statistics about such issues are provided to each meeting of the Committee. Reports are made of resolutions for all matters together with information about any employees who have left the Group due to wrong-doing.

INTERNAL AUDIT

As part of its annual programme, the Committee reviewed the effectiveness of the Group Internal Audit function and considered findings from Internal Audit as part of its annual programme of reviews. Reports from Internal Audit to the Committee included assurance on the Group's internal controls and risk management systems, findings and follow-ups from the audit of businesses, functions and processes and the annual plan of Internal Audit. The annual plan of action for Internal Audit is reviewed and approved by the Committee. Where there is not the internal expertise to perform a specialised audit, a third party auditor with the requisite skills will be appointed to undertake the audit, the findings of which are reported to the Committee. An external review of the effectiveness of the Internal Audit function will be undertaken during 2015.

QUALITY ASSURANCE AUDITS

The Company carries out quality assurance audits across the Group and the findings are reported to management. Each business line has at least one compliance officer who undertakes investigations of issues that arise either from quality assurance audits or from other sources, such as routine compliance questions. As part of our quality assurance and assessments, internal quality audits are undertaken. Reports of significant findings are presented to the Committee which monitors and reviews the effectiveness of the internal audit function.

PRIORITIES FOR 2015

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

- continue to support the efforts of the external auditor and the Internal Audit and Risk Management functions with respect to the ongoing development of the Group's total assurance and risk management framework;
- prepare for and implement any relevant changes in the corporate governance and regulatory arena;
- continue to monitor the impact of external economic factors on the business of the Group and its financial position; and
- progress the external audit tender process.

GOING CONCERN

Current guidance requires that the Directors make an assessment that the Group has adequate resources to continue in operation for the foreseeable future, being at least 12 months from the date of signing the annual report, in order to conclude on the going concern assumption.

Management has provided the Directors with 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 Group financial projections for a period to 31 December 2017. All the current borrowing facilities are expected to be available at 31 December 2015, except for £90m, and at 31 March 2016, except for £129m.

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.

Nomination Committee

Sir David Reid – Chairman of the Nomination Committee

DEAR SHAREHOLDER

During the year, the particular area of focus and business for the Nomination Committee ('Committee') was on the implementation and successful completion of succession planning for the roles of the Chief Executive Officer and Chief Financial Officer. Extensive work was undertaken and a formal, rigorous and transparent procedure was followed by the Committee on the search for two new executive board directors. At the end of the process, the Board, upon the unanimous recommendations of the Committee, approved the following:

- With effect from 1 October 2014, the internal appointment of Edward Leigh as Chief Financial Officer, previously the Group Financial Controller, following the resignation of Lloyd Pitchford; and
- With effect from 16 May 2015, the external appointment of André Lacroix as Chief Executive Officer, currently Chief Executive Officer of Inchcape plc, upon the retirement of Wolfhart Hauser.

The main role of the Committee continues to be in ensuring that the composition of the Board retains the right balance of skills, experience, industry and technical knowledge 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 structure of the Board is evaluated every year bearing in mind the need to refresh and review the skills necessary as the Company evolves and the business changes. We will continue to monitor the diversity of the Board and our objective will be to always appoint, from a wide range of backgrounds and experience, the best candidate for the role.

The Terms of Reference of the Committee are available on the Company's website at 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 2014	
	Eligible to attend	Attendance
Sir David Reid (Committee Chairman)	6	6
Edward Astle	6	5[1]
Christopher Knight	6	6
Michael Wareing	6	5[2]

1. Edward Astle was unable to attend one meeting due to a prior commitment.
2. Michael Wareing was unable to attend one meeting due to illness.

Other attendees at Committee meetings include the Chief Executive Officer, Group Vice President, Human Resources, Group Company Secretary and appropriate external advisors as necessary

THE ACTIVITY OF THE COMMITTEE

During the year, the Committee spent a significant amount of time overseeing the processes which lead to the announcement of André Lacroix being appointed as Chief Executive Officer in 2015 and Edward Leigh as Chief Financial Officer in 2014. In both searches, the Committee considered the experience, competency and personal qualities that would be required for these positions in order to create detailed role specifications, candidate profiles and a timetable to ensure an orderly and efficient process. The external search firm, Egon Zehnder, was used to assist with the identification of suitable candidates for the Chief Executive Officer role and then subsequently for calibration, benchmarking and referencing of candidates. Spencer Stuart was used for the benchmarking of internal candidates for the Chief Financial Officer role. The consultants used for both appointments have no other connection with the Company.

After a rigorous and transparent selection process involving a number of candidates for both roles, which included interviews being held with all Directors, André Lacroix and Edward Leigh were deemed to be the most suitable candidates based on merit, against objective criteria and taking into account their skills and experience together with the Committee having due regard for the benefits of diversity on the Board, including gender.

Also during 2014, the Board, upon the recommendation of the Committee, took the decision to reappoint Alan Brown, Sir David Reid and Michael Wareing 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 Director chaired the Committee when the reappointment of the Chairman was discussed.

DIVERSITY ON THE BOARD

The Board has endorsed the recommendations made by Lord Davies of Abersoch in his report issued in 2011 on "Women on Boards" and its policy of diversity is available on our website at 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 above. The Company has already made significant progress towards achieving Lord Davies' recommendation and an analysis of the diversity of the Board by gender as at 31 December 2014 is provided below:

Board of Directors

Remuneration report

CHRISTOPHER KNIGHT
Chairman of the Remuneration Committee

DEAR SHAREHOLDER

2014 was a challenging year for Intertek as external trading conditions remained tough. The general slowdown in growth in global trade led to challenges across many of our markets, exacerbated later in the year by the effects of sharply reduced oil prices.

As a result, our 2014 results did not reach the levels of the stretching targets we set ourselves and this was reflected in the overall reward to the executive directors and the wider group of global executives. The annual bonus payments to the CEO and CFO represented 38.4%of their maximum opportunities and the 2012 long-term incentive plan (LTIP) vested at 25.2%.

At the 2014 AGM, shareholders approved our Remuneration Policy which set out a new remuneration structure for executive directors. The new structure separates the determination of LTIP granting levels from the results of the annual bonus, a change suggested by several of our investors during recent feedback. We were pleased with the high level of support for both our policy and remuneration report. The associated changes to our pay structures were implemented successfully in 2014 for the executive directors and other senior executives.

During 2014, the Committee considered the arrangements for the retirement of the current Chief Executive Officer, Wolfhart Hauser, and for the appointment of the new Chief Executive, André Lacroix. Dr Hauser will step down as Chief Executive at the AGM and remain as an employee until the end of 2015 to conduct a smooth handover to Mr Lacroix. During this time, he will receive his normal salary but no bonus. Details of these arrangements are set out on page 64.

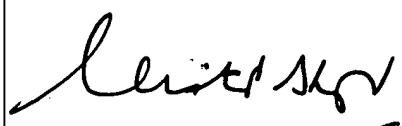
André Lacroix will take over as Chief Executive Officer following the AGM. On joining, his salary will be £895,000. All aspects of his remuneration package are within the policy approved by shareholders. In order to compensate Mr Lacroix for awards he lost when leaving his previous employer, we agreed to buy out these awards on a basis of their potential value adjusted to reflect the performance conditions that were attached to them. This results in a large buy-out package but, we believe, one that is reasonable given the awards being replaced; moreover, the Committee and the Board strongly believe it is in shareholders' interest to secure a candidate of André Lacroix's experience and calibre to lead Intertek in its next stage of development. Details of his package including the buy-out are set out on page 64.

In the course of the year, Edward Leigh was promoted to the position of CFO and appointed to the Board. Mr Leigh's new salary was set at £360,000 which was some way below the market, with the intention that it would be reviewed at the end of the year subject to performance. Having confirmed that he has successfully settled into his new role and is performing well, the Committee increased his salary to £400,000 with effect from April 2015. All other elements of Edward Leigh's package, set out on page 64, are within our approved policy.

Edward Leigh replaced Lloyd Pitchford, who resigned in September 2014. The Committee considered Mr Pitchford's leaving arrangements; he received no pay in lieu of notice and both his annual and long-term incentives were forfeited.

The Remuneration Committee continues to keep the remuneration structures for the Group under review, to ensure they continue to support our strategic goals in the context of a rapidly evolving sector and the changing landscape of global trade and recognising that there continues to be a scarcity of international talent experienced in the sector. We strive to ensure our reward policies and practices support our growth plans and are aligned with the long-term interests of shareholders. That said, no changes to our policy are proposed for 2015.

Yours sincerely,



CHRISTOPHER KNIGHT
Chairman of the Remuneration Committee

The elements specifically required to be audited within the shaded sections of pages 65 to 68 have been audited by KPMG Audit Plc in compliance with the requirements of the Regulations.

Directors' Remuneration Policy Report

The Directors' Remuneration Policy Report was approved by binding vote at the AGM on 16 May 2014 and the Committee is proposing no change for 2015. The Policy set out on pages 59 to 62 is included here only for information.

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

Each year the Committee approves the overall reward strategy for the Group and considers the individual remuneration of the Executive Directors and certain senior executives.

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, with each operation retaining the freedom to navigate within that framework to find the best local solution.

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

The Committee considers shareholder feedback received in relation to the AGM each year at a meeting following the AGM. This feedback, plus any additional feedback received during any meetings from time to time, is then considered as part of the Company's annual review of remuneration policy.

In addition, the Committee will seek to engage directly with major shareholders and their representative bodies should any material changes be proposed to the remuneration policy. Details of votes cast for and against the resolution to approve last year's remuneration policy and report and any matters discussed with shareholders during the year are set out in the Annual Report on Remuneration.

When determining salaries and other elements of remuneration for our executives we take account of general pay movement and employment conditions throughout the Group, as well as the relevant general markets. This is achieved by reviewing detailed information for four of the areas (mainland China, the US, UK and Hong Kong) in which the Group employs the greatest number of people. The Company has not formally consulted with its employees on the design of its senior executive remuneration policy. The Committee will keep this under review.

Remuneration report continued

SUMMARY OF THE 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
Base salary	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 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.
Benefits	To provide competitive benefits to ensure the well-being of employees.	Benefits include annual medicals, life assurance cover of four times base salary, allowances in lieu of a company car or other benefits and private medical insurance.	The total value of these benefits will not exceed 12% of salary.	n/a
Pension	To provide competitive retirement benefits.	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
Annual Incentive Plan ('AIP')	To drive and recognise annual performance against targets which are a mix of business and personal objectives.	50% paid in cash and 50% deferred into shares which will vest after a period of three years subject to continued employment. Targets are reviewed each year and are a balanced set of measures designed to be challenging. Not pensionable. Clawback provisions apply.	For 2014, maximum 230% of salary for the CEO and 200% of salary for the CFO. For 2015 onwards, up to 200% of salary for all Executive Directors. 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. 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.	The majority of the annual bonus will be subject to Group financial measures and no more than 20% of the bonus will be subject to personal performance measures. The stretch targets, when met, reward exceptional achievement and contribution. The minimum is zero.
Long-Term Incentive Plan ('LTIP')	To retain and reward Executive Directors for the delivery of long-term performance. To support the continuity of the leadership of the business. To provide long-term alignment of executives' interests with shareholders by linking rewards to Intertek's performance.	Annual grant of conditional shares which vest after three years, subject to Company performance and continued employment. The shares will also be subject to a six-month holding period after vesting. Accrued dividends during the vesting period to be paid in cash or shares at vesting, to the extent that shares vest.	Up to 250% of salary.	LTIP awards are subject to performance conditions based on Earning Per Share ('EPS') growth and relative Total Shareholder Return ('TSR'). At least a quarter of each award will be based on each of these measures. 25% of an award will vest for achieving threshold performance, increasing pro rata to full vesting for the achievement of stretch performance targets. Awards under the TSR element of the LTIP are also subject to the satisfaction of a financial underpin.
Share ownership guidelines	To increase alignment between executives and shareholders.	Executive Directors are required to retain any vested shares (net of tax) under the Group's share plans until the guideline is met. The guideline must be met within five years of appointment.	CEO: 200% of salary. CFO: 150% of salary.	n/a
Non-Executive Directors' fees	To attract and retain high calibre Non-Executive Directors through the provision of market competitive fees.	Fees are paid mostly in cash, with 10% of fees paid in the form of shares. Fees are determined based on the responsibility and time committed to the Group's affairs and appropriate market comparisons. No other benefits are provided, other than to the Chairman, who receives a car allowance of £25,000 per annum.	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 change in responsibility and/or variance to market levels of remuneration.	n/a

SELECTION OF PERFORMANCE METRICS

The annual bonus is based on performance against a mix of financial measures and personal performance. 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. A sliding scale of targets is set for each KPI to encourage continuous improvement and challenge the delivery of stretch performance.

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, providing that, in the opinion of the Committee, the new targets are no less challenging in light of the circumstances at the time than those used previously. The targets for awards granted under this remuneration policy are set out in the Annual Remuneration Report.

There are no material differences in the structure of remuneration arrangements for the Executive Directors and the general employee population, aside from quantum and participation rates in incentive schemes.

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 2015 for both the CEO and CFO:

Value of remuneration packages at different levels of performance

1. Salary levels are based on those applying on 1 April 2015.
2. The value of taxable benefits is based on the cost of supplying those benefits (as disclosed) for the year ended 31 December 2014.
3. The value of pension receivable by the CEO and CFO in 2015 is taken to be 25% 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. In addition, 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). Any such awards would reflect the nature, time horizons and performance requirements attaching to the remuneration it is intended to replace.

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.

Remuneration report continued

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.

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 for the CFO, also 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. 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
Termination payment	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 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 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, 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 LTIP above), awards will vest in full.

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 2014
Sir David Reid	1 December 2011 Reappointed: 1 December 2014	One month/ 35 months
Edward Astle	1 September 2009 Reappointed: 1 September 2012	One month/ 8 months
Alan Brown	15 April 2011 Reappointed: 15 April 2014	One month/ 27 months
Christopher Knight	30 March 2006 Reappointed: 30 March 2009 Reappointed: 30 March 2012	One month/ 3 months
Dame Louise Makin	1 July 2012	One month/ 6 months
Michael Wareing	15 April 2011 Reappointed: 15 April 2014	One month/ 27 months
Mark Williams	1 September 2013	One month/ 20 months
Lena Wilson	1 July 2012	One month/ 6 months

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 have been disclosed to and approved by shareholders in previous Remuneration Reports. Details of any payments to former Directors will be set out in the Annual Report on Remuneration as they arise.

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 2014	
	Eligible to attend	Attendance
Christopher Knight (Committee Chairman)	7	7
Alan Brown	7	7
Dame Louise Makin	7	7

The Chairman, Chief Executive Officer, Chief Financial Officer and the Group Vice President, Human Resources may, by invitation, attend the Committee meetings, except when their own remuneration is discussed. No Director is involved in determining his or her own remuneration. None of the Committee members has had any personal financial interest, except as shareholders, in the matters decided. The 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 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 Chief Executive Officer on major policy issues affecting the remuneration of other executives; and
- keeps remuneration policy under review in the light of regulatory and best practice developments and shareholder expectations. Due regard is given to the interests of shareholders and the requirements of the Listing Rules and associated guidance. The terms of reference of the Committee are available on our website at www.intertek.com.

THE ACTIVITY OF THE COMMITTEE

The Committee met seven times and considered:

- the 2014 Reward Strategy;
- the salary for senior management and the determination of the bonus payments for 2013;
- the TSR and EPS performance results for the 2011 – 2014 share plan award cycles;
- the 2014 bonus targets and performance measures;
- the protocol for dealing with good leavers under the share plans;
- Share Plan awards for 2014 – 2017 and TSR and EPS performance criteria;
- the feedback from shareholders and corporate governance organisations with respect to changes to executive remuneration and incentive schemes and the 2014 AGM votes;
- the remuneration proposals for the new CEO, CFO and other new senior employees;
- the departure terms for senior executives;
- the remuneration advisors; and
- the review of the Directors Remuneration Report to ensure compliance with Remuneration Reporting Regulations.

ADVISORS

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

During 2014, 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. NBS is a member of the Remuneration Consultants Group and adheres to the Voluntary Code of Conduct in relation to executive remuneration consulting in the UK. The Committee took independent advice on UK pension matters from Premier Pensions Management Limited ('PPM'). During 2013, PPM's associate company provided additional Financial Conduct Authority ('FCA') regulated services in respect of UK pension and employee matters.

In addition, the Company received advice from Allen & Overy LLP ('A&O') on the proposed changes to the 2011 LTIP rules.

NBS and PPM were both appointed by the Committee. Due to the worldwide operations of the Group, advisors are selected on their particular expertise both at a local and global level.

The fees paid to NBS for providing advice in relation to executive remuneration over the financial year under review were £64,308. The fees paid to PPM for providing advice on UK pension matters were £10,272. The fees paid to A&O for providing advice in relation to the proposed changes to the 2011 LTIP rules were £26,077.

EXTERNAL APPOINTMENTS

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

Wolfhart Hauser was appointed as a Non-Executive Director of Reed Elsevier PLC and Reed Elsevier NV in April 2013. His earnings for this appointment during 2014, which he retained, were £90,720.

STATEMENT OF SHAREHOLDER VOTING

At the 2014 AGM, a resolution was proposed to shareholders to approve the Directors' Remuneration Policy and the Remuneration Report for the year ended 31 December 2013. These resolutions received the following votes from shareholders:

2014 AGM Votes

	Remuneration Policy		Remuneration Report	
In favour	120,096,565	98.36%	119,048,431	97.09%
Against	2,000,827	1.64%	3,568,039	2.91%
Total	122,097,392	100.00%	122,616,470	100.00%
Withheld	864,763		345,276	

The changes to the annual bonus and LTIP arrangements for the Executive Directors were approved at the 2014 AGM.

Remuneration report continued

RESIGNATION AND APPOINTMENT OF EXECUTIVE DIRECTORS

Resignation of Chief Financial Officer: Lloyd Pitchford resigned from his role as the Chief Financial Officer on 30 September 2014. The Remuneration Committee determined that on his resignation, and in compliance with the Directors' Remuneration Policy, Lloyd Pitchford would lose any entitlement to annual bonus for 2014 and that all unvested shares would lapse.

Appointment of new Chief Financial Officer: Edward Leigh was promoted and appointed to the role of Chief Financial Officer with effect from 1 October 2014; it was determined that his remuneration on taking up the role would be a base salary of £360,000, 20% pension allowance and £15,000 car allowance, in addition to his existing private health insurance membership.

Resignation of Chief Executive Officer: on 30 September 2014 Wolfhart Hauser announced his intention to retire from the position of Chief Executive Officer on 15 May 2015; he will continue as an employee until 31 December 2015, with no change to his terms and conditions.

New Chief Executive Officer: André Lacroix will be joining the Company as Chief Executive Officer on 16 May 2015. His remuneration arrangements on appointment will be within the defined structure and limits of the Directors' Remuneration Policy approved by shareholders at the 2014 AGM. On appointment, he will receive a salary of £895,000, a pension allowance of 30% of salary, and standard benefits commensurate with his position. He will be 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. His bonus in 2015 will be 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 will also be eligible to participate in the Intertek LTIP and it is anticipated that an award over shares equal to 250% of his salary will be made in 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, the Company will make several awards and payments to him. 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. The compensatory awards include:

- A payment of no more than £560,000 in respect of bonus for 2015, with the amount payable being reduced by the award (if any) earned in 2015 by André Lacroix under the Company's bonus. Payment will be made at the same time and in the same mix of cash and shares as the 2015 bonus; and
- In respect of forfeited Inchcape plc long-term incentive awards that would have vested in 2016 and beyond, the Company will grant an award over 183,149 Intertek Group plc shares, vesting in two equal parts, one 12 months from grant and one 24 months from grant, with no performance conditions other than continued service.

The Company has also agreed to make compensatory payments to André Lacroix in respect of payments and awards that would have been made in 2015 by Inchcape plc but are not paid due to his leaving. At the date of approval by the Board of this Annual Report and Accounts, the details and amounts of these additional compensatory payments was unknown and dependent on factors which were not able to be determined by the Company.

After the date of approval by the Board of the Annual Report and Accounts on 27 February 2015, information became available to the Company which enabled the additional compensatory payments to André Lacroix to be accurately determined. In the light of this information, it was determined that the payments and awards set out above were sufficient to fully compensate André Lacroix for the payments and awards he lost as a result of leaving Inchcape plc.

DIRECTORS' REMUNERATION EARNED IN 2014

The table below summarises Directors' remuneration received in 2014 and the prior year for comparison.

		Base salary or fees £'000	Benefits[1] £'000	Pension £'000	Annual bonus[4] £'000	Long-term incentives £'000	Other £'000	Total £'000
Executive Directors								
Wolfhart Hauser	**2014**	**725**	**72**	**181[2]**	**644**	**374[5]**	**–**	**1,996**
	2013	709	72	177	639	1,598[6]	–	3,195
Edward Leigh[3]	**2014**	**90**	**5**	**18[9]**	**69**	**–[5]**	**–**	**182**
Lloyd Pitchford[8]	**2014**	**341**	**18**	**76**	**–**	**–**	**–**	**435**
	2013	445	25	89	305	802[6]	–	1,666
Non-Executive Directors								
Edward Astle	**2014**	**71**	**–**	**–**	**–**	**–**	**–**	**71**
	2013	69	–	–	–	–	–	69
Alan Brown	**2014**	**66**	**–**	**–**	**–**	**–**	**–**	**66**
	2013	64	–	–	–	–	–	64
Christopher Knight	**2014**	**86**	**–**	**–**	**–**	**–**	**–**	**86**
	2013	83	–	–	–	–	–	83
Dame Louise Makin	**2014**	**66**	**–**	**–**	**–**	**–**	**–**	**66**
	2013	64	–	–	–	–	–	64
Sir David Reid	**2014**	**320**	**25**	**–**	**–**	**–**	**–**	**345**
	2013	315	25	–	–	–	–	340
Michael Wareing	**2014**	**93**	**–**	**–**	**–**	**–**	**–**	**93**
	2013	90	–	–	–	–	–	90
Mark Williams	**2014**	**58**	**–**	**–**	**–**	**–**	**–**	**58**
	2013	16	–	–	–	–	–	16
Lena Wilson	**2014**	**68**	**–**	**–**	**–**	**–**	**–**	**68**
	2013	61[7]	–	–	–	–	–	61[7]

1. Benefits include allowances in lieu of company car, annual medicals, life assurance and private medical insurance. With respect to the Non-Executive Directors, other than Sir David Reid, who receives a car allowance of £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 is for remuneration from 1 October on his appointment as CFO.
4. This relates to the payment of the annual bonus and Deferred Bonus Share Award for the year ended 31 December 2014. Further details of this payment are set out on the following pages.
5. This relates to the vesting of the 2012 LTIP award and, as the shares will vest in March 2015, the value shown is based on the average share price for the last quarter of 2014 (£24.75); this will be updated to actual value vested in the 2015 Report. The performance period for this award ended on 31 December 2014.
6. This figure has been updated to show the actual value of the vested 2011 LTIP award based on the share price of £30.59 as the 2013 Report included figures based on the share price for the final quarter of 2013 (£31.45).
7. Amended figure correcting the misstated figure of £75,000 reported in the previous year's Report. Lena Wilson was elected as member of the Audit & Risk Committee from 1 September 2013 and received a pro-rated amount in that year.
8. Information for Lloyd Pitchford reflects his remuneration for the period up to 30 September 2014, the loss of bonus entitlement for 2014 and also the lapsing of all outstanding share awards.
9. The pension contributions for Edward Leigh include the sum of £9,900 which was paid into the Intertek Group Personal Pension Plan, which is a defined contribution scheme.

ANNUAL BONUS

The annual bonus for the 2014 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	Target	Actual	% Achieved	% Weighted achievement
Adjusted diluted EPS growth[1]	50%	145.5p	142.4p	26.4%	13.2%
Adjusted operating profit growth[1]	25%	£367.7m	£347.3m	9.4%	2.3%
Operating cash flow % of adjusted operating profit[1]	15%	73.0%	91.3%	100%	15.0%
Return on invested capital	10%	18.3%	16.3%	0.0%	0%
Total	**100%**				**30.5%**

1. Calculated using constant 2013 exchange rates.

General Contribution is a qualitative award taking into account the overall personal contribution of the executive to developing the strategy for the Group, ensuring sustainability, team building and leadership. In the increasing challenging trading circumstances of 2014 Dr Wolfhart Hauser delivered strong results with judicious strategic focus, restructuring and acquisitions to continue the profitable performance of the Group. In addition, under his leadership the Group has continued to strengthen the quality and mix of senior global leadership. For these reasons the Board awarded 70% achievement of this qualitative personal performance part of the 2014 bonus. CFO Edward Leigh made a strong transition into his new role as an active contributor to strategic direction and continued to strengthen financial management across Intertek. He was also awarded 70% for his qualitative personal performance.

Remuneration report continued

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
Wolfhart Hauser[1]	184%	56.1%	46.0%	32.2%	230.0%	88.3%
Edward Leigh[2]	160%	48.8%	40.0%	28.0%	200.0%	76.8%

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

	Payable in cash £	Share Award £	Performance Shares Award £
Wolfhart Hauser[1]	321,926	321,926	–
Edward Leigh[2]	34,560	34,560	800,000[3]

1. As a result of his resignation 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.
2. Values shown for Edward Leigh reflect the period from his appointment on 1 October to 31 December.
3. See page 71: Annual Bonus and LTIP awards to be granted later in 2015.

The Remuneration 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 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 clawback. Overpayments may be reclaimed in the event of performance achievements being found to be significantly misstated.

VESTING OF LTIP AWARDS

The LTIP award granted on 6 March 2012 is based on performance for the three-year period ended 31 December 2014. 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%	9.6%	50.4%
Total Shareholder Return	Relative TSR performance against the FTSE 31 – 130 (excluding banks and investment trusts)	Median	Upper quartile	Below median[1]	0%
Total vesting					**25.2%**

1. TSR performance calculation was calculated by NBS; Intertek was ranked 62nd of the 89 members of the comparator group of companies.

The LTIP awards granted on 6 March 2012 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[1]	Estimated value[2] £
Wolfhart Hauser	57,392	2,517	59,909	44,812	15,097	373,652
Lloyd Pitchford[3]	28,496	536	29,032	29,032	–	–
Total vesting						**373,652**

1. The 2012 award includes accrual of dividends paid and payable during the vesting period.
2. The estimated value of the vested shares is based on the average share price during the three months to 31 December 2014 (£24.75). These shares will vest on the third anniversary of grant, subject to continued employment.
3. Following his resignation from the Board these awards lapsed on 30 September 2014.

LTIP AWARDS GRANTED DURING THE YEAR

The following performance awards were granted to the Executive Directors on 10 March 2014:

	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
Wolfhart Hauser	Performance Awards	200% of salary	£30.41	46,991	1,429	25%	Three years to 31 December 2017
Lloyd Pitchford	Performance Awards	166% of salary	£30.41	29,535	898	25%	

SHARE PLAN AWARDS

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

	Type of Award	31 December 2013 Number of shares	Granted in 2014 Number of shares	Award price[1] £	Dividend accrued in 2014[7]	Vested in 2014 Number of shares	Lapsed in 2014 Number of shares	31 December 2014 Number of shares	Date of vesting
Wolfhart Hauser									
2011	Share	31,938	–	18.986	–	31,938[2]	–	–	March 2014
	Performance	63,876	–	18.986	–	52,250[2]	11,626	–	
2012	Share	28,696[4]	–	23.24	–	–	–	**28,696**	March 2015
	Performance	57,392[4]	–	23.24	–	–	–	**57,392**	
	Dividend[8]	2,319	–	–	1,456	–	–	**3,775**	
2013	Share	20,689[5]	–	33.528	–	–	–	**20,689**	March 2016
	Performance	41,378[5]	–	33.528	–	–	–	**41,378**	
	Dividend[8]	841	–	–	1,050	–	–	**1,891**	
2014	Deferred Share Award	–	10,507[6]	30.41	–	–	–	**10,507**	March 2017
	LTIP Shares	–	46,991[6]	30.41	–	–	–	**46,991**	
	Dividend[8]	–	–	–	971	–	–	**971**	
Total		**247,129**	**57,498**		**3,477**	**84,188**	**11,626**	**212,290**	
Edward Leigh									
2013	Share	1,755[5]	–	33.528	–	–	–	**1,755**	March 2016
	Performance	1,755[5]	–	33.528	–	–	–	**1,755**	
	Dividend[8]	46	–	–	60	–	–	**106**	
2014	Deferred Share Award	–	1,331[6]	30.41	–	–	–	**1,331**	March 2017
	LTIP Shares	–	6,576[6]	30.41	–	–	–	**6,576**	
	Dividend[8]	–	–	–	133	–	–	**133**	
Total		**3,556**	**7,907**		**193**	–	–	**11,656**	
Lloyd Pitchford[3]									
2011	Share	16,034	–	18.986	–	16,034	–	–	
	Performance	32,068	–	18.986	–	26,231	5,837	–	
2012	Share	14,248[4]	–	23.24	–	–	14,248	–	
	Performance	28,496[4]	–	23.24	–	–	28,496	–	
	Dividend[8]	1,151	–	–	457	–	1,608	–	
2013	Share	10,808[5]	–	33.528	–	–	10,808	–	
	Performance	21,616[5]	–	33.528	–	–	21,616	–	
	Dividend[8]	439	–	–	347	–	786	–	
2014	Deferred Share Award	–	5,080[6]	30.41	–	–	5,080	–	
	LTIP Shares	–	29,535[6]	30.41	–	–	29,535	–	
	Dividend[8]	–	–	–	369	–	369	–	
Total		**124,860**	**34,615**		**1,173**	**42,265**	**118,383**	–	

1. Awards made are based on a share price obtained by averaging the closing share prices for the five dealing days before the date of grant.
2. Awards vested on 10 March 2014, on which date the closing market price of shares was £30.5931 having been granted on 8 March 2011 on which date the closing market price was £18.986.
3. Following his resignation from the Board, all outstanding share awards lapsed on 30 September 2014.
4. Awards will vest on 6 March 2015, subject to performance and continued employment, having been granted on 6 March 2012 on which date the closing market price was £22.62. 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).
5. 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. Details of the performance conditions are set out above.
6. 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 £30.49. Details of the performance conditions are set out above.
7. 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.
8. The dividend accruals relate to share awards made in lieu of not receiving cash dividends during the vesting period.

Remuneration report continued

DIRECTORS' INTERESTS IN ORDINARY SHARES

The interests of the Directors in the shares of the Company as at the year end, or date of resignation, 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 2013 or on appointment	Beneficially owned at 31 December 2014 or on resignation	Outstanding LTIP Performance Awards	Outstanding LTIP Share Awards/ Deferred Bonus	Outstanding Share Award dividends	Shareholding as a % of salary[2]	Shareholding requirement met?
Wolfhart Hauser	145,777	**139,777**	**145,761**	**59,892**	**6,637**	**448%**	**Yes**
Edward Leigh	–	**1,000**	**8,331**	**3,086**	**239**	**6%**	**No[3]**
Lloyd Pitchford[1]	37,156	**37,156**	–	–	–	**n/a**	**n/a**
Edward Astle	1,032	**1,220**	–	–	–	**n/a**	**n/a**
Alan Brown	1,198	**1,370**	–	–	–	**n/a**	**n/a**
Christopher Knight	7,406	**7,601**	–	–	–	**n/a**	**n/a**
Dame Louise Makin	154	**342**	–	–	–	**n/a**	**n/a**
Sir David Reid	1,214	**2,192**	–	–	–	**n/a**	**n/a**
Michael Wareing	3,396	**3,578**	–	–	–	**n/a**	**n/a**
Mark Williams	–	**2,172**	–	–	–	**n/a**	**n/a**
Lena Wilson	154	**326**	–	–	–	**n/a**	**n/a**

1. Resigned 30 September 2014.
2. Based on a share price of £23.34 as at 31 December 2014.
3. Appointed 1 October 2014.

No changes in the above Directors' interests have taken place between 31 December 2014 and the date of this report.

PAYMENTS TO PAST DIRECTORS

No payments were made to past Executive Directors during the year ended 31 December 2014.

PAYMENTS FOR LOSS OF OFFICE

No payments were made in respect of loss of office during the year ended 31 December 2014.

Lloyd Pitchford resigned from the Board on 30 September 2014. He was paid his basic salary and benefits up to the close of business on 30 September 2014 and received no bonus for 2014. On 10 March 2014, his previous 2011 LTIP awards vested but all other unvested awards lapsed as at the date of leaving the Company in accordance with policy. He received no compensation payment for loss of office or any other payment in connection with his departure.

PERCENTAGE CHANGE IN REMUNERATION LEVELS

The table below shows the movement in salary, benefits and annual bonus for the CEO between the 2013 and 2014 financial years, compared to that for the average UK employee.

	Salary	Benefits	Bonus
Chief Executive Officer	2.3%	0%	0.8%
Average pay based on Intertek's UK employees	3.7%	7.4%	(1.1)%

RELATIVE IMPORTANCE OF THE SPEND ON PAY

The table below shows the movement in spend on staff costs between the 2013 and 2014 financial years, compared to dividends.

	2014 £m	2013 £m	% change
Staff costs*	**921.5**	958.7	(3.9)%
Dividends	**75.5**	69.4	8.8%

* Staff costs are shown at actual rates, which include a 6.5% negative foreign exchange impact.

PERFORMANCE GRAPH AND CEO PAY

The graph below shows the TSR in respect of the Company over the last five 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

The total remuneration figures for the CEO during each of the last 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 LTIP Share Award based on that year's performance and LTIP Performance Awards based on the three-year performance period ending in the relevant year. The annual bonus payout and LTIP Performance Award vesting level as a percentage of the maximum opportunity are also shown for each of these years.

	Year ended 31 December					
	2009	2010	2011	2012	2013	2014
Total remuneration £'000	2,451	3,164	4,554	5,298	3,195[1]	**1,996**
Annual bonus (%)	100	96.6	92.3	83.1	34.6	**38.4**
LTIP vesting (%)	100	100	100	100	81.8	**25.2**

1. The total remuneration figure for 2013 has been updated to include the actual value of the vested 2011 LTIP share award.

Remuneration report continued

CEO TOTAL REMUNERATION

The graph below shows the total remuneration of the CEO over the six year period from 2009 to 2014.

CEO total remuneration figure

1. LTIP (award element) shows the proportion of the LTIP value received which resulted from the share price on award date.
2. LTIP (share price increase) shows the proportion of the LTIP value received which resulted from increase in the share price over the vesting period.
3. The LTIP element of the 2014 total remuneration figure is modelled using the average share price during the three months to 31 December 2014.

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 performance shares for the 2010 to 2014 financial years.

	LTIP award share price £	LTIP vesting share price £	Share price change over the performance period
2010	9.150	19.06	108.3%
2011	8.342	24.34	191.8%
2012	13.332	34.37	157.8%
2013	18.986	30.59	61.1%
2014	**23.24**	**24.75**[1]	**6.5%**

1. The value shown for the 2014 vesting share price is the average price during the three months to 31 December 2014; this will be updated to actual vesting share price in the 2015 Report.

REMUNERATION DECISIONS TAKEN IN RESPECT OF THE FINANCIAL YEAR ENDING 31 DECEMBER 2015

Base salary

Applying the remuneration policy, the Committee determined that there would be no change to the base salary of Wolfhart Hauser. The Committee considered the base salary of Edward Leigh with reference to his performance and considered that performance, taken in conjunction with the continuing growth and financial success of the Group, justified the increase.
The Executive Directors' salaries are:

	Base salary from 1 April 2014 £'000	Base salary from 1 April 2015 £'000	% increase
Wolfhart Hauser	**729**	729	0%
Edward Leigh[1]	**360**	400	11.1%

1. The 2014 base salary for Edward Leigh is shown as the annual salary awarded on taking up the role of CFO on 1 October 2014

Annual bonus and LTIP awards to be granted in 2015

For 2015, the annual bonus opportunity expressed as a percentage of base salary will be 200% for the incoming CEO and the CFO. The annual bonus will continue to be based against EPS growth (40%), operating profit growth (20%), cash conversion (12%), ROIC (8%) and personal contribution (20%). 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. Full retrospective disclosure of the targets and performance against them will be seen in next year's Annual Remuneration Report.

For 2015, the LTIP opportunity for the CEO and CFO will be 250% and 200% of salary respectively. The Remuneration Committee has decided to defer fixing the performance targets to be applied to these awards until the new Chief Executive Officer has joined the Company. Once determined, details of the conditions will be set out in the regulatory disclosure which announces the granting of awards to the Executive Directors. This is likely to be after the half-year results in August.

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:

	2014 £'000	2015 £'000
Board membership		
Chairman	**320**	320
Non-Executive Director	**58**	58
Senior Independent Non-Executive Director	**12**	12
Committee membership		
Chairman Audit & Risk Committee	**20**	20
Chairman Remuneration Committee	**15**	15
Chairman 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, a proportion of the fees due to the Non-Executive Directors is 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 Remuneration Report, was approved by the Board on 27 February 2015.

CHRISTOPHER KNIGHT
Chairman of the Remuneration 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
Sir David Reid	Chairman
Wolfhart Hauser	Chief Executive Officer
Lloyd Pitchford	Chief Financial Officer (resigned 30 September 2014)
Edward Leigh	Chief Financial Officer (appointed 1 October 2014)
Edward Astle	Non-Executive Director
Alan Brown	Non-Executive Director
Christopher Knight	Non-Executive Director
Dame Louise Makin	Non-Executive Director
Michael Wareing	Non-Executive Senior Independent Director
Mark Williams	Non-Executive Director
Lena Wilson	Non-Executive Director

The biographies of the Directors at the date of this report are set out on pages 46 and 47.

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').

DIRECTORS' POWERS AND ARTICLES OF ASSOCIATION

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

DIRECTORS' INTERESTS

Other than employment contracts, none of the Directors of the Company had a personal interest in any business transactions of the Company or its subsidiaries. The terms of the Directors' service contracts and the Directors' interests in the shares and share awards of the Company, in respect of which transactions are notifiable to the Company under Rule 3 of the Disclosure Rules and Transparency Rules of the FCA are disclosed in the Remuneration report on pages 58 to 71.

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 2014, 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.

DIVIDEND

The Directors are recommending a final dividend of 33.1p per ordinary share (2013: 31.0p) making a full year dividend of 49.1p per ordinary share (2013: 46.0p) which will, if approved at the AGM, be paid on 5 June 2015 to shareholders on the register at close of business on 22 May 2015.

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 610,720 shares held by the Intertek Group Employee Share Ownership Trust ('Trust') as at 31 December 2014. 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.

ALLOTMENT OF SHARES

At the AGM held in 2014 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 2014 the Directors were empowered by the shareholders to allot equity securities, up to 5% of the Company's issued share capital, for cash under section 570 of the Act. It is intended that this authority be renewed, up to 5%, at the forthcoming AGM.

PURCHASE OF OWN SHARES

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

MATERIAL INTERESTS IN SHARES

Up to 20 February 2015, 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 Disclosure Rules and Transparency Rules of the FCA:

	At date of notification	
Shareholder	**Number of shares**	**% of issued share capital**
BlackRock, Inc	8,079,411	5.01
The Capital Group Companies, Inc	4,708,500	2.92
Marathon Asset Management, LLP	8,024,521	4.97
Morgan Stanley Investment Management Incorporated	7,899,942	4.90

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 2014 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.

EMPLOYMENT

Information about the Group's employees, employment of disabled persons and employment practices is contained within the Sustainability and CSR report on pages 35 to 41. Information on employee share schemes appears in note 17 to the financial statements.

GREENHOUSE GAS EMISSIONS

Details regarding the Group's greenhouse gas emissions are given in the Sustainability and CSR report on pages 35 to 41.

POLITICAL DONATIONS

At the AGM in 2014 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 (2013: £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.

Other Statutory Information continued

FINANCIAL INSTRUMENTS
Details about the Group's use of financial instruments are outlined in note 14 to the financial statements.

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

ANNUAL GENERAL MEETING
The Notice convening the AGM, to be held on 15 May 2015, will be available for download from the Company's corporate website at www.intertek.com/investors. The Notice will detail the business to be conducted at the meeting and include information concerning the deadlines for submitting proxy forms and in relation to voting rights.

STATEMENT OF DISCLOSURE OF INFORMATION TO AUDITORS
The Directors who held office at the date of approval of this Directors' Report confirm that, so far as they are aware, there is no relevant audit information of which the Company's auditors are unaware and each Director has taken all the steps that he or she ought to have taken as a Director 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 2 to 41) which provides an overview of the development and performance of the Company's business during the year ended 31 December 2014 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 42 to 75), 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
Amount of interest capitalised	Not applicable
Any information required by LR 9.2.18 R (Publication of unaudited financial information)	Not applicable
Details of long-term incentive schemes	Not applicable
Waiver of emoluments by a director	Not applicable
Waiver of future emoluments by a director	Not applicable
Non pre-emptive issues of equity for cash	Not applicable
Information required by (7) above for any unlisted major subsidiary undertaking of the Company	Not applicable
Company participation in a placing by a listed subsidiary	Not applicable
Any contracts of significance	Other statutory information (page 73)
Any contracts for the provision of services by a controlling shareholder	Not applicable
Shareholder waivers of dividends	Other statutory information (page 72)
Shareholder waivers of future dividends	Other statutory information (page 72)
Agreements with controlling shareholders	Not applicable

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.

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.

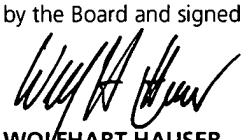
The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

RESPONSIBILITY STATEMENT OF THE DIRECTORS IN RESPECT OF THE ANNUAL FINANCIAL REPORT

Each of the Directors, whose name and functions are listed on pages 46 and 47, 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 2014 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 42 to 75 and the Group Strategic Report comprising pages 2 to 41 have been approved by the Board and signed on its behalf by:



WOLFHART HAUSER
Chief Executive Officer

27 February 2015

Registered Office
25 Savile Row
London
W1S 2ES

Registered Number: 4267576

Financial statements

Contents

77 Consolidated income statement
78 Consolidated statement of comprehensive income
79 Consolidated statement of financial position
80 Consolidated statement of changes in equity
81 Consolidated statement of cash flows
82 Notes to the financial statements
118 Intertek Group plc Company balance sheet

Notes to the financial statements

	Note	
82	1	Significant accounting policies
84	2	Operating segments and presentation of results
86	3	Separately Disclosed Items
87	4	Expenses and auditor's remuneration
88	5	Employees
88	6	Taxation
92	7	Earnings per ordinary share
92	8	Property, plant and equipment
94	9	Goodwill and other intangible assets
98	10	Acquisitions
99	11	Trade and other receivables
100	12	Trade and other payables
100	13	Provisions
101	14	Borrowings and financial instruments
108	15	Capital and reserves
109	16	Employee benefits
114	17	Share schemes
115	18	Subsequent events
115	19	Capital management
116	20	Non-controlling interest
116	21	Related parties
117	22	Contingent liabilities
117	23	Principal subsidiary undertakings

Consolidated income statement

For the year ended 31 December 2014	Notes	Adjusted results £m	Separately Disclosed Items* £m	Total 2014 £m	Adjusted results £m	Separately Disclosed Items* £m	Total 2013 £m
Revenue	2	**2,093.3**	**–**	**2,093.3**	2,184.4	–	2,184.4
Operating costs		**(1,768.9)**	**(47.8)**	**(1,816.7)**	(1,841.8)	(32.6)	(1,874.4)
Group operating profit	2	**324.4**	**(47.8)**	**276.6**	342.6	(32.6)	310.0
Finance income	14	**1.8**	**–**	**1.8**	1.5	–	1.5
Finance expense	14	**(26.0)**	**(0.2)**	**(26.2)**	(29.2)	(0.5)	(29.7)
Net financing costs		**(24.2)**	**(0.2)**	**(24.4)**	(27.7)	(0.5)	(28.2)
Profit before income tax		**300.2**	**(48.0)**	**252.2**	314.9	(33.1)	281.8
Income tax expense	6	**(72.0)**	**10.2**	**(61.8)**	(72.4)	7.6	(64.8)
Profit for the year	2	**228.2**	**(37.8)**	**190.4**	242.5	(25.5)	217.0
Attributable to:							
Equity holders of the Company		**214.1**	**(37.8)**	**176.3**	226.0	(25.5)	200.5
Non-controlling interest	20	**14.1**	**–**	**14.1**	16.5	–	16.5
Profit for the year		**228.2**	**(37.8)**	**190.4**	242.5	(25.5)	217.0
Earnings per share**							
Basic	7			**109.5p**			124.4p
Diluted	7			**108.8p**			123.0p

* 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 2014	Notes	2014 £m	2013 £m
Profit for the year	2	**190.4**	217.0
Other comprehensive income			
Remeasurements on defined benefit pension schemes	16	**(12.9)**	5.2
Income tax recognised in other comprehensive income	6	**(0.1)**	(0.9)
Items that will never be reclassified to profit or loss		**(13.0)**	4.3
Foreign exchange translation differences of foreign operations	14	**31.9**	(48.9)
Net exchange (loss)/gain on hedges of net investments in foreign operations	14	**(42.9)**	16.7
Gain/(loss) on fair value of cash flow hedges	14	**0.2**	(0.2)
Tax on items that are or may be reclassified subsequently to profit or loss	6	**(7.8)**	5.1
Items that are or may be reclassified subsequently to profit or loss		**(18.6)**	(27.3)
Total other comprehensive expense for the year		**(31.6)**	(23.0)
Total comprehensive income for the year		**158.8**	194.0
Total comprehensive income for the year attributable to:			
Equity holders of the Company		**144.0**	178.9
Non-controlling interest	20	**14.8**	15.1
Total comprehensive income for the year		**158.8**	194.0

Consolidated statement of financial position

As at 31 December 2014	Notes	2014 £m	2013 £m
Assets			
Property, plant and equipment	8	**363.3**	337.1
Goodwill	9	**779.9**	736.8
Other intangible assets	9	**174.9**	170.5
Investments in associates		**1.4**	1.4
Deferred tax assets	6	**24.6**	28.3
Total non-current assets		**1,344.1**	1,274.1
Inventories		**14.7**	12.2
Trade and other receivables	11	**526.5**	510.9
Cash and cash equivalents	14	**119.5**	116.4
Current tax receivable		**14.1**	16.5
Total current assets		**674.8**	656.0
Total assets		**2,018.9**	1,930.1
Liabilities			
Interest bearing loans and borrowings	14	**(89.8)**	(15.4)
Current taxes payable		**(53.4)**	(57.9)
Trade and other payables	12	**(301.8)**	(304.6)
Provisions	13	**(23.4)**	(22.0)
Total current liabilities		**(468.4)**	(399.9)
Interest bearing loans and borrowings	14	**(663.2)**	(719.2)
Deferred tax liabilities	6	**(35.2)**	(34.1)
Net pension liabilities	16	**(25.3)**	(13.1)
Other payables	12	**(16.1)**	(4.7)
Provisions	13	**(4.0)**	(2.4)
Total non-current liabilities		**(743.8)**	(773.5)
Total liabilities		**(1,212.2)**	(1,173.4)
Net assets		**806.7**	756.7
Equity			
Share capital	15	**1.6**	1.6
Share premium		**257.8**	257.8
Other reserves		**(25.9)**	(14.2)
Retained earnings		**547.1**	487.4
Total equity attributable to equity holders of the Company		**780.6**	732.6
Non-controlling interest	20	**26.1**	24.1
Total equity		**806.7**	756.7

The financial statements on pages 77 to 117 were approved by the Board on 27 February 2015 and were signed on its behalf by:



WOLFHART HAUSER
Director



EDWARD LEIGH
Director

Consolidated statement of changes in equity

For the year ended 31 December 2014	Notes	Attributable to equity holders of the Company							
				Other reserves					
		Share capital £m	Share premium £m	Translation reserve £m	Other £m	Retained earnings* £m	Total before non-controlling interest £m	Non-controlling interest £m	Total equity £m
At 1 January 2013		1.6	257.4	10.2	6.4	354.0	**629.6**	25.3	**654.9**
Total comprehensive income for the year									
Profit		–	–	–	–	200.5	**200.5**	16.5	**217.0**
Other comprehensive income		–	–	(30.8)	–	9.2	**(21.6)**	(1.4)	**(23.0)**
Total comprehensive income for the year		–	–	(30.8)	–	209.7	**178.9**	15.1	**194.0**
Transactions with owners of the company recognised directly in equity									
Contributions by and distributions to the owners of the company									
Dividends paid	15	–	–	–	–	(69.4)	**(69.4)**	(14.4)	**(83.8)**
Issue of shares	15	–	0.4	–	–	–	**0.4**	–	**0.4**
Purchase of own shares	15	–	–	–	–	(9.1)	**(9.1)**	–	**(9.1)**
Tax paid on share awards vested**		–	–	–	–	(7.6)	**(7.6)**	–	**(7.6)**
Purchase of non-controlling interest	20	–	–	–	–	(1.9)	**(1.9)**	(1.9)	**(3.8)**
Equity-settled transactions	17	–	–	–	–	10.9	**10.9**	–	**10.9**
Income tax on equity-settled transactions	6	–	–	–	–	0.8	**0.8**	–	**0.8**
Total contributions by and distributions to the owners of the company		–	0.4	–	–	(76.3)	**(75.9)**	(16.3)	**(92.2)**
At 31 December 2013		**1.6**	**257.8**	**(20.6)**	**6.4**	**487.4**	**732.6**	**24.1**	**756.7**
At 1 January 2014		1.6	257.8	(20.6)	6.4	487.4	**732.6**	24.1	**756.7**
Total comprehensive income for the year									
Profit		–	–	–	–	176.3	**176.3**	14.1	**190.4**
Other comprehensive income		–	–	(11.7)	–	(20.6)	**(32.3)**	0.7	**(31.6)**
Total comprehensive income for the year		–	–	(11.7)	–	155.7	**144.0**	14.8	**158.8**
Transactions with owners of the company recognised directly in equity									
Contributions by and distributions to the owners of the company									
Dividends paid	15	–	–	–	–	(75.5)	**(75.5)**	(12.8)	**(88.3)**
Purchase of own shares	15	–	–	–	–	(20.6)	**(20.6)**	–	**(20.6)**
Tax paid on share awards vested**		–	–	–	–	(6.8)	**(6.8)**	–	**(6.8)**
Equity-settled transactions	17	–	–	–	–	7.6	**7.6**	–	**7.6**
Income tax on equity-settled transactions	6	–	–	–	–	(0.7)	**(0.7)**	–	**(0.7)**
Total contributions by and distributions to the owners of the company		–	–	–	–	(96.0)	**(96.0)**	(12.8)	**(108.8)**
At 31 December 2014		**1.6**	**257.8**	**(32.3)**	**6.4**	**547.1**	**780.6**	**26.1**	**806.7**

* 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 by the Group via the sale of a portion of the equity-settled shares.

Consolidated statement of cash flows

For the year ended 31 December 2014	Notes	2014 £m	2013 £m
Cash flows from operating activities			
Profit for the year	2	**190.4**	217.0
Adjustments for:			
Depreciation charge	8	**69.0**	65.7
Amortisation of software	9	**7.3**	5.2
Amortisation of acquisition intangibles	9	**20.8**	22.5
Equity-settled transactions	17	**7.6**	10.9
Net financing costs	14	**24.4**	28.2
Income tax expense	6	**61.8**	64.8
Loss on disposal of property, plant, equipment and software		**0.4**	0.6
Operating cash flows before changes in working capital and operating provisions		**381.7**	414.9
Change in inventories		**(2.1)**	(0.1)
Change in trade and other receivables		**(2.6)**	(16.9)
Change in trade and other payables		**8.8**	(15.0)
Change in provisions		**1.9**	(4.3)
Special contributions into pension schemes	16	**(0.9)**	–
Cash generated from operations		**386.8**	378.6
Interest and other finance expense paid		**(27.9)**	(28.5)
Income taxes paid		**(67.4)**	(80.9)
Net cash flows generated from operating activities		**291.5**	269.2
Cash flows from investing activities			
Proceeds from sale of property, plant, equipment and software		**1.0**	4.6
Interest received		**1.8**	1.6
Acquisition of subsidiaries, net of cash acquired	10	**(40.2)**	(108.1)
Consideration paid in respect of prior year acquisitions	13	**(0.3)**	(0.2)
Purchase of non-controlling interest	20	**–**	(1.9)
Purchase of associate		**–**	(1.0)
Acquisition of property, plant, equipment and software	8,9	**(109.5)**	(144.8)
Net cash flows used in investing activities		**(147.2)**	(249.8)
Cash flows from financing activities			
Proceeds from the issue of share capital	15	**–**	0.4
Purchase of own shares	15	**(20.6)**	(9.1)
Tax paid on share awards vested		**(6.8)**	(7.6)
Drawdown of borrowings		**103.8**	77.4
Repayment of borrowings		**(129.5)**	(42.1)
Dividends paid to non-controlling interest	20	**(12.8)**	(14.4)
Equity dividends paid	15	**(75.5)**	(69.4)
Net cash flow used in financing activities		**(141.4)**	(64.8)
Net increase/(decrease) in cash and cash equivalents	14	**2.9**	(45.4)
Cash and cash equivalents at 1 January	14	**116.4**	166.5
Effect of exchange rate fluctuations on cash held	14	**0.2**	(4.7)
Cash and cash equivalents at 31 December	14	**119.5**	116.4

The notes on pages 82 to 117 are an integral part of these consolidated financial statements.

Cash outflow relating to Separately Disclosed Items was £16.9m for year ended 31 December 2014 (2013: £15.5m).

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 2014 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 118 to 121.

IFRS's announced but not yet effective

The following IFRS's have been announced (yet to be EU Endorsed) 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 2017).

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 2014 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.

FOREIGN CURRENCY

Foreign currency transactions

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

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

1 Significant accounting policies (continued)

Foreign operations

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

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

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

	Assets and liabilities *Actual rates*		Income and expenses *Cumulative average rates*	
Value of £1	31 Dec 2014	31 Dec 2013	2014	2013
US dollar	**1.55**	1.65	**1.65**	1.56
Euro	**1.28**	1.20	**1.24**	1.18
Chinese renminbi	**9.65**	10.06	**10.15**	9.68
Hong Kong dollar	**12.04**	12.78	**12.80**	12.12
Australian dollar	**1.91**	1.86	**1.83**	1.62

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 82 'Basis of consolidation' policy.

Intangible assets

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

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.

Notes to the financial statements continued

1 Significant accounting policies (continued)

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

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

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

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

2 Operating segments and presentation of results

ACCOUNTING POLICY

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

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

On long-term projects the Group records transactions as sales on the basis of value of work done, with the corresponding amount being included in trade 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: Industry & Assurance; Commodities; Consumer Goods; Commercial & Electrical and Chemicals & Pharmaceuticals. The costs of the corporate head office and other costs which are not controlled by the 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.

Principal activities are as follows:

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

2 Operating segments and presentation of results (continued)

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.

Consumer Goods – the division is a market leading provider of services to the textiles, toys, footwear, hardlines, food and retail industries. As a partner to retailers, manufacturers and distributors it offers expertise on 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.

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

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

The results of these divisions for the year ended 31 December 2014 are shown below:

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
Industry & Assurance	642.9	(10.4)	64.5	(22.4)	42.1
Commodities	542.4	(21.7)	65.5	(10.5)	55.0
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
Total	**2,093.3**	**(69.7)**	**324.4**	**(47.8)**	**276.6**
Group operating profit			**324.4**	**(47.8)**	**276.6**
Net financing costs			(24.2)	(0.2)	(24.4)
Profit before income tax			**300.2**	**(48.0)**	**252.2**
Income tax expense			(72.0)	10.2	(61.8)
Profit for the year			**228.2**	**(37.8)**	**190.4**

* Depreciation and software amortisation of £76.3m (2013: £70.9m) includes unallocated charges of £6.6m (2013: £5.8m).

Year ended 31 December 2013

	Revenue from external customers £m	Depreciation and software amortisation* £m	Adjusted operating profit £m	Separately Disclosed Items £m	Operating profit £m
Industry & Assurance	709.3	(8.4)	82.2	(17.7)	64.5
Commodities	586.6	(23.0)	70.0	(9.2)	60.8
Consumer Goods	381.3	(11.0)	124.5	(2.0)	122.5
Commercial & Electrical	338.4	(18.1)	49.3	(2.3)	47.0
Chemicals & Pharmaceuticals	168.8	(4.6)	16.6	(1.4)	15.2
Total	2,184.4	(65.1)	342.6	(32.6)	310.0
Group operating profit			342.6	(32.6)	310.0
Net financing costs			(27.7)	(0.5)	(28.2)
Profit before income tax			314.9	(33.1)	281.8
Income tax expense			(72.4)	7.6	(64.8)
Profit for the year			242.5	(25.5)	217.0

Notes to the financial statements continued

2 Operating segments and presentation of results (continued)

GEOGRAPHIC SEGMENTS

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

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

	Revenue from external customers		Non-current assets	
	2014 £m	2013 £m	2014 £m	2013 £m
China (including Hong Kong)	**389.6**	397.2	**48.9**	41.8
Australia	**84.7**	100.1	**62.7**	64.2
Other	**256.9**	272.5	**58.6**	53.4
Total Asia Pacific	**731.2**	769.8	**170.2**	159.4
United States	**541.5**	529.3	**590.3**	520.9
Other	**164.9**	175.1	**36.8**	32.4
Total Americas	**706.4**	704.4	**627.1**	553.3
United Kingdom	**179.9**	190.1	**384.5**	406.0
Other	**475.8**	520.1	**151.4**	148.2
Total Europe, Middle East and Africa	**655.7**	710.2	**535.9**	554.2
Unallocated	**–**	–	**10.9**	7.2
Total	**2,093.3**	2,184.4	**1,344.1**	1,274.1

MAJOR CUSTOMERS

No revenue from any individual customer exceeded 10% of total Group revenue in 2013 or 2014.

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.

3 Separately Disclosed Items (continued)

SEPARATELY DISCLOSED ITEMS

The Separately Disclosed Items are described in the table below:

		2014 £m	2013 £m
Operating costs:			
Amortisation of acquisition intangibles	(a)	**(20.8)**	(22.5)
Acquisition costs	(b)	**(3.5)**	(1.5)
Restructuring costs	(c)	**(23.5)**	(8.8)
Gain on disposal of investment in associates		**–**	0.2
Total operating costs		**(47.8)**	(32.6)
Net financing costs		**(0.2)**	(0.5)
Total before income tax		**(48.0)**	(33.1)
Income tax credit on Separately Disclosed Items		**10.2**	7.6
Total		**(37.8)**	(25.5)

(a) Of the amortisation of acquisition intangibles in the current year, £13.3m (2013: £15.6m) relates to the customer contracts and customer relationships acquired with the purchase of Moody International Limited ('Moody') in 2011.

(b) Acquisition costs comprise £1.3m (2013: £0.4m) for transaction costs in respect of current year acquisitions, and £2.2m in respect of prior years acquisitions (2013: £1.1m).

(c) Restructuring costs relate to asset write-offs and staff redundancies in certain regions in which the Group operates.

4 Expenses and auditor's remuneration

An analysis of operating costs by nature is outlined below:

	2014 £m	2013 £m
Employee costs	**921.5**	958.7
Depreciation and software amortisation	**76.3**	70.9
Other expenses	**818.9**	844.8
Total	**1,816.7**	1,874.4

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

	2014 £m	2013 £m
Included in profit for the year are the following expenses:		
Property rentals	**59.2**	57.6
Lease and hire charges – fixtures, fittings and equipment	**15.2**	16.3
Depreciation and software amortisation	**76.3**	70.9
Loss on disposal of property, fixtures, fittings, equipment and software	**0.4**	0.6
Auditor's remuneration:		
Audit of these financial statements	**0.4**	0.4
Amounts receivable by the auditors and their associates in respect of:		
Audit of financial statements of subsidiaries pursuant to legislation	**1.9**	1.7
Total audit fees payable pursuant to legislation	**2.3**	2.1
Taxation compliance services	**0.3**	0.4
Taxation advisory services	**0.1**	0.1
Other	**0.2**	0.2
Total	**2.9**	2.8

The auditors and their associates were paid £16,000 (2013: £15,000) in respect of the audit of Group pension schemes.

Notes to the financial statements continued

5 Employees

Total employee costs are shown below:

Employee costs	2014 £m	2013 £m
Wages and salaries	**785.0**	818.9
Equity-settled transactions	**7.6**	10.9
Social security costs	**91.8**	92.3
Pension costs (note 16)	**37.1**	36.6
Total employee costs	**921.5**	958.7

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

Average number of employees by division	2014	2013
Industry & Assurance	**9,690**	8,668
Commodities	**10,252**	10,268
Consumer Goods	**10,789**	10,409
Commercial & Electrical	**5,442**	4,853
Chemicals & Pharmaceuticals	**1,745**	1,719
Central	**244**	257
Total average number for the year ended 31 December	**38,162**	36,174
Total actual number at 31 December	**38,407**	36,864

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.

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.

6 Taxation (continued)

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 profit before tax for the year end 31 December 2014 is £61.8m (2013: £64.8m). The Group's consolidated effective tax rate for the year ended 31 December 2014 is 24.5% (2013: 23.0%).

The income tax expense for the adjusted profit before tax for the year ended 31 December 2014 is £72.0m (2013: £72.4m). The Group's adjusted consolidated effective tax rate for the 12 months ended 31 December 2014 is 24.0% (2013: 23.0%).

Differences between the consolidated effective tax rate of 24.5% and the notional statutory UK rate of 21.5% include, but are not limited to; the mix of profits, the effect of tax rates in foreign jurisdictions, non-deductible expenses, the effect of utilised tax losses and under/over provisions in previous periods.

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 27.1% (2013: 25.4%). There is no guarantee that these reduced rates will continue to be applicable in future years (see note 22).

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:

	2014 £m	2013 £m
Current tax charge for the period	**65.1**	69.7
Adjustments relating to prior year liabilities	**–**	(3.1)
Current tax	**65.1**	66.6
Deferred tax movement related to current year	**(6.3)**	(10.0)
Deferred tax movement related to prior year	**3.0**	8.2
Deferred tax movement	**(3.3)**	(1.8)
Total tax in income statement	**61.8**	64.8
Tax on adjusted result	**72.0**	72.4
Tax on Separately Disclosed Items	**(10.2)**	(7.6)
Total tax in income statement	**61.8**	64.8

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.

	2014 £m	2013 £m
Profit before taxation	**252.2**	281.8
Notional tax charge at UK standard rate 21.50% (2013: 23.25%)	**54.2**	65.5
Differences in overseas tax rates	**(5.6)**	(6.5)
Tax on dividends	**7.5**	4.6
Non-deductible expenses	**6.8**	9.0
Tax exempt income	**(6.7)**	(4.2)
Movement in unrecognised deferred tax	**4.0**	–
Adjustments in respect of prior years	**3.0**	(1.7)
Other	**(1.4)**	(1.9)
Total tax in income statement	**61.8**	64.8

During 2010, the UK Government announced a phased reduction in the main UK corporation tax rate from 28% to 24% over a period of four years from 1 April 2011. Further reductions to the UK corporation tax rate were announced in subsequent years, to reduce the corporation tax rate to 20% from 1 April 2015. The reduction in the UK corporation tax rates to 21% from 1 April 2014 and to 20% from 1 April 2015 was substantively enacted in July 2013.

Notes to the financial statements continued

6 Taxation (continued)

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 2014 £m	Tax charge 2014 £m	Net of tax 2014 £m	Before tax 2013 £m	Tax credit 2013 £m	Net of tax 2013 £m
Foreign exchange translation differences of foreign operations	**31.9**	**–**	**31.9**	(48.9)	–	(48.9)
Net exchange (loss)/gain on hedges of net investments in foreign operations	**(42.9)**	**–**	**(42.9)**	16.7	–	16.7
Net change in fair value of cash flow hedges transferred to profit or loss	**0.2**	**–**	**0.2**	(0.2)	–	(0.2)
Remeasurements on defined benefit pension schemes	**(12.9)**	**(0.1)**	**(13.0)**	5.2	(0.9)	4.3
Deferred tax assets recognised in other comprehensive income	**–**	**(7.8)**	**(7.8)**	–	5.1	5.1
Total other comprehensive income for the year	**(23.7)**	**(7.9)**	**(31.6)**	(27.2)	4.2	(23.0)

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 2014 £m	Tax charge 2014 £m	Net of tax 2014 £m	Before tax 2013 £m	Tax credit 2013 £m	Net of tax 2013 £m
Equity-settled transactions	**7.6**	**(0.7)**	**6.9**	10.9	0.8	11.7

DEFERRED TAX

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets 2014 £m	Assets 2013 £m	Liabilities 2014 £m	Liabilities 2013 £m	Net 2014 £m	Net 2013 £m
Intangible assets	**0.6**	0.8	**(51.2)**	(52.2)	**(50.6)**	(51.4)
Property, fixtures, fittings and equipment	**5.7**	8.6	**(3.3)**	(4.3)	**2.4**	4.3
Pensions	**1.0**	0.9	**–**	–	**1.0**	0.9
Equity-settled transactions	**4.6**	6.8	**–**	–	**4.6**	6.8
Provisions and other temporary differences	**32.2**	25.6	**(3.7)**	(1.9)	**28.5**	23.7
Tax value of losses	**3.5**	9.9	**–**	–	**3.5**	9.9
Total	**47.6**	52.6	**(58.2)**	(58.4)	**(10.6)**	(5.8)
As shown on balance sheet:						
Deferred tax assets*					**24.6**	28.3
Deferred tax liabilities*					**(35.2)**	(34.1)
Total					**(10.6)**	(5.8)

* 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 £23.0m, but the net liability of £10.6m is the same in both cases.

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 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**
Total	**(5.8)**	**(0.3)**	**(0.1)**	**3.3**	**(7.7)**	**(10.6)**

	1 January 2013 £m	Exchange adjustments £m	Acquisitions £m	Recognised in income statement £m	Recognised in equity and OCI £m	31 December 2013 £m
Intangible assets	(51.6)	1.6	(4.5)	3.1	–	(51.4)
Property, fixtures, fittings and equipment	2.7	0.1	(2.0)	3.5	–	4.3
Pensions	1.5	–	–	0.3	(0.9)	0.9
Equity-settled transactions	4.9	–	–	2.0	(0.1)	6.8
Provisions and other temporary differences	27.8	(1.1)	0.4	(3.4)	–	23.7
Tax value of losses	10.2	(0.8)	0.1	(3.7)	4.1	9.9
Total	(4.5)	(0.2)	(6.0)	1.8	3.1	(5.8)

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:

	2014 £m	2013 £m
Property, fixtures, fittings and equipment	**24.2**	9.1
Pensions	**19.2**	8.8
Equity-settled transactions	**0.5**	3.2
Provisions and other temporary differences	**21.9**	22.7
Tax losses	**67.4**	31.1
Total	**133.2**	74.9

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 £214.6m (2013: £192.7m) which relates to unremitted post-acquisition overseas earnings. No deferred tax is provided on this amount as the distribution of these retained earnings is under the control of the Group and there is no intention to either repatriate from or sell the associated subsidiaries in the foreseeable future.

Notes to the financial statements continued

7 Earnings per ordinary share

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

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

	2014 £m	2013 £m
Profit attributable to ordinary shareholders	**176.3**	200.5
Separately Disclosed Items after tax (note 3)	**37.8**	25.5
Adjusted earnings	**214.1**	226.0
Number of shares (millions)		
Basic weighted average number of ordinary shares	**161.0**	161.2
Potentially dilutive share awards	**1.1**	1.9
Diluted weighted average number of shares	**162.1**	163.1
Basic earnings per share	**109.5p**	124.4p
Potentially dilutive share awards	**(0.7)p**	(1.4)p
Diluted earnings per share	**108.8p**	123.0p
Adjusted basic earnings per share	**133.0p**	140.2p
Potentially dilutive share awards	**(0.9)p**	(1.6)p
Adjusted diluted earnings per share	**132.1p**	138.6p

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.

8 Property, plant and equipment (continued)

PROPERTY, PLANT AND EQUIPMENT

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

	Land and buildings £m	Fixtures, fittings, plant and equipment £m	Total £m
Cost			
At 1 January 2013	62.9	616.2	679.1
Exchange adjustments	(3.5)	(34.3)	(37.8)
Additions	8.6	104.8	113.4
Disposals	(0.9)	(17.1)	(18.0)
Businesses acquired (note 10)	0.6	10.5	11.1
At 31 December 2013	67.7	680.1	747.8
Depreciation			
At 1 January 2013	12.7	364.3	377.0
Exchange adjustments	(0.7)	(18.5)	(19.2)
Charge for the year	2.6	63.1	65.7
Disposals	(0.7)	(12.1)	(12.8)
At 31 December 2013	13.9	396.8	410.7
Net book value at 31 December 2013	53.8	283.3	337.1
Cost			
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**
Depreciation			
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**
Net book value at 31 December 2014	**54.4**	**308.9**	**363.3**

Fixtures, fittings, plant and equipment include assets in the course of construction of £27.3m at 31 December 2014 (2013: £24.4m), 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:

	2014 £m	2013 £m
Freehold	**47.7**	49.2
Long leasehold	**2.3**	2.6
Short leasehold	**4.4**	2.0
Total	**54.4**	53.8

Notes to the financial statements continued

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 2014 £m	Other 2014 £m	Total 2014 £m	Land and buildings 2013 £m	Other 2013 £m	Total 2013 £m
Within one year	**50.8**	**7.9**	**58.7**	64.7	5.9	70.6
In the second to fifth years inclusive	**85.3**	**5.5**	**90.8**	66.8	5.9	72.7
Over five years	**47.8**	**–**	**47.8**	37.9	–	37.9
Total	**183.9**	**13.4**	**197.3**	169.4	11.8	181.2

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

Contracts for capital expenditure which are not provided in the financial statements amounted to £6.2m (2013: £9.1m).

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.

9 Goodwill and other intangible assets (continued)

Other intangible assets

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

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

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

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

Impairment

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

Other intangible assets are subject to amortisation and are reviewed for impairment whenever events or changes in circumstances indicate that the amount carried in the statement of financial position 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 ('cash generating unit' or 'CGU') 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.

Notes to the financial statements continued

9 Goodwill and other intangible assets (continued)

INTANGIBLES

The intangibles employed by the business are analysed below:

		Other intangible assets				
	Goodwill £m	Customer relationships £m	Licences £m	Other acquisition intangibles £m	Computer software £m	Total £m
Cost						
At 1 January 2013	685.3	209.4	8.1	16.7	49.2	283.4
Exchange adjustments	(25.7)	(3.3)	(0.2)	–	(2.4)	(5.9)
Additions	–	–	–	–	31.4	31.4
Disposals	(3.1)	(0.8)	–	–	–	(0.8)
Businesses acquired (note 10)	93.9	15.5	–	–	–	15.5
At 31 December 2013	750.4	220.8	7.9	16.7	78.2	323.6
Amortisation and impairment losses						
At 1 January 2013	16.8	83.1	6.8	14.9	24.1	128.9
Exchange adjustments	(0.1)	(2.6)	(0.2)	–	(0.7)	(3.5)
Charge for the year	–	21.3	0.6	0.6	5.2	27.7
Disposal	(3.1)	–	–	–	–	–
At 31 December 2013	13.6	101.8	7.2	15.5	28.6	153.1
Net book value at 31 December 2013	736.8	119.0	0.7	1.2	49.6	170.5
Cost						
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**
Amortisation and impairment losses						
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**
Net book value at 31 December 2014	**779.9**	**108.3**	**0.4**	**0.9**	**65.3**	**174.9**

The other acquisition intangibles of £0.9m (2013: £1.2m) consist of covenants not to compete, know-how and guaranteed income. The average remaining amortisation period for customer relationships is six years (2013: seven years).

Computer software net book value of £65.3m at 31 December 2014 (2013: £49.6m) includes software in construction of £35.5m (2013: £28.0m).

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

	2014 £m	2013 £m
Industry & Assurance	**24.9**	33.2
Consumer Goods	–	5.0
Commercial & Electrical	–	48.3
Chemicals & Pharmaceuticals	–	7.4
At 31 December	**24.9**	93.9

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:

	2014 £m	2013 £m
Industry Services	**467.4**	432.6
Exploration & Production	**3.6**	3.7
Business Assurance	**3.1**	3.0
Food & Agriculture Services	**17.7**	15.4
Cargo & Analytical Assessment	**18.5**	19.1
Government & Trade Services	**0.2**	0.2
Minerals	**46.9**	47.2
Softlines	**3.5**	3.3
Hardlines	**7.5**	8.2
Product Intelligence	**2.6**	2.7
Electrical & Wireless	**43.0**	41.5
Transportation Technologies	**13.0**	12.3
Building Products	**52.4**	49.5
Chemicals & Pharma/Health, Environmental & Regulatory	**100.5**	98.1
Net book value at 31 December*	**779.9**	736.8

* 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' which is then disclosed by reportable segment. 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 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 2.5% to 4.5% (2013: 2.1% to 3.5%). 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 9.1% to 12.7% (2013: 10.1% to 13.4%).

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:

i) Assuming revenues decline each year by 1% in 2016 to 2018 from the 2015 budgeted revenues, with margins increasing with base assumptions.

ii) Assuming zero growth in operating profit margins in 2015 to 2018 with revenues increasing per base assumptions.

iii) 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.

In relation to Industry Services, which has limited headroom in the base case scenario, using a long-term growth rate of 2.75%, the carrying amount of the CGU would exceed its recoverable amount if revenues grew by a compound annual growth rate of less than 4% over the next four years; if operating profit margins declined 0.04% each year on forecasted margins of 11% on average over the next four years; or if the discount rates used increased by 0.07% from 9.5%.

Notes to the financial statements continued

10 Acquisitions

ACQUISITIONS IN 2014

During the year, the Group acquired three companies as set out below.

Date	Company	Investment value £m	Business	Country	Percentage acquired %	Goodwill arising £m
28 February 2014	International Inspection Services Ltd	37.1	Industry & Assurance	UAE	100%	21.9
	Other	3.1	Industry & Assurance			3.0
Total		**40.2**				**24.9**

The purchase price of these three acquisitions totals £43.1m, with cash and debt assumed of £2.9m.

In the prior year, the Group acquired seven companies.

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

	2014			2013		
Total	Book value prior to acquisition £m	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
Property, plant and equipment	**3.3**	**0.1**	**3.4**	11.1	–	11.1
Goodwill	**–**	**24.9**	**24.9**	–	93.9	93.9
Other intangible assets	**–**	**7.6**	**7.6**	–	15.5	15.5
Inventories	**0.3**	**(0.3)**	**–**	0.3	–	0.3
Trade and other receivables	**12.3**	**(3.5)**	**8.8**	13.7	(0.5)	13.2
Trade and other payables	**(3.4)**	**(1.0)**	**(4.4)**	(17.8)	(1.1)	(18.9)
Provisions for liabilities and charges	**–**	**–**	**–**	–	(0.6)	(0.6)
Deferred tax liabilities	**–**	**(0.1)**	**(0.1)**	(1.5)	(4.5)	(6.0)
Net assets acquired	**12.5**	**27.7**	**40.2**	5.8	102.7	108.5
Cash outflow (net of cash and debt assumed)			**40.2**			108.1
Contingent consideration			**–**			0.4
Total consideration			**40.2**			108.5

Goodwill

The total goodwill arising on acquisitions made during 2014 was £24.9m. 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.

Consideration paid

The total cash consideration paid for the acquisitions in the year was £43.1m (2013: £121.7m). Including cash and debt acquired of £2.9m, the purchase price was £40.2m.

Contribution of acquisitions to revenue and profits

In total the acquisitions made during 2014 contributed revenues of £12.9m and a net loss after tax of £0.4m from their respective dates of acquisition to 31 December 2014.

The Group revenue and profit after tax for the year ended 31 December 2014 would have been £2,097.5m and £190.5m respectively if all the acquisitions were assumed to have been made on 1 January 2014.

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 twelve 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:

	2014 £m	2013 £m
Trade receivables	**368.1**	358.5
Other receivables	**60.0**	65.4
Prepayments and accrued income	**97.7**	87.0
Fixed assets held for resale	**0.7**	–
Total trade and other receivables	**526.5**	510.9

Trade receivables are shown net of an allowance for impairment losses of £18.3m (2013: £16.6m) and are all expected to be recovered within 12 months. Impairment on trade receivables charged as part of operating costs was £8.4m (2013: £6.6m).

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:

	2014 £m	2013 £m
Under 3 months	**302.4**	307.3
Between 3 and 6 months	**46.9**	39.4
Between 6 and 12 months	**24.5**	18.9
Over 12 months	**12.6**	9.5
Gross trade receivables	**386.4**	375.1
Allowance for impairment	**(18.3)**	(16.6)
Trade receivables, net of allowance	**368.1**	358.5

Included in trade receivables under three months of £302.4m (2013: £307.3m) are trade receivables of £164.7m (2013: £170.1m) 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:

Impairment allowance for doubtful trade receivables	2014 £m	2013 £m
At 1 January	**16.6**	16.7
Exchange differences	**0.3**	(0.9)
Acquisitions	**2.0**	0.5
Cash recovered	**(0.4)**	(0.6)
Impairment loss recognised	**4.6**	6.6
Receivables written off	**(4.8)**	(5.7)
At 31 December	**18.3**	16.6

There were no material individual impairments of trade receivables.

Notes to the financial statements continued

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 2014 £m	Current 2013 £m	Non-current 2014 £m	Non-current 2013 £m
Trade payables	**42.5**	48.2	**–**	–
Other payables	**33.0**	40.9	**9.1**	–
Accruals and deferred income	**226.3**	215.5	**7.0**	4.7
Total trade and other payables	**301.8**	304.6	**16.1**	4.7

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 2014	3.1	9.7	11.6	24.4
Exchange adjustments	(0.2)	0.1	0.1	–
Provided in the year:	–	7.0	24.1	31.1
in respect of prior year acquisitions	1.8	–	–	1.8
Released during the year	(0.4)	(3.9)	(2.0)	(6.3)
Utilised during the year	(0.3)	(6.1)	(17.2)	(23.6)
At 31 December 2014	**4.0**	**6.8**	**16.6**	**27.4**
Included in:				
Current liabilities	–	6.8	16.6	23.4
Non-current liabilities	4.0	–	–	4.0
At 31 December 2014	**4.0**	**6.8**	**16.6**	**27.4**

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 £6.8m (2013: £9.7m) represents an estimate of the amounts payable in connection with identified claims from customers, former employees and other plaintiffs and associated legal costs. The timing of the cash outflow relating to the provisions is uncertain but is likely to be within one year. Details of contingent liabilities in respect of claims are set out in note 22.

The other provision of £16.6m (2013: £11.6m) includes restructuring provisions. The timing of the cash outflow is uncertain but is likely to be within one year.

14 Borrowings and financial instruments

FINANCIAL INSTRUMENTS

Accounting policy

Net financing costs

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

Loans and receivables

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

Cash and cash equivalents

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

Non-derivative financial liabilities

Trade and other payables are recognised initially at fair value and subsequently at their amortised cost.

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

Derivative financial instruments

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

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

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

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

Hedging

Hedge of monetary assets and liabilities

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

Hedge of net investment in a foreign operation

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

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

Notes to the financial statements continued

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	2014 £m	2013 £m
Finance income		
Interest on bank balances	**1.8**	1.5
Total finance income	**1.8**	1.5
Finance expense		
Interest on borrowings	**(26.7)**	(26.0)
Net pension interest cost (note 16)	**(0.5)**	(0.5)
Foreign exchange differences on revaluation of net monetary assets and liabilities	**2.5**	(1.7)
Facility fees and other*	**(1.5)**	(1.5)
Total finance expense*	**(26.2)**	(29.7)
Net financing costs*	**(24.4)**	(28.2)

* Includes £0.2m (2013: £0.5m) relating to SDIs.

Recognised directly in other comprehensive income	2014 £m	2013 £m
Foreign exchange translation differences of foreign operations	**31.9**	(48.9)
Net exchange (loss)/gain on hedges of net investment in foreign operations	**(42.9)**	16.7
Effective portion of changes in fair value of cash flow hedges	**(0.1)**	(0.3)
Net change in fair value of cash flow hedges transferred to profit or loss	**0.3**	0.1
Finance expense recognised directly in other comprehensive income, net of tax	**(10.8)**	(32.4)
Attributable to:		
Equity holders of the Company	**(11.5)**	(31.0)
Non-controlling interest	**0.7**	(1.4)
Finance expense recognised directly in other comprehensive income, net of tax	**(10.8)**	(32.4)
Recognised in:		
Translation reserve and non-controlling interest	**(11.0)**	(32.2)
Retained earnings	**0.2**	(0.2)
Finance expense recognised directly in other comprehensive income, net of tax	**(10.8)**	(32.4)

14 Borrowings and financial instruments (continued)

Analysis of net debt

The components of net debt are outlined below:

	1 January 2014 £m	Cash flow £m	Exchange adjustments £m	31 December 2014 £m
Cash	116.4	2.9	0.2	**119.5**
Borrowings:				
Revolving credit facility US$800m 2019	(191.7)	78.2	(10.6)	(124.1)
Bilateral multi-currency facility 2016	(37.3)	36.1	1.2	–
Bilateral term loan facilities US$40m 2015	(12.1)	(12.1)	(1.6)	(25.8)
Bilateral term loan facilities US$60m 2016	(12.1)	(24.1)	(2.4)	(38.6)
Senior notes US$25m 2014	(15.1)	15.1	–	–
Senior notes US$100m 2015	(60.7)	–	(3.7)	(64.4)
Senior notes US$75m 2016	(45.5)	–	(2.8)	(48.3)
Senior notes US$100m 2017	(60.7)	–	(3.7)	(64.4)
Senior notes US$20m 2019	(12.1)	–	(0.8)	(12.9)
Senior notes US$150m 2020	(91.0)	–	(5.7)	(96.7)
Senior notes US$15m 2021	–	(8.7)	(1.0)	(9.7)
Senior notes US$140m 2022	(84.9)	–	(5.3)	(90.2)
Senior notes US$40m 2023	(24.3)	–	(1.5)	(25.8)
Senior notes US$125m 2024	(63.7)	(11.7)	(5.2)	(80.6)
Senior notes US$40m 2025	(24.3)	–	(1.5)	(25.8)
Senior notes US$75m 2026	–	(47.1)	(1.2)	(48.3)
Other*	0.9	1.8	(0.1)	2.6
Total borrowings	(734.6)	27.5	(45.9)	**(753.0)**
Total net debt	(618.2)	30.4	(45.7)	**(633.5)**

* Other borrowings of £0.7m (2013: £0.9m) and facility fees.

	1 January 2013 £m	Cash flow £m	Exchange adjustments £m	31 December 2013 £m
Cash	166.5	(45.4)	(4.7)	116.4
Borrowings:				
Revolving credit facility US$600m 2016	(235.5)	41.7	2.1	(191.7)
Bilateral multi-currency facility 2016	(38.3)	0.4	0.6	(37.3)
Bilateral term loan facilities	–	(25.2)	1.0	(24.2)
Senior notes US$25m 2014	(15.5)	–	0.4	(15.1)
Senior notes US$100m 2015	(62.2)	–	1.5	(60.7)
Senior notes US$75m 2016	(46.7)	–	1.2	(45.5)
Senior notes US$100m 2017	(62.2)	–	1.5	(60.7)
Senior notes US$20m 2019	(12.4)	–	0.3	(12.1)
Senior notes US$150m 2020	(93.3)	–	2.3	(91.0)
Senior notes US$140m 2022	(87.1)	–	2.2	(84.9)
Senior notes US$40m 2023	–	(25.8)	1.5	(24.3)
Senior notes US$105m 2024	(65.4)	–	1.7	(63.7)
Senior notes US$40m 2025	–	(25.8)	1.5	(24.3)
Other*	1.4	(0.6)	0.1	0.9
Total borrowings	(717.2)	(35.3)	17.9	(734.6)
Total net debt	(550.7)	(80.7)	13.2	(618.2)

Notes to the financial statements continued

14 Borrowings and financial instruments (continued)

Borrowings

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

	Current 2014 £m	Current 2013 £m	Non-current 2014 £m	Non-current 2013 £m
Senior term loans and notes	**89.1**	14.5	**663.2**	719.2
Other borrowings	**0.7**	0.9	**–**	–
Total borrowings	**89.8**	15.4	**663.2**	719.2

Analysis of debt	2014 £m	2013 £m
Debt falling due:		
In one year or less	**89.8**	15.4
Between one and two years	**86.4**	84.3
Between two and five years	**199.9**	334.8
Over five years	**376.9**	300.1
Total borrowings	**753.0**	734.6

Description of borrowings

Total undrawn committed borrowing facilities as at 31 December 2014 were £391m (2013: £175m).

US$800m revolving credit facility

The Group's principal bank facility comprises a US$800m multi-currency revolving credit facility which was increased on 31 July 2014 from US$600m. The facility was also extended to June 2019 with an option to extend for a further two years 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 2014 were £124.1m (2013: £191.7m).

Bilateral multi-currency facility

In December 2010 the Group signed a multi-currency facility available to March 2016. The facility comprised of a £30m multi-currency revolver facility and a €12m term loan facility. The £30m multi-currency revolver facility was cancelled in July 2014 and the €12m term loan facility was cancelled in December 2014. Drawings under these facilities were £37.3m at 31 December 2013.

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. The maturity of this facility is December 2015. Advances under this facility bear interest at a rate equal to LIBOR plus a margin depending on the Group's leverage. Drawings under this facility at 31 December 2014 were £25.8m (2013: £12.1m).

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 2014 were £38.6m (2013: £12.1m).

Private placement bonds

In June 2008 the Group issued US$100m of senior notes. The notes are repayable on 26 June 2015 and pay 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%.

14 Borrowings and financial instruments (continued)

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 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 Directors' Report – Financial Review that starts on page 30.

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:

	2014 £m	2013 £m
Trade receivables, net of allowance (note 11)	**368.1**	358.5
Cash and cash equivalents	**119.5**	116.4
Total	**487.6**	474.9

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

	2014 £m	2013 £m
Asia Pacific	**101.4**	97.1
Americas	**123.6**	107.7
Europe, Middle East and Africa	**143.1**	153.7
Total	**368.1**	358.5

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.

Notes to the financial statements continued

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 2014):

2014	Carrying amount £m	Contractual cash flows £m	Six months or less £m	6-12 months £m	1-2 years £m	2-5 years £m	More than five years £m
Non-derivative financial liabilities							
Senior term loans and notes	752.3	990.5	13.2	103.4	320.4	197.2	356.3
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
Derivative financial liabilities/(assets)							
Forward exchange contracts:							
Outflow	–	368.5	368.5	–	–	–	–
Inflow	(4.1)	(372.6)	(372.6)	–	–	–	–
	(4.1)	(4.1)	(4.1)	–	–	–	–
Total	**791.4**	**1,029.4**	**51.2**	**104.3**	**320.4**	**197.2**	**356.3**

2013	Carrying amount £m	Contractual cash flows £m	Six months or less £m	6-12 months £m	1-2 years £m	2-5 years £m	More than five years £m
Non-derivative financial liabilities							
Senior term loans and notes	733.7	851.3	27.2	12.1	152.3	443.7	216.0
Other loans	0.9	0.9	–	0.9	–	–	–
Trade payables (note 12)	48.2	48.2	44.6	3.6	–	–	–
	782.8	900.4	71.8	16.6	152.3	443.7	216.0
Derivative financial liabilities/(assets)							
Forward exchange contracts:							
Outflow	2.5	239.3	218.7	20.6	–	–	–
Inflow	–	(236.8)	(216.2)	(20.6)	–	–	–
	2.5	2.5	2.5	–	–	–	–
Total	785.3	902.9	74.3	16.6	152.3	443.7	216.0

Interest rate risk

The Group's objective is to manage the risk to the business from movements in interest rates, and to provide stability and predictability of the near term (12 month horizon) interest expense. Under the Group's Treasury policy, management may fix the interest rates on up to 80% of the Group's debt portfolio for the period of the current and succeeding financial year. The Group's debt portfolio beyond this period is to be managed within the range of a 30% – 70% fixed to floating rate ratio. To do this the Group uses hedging instruments where considered appropriate.

Sensitivity

At 31 December 2014, 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 £6.0m (2013: £4.2m). This analysis assumes all other variables remain constant.

Foreign currency risk

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

14 Borrowings and financial instruments (continued)

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:

2014	Carrying amount £m	Sterling £m	US dollar £m	Chinese renminbi £m	Hong Kong dollar £m	Euro £m	Other currencies £m
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
2013							
Cash	116.4	8.5	17.8	29.3	3.1	4.8	52.9
Trade receivables (note 11)	358.5	52.4	94.3	34.5	9.2	39.3	128.8
Trade payables (note 12)	48.2	6.1	9.5	2.6	2.2	10.0	17.8

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 2014 was £752.3m (2013: £717.5m).

A foreign exchange loss of £42.9m (2013: gain £16.7m) 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 2014 by approximately £15.2m (2013: £16.6m). 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 2014 £m	Fair value 2014 £m	Book value 2013 £m	Fair value 2013 £m
Financial assets				
Cash and cash equivalents	**119.5**	**119.5**	116.4	116.4
Trade receivables (note 11)	**368.1**	**368.1**	358.5	358.5
Forward exchange contracts*	**4.1**	**4.1**	–	–
Total financial assets	**491.7**	**491.7**	474.9	474.9
Financial liabilities				
Interest bearing loans and borrowings*	**753.0**	**790.6**	734.6	740.2
Trade payables (note 12)	**42.5**	**42.5**	48.2	48.2
Forward exchange contracts*	–	–	2.5	2.5
Total financial liabilities	**795.5**	**833.1**	785.3	790.9

* 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.

Notes to the financial statements continued

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	2014 Number	2014 £m	2013 £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	–	–	–
Ordinary shares of 1p each at end of year	**161,361,777**	**1.6**	1.6
Shares classified in shareholders' funds		**1.6**	1.6

The holders of ordinary shares are entitled to receive dividends and are entitled to vote at general meetings of the Company.

During the year, all share options vesting were settled via the ESOT and as a result the Company issued nil (2013: 70,009) ordinary shares in respect of the share options exercised, for consideration of £nil (2013: £0.4m) settled in cash and issued nil (2013: 484,265) shares under the Intertek 2011 Long Term Incentive Plan for £nil consideration.

Purchase of own shares for trust

During the year ended 31 December 2014, the Company financed the purchase of 705,537 (2013: 300,000) of its own shares with an aggregate nominal value of £7,055 (2013: £3,000) for £20.6m (2013: £9.1m) 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, 418,556 shares were utilised to satisfy the vesting of share awards and share options (note 17). At 31 December 2014, the ESOT held 610,720 shares (2013: 323,739 shares) with an aggregate nominal value of £6,107 (2013: £3,237). The associated cash out flow of £20.6m (2013: £9.1m) has been presented as a financing cash flow.

Dividends	2014 £m	2014 Pence per share	2013 £m	2013 Pence per share
Amounts recognised as distributions to equity holders:				
Final dividend for the year ended 31 December 2012	–	–	45.2	28.0
Interim dividend for the year ended 31 December 2013	–	–	24.2	15.0
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**	–	–
Dividends paid	**75.5**	**47.0**	69.4	43.0

After the reporting date, the Directors proposed a final dividend of 33.1p per share in respect of the year ended 31 December 2014, which is expected to amount to £53.2m. 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 5 June 2015.

RESERVES

Translation reserve

The translation reserve comprises foreign currency differences arising from the translation of the financial statements of foreign operations as well as the translation of liabilities that hedge the Group's net investment in foreign operations.

Hedging reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of the cash flow hedging instruments related to hedged transactions that have not yet occurred.

Other

This relates to a merger difference that arose in 2002 on the conversion of share warrants into share capital.

16 Employee benefits

ACCOUNTING POLICY

Pension schemes

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an employee benefit expense in the income statement as incurred.

Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan.

The Group's net obligation in respect of 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:

	2014 £m	2013 £m
Defined contribution schemes	**(34.3)**	(33.6)
Defined benefit schemes – current service cost and administration expenses	**(2.8)**	(3.0)
Pension cost included in operating profit (note 5)	**(37.1)**	(36.6)

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 2014 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 2014 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 2014 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.

Notes to the financial statements continued

16 Employee benefits (continued)

DEFINED BENEFIT SCHEMES

The cost of defined benefit schemes

The amounts recognised in the income statement were as follows:

	2014 £m	2013 £m
Current service cost	**(2.6)**	(2.8)
Scheme administration expenses	**(0.2)**	(0.2)
Net pension interest cost (note 14)*	**(0.5)**	(0.5)
Total charge	**(3.3)**	(3.5)

* Pension interest costs related to the prior year are reported on a net basis.

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:

	2014 £m	2013 £m
Remeasurements arising from:		
Demographic assumptions	**(0.3)**	(1.1)
Financial assumptions	**(14.1)**	(0.8)
Experience adjustment	**(1.2)**	(0.9)
Asset valuation	**3.1**	8.0
Effect of movements in exchange rates	**–**	0.6
Merger of Group scheme	**–**	(0.4)
Other	**(0.4)**	(0.2)
Total	**(12.9)**	5.2

Company contributions

The Company assessed the triennial actuarial valuation and its impact on the scheme funding plan in 2015 and future years. In 2015 the Group expects to make normal contributions of £1.3m (2014: £1.2m) and a special contribution of £2.8m (2014: £0.9m) to the United Kingdom scheme. The next triennial valuation is due to take place as at 1 April 2016. As this Scheme has more than 100 members, interim actuarial reports are required as at 1 April 2014 and 1 April 2015.

The Hong Kong scheme has an annual actuarial valuation, identifying the funding requirements for 2015.

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	87.8	18.0	14.3	120.1
Present value of funded defined benefit obligations	(107.0)	(21.5)	(16.9)	(145.4)
Deficit in schemes	**(19.2)**	**(3.5)**	**(2.6)**	**(25.3)**

16 Employee benefits (continued)

The fair value changes in the scheme assets are shown below:

	2014 £m	2013 £m
Fair value of scheme assets at 1 January	**113.3**	104.6
Interest income	**4.4**	3.8
Normal contributions by the employer	**1.7**	2.0
Special contributions by the employer	**0.9**	–
Contributions by scheme participants	**0.7**	0.6
Benefits paid	**(4.4)**	(6.6)
Effect of exchange rate changes on overseas schemes	**0.4**	(0.4)
Remeasurements	**3.1**	8.0
Merger of Group scheme	**–**	1.3
Fair value of scheme assets at 31 December	**120.1**	113.3

ASSET ALLOCATION:

Investment statements were provided by the Investment Managers which showed that, as at 31 December 2014 the invested assets of the United Kingdom Scheme totalled £87.8m (2013: £82.0m) and of the Hong Kong Scheme totalled £18.0m broken down as follows:

	United Kingdom Scheme		Hong Kong Scheme	
Asset class	2014 £m	2013 £m	2014 £m	2013 £m
UK Equities	**22.9**	22.2	**11.5**	10.5
Overseas Equities	**22.8**	22.2	**–**	–
Property	**1.5**	1.2	**–**	–
Corporate Bonds	**14.8**	12.2	**6.2**	5.3
Absolute Return Fund*	**17.1**	16.2	**–**	–
Liability Driven Investment**	**2.8**	2.1	**–**	–
Cash	**5.9**	5.9	**0.3**	0.3
Total	**87.8**	82.0	**18.0**	16.1

* 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 £0.2m as at 31 December 2014 (2013: £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.

Notes to the financial statements continued

16 Employee benefits (continued)

Changes in the present value of the defined benefit obligations were as follows:

	2014 £m	2013 £m
Defined benefit obligations at 1 January	**126.4**	121.6
Current service cost	**2.6**	3.0
Interest cost	**4.9**	4.3
Contributions by scheme participants	**0.7**	0.6
Benefits paid	**(4.4)**	(6.6)
Effect of exchange rate changes on overseas schemes	**(0.4)**	(1.0)
Remeasurements	**15.6**	2.8
Merger of Group scheme	**–**	1.7
Defined benefit obligations at 31 December	**145.4**	126.4

Principal actuarial assumptions:

	United Kingdom Scheme		Hong Kong Scheme		Switzerland Scheme	
	2014 %	2013 %	2014 %	2013 %	2014 %	2013 %
Discount rate	**3.6**	4.5	**1.9**	2.4	**1.5**	2.3
Inflation rate (based on CPI)	**2.3**	2.7	**n/a**	n/a	**n/a**	0.0
Rate of salary increases	**3.1**	3.5	**4.0**	4.0	**1.0**	1.5
Rate of pension increases:						
CPI subject to a maximum of 5% p.a	**2.3**	2.7	**n/a**	n/a	**n/a**	n/a
Increases subject to a maximum of 2.5% p.a	**1.9**	2.0	**n/a**	n/a	**n/a**	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.

Life expectancy assumptions at year end for:

	United Kingdom Scheme		Hong Kong Scheme*		Switzerland Scheme	
	2014	2013	2014	2013	2014	2013
Male aged 40	**47.0**	46.9	**n/a**	n/a	**41.6**	41.6
Male aged 65	**22.2**	22.1	**n/a**	n/a	**18.9**	18.9
Female aged 40	**49.0**	48.9	**n/a**	n/a	**44.6**	44.6
Female aged 65	**24.4**	24.3	**n/a**	n/a	**21.4**	21.4

* The retirement arrangement in Hong Kong pays a lump sum to members instead of a pension at the point of retirement. Since the amount of the lump sum is not related to the life expectancy of the member, the post-retirement mortality is not a relevant assumption for the Hong Kong Scheme.

The table above shows, for the United Kingdom Scheme, the number of years a male or female is expected to live, assuming they were aged either 40 or 65 at 31 December. The mortality tables adopted in both 2014 and 2013 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 2014 and 2013 is the BVG 2010, an industry standard in Switzerland which is based on statistical evidence of major Switzerland pension funds.

16 Employee benefits (continued)

SENSITIVITY ANALYSIS

The table below sets out the sensitivity on the United Kingdom and Hong Kong pension assets and liabilities as at 31 December 2014 of the two main assumptions:

	UK Scheme		Hong Kong Scheme	
Change in assumptions	Liabilities £m	Increase/ (decrease) in deficit £m	Liabilities £m	Increase/ (decrease) in deficit £m
No change	107.0	–	21.5	–
0.25% rise in discount rate	101.2	(5.8)	20.9	(0.6)
0.25% fall in discount rate	112.9	5.9	22.0	0.5
0.25% rise in inflation	109.9	2.9	21.5	–
0.25% fall in inflation	104.1	(2.9)	21.5	–

The United Kingdom Scheme is also subject to the mortality assumption. If the mortality tables used are rated down one year/ rated up one year, the value placed on the liabilities increases/decreases by £2.9m and (£2.8m) 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 2015 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.

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:

	2014		2013	
	Weighted average exercise price	Number of options	Weighted average exercise price	Number of options
At beginning of year	**710p**	**86,917**	656p	162,740
Exercised	**646p**	**(38,067)**	598p	(70,009)
Forfeited	**612p**	**(4,564)**	548p	(5,814)
Outstanding options at end of year	**778p**	**44,286**	710p	86,917
Exercisable at end of year	**778p**	**44,286**	710p	86,917

The weighted average share price of the Company at the date of exercise of share options was 2,944p (2013: 3,249p).
The options outstanding at the year end have an exercise price of 778p and a weighted average contractual life of 0.3 years.

The outstanding options at 31 December 2014 are exercisable as follows:

Option Scheme	Number of options outstanding	Exercise price per share	Exercisable between	
2002 Plan	42,630	778.0p	7 April 2008	7 April 2015
Approved Plan	1,656	778.0p	7 April 2008	7 April 2015
Total	**44,286**			

17 Share schemes (continued)

Share Plans

The Deferred Bonus Plan 2005 was replaced in 2011 with the Intertek 2011 Long Term Incentive Plan. Share Awards (previously Deferred Awards) and Performance Awards (previously Matching Awards) have been granted under this plan. The first awards were granted on 7 April 2006. The awards under these plans vest three years after grant date, subject to fulfilment of the performance conditions.

	2014			2013		
Outstanding Awards	Share Awards	Performance Awards	Total awards	Share Awards	Performance Awards	Total awards
At beginning of year	**999,279**	**713,329**	**1,712,608**	1,168,317	860,557	2,028,874
Granted*	**264,520**	**312,189**	**576,709**	285,807	181,770	467,577
Vested**	**(352,482)**	**(227,457)**	**(579,939)**	(423,418)	(296,110)	(719,528)
Forfeited	**(59,941)**	**(148,781)**	**(208,722)**	(31,427)	(32,888)	(64,315)
At end of year	**851,376**	**649,280**	**1,500,656**	999,279	713,329	1,712,608

* Includes 2,459 Share Awards (2013: 3,535) and 3,223 Performance Awards (2013: 2,325) granted in respect of dividend accruals.

** Of the 579,939 awards vested in 2014, nil were satisfied by the issue of shares and 380,489 by the transfer of shares from the ESOT (see note 15). The balance of 199,450 awards represented a tax liability of £6.8m which was settled in cash by the Group, of which £6.3m was settled by the Company.

Equity-settled transactions

During the year ended 31 December 2014, the Group recognised an expense of £7.6m (2013: £10.9m). The fair values and the assumptions used in their calculations are set out below:

	Awards					
	Share Awards*	Performance Awards TSR element	Share Awards*	Performance Awards TSR element	Share Awards*	Performance Awards TSR element
Year shares awarded	**2014**	**2014**	2013	2013	2012	2012
Fair value at measurement date (pence)	**3,046**	**1,633**	3,440	1,945	2,262	1,299
Share price (pence)	**3,046**	**3,046**	3,440	3,440	2,262	2,262
Expected volatility	**n/a**	**20.5%**	n/a	23.4%	n/a	25.2%
Risk free interest rate	**n/a**	**1.0%**	n/a	0.4%	n/a	0.5%
Time to maturity (years)	**3**	**3**	3	3	3	3

* The fair values and assumptions are also the same for the EPS element of the Performance Awards.

The 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 3 February 2015 the Group acquired for £6.5m Adelaide Inspection Services Pty Ltd ('AIS'), an Australian-based business providing non-destructive testing (NDT) and associated services to the power generation, construction, oil, gas and mining industries.

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 (KPIs), 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.

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:

	2014 £m	2013 £m
At 1 January	**24.1**	25.3
Exchange adjustments	**0.7**	(1.4)
Share of profit for the year	**14.1**	16.5
Dividends paid to non-controlling interest	**(12.8)**	(14.4)
Purchase of non-controlling interest	**–**	(1.9)
At 31 December	**26.1**	24.1

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:

	2014 £m	2013 £m
Short-term benefits	**5.8**	4.7
Post-employment benefits	**0.4**	0.4
Equity-settled transactions	**2.0**	2.8
Total	**8.2**	7.9

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

	2014 £m	2013 £m
Guarantees, letters of credit and performance bonds	**24.3**	16.1

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 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. In addition, the Group benefits from tax incentives which are subject to renewal and review.

23 Principal subsidiary undertakings

As permitted by Section 410 (1) of the Companies Act 2006, only the principal subsidiaries whose results or financial position, in the opinion of the Directors, principally affect the figures of the Group in 2014 and 2013 have been shown below. A full list of subsidiaries will be attached to the Company's next Annual Return filed with the Registrar of Companies. All the subsidiaries shown were consolidated at 31 December 2014.

Company name	Country of incorporation and principal place of operation	Activity	Percentage of ordinary shares held in 2014 and 2013 Group	Company
Intertek Testing Services Shenzhen Ltd	China	Trading	100	–
Intertek Testing Services Ltd Shanghai	China	Trading	85	–
Intertek USA Inc	USA	Trading	100	–
Intertek Testing Services NA Inc	USA	Trading	100	–
Intertek Testing Services Holdings Limited	England	Holding	100	100
Intertek Finance plc	England	Finance	100	–
Intertek Testing Services Hong Kong Ltd	Hong Kong	Trading	100	–
Testing Holdings USA Inc	USA	Holding	100	–
Intertek USD Finance Ltd	England	Finance	100	–
Intertek Holdings Limited	England	Holding	100	100
Labtest Hong Kong Ltd	Hong Kong	Trading	100	–
Intertek Technical Services Inc	USA	Trading	100	–
Intertek Holdings Nederland B.V.	Netherlands	Holding	100	–
Intertek Group plc	England	Finance	100	100
RCG Moody International Limited	England	Holding	100	–

Intertek Group plc Company balance sheet

As at 31 December 2014	Notes	2014 £m	2013 £m
Fixed assets			
Investments in subsidiary undertakings	(d)	**300.9**	301.2
Current assets			
Debtors due after more than one year	(e)	**153.4**	171.3
Debtors due within one year		**32.6**	11.4
		186.0	182.7
Cash at bank and in hand		**–**	0.3
		186.0	183.0
Creditors due within one year			
Overdraft and loans		**(3.6)**	–
Other creditors		**(15.6)**	(7.2)
		(19.2)	(7.2)
Net current assets		**166.8**	175.8
Total assets less current liabilities		**467.7**	477.0
Net assets		**467.7**	477.0
Capital and reserves			
Called up share capital	(f)	**1.6**	1.6
Share premium	(f)	**257.8**	257.8
Profit and loss account	(f)	**208.3**	217.6
Shareholders' funds		**467.7**	477.0

The financial statements on pages 118 to 121 were approved by the Board on 27 February 2015 and were signed on its behalf by:

WOLFHART HAUSER
Director

EDWARD LEIGH
Director

Notes to the Company financial statements

(A) ACCOUNTING POLICIES – COMPANY

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

Basis of preparation

The financial statements have been prepared in accordance with applicable United Kingdom Accounting Standards and under the historical cost accounting rules.

Under Section 408 of the Companies Act 2006 the Company is exempt from the requirement to present its own profit and loss account.

The Company is exempt from the requirement to prepare a cash flow statement on the grounds that it is included in the consolidated financial statements which it has prepared.

Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities in foreign currencies are translated into sterling at the rates of exchange prevailing at the balance sheet date. All foreign exchange differences are taken to the profit and loss account.

Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes, which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19. Deferred tax assets in respect of timing differences are only recognised to the extent that it is more likely than not there will be sufficient taxable profits to offset the future reversal of these timing differences.

Dividends on shares presented within shareholders' funds

Dividend income is recognised in profit or loss on the date that the Company's right to receive payment is established.

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

Investments in subsidiaries

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

Intercompany financial guarantees

When the Company enters into financial guarantee contracts to guarantee the indebtedness of other companies in the Group, the Company considers these to be insurance arrangements and accounts for them as such. In this respect the Company treats the guarantee contract as a contingent liability, until such time as it becomes probable that the Company will be required to make a payment under the guarantee.

Share-based payments

Intertek Group plc runs a share ownership programme that allows Group employees to acquire shares in the Company. Details of the share schemes are given in note 17 of the Group financial statements.

The fair value of options and Share Awards granted to employees of the Company is recognised as an employee expense with a corresponding increase in equity. As the Company has no employees, there is no recognition of an employee expense nor the corresponding increase in equity. However, the Company grants options and awards over its own shares to the employees of its subsidiaries and therefore the Company recognises an increase in the cost of investment in its subsidiaries, equivalent to the equity-settled share-based payment charge recognised in respect of employees of the subsidiaries, with the corresponding credit being recognised directly in equity.

The fair value is measured at grant date and is spread over the period during which the employee becomes unconditionally entitled to the options. The fair value granted is measured using the Monte Carlo model. This method, in calculating the fair value, takes into account various factors including the expected volatility of the shares, the dividend yield and the risk free interest rate.

The fair value of shares granted under the Intertek 2011 Long Term Incentive Plan is also measured using the Monte Carlo model and is spread over the period during which the employee becomes unconditionally entitled to the shares.

Notes to the Company financial statements continued

(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:

	2014 £m	2013 £m
Final dividend paid in respect of prior year but not recognised as a liability in that year	**49.9**	45.2
Interim dividends paid in respect of the current year	**25.6**	24.2
Aggregate amount of dividends paid in the financial year	**75.5**	69.4

The aggregate amount of dividends proposed and recognised as liabilities as at 31 December 2014 is £nil (2013: £nil). The aggregate amount of dividends proposed and not recognised as liabilities as at 31 December 2014 is £53.2m (2013: £50.0m).

(D) INVESTMENT IN SUBSIDIARY UNDERTAKINGS

	2014 £m	2013 £m
Cost and net book value		
At 1 January	**301.2**	297.8
Additions due to share-based payments	**7.6**	10.9
Recharges of share-based payments to subsidiaries	**(7.9)**	(7.5)
At 31 December	**300.9**	301.2

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 £7.6m (2013: £10.9m). Details of the principal operating subsidiaries are set out in note 23 to the Group financial statements.

The Company had three direct subsidiary undertakings at 31 December 2014; Intertek Testing Services Holdings Limited and Intertek Holdings Limited, both of which are holding companies, are incorporated in the United Kingdom and registered in England and Wales, and Intertek Luxembourg S.a.r.l., incorporated in Luxembourg. All interests are in the ordinary share capital and all are wholly owned. In the opinion of the Directors, the value of the investments in subsidiary undertakings is not less than the amount at which the investments are stated in the balance sheet.

There is no impairment to the carrying value of these investments.

(E) DEBTORS DUE AFTER MORE THAN ONE YEAR

	2014 £m	2013 £m
Amounts owed by Group undertakings	**153.4**	171.3

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) RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	Share capital £m	Share premium £m	Profit and loss £m	Total £m
At 1 January 2013	1.6	257.4	100.3	359.3
Profit for the financial year	–	–	192.2	192.2
Dividends paid	–	–	(69.4)	(69.4)
Credit in relation to share-based payments	–	–	10.9	10.9
Tax paid on share awards vesting	–	–	(7.3)	(7.3)
Purchase of own shares	–	–	(9.1)	(9.1)
Shares issued	–	0.4	–	0.4
At 31 December 2013	1.6	257.8	217.6	477.0
Profit for the financial year	–	–	85.5	85.5
Dividends paid	–	–	(75.5)	(75.5)
Credit in relation to share-based payments	–	–	7.6	7.6
Tax paid on share awards vesting	–	–	(6.3)	(6.3)
Purchase of own shares	–	–	(20.6)	(20.6)
At 31 December 2014	**1.6**	**257.8**	**208.3**	**467.7**

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 £75.5m (2013: £69.4m), was £85.5m (2013: £192.2m) 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 2014 amounting to £6.8m of which the Company settled £6.3m (2013: £7.3m).

During the year ended 31 December 2014, the Company purchased, through its Employee Benefit Trust, 705,537 (2013: 300,000) of its own shares with an aggregate nominal value of £7,055 (2013: £3,000) for £20.6m (2013: £9.1m) which was charged to profit and loss in equity.

(G) RELATED PARTY TRANSACTIONS

Details of related party transactions are set out in note 21 of the Group financial statements.

(H) CONTINGENT LIABILITIES

The Company is a member of a group of UK companies that are part of a composite banking cross guarantee arrangement. This is a joint and several guarantee given by all members of the Intertek UK cash pool, guaranteeing the total gross liability position of the pool which was £29.5m at 31 December 2014 (2013: £16.1m).

From time-to-time, in the normal course of business, the Company may give guarantees in respect of certain liabilities of subsidiary undertakings.

(I) POST BALANCE SHEET EVENTS

Details of post balance sheet events relevant to the Company and the Group are given in note 18 of the Group financial statements.

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 2014 set out on pages 77 to 121. 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 2014 and of the Group's profit 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; 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 were as follows:

Completeness and estimated amount of the customer claims provision (£6.8m):

Refer to page 53 (Audit & Risk Committee Report), page 83 (accounting policy) and page 100 (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 claims from the customer claims provision and the judgement involved in estimating the amounts included for an individual claim is considered a key audit risk. The large number of subsidiaries and geographically diverse operations of the Group increases the risk that a claim is not identified. For the various customer claims identified and reported across the Group, 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 audit procedures included, among others: 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 and our assessment of the historical accuracy of the Group in identifying claims and including them on the Claims Summary; obtaining formal confirmations from the Group's lawyers that the Group has engaged with in respect of key claims in the last 24 months, 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 of the Group in calculating the provision based on our assessment of the historical accuracy of the Group's estimates and assumptions in previous periods. We also assessed the adequacy of the Group's related disclosures in notes 13 and 22.

Valuation of current tax and deferred tax balances, and impact on the income tax expense (Deferred tax liability £35.2m. Deferred tax asset £24.6m):

Refer to page 53 (Audit & Risk Committee Report), page 83 (accounting policy) and pages 88 to 91 (financial disclosures).

The risk – The Group operates in numerous tax jurisdictions across the world. As a result the tax charge on profits is determined according to a variety of sometimes complex tax laws and regulations. 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. Where the effect of these laws and regulations is unclear, judgements are used in determining the liability for the tax to be paid. The related deferred tax assets and liabilities require judgement in determining the amounts to be recognised, with consideration required to be given to the timing and level of future taxable income.

Our response – Our audit procedures included, among others, 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 of the Group 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 by the Group. 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 value of goodwill and other intangible assets (£954.8m)

Refer to page 54 (Audit & Risk Committee Report), page 83 (accounting policy), and pages 94 to 97 (financial disclosures).

The risk – The Group has significant goodwill and other intangible assets arising from acquisitions of businesses in a wide range of geographical locations. 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. The value in use calculation is based on forecasting and discounting future cash flows, both of which require a high level of judgment. The assessment of future profitability is

dependent on many factors impacting the Group's different CGUs, including the timing of the recovery in the oil & gas sector and the impact of cost savings from the current year restructuring and further committed restructuring plans, explained on page 20. The discount rates that are calculated for the individual CGUs include specific risk premiums that have to be determined by management. The decline in current year performance in some of the CGUs and the short term outlook results in the outcome of the impairment tests over certain CGUs being particularly sensitive to management's forecasting assumptions which has increased the risk from the prior year.

Our response – We challenge the key assumptions such as earnings and cashflow forecasts used in the value in use calculation for each CGU tested, and the terminal value and discount rate assumptions used by management by comparing earnings forecasts with approved budgets used within the business for other purposes; 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 in determining whether the Group's assessment was reasonable. We used our own Corporate Finance specialists to assist us in assessing the discount 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 Note 9.

3 Our application of materiality and an overview of the scope of our audit

The materiality for the Group financial statements as a whole was set at £16.5m, determined with reference to a benchmark of Group profit before tax, of which it represents 6.5%.

We report to the Audit & Risk Committee any corrected and uncorrected identified misstatements in excess of £1.0m, in addition to other identified misstatements that warranted reporting on qualitative grounds.

Of the Group's 46 reporting components, we subjected 32 to audits for group reporting purposes, and 1 to specified risk-focused audit procedures. The latter was not individually financially significant such as to require an audit for group reporting purposes, but did present specific individual risks that needed to be covered. These procedures covered 81% of Group revenue, 79% of Group profit before tax and 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 audit 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 audit team approved the component materialities, which ranged from £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 audit team. The Group audit team visited four locations in the year: UK, US, China and Hong Kong. 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 audit team were discussed in more detail, and any further work required by the Group audit 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.

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

5 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 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.

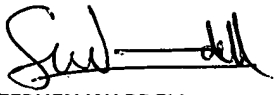
Under the Listing Rules we are required to review:

- the Directors' statement, set out on page 56, in relation to going concern; and
- the part of the Corporate Governance Statement on pages 44 to 45, relating to the Company's compliance with the ten provisions of the 2012 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 75, 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. 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, 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

27 February 2015

Shareholder and corporate information

SHAREHOLDERS' ENQUIRIES
Any shareholder with enquiries relating to their shareholding should, in the first instance, contact our Registrars, Equiniti using the address on this page.

ELECTRONIC SHAREHOLDER COMMUNICATIONS
Shareholders who would prefer to view documentation electronically can elect to receive automatic notification by email each time the Company distributes documents, instead of receiving a paper version of such documents. Registering for electronic communication is very straightforward and can be done via Shareview, at 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 changes of address, dividend mandates and share transfers.

SHAREGIFT
If you have a small shareholding which is uneconomical to sell, you may want to consider donating it to ShareGift. The Orr Mackintosh Foundation operates this charity share donation scheme. Details of the scheme are available from:

ShareGift at www.sharegift.org
T: +44 20 7930 3737

SHARE PRICE INFORMATION
Information on the Company's share price is available from the investor pages of www.intertek.com

FINANCIAL CALENDAR

Financial year end	31 December 2014
Results announced	2 March 2015
Annual General Meeting	15 May 2015
Ex-dividend date for final dividend	21 May 2015
Record date for final dividend	22 May 2015
Final dividend payable	5 June 2015
Interim results announced	3 August 2015
Ex-dividend date for interim dividend	1 October 2015
Record date for interim dividend	2 October 2015
Interim dividend payable	13 October 2015

All future dates are indicative and subject to change.

INVESTOR RELATIONS
E: investor@intertek.com
T: +44 (0)20 7396 3400

REGISTRARS
Equiniti
Aspect House
Spencer Road
Lancing
West Sussex BN99 6DA
T: 0871 384 2653 (UK)*
T: +44 121 415 7047 (outside UK)

* *Calls to this number cost 8p per minute plus network extras; other providers' costs may vary. Lines open 8.30am to 5.30pm, Monday to Friday.*

AUDITORS
KPMG Audit Plc
15 Canada Square
London E14 5GL
T: +44 (0)20 7311 1000

BROKERS
J.P.Morgan Cazenove
25 Bank Street
Canary Wharf
London E14 5JP
T: +44 (0)20 7742 4000

Goldman Sachs International
Peterborough Court
133 Fleet Street
London EC4A 2BB
T: +44 (0)20 7774 1000

REGISTERED OFFICE
Intertek Group plc
25 Savile Row
London W1S 2ES
T: +44 (0)20 7396 3400
F: +44 (0)20 7396 3480
www.intertek.com

Registered number: 4267576

ISIN: GB0031638363

London Stock Exchange
Support Services
FTSE 100
Symbol: ITRK

Global Reporting Initiative Index

Profile disclosures		Inclusion	Location	Comments
1	**Strategy & analysis**			
1.1	Statement from the most senior decision-maker of the organisation	✔	p. 4 and 5	
2	**Organisational profile**			
2.1	Name of the organisation	✔	Intertek at a glance	
2.2	Primary brands, products, and/or services	✔	Intertek at a glance	
2.3	Operational structure of the organisation, including main divisions	✔	Intertek at a glance	
2.4	Location of organisation's headquarters	✔	p. 125	
2.5	Number of countries where the organisation operates	✔	Intertek at a glance	
2.6	Nature of ownership and legal form	✔	p. 125	
2.7	Markets served (including geographic breakdown, sectors served, and types of customers/beneficiaries)	✔	Intertek at a glance	
2.8	Scale of the reporting organisation	✔	Intertek at a glance	
2.9	Significant changes during the reporting period regarding size, structure or ownership	✔	p. 73	No significant changes to report
2.10	Awards received in the reporting period	✔	p. 8 and 39	
3	**Report parameters**			
3.1	Reporting period	✔	–	1 January – 31 December 2014
3.2	Date of most recent previous report	✔	–	2013 Annual Report
3.3	Reporting cycle	✔	–	Annual
3.4	Contact point for questions regarding the report or its contents	✔	p. 125	
3.5	Process for defining report content	✔	p. 54	Fair, balanced and understandable process
3.6	Boundary of the report	✔	p. 117	Note 23 to the financial statements
3.7	Limitations on the scope or boundary of the report	✔	p. 82	
3.8	Basis for reporting on joint ventures, subsidiaries and other entities	✔	p. 82	
3.10	Re-statements of information provided in earlier reports	✔	N/A	
3.11	Significant changes from previous reporting periods in the scope, boundary or measurement methods applied in the report	✔	N/A	
3.12	GRI Content Index	✔	p. 126 and 127	GRI Content Index
4	**Governance, commitments and engagement**			
4.1	Governance structure of the organisation, including committees under the highest governance body	✔	p. 42 to 57	Directors' Report
4.2	Independence of the Chair of the highest governance body	✔	p. 48	Board balance and independence
4.3	Details of the organisation's unitary board structure, if applicable	✔	p. 48 to 51	
4.4	Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body	✔	p. 37 and 51	Employee survey, AGM
4.14	List of stakeholder groups engaged by the organisation	✔	Intertek at a glance p. 2 to 5 and 51	 Chairman's and CEO's statements Relationships with shareholders
4.15	Basis for identification and selection of stakeholders with whom to engage	✔	p. 6 to 9, 11 to 17	Underpinned by business model, strategy and risk management

Performance indicators		Inclusion	Location	Comments
EC1	Direct economic value generated and distributed	✔	p. 76 to 117	
EC3	Coverage of the organisation's defined benefit plan obligations	✔	p. 109 to 113	Note 16 to the financial statement
EC7	Procedures for local hiring and proportion of senior management hired from the local community at significant level of the organisation	P	p. 37	Description of employment policies and practices
EN3	Direct energy consumption by primary energy source	✔	p. 39	Our environment
EN4	Indirect energy consumption by primary source	✔	p. 39	Our environment
EN5	Energy saved due to conversation and efficiency improvements	P	p. 39	Description of activities undertaken
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. 36	Description of some of the services provided to clients
EN7	Initiatives to reduce indirect energy consumption and reductions achieved	P	p. 39	Description of some of the initiatives undertaken in reporting period
EN16	Total direct and indirect greenhouse gas emissions by weight	✔	p. 39	Our environment
EN18	Initiatives to reduce greenhouse gas emissions and reductions achieved	P	p. 39	Some initiatives identified
HR4	Total number of incidents of discrimination and corrective actions taken	P	p. 37	Description of employment policies and practices
LA1	Total workforce by employment type, employment contract and region	P	p. 38	Data exists on number of employees by global region
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
LA7	Rates of injury, occupational diseases, lost days and absenteeism, and number of work-related fatalities	✔	p. 38	Data on rates of injuries and work-related fatalities
LA11	Programs for skills management and lifelong learning that support the continued employability of employees assist them in managing career endings	P	p. 37	Number of courses and number of courses undertaken by employees
LA13	Composition of governance bodies and breakdown of employees per category according to gender, age group and minority group membership	P	p. 38, 46 to 47	Intertek total workforce by gender Board of Directors
SO1	Percentage of operations with implemented local community engagement, impact assessments, and development programs	P	p. 40 to 41	Description of activities undertaken
SO3	Percentage of employees trained in organisation's anti-corruption policies and procedures	✔	p. 37 to 38	Professional conduct
SO4	Actions taken in response to incidents of corruption	✔	p. 37 to 38	Professional conduct
SO6	Total value of financial and in-kind contributions to political parties, politicians, and related institutions by country	✔	p. 73	'Political Donations'

'P' indicates partial reporting. The above index indicates the section references for the Global Reporting Initiative (GRI) requirements and supports our alignment to a level 'C' of reporting. Some requirements include references to our governance and organisational structure which are included throughout the Annual Report content.

Designed and produced by **CONRAN DESIGN GROUP**

Printed by CPI Colour

This Report is printed on material derived from sustainable sources, and printed using vegetable based inks. Both the manufacturing paper mill and printer are registered to the Environmental Management System ISO 14001 and are Forest Stewardship Council® (FSC) chain-of-custody certified. CPI Colour is also a Carbon Neutral Printing Company and reduces its CO_2 omissions to net zero in accordance with The CarbonNeutral Protocol. This carbon offsetting supports the Uchindile Mapanda reforestation programme in Tanzania, an environmental project to establish commercial forests at two locations in Africa.

This Report is recyclable and Bio-degradable. If you have finished with this document and no longer wish to retain it, please pass it on to other interested readers or dispose of it in your recycled paper waste. Thank you.

Intertek Group plc
25 Savile Row
London
W1S 2ES
United Kingdom
t: +44 20 7396 3400
f: +44 20 7396 3480
e: info@intertek.com
www.intertek.com

Offering a broad range of certification and accreditation marks accepted in markets around the world.
Intertek's mark of quality.