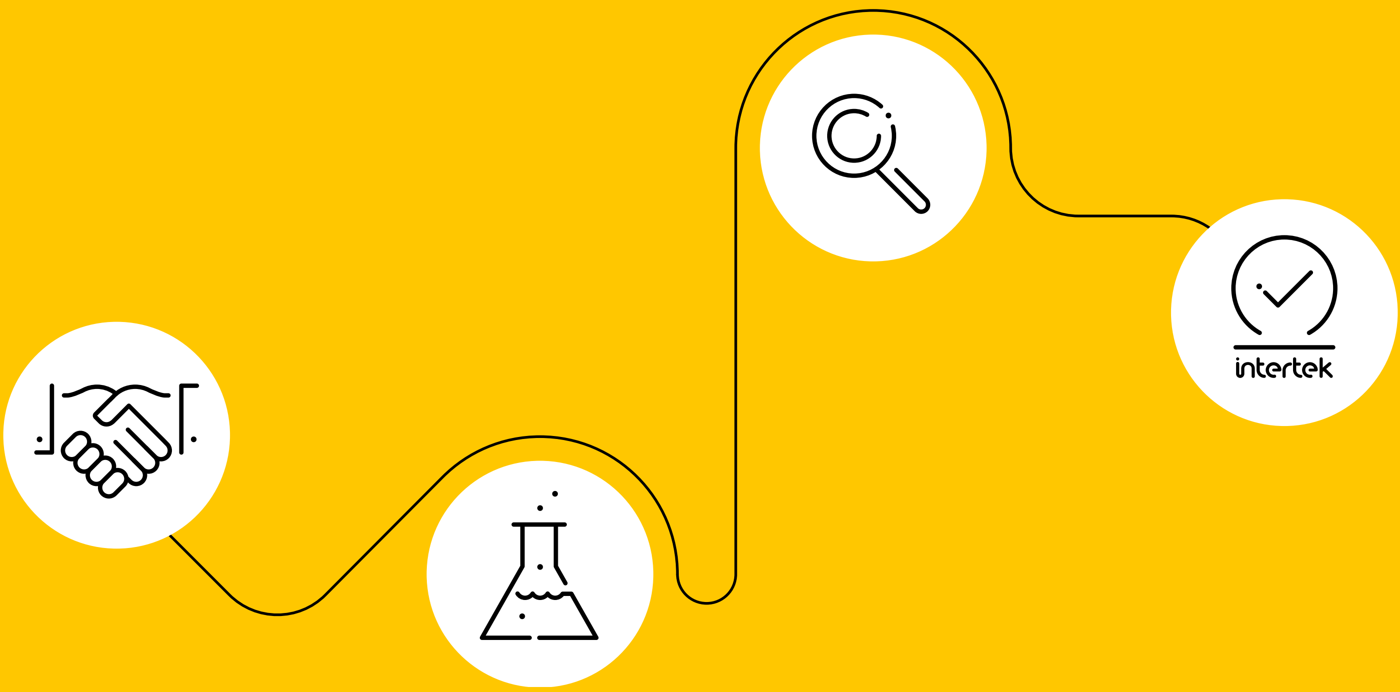
TOTAL QUALITY. ASSURED.

ANNUAL REPORT 2016



intertek
Total Quality. Assured.

A GUIDE TO THIS PDF

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It also links you to useful information on the web that is not part of the Annual Report.

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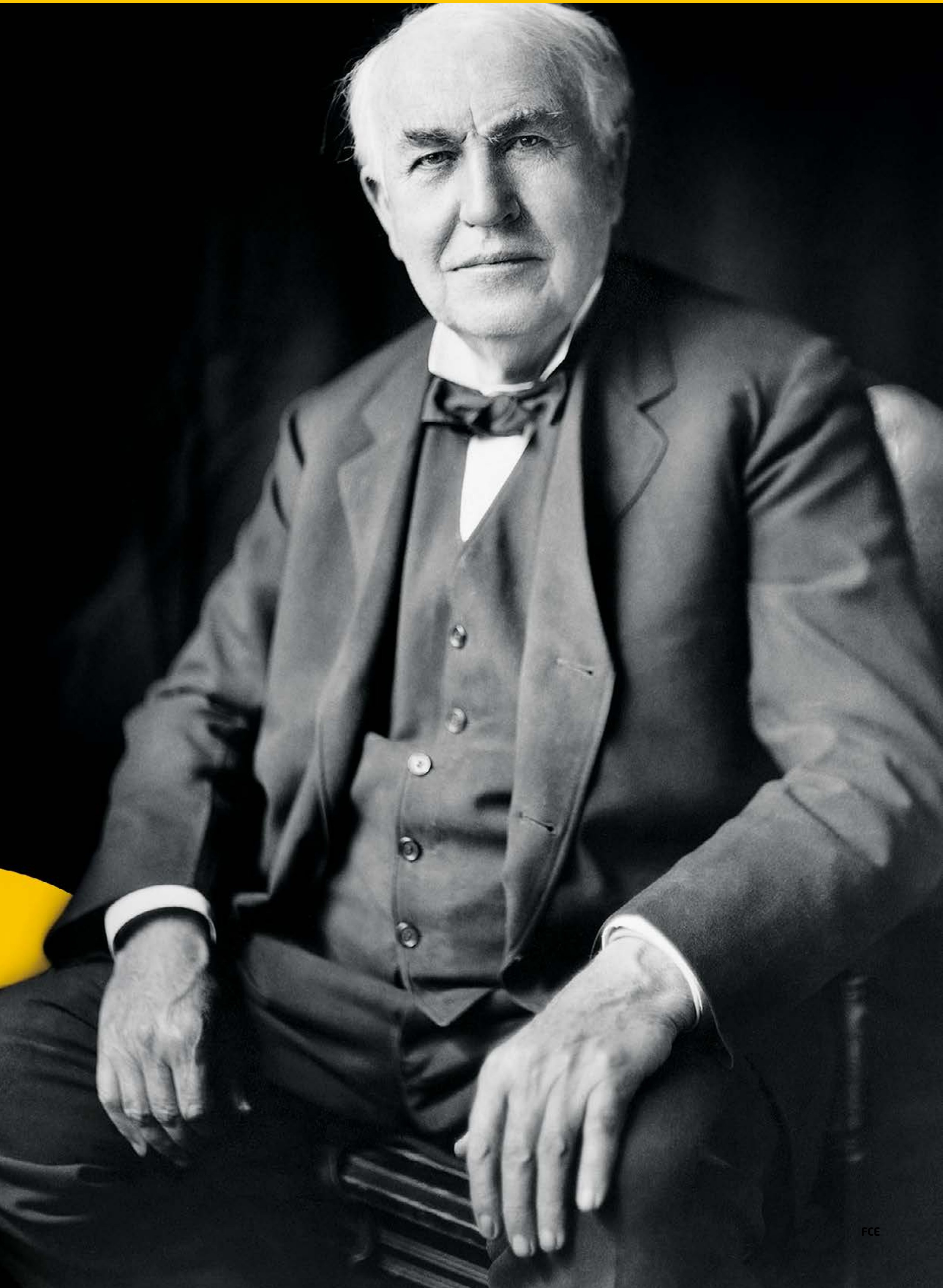
TOTAL QUALITY. ASSURED.

Our pioneering forefathers include giants of innovation like Thomas Edison. Their sprit lives on today as Intertek continues to drive the global development of the Quality Assurance industry.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INTERTEK INNOVATIONS

To find out more about our innovative approach, look out for the light bulb icon.

FINANCIAL HIGHLIGHTS

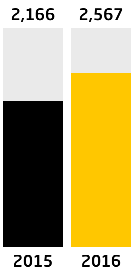
The Group has delivered strong revenue, earnings and cash performance, reflecting the Group's performance management focus on margin-accretive revenue growth with strong cash conversion and disciplined capital allocation.

STRONG REVENUE, EARNINGS AND CASH PERFORMANCE

- Strong revenue growth: +8.8% at constant currency rates, +18.5% at actual rates
- Recent acquisitions contributed £242m additional revenue
- Stable organic revenue growth at constant rates: Products +5.5%, Trade +1.3%, Resources -13.0%
- Portfolio strength and cost discipline driving margin progression: +30bps at constant rates, +10bps at actual rates
- Strong adjusted diluted EPS growth: +9.6% at constant rates, +19.2% at actual rates
- Statutory operating profit of £369m, compared to loss of £284m in prior year
- Free cash flow of £318m, +35.2% year on year driven by 139% cash conversion
- Full year dividend per share of 62.4p, an increase of 19.3%

REVENUE
(£m)

+18.5%

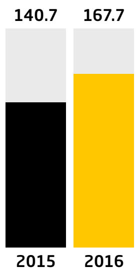


ADJUSTED OPERATING PROFIT[1,2]
(£m)

+19.3%

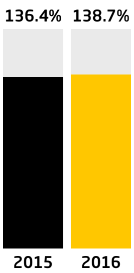
ADJUSTED DILUTED EPS[1,2]
(pence)

+19.2%



CASH CONVERSION[1,3]
(%)

+230 bps

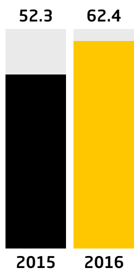


ADJUSTED FREE CASH FLOW[1]
(£m)

+35.2%

DIVIDEND PER SHARE[4]
(pence)

+19.3%



1. Adjusted operating profit, adjusted diluted earnings per share ('EPS'), cash conversion and adjusted free cash flow are stated before Separately Disclosed Items, which are described in note 3 to the financial statements. A reconciliation between reported and adjusted measures is shown on page 42.
2. Statutory diluted EPS increased to 156.8p in 2016 (2015: statutory diluted loss per share of 224.2p).
3. Cash conversion is calculated as adjusted cash flow from operations before special contributions to pensions divided by adjusted operating profit.
4. Dividend per share for 2016 is based on the interim dividend paid of 19.4p (2015: 17.0p) plus the proposed final dividend of 43.0p (2015: 35.3p).

INTERTEK HAS BEEN A PIONEER FOR 130 YEARS

Intertek's rich history reaches back over 130 years to some of the world's leading pioneers in the Quality Assurance industry. Today we are a global force and continue to innovate to offer superior customer service.

1885 Caleb Brett founds his cargo certification business in the UK

1888 Milton Hersey establishes his chemical testing lab in Canada

1896 Thomas Edison sets up the Lamp Testing Bureau in the US (this later becomes the Electrical Testing Laboratories or ETL – a mark that Intertek still applies today)

1911 Virginius Daniel Moody founds the Moody International oil and gas testing and certification business in the US

1925 SEMKO (the Swedish Electronic Equipment Control Office) is founded

1927 Charles Warnock company is created in Canada to inspect steel products

1973 Labtest is established in Hong Kong, initially to focus on testing textiles

INTERTEK IN 2016

EMPLOYEES
42,000

COUNTRIES OPERATING IN
100+

LABS AND OFFICES
1,000+

ACQUISITIONS

FIT-Italia
Food quality assurance business

EWA-Canada
Cyber security assurance business

ABC Analitic
Joint Venture with environmental quality assurance business in Mexico

EXCITING GROWTH OPPORTUNITIES IN THE $250BN GLOBAL ATIC* MARKET

Existing customers:
- Increase account penetration
- ATIC cross selling

New customers:
- New contracts

$50bn currently outsourced

$200bn currently in-house

Existing & new customers:
- Outsourcing

1987 Inchcape Testing Services (ITS, the future Intertek) is founded and completes the purchase of Caleb Brett

1988 ITS acquires ETL

1989 ITS enters the Chinese market

1994 ITS acquires SEMKO

1996 Inchcape sells ITS to Charterhouse Development Capital. ITS is renamed Intertek

2002 Intertek lists on the London Stock Exchange

2009 Intertek enters the FTSE 100 index

2011 Intertek acquires Moody International

2015 Intertek acquires the PSI building and construction assurance business

2016

* ATIC – Assurance, Testing, Inspection and Certification

EXCITING GROWTH OPPORTUNITIES

The global ATIC market is worth $250bn. As companies seek to outsource their quality assurance activities, Intertek is uniquely positioned to be their end-to-end Quality Assurance partner.

WHY OUTSOURCE?

Companies are facing an increased number of challenges driven by the growing complexity in their operations creating unprecedented levels of supply chain risk.

From increasingly decentralised manufacturing to multiple distribution channels with the release of immediate news in social media, the risks of doing business in an increasingly transparent global market place are escalating fast.

As a result, demand is growing among companies for Total Quality Assurance solutions that extend above and beyond the quality and safety of physical components, products and assets to embrace and maximise the reliability of their processes and management.

At Intertek, our global scale means we have more than 1,000 Testing, Inspection and Certification laboratories in over 100 countries across the world. And our 42,000 employees include 3,000 Assurance auditors carrying out more than 100,000 audits every year.

We have evolved our Quality Assurance offering to meet the growing needs of our customers with our ATIC solutions.

$50BN

CURRENTLY OUTSOURCED

EXISTING CUSTOMERS:

Increase account penetration
ATIC cross selling

NEW CUSTOMERS:

New contracts

$200BN

CURRENTLY IN-HOUSE

EXISTING & NEW CUSTOMERS:

Outsourcing

INCREASING DEMAND FOR TOTAL QUALITY ASSURANCE

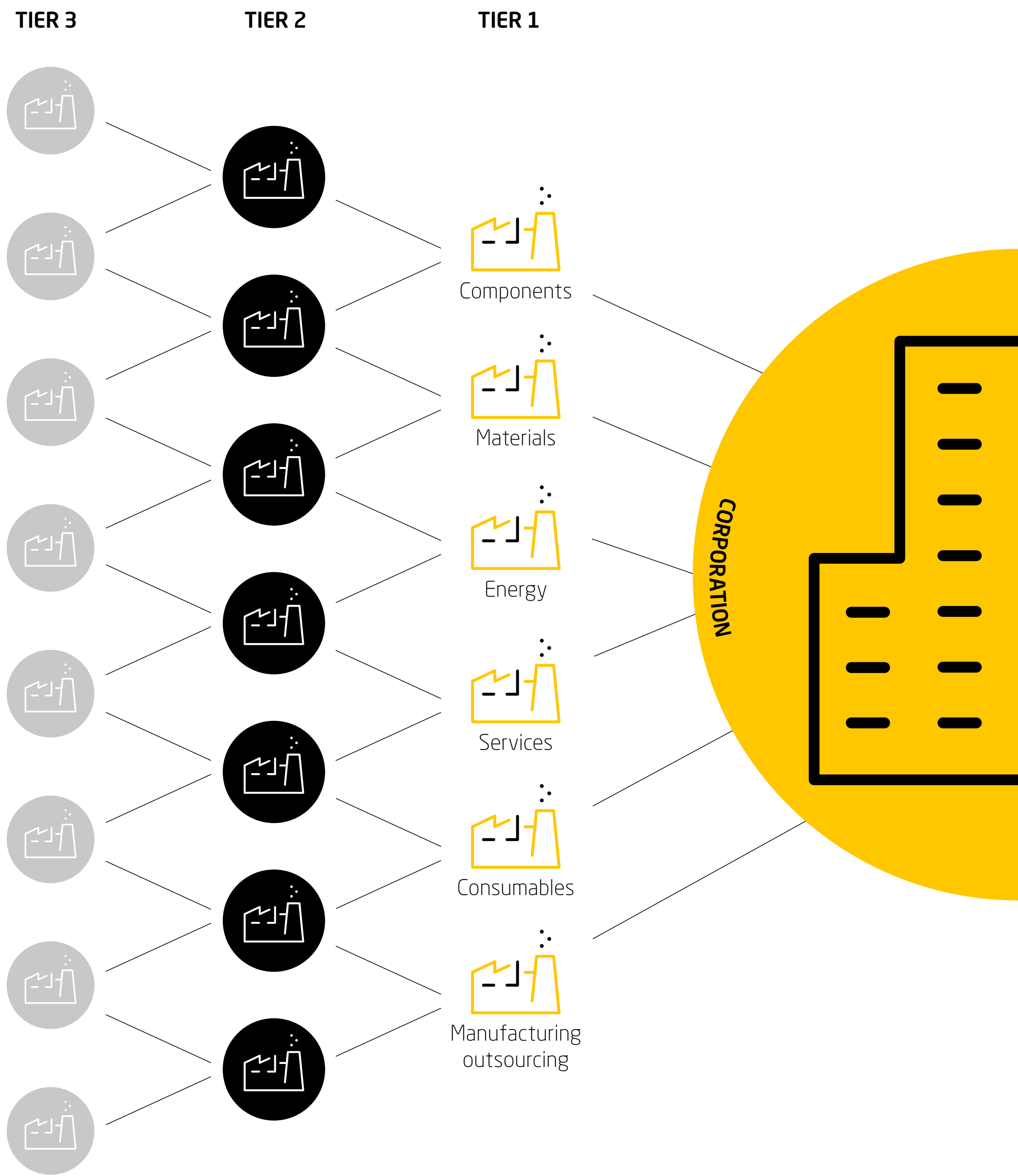
CORPORATIONS' SUPPLY CHAIN OPERATIONS ARE GROWING IN COMPLEXITY...

DECENTRALISED MANUFACTURING INCREASING THE NUMBER OF SOURCING LOCATIONS

Customers' growing demand for value is driving the use of low-cost materials

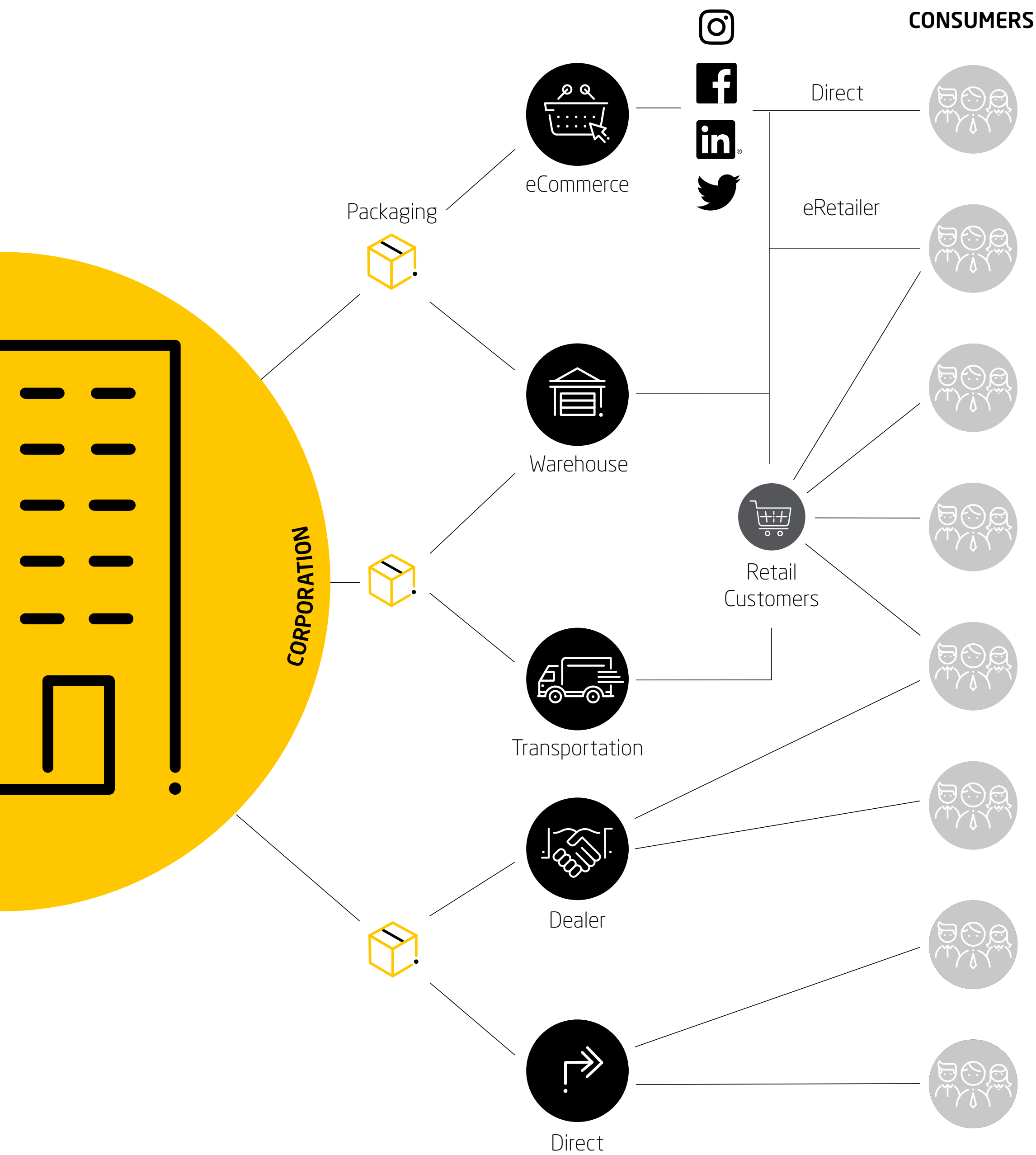
The quality of manufacturing capabilities in emerging markets is improving

Faster communications and better infrastructure make decentralised low-cost sourcing operations the preferred footprint



AS GREATER COMPLEXITY ESCALATES RISK IN THE SUPPLY AND DISTRIBUTION CHAIN...

...AND DISTRIBUTION CHANNELS ARE BECOMING MORE GLOBAL, DIVERSE AND INTERTWINED.



Consumers are demanding greater product and brand variety

The share of global demand from emerging markets is rising

Access to technology in developed and emerging markets is accelerating product innovation

Increasing numbers of trade channels make the traceability of quality complex

Global social media adoption makes it easy for consumers to share their experience online

... CORPORATIONS NOW LOOK FOR A SYSTEMIC APPROACH TO QUALITY ASSURANCE

INTERTEK WELL POSITIONED TO SEIZE GROWTH OPPORTUNITIES

We are constantly evolving our services to help customers manage the increasingly complex risks they face.

OUR SERVICES

Our ATIC services provide our customers with Total Quality Assurance ('TQA').

ASSURANCE

Enabling our customers to identify and mitigate the intrinsic risk in their operations, their supply chains and quality management systems.

TESTING

Evaluating how our customers' products and services meet and exceed quality, safety, sustainability and performance standards.

In 2015 we took the pioneering step of placing Assurance at the forefront of our product offering, and have renamed the industry 'ATIC' (Assurance, Testing, Inspection and Certification).

During 2016, we conducted in-depth research with 600 customers across the globe. Customers are challenged by the increased complexities of their supply chains and now need a Total Quality solution that looks beyond TIC services to one that gives them an additional service, the Assurance that their operating processes and quality management systems are operating properly.

Elevating the role of Assurance helps our customers to operate more safely, more effectively and with greater peace of mind.

True to our pioneering heritage, we are leading the industry to meet the growing needs of our customers with our Total Quality Assurance proposition that offers our Assurance, Testing, Inspection and Certification solutions to our clients worldwide.

INSPECTION

Validating the specifications, value and safety of our customers' raw materials, products and assets.

CERTIFICATION

Formally confirming that our customers' products and services meet all trusted external and internal standards.

END-TO-END QUALITY ASSURANCE ON A GLOBAL SCALE

We are uniquely positioned to benefit from exciting ATIC growth opportunities in markets across the world.

GLOBAL MARKET LEADER IN ASSURANCE

AUDITORS
3,000+

AUDITS
100,000+

GLOBAL MARKET LEADER IN TESTING, INSPECTION AND CERTIFICATION

LAB AND OFFICES
1,000+

COUNTRIES
100+

OUR SECTORS

We focus our operations and expertise on three global sectors – Products, Trade and Resources.

Read more in our Operating Reviews on page 24

PRODUCTS

Structural drivers include quality solutions and sustainability demand, R&D, regulation, brand and supply chain expansion and risk management

Read more on page 24

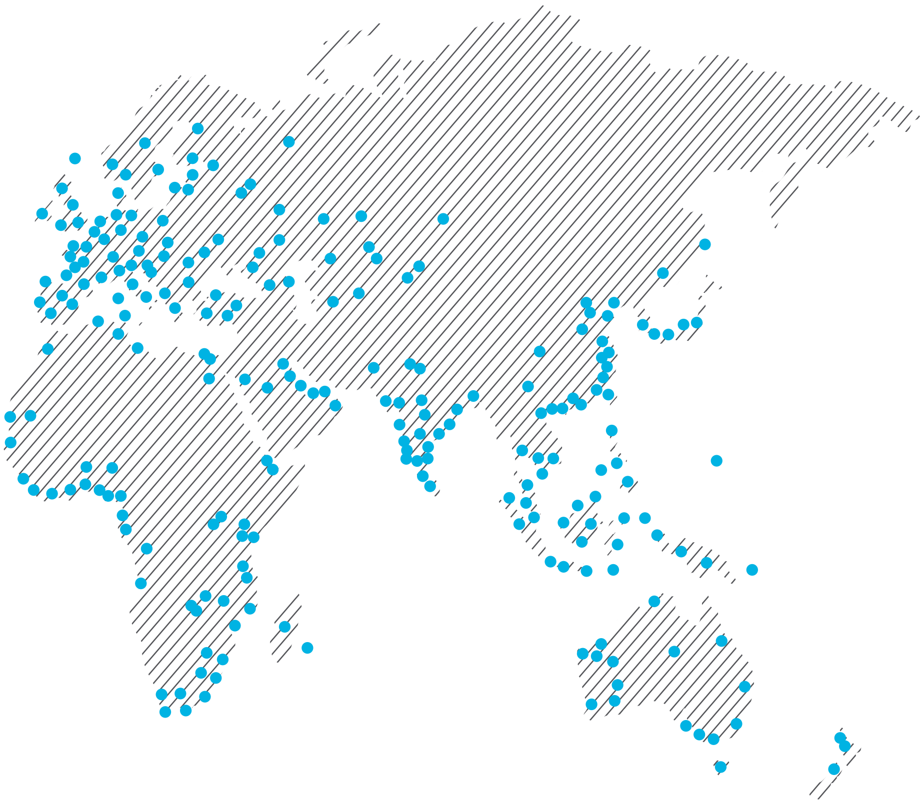
BUSINESS LINES
- Softlines
- Hardlines
- Electrical
- Network Assurance
- Business Assurance
- Building & Construction
- Transportation Technologies
- Food
- Chemicals & Pharma
- Health, Environmental & Regulatory Services
- Product Assurance

OUTLOOK
Continuing growth from expanding investment in quality and innovation

REVENUE
£1,466m

OPERATING PROFIT*
£298m

* Adjusted operating profit



TRADE

Structural drivers include: global GDP growth, quality and quantity control requirements during transportation

Read more on page 28

BUSINESS LINES

- Cargo & Analytical Assessment
- Government & Trade Services
- AgriWorld
- Sustainability

OUTLOOK

Global and regional trade flow growth

REVENUE

£584m

OPERATING PROFIT*

£82m

RESOURCES

Structural drivers include: capex & opex investment, increased resources activity and long-term demand for energy

Read more on page 30

BUSINESS LINES

- Industry Services
- Minerals

OUTLOOK

Long-term growth

REVENUE

£517m

OPERATING PROFIT*

£30m

OUR DIFFERENTIATED 5x5 STRATEGY FOR GROWTH

Our 5x5 strategy aims to move the centre of gravity of the Company towards high growth and high margin areas in the industry.

Our purpose
Bringing quality and safety to life.

Our vision
To become the world's most trusted partner for Quality Assurance.

Our TQA Customer Promise
Intertek Total Quality Assurance expertise, delivered consistently with precision, pace and passion, enabling our customers to power ahead safely.

OUR 5 STRATEGIC PRIORITIES

STRONG BRAND PROPOSITION

- Position Intertek as the leading Quality Assurance provider
- Improve brand awareness across sectors and geographies
- Compelling Total Quality Assurance brand positioning

SUPERIOR CUSTOMER SERVICE

- Build customer loyalty and win new customers
- TQA customer service delivered consistently
- Innovative ATIC solutions

EFFECTIVE SALES STRATEGY

- Increase existing account penetration
- Drive ATIC cross selling
- Business development with new accounts

GROWTH AND MARGIN ACCRETIVE PORTFOLIO

- Prioritised business lines, geographies and service areas
- Invest in areas with good growth and good margin prospects
- Disciplined resource, capital and people allocation

OPERATIONAL EXCELLENCE

- Continuous improvement to drive productivity
- Best in class management to reduce span of performance
- Eliminate non-essential costs – facilities/offices/processes/purchasing

OUR 5 ENABLERS

LIVING OUR CUSTOMER CENTRIC CULTURE

- Strong entrepreneurial culture
- Customer centric culture
- Engagement at all levels

DISCIPLINED PERFORMANCE MANAGEMENT

- Performance management with financial and non-financial metrics
- Forecast and review processes focused on margin accretive revenue growth with strong cash conversion

SUPERIOR TECHNOLOGY

- Improve customer experience
- Leverage back-office synergies
- Upgrade business intelligence system

ENERGISING OUR PEOPLE

- Invest in capability
- Aligned reward system
- Promote internal growth

DELIVERING SUSTAINABLE RESULTS

- Sustainable growth for customers and shareholders
- Importance of sustainability for the community
- Right balance between performance and sustainability

Decentralised organisational model
We operate a decentralised organisational model with common core operating principles that leverages the talent of our people.

Empowered to make a difference, our people are close to the market opportunities and can react fast to the growing needs of our customers.

By doing so, they provide the ultimate Intertek differentiator that enables us to deliver truly bespoke Total Quality Assurance solutions that are at the heart of our drive for global growth.

HIGH-QUALITY EARNINGS MODEL

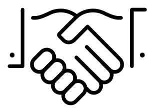
Intertek's earnings model is based on our value proposition of providing customers in the Products, Trade and Resources sectors across 100+ countries with high-quality Assurance, Testing, Inspection and Certification services.

We are strongly focused on cash conversion and pursue an accretive disciplined approach to capital allocation to augment organic growth with selective acquisitions and capex investments.

OUR SERVICES

Read more on page 8

ASSURANCE



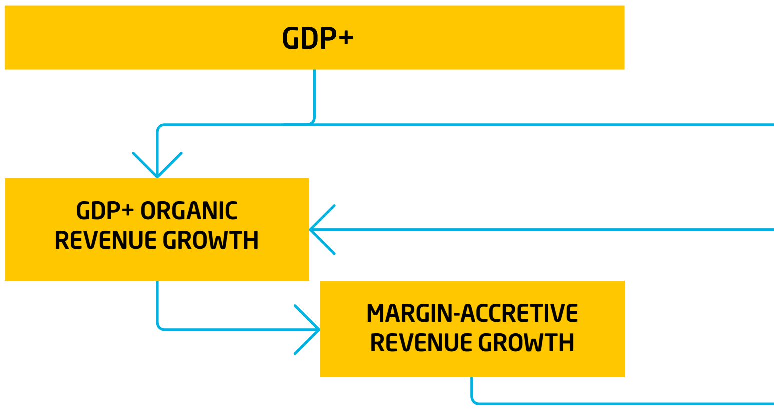
OUR SECTORS

Read more on page 6

PRODUCTS

OUR MID- TO LONG-TERM VALUE CREATION

Read more on page 19



TESTING

INSPECTION

CERTIFICATION

intertek

TRADE

RESOURCES

GDP GROWTH

LONG-TERM GROWTH

CAPEX/
M&A

STRONG FREE
CASH FLOW

DISCIPLINED
CAPITAL ALLOCATION

INVESTMENTS
IN GROWTH

CHIEF EXECUTIVE OFFICER'S REVIEW

In 2016, we delivered strong revenue, earnings and cash performance and continued to make progress with the implementation of our 5x5 strategy for growth.

The Group has delivered a strong revenue, earnings and cash performance, reflecting the Group's performance management discipline focused on margin-accretive revenue growth with strong cash conversion and accretive disciplined capital allocation. We have announced a full year dividend of 62.4p, an increase of 19.3%, in line with our progressive dividend policy and underpinned by our excellent cash generation.

The Products and Trade related divisions, which represent over 90% of the Group's earnings, delivered an excellent performance with organic growth of 4.1% at constant rates while, as expected, trading conditions continued to be challenging in the Resources-related division. The recent acquisitions delivered an excellent performance contributing £242m of additional revenue.

Moving forward, the growth opportunities are very attractive and Intertek is very well positioned to seize these as we execute our differentiated 5x5 strategy for growth. We will leverage our position as a global market leader in the developing Assurance, Testing, Inspection and Certification ('ATIC') industry, and we see tremendous opportunities ahead as we leverage our high-quality, cash-generative earnings model.

André Lacroix
Chief Executive Officer

To contextualise the growth opportunities ahead, let's start by setting out the historical and continuing development of global trade. This explains why it was so important to our customers that Intertek took the step more than a year ago of evolving its scope by adding Assurance ('A') to the established Testing, Inspection and Certification ('TIC') service offering. With our differentiated Total Quality Assurance ('TQA') value proposition, Intertek is well positioned to seize these exciting opportunities and has the action plans in place to accelerate growth.

This is what we call our 'good to great' journey.

QUALITY ASSURANCE NEEDS ARE EVOLVING

Intertek Group plc was born over 20 years ago in 1996, when it was acquired as part of a management buy-out from the Inchcape Group and subsequently floated on the London Stock Exchange. Its roots go back much further than this, to the 1880s, when the founding fathers of the companies that ultimately formed Intertek included one Thomas Edison and gave birth to a rich entrepreneurial heritage that thrives in our company today.

This history is important, because it has been across this time-frame that global trade has developed to the level it is at today. Even as comparatively recently as 50 years ago, the great majority of companies sourced, produced and supplied locally, essentially for domestic customers. Clearly, major trading nations were already transacting with one another, but it is estimated that international trade represented just 25% of global GDP at the time. Levels of trade grew during the 1970s and 80s, but even then these were largely focused on supplies of raw materials. It was really in the 1990s, as companies increasingly strove to reduce their costs and Asia started its phenomenal growth as a manufacturing hub that consumers started to benefit from greatly increased choice.

Today, we operate in a truly global market in which international trade accounts for nearly 60% of total global GDP.

The ever-more complex operations that result from a global supplier base have created tremendous growth opportunities for Intertek over the years.

To describe what we mean about this complexity, the automotive industry provides us with an excellent example of the impact of cost-driven, decentralised sourcing from a variety of locations.

In this industry, a manufacturer will source its gearboxes from a Tier-1 supplier. This supplier, in turn, will have sourced components from a network of Tier-2 suppliers, and these will have sourced their raw materials from a number of Tier-3 suppliers. Figures from the Society of Motor Manufacturers and Traders ('SMMT') demonstrate how much things have changed from the 1970s, when 90% of the parts in a typical UK-built car were sourced domestically. Today, that figure stands at just over 40%.

Cost reduction through global sourcing is only one side of the coin. The more demanding consumer is an almost equally powerful driver of increased complexity. As consumers seek greater variety, better quality and shorter response times, choice has proliferated in the shape of increased numbers of products, a massively expanded universe of brands and rapid growth in routes to market.

It is extraordinary to consider, for example, that there were just eight craft breweries in the US in 1980. By 2015, there were more than 4,000. In the 1980s, if you had a headache you needed to go to the pharmacy to buy painkillers. Today, you can go to a pharmacy, to a supermarket, to a convenience store, a department store, a fuel station – or online.

Alongside these 'domestic' changes we are also seeing a huge rise in consumer demand from developing countries, with the rapid growth of new, aspirational middle classes.

So opportunities for corporations have grown significantly over the last 30 or 40 years. But, equally, so have the complexities involved in managing their supply-chain operations. These are not the only factors. Regulators are demanding increased transparency and social media presents very significant threats to organisations' reputations. We regularly see product safety recalls following failures in supply-chain management.

Powerful structural growth factors are underway including global trade, evolving regulation, increasing quality standards, heightened consumer demands, technology, proliferating brands and corporations' tighter focus on managing supply-chain risks.

Given the increased risk of operating a global supply chain and distribution network, there is a growing realisation among Boards and executive management teams that their businesses need to take a systemic, end-to-end approach to Quality Assurance.

INNOVATING TO STAY AHEAD

Intertek has a proven track record of innovating and anticipating the growing needs of its clients. We have been the pioneers of our industry across the world for 130 years and we continue to be its chief innovator, constantly evolving and improving our offer to customers to meet their changing needs. Importantly, this entrepreneurial spirit among our people is a fundamental aspect of our differentiated 5x5 strategy for growth.

INTERTEK INNOVATIONS

OUR BRAND REINVENTION

We're unveiling a bold new brand identity across the world of Intertek to reflect our commitment to superior customer service with Total Quality Assurance.

Intertek has always been a pioneer, anticipating the needs of its clients with bold innovations. True to the innovative spirit of our founders, we're redefining the industry with our Total Quality Assurance value proposition – going beyond physical quality control through our Testing, Inspection and Certification services to offering Total Peace of Mind, as we additionally provide Assurance services, ensuring our customers' operating procedures and systems are functioning properly. We sum this up in our new brand USP, 'Total Quality. Assured.'

As part of our brand reinvention, we're rolling out a bold new brand identity, inspired by a key moment in our company history – our founder Thomas Edison's invention of the first practical incandescent light bulb. Our new identity is much more than just a new logo. Behind it lies our Customer Promise – Intertek Total Quality Assurance expertise, delivered consistently with precision, pace and passion, enabling our customers to power ahead safely – as we firmly position Intertek as the trusted partner for end-to-end Total Quality. Assured.

CEO'S REVIEW
continued

In identifying that our customers now need systemic and in-depth Assurance, Testing, Inspection and Certification services, we added last year a new dimension to our traditional Quality Control offering by placing Assurance as the cutting edge of our product offering. The intensifying focus by corporations on managing risk in the supply chain has substantially increased the role of Assurance in their day-to-day risk-mitigation activities.

Today, the truly systemic Total Quality Assurance solutions we can deliver go beyond assuring the quality and safety of a corporation's physical components, products and assets to also look at the reliability of their operating processes and quality management systems. Our TQA approach is fundamental to enabling our clients to operate safely and with complete peace of mind.

Our differentiated TQA value proposition is set to lead our growth trajectory in the years ahead. We have evolved our service offerings to meet the needs of our customers, positioning Intertek strongly to leverage these truly exciting opportunities with our differentiated TQA value proposition.

INTERTEK TOTAL QUALITY. ASSURED.

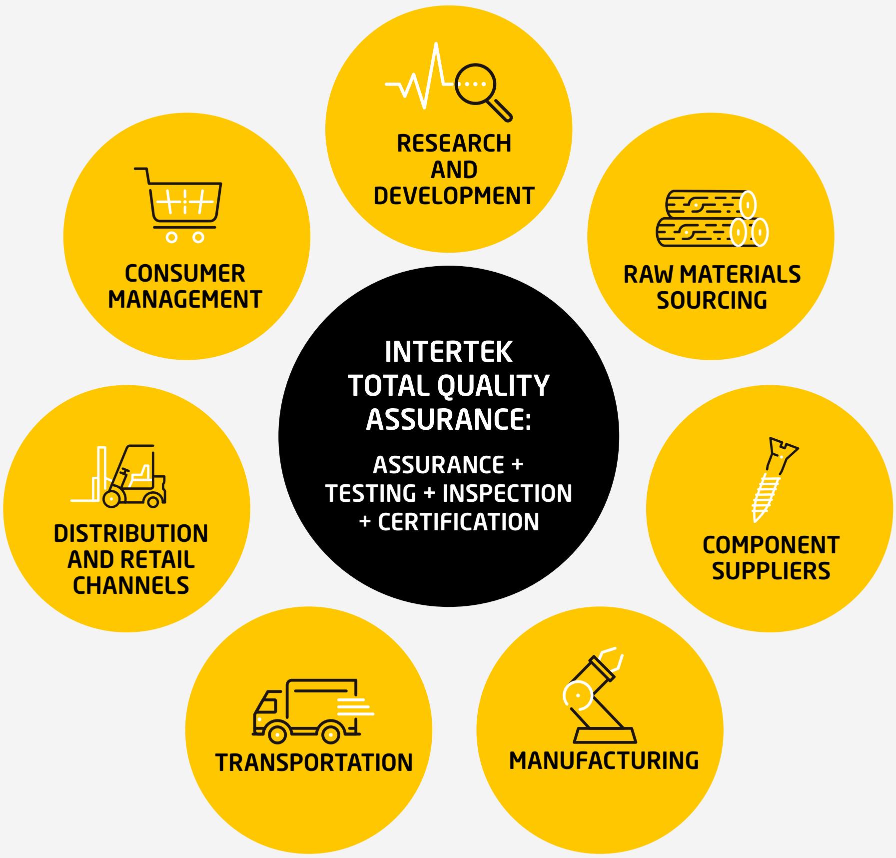
Our value proposition is now based on Total Quality Assurance underpinned by our TQA Customer Promise every day, everywhere: Intertek Total Quality Assurance expertise delivered consistently with precision, pace and passion, enabling our customers to power ahead safely.

As first outlined in 2015, we are shifting our 'centre of gravity' towards the business sectors and geographies with the most attractive growth and margin prospects. We believe we already have a number of important advantages as we move forward on this journey.

First, there is our sheer scale. Today, we have more than 1,000 laboratories based in over 100 countries worldwide. We are where our clients and prospects are, offering global solutions in local languages, with local branding and with an understanding of local priorities and culture.

Scale only counts when it is allied with quality and our people in all our locations across the world are focused on consistently delivering against our demanding service standards. By achieving this, on time every time, and providing straightforward access to market-leading expertise and flexible solutions, they build and develop the long-term relationships that we and our customers are looking for.

INTERTEK TQA VALUE PROPOSITION



Second, we have been steadily growing our Assurance capability over the years, and now operate a workforce of some 3,000 highly trained and experienced auditors who conduct an annual average of 100,000 audits across the Americas, Asia Pacific and Europe.

Third, and most important of all, we have broadened our Assurance offering over the years. Our global Business Assurance team offers a broad range of solutions that go far beyond simply helping customers meet their ISO certification needs.

They also offer customised audit solutions – and this ability lies directly at the heart of the Intertek advantage.

Today, we are a global market leader in offering and providing customers with genuinely bespoke Assurance solutions. A concrete example of what we can do for our clients is to help them mitigate the risks inherent in their entire global supplier base. We have designed an end-to-end Supplier Qualification Operating System (known as GSM), which enables our customers to track the compliance of all their suppliers with the organisation's code of conduct in the areas of human rights and labour practices, worker health and safety, environmental management and business integrity.

Clearly, being able to develop such a solution for a customer with a global supply chain underlines the advantage that the breadth and depth of our capability in this area provides. Further, the strength of our diversified global network and our ability to adapt our operations demonstrates that we can meet the needs of our customers, wherever in the world that may be.

This enables us to present a complete value proposition based around Total Quality Assurance. We can satisfy all of our customers' existing and emerging Quality Assurance requirements in operational areas including R&D, sourcing raw materials, component supply, manufacturing, transport/distribution, retail channels and consumer management.

That advantage also extends beyond a market opportunity alone because the Assurance business has some highly attractive financial characteristics – it is capital light and delivers margins that are above the Group average.

ATTRACTIVE OPPORTUNITIES FOR GROWTH

The total value of the global ATIC market is, we estimate, $250 billion of which 'only' $50 billion is currently outsourced. That means there is a total $200 billion in-house opportunity.

Companies are certainly doing far more today to improve quality and safety than they were even five years ago, but there is much that needs to be done to establish a robust, reliable, end-to-end Total Quality Assurance approach that reduces risk. That is what we offer and will continue to bring our clients, leveraging our broad service portfolio, our technical expertise and our global laboratory network to allow corporations to concentrate on their core value-generating activities.

We see four growth opportunities.

First, we will be looking to leverage the growth opportunities presented by our existing customers. We aim to increase customer account penetration, both within the services we already provide to each individual organisation and by cross-selling between the various components of our integrated ATIC offering.

Second, we will continue to leverage our global portfolio of industry leading solutions to win new customer relationships with new and fast growing local, regional and global companies.

Third, as companies see the value in our Total Quality Assurance approach, there will also be tremendous growth potential in convincing corporations that currently conduct this work in-house to outsource their quality assurance requirements to us.

Fourth, our industry is highly fragmented and we will look at seizing the right M&A opportunities to enable us to expand our geographic coverage where needed, providing access to a new kind of offering or strengthening our existing operations.

Our highly cash-generative earnings model and strong balance sheet provide the flexibility to accelerate organic growth with value-enhancing acquisitions.

OUR HIGH QUALITY EARNINGS MODEL

The Intertek earnings model is to provide ATIC solutions with superior customer service levels to businesses in the three economic sectors of 'Products', 'Trade' and 'Resources' across more than 100 countries. These sectors provide the framework of our high-quality earnings model, and each benefits from its own set of structural growth drivers.

The Products sector, which currently delivers over 70% of our profit, comprises consumer goods; electrical and wireless; building and construction; chemicals and pharmaceuticals; softlines and hardlines; transportation technologies; food; and business assurance. We see the sector as continuing to benefit from corporations' growing investments in quality and innovation and anticipate continuing growth in response to rising consumer demand and a higher regulatory burden.

PRODUCTS

Read more on page 24

TRADE

Read more on page 28

RESOURCES

Read more on page 30

Read more about the sectors we work in on page 6

CEO'S REVIEW
continued

Specifically, we see two key growth drivers for Intertek in this sector:

- Growth in stock-keeping units (SKUs) or brands, driven by increasing numbers of products worldwide, shorter product life-cycles and the rise of e-commerce. Just consider the speed of product development over the last 30 years in the mobile phone sector, as companies have competed for consumer attention through investments in technology, innovation, variety and brand development; and
- Growth in the number of tests that need to be taken for each SKU or brand, driven by rising regulatory standards, concerns for safety, demand for higher quality and continuous innovation.

We expect our Products sector to continue growing faster than GDP as our ATIC services support customers in their determination to:

- Innovate ahead of their competitors;
- Maintain or improve quality while expanding their supply chains;
- Meet more demanding regulatory standards;
- Raise the sustainability standards of their products and processes;
- Sharpen their risk-management focus; and
- Protect their reputations.

Our second key business sector is Trade, which comprises cargo; agriculture; and government and trade services and accounts for around 20% of our profit. By drawing on our services, particularly in the Inspection area, companies have the assurance of knowing that their cargoes comply with all relevant regulations and quality standards.

Our Trade business will continue to benefit from ongoing growth in global trade and the development of stronger regional trade in Asia, the Indian Ocean, the Mediterranean and the Americas. We expect this growth to be at a rate similar to global GDP through the cycle, driven by the increases in global population and demand from emerging markets that are causing cargo tonnage, shipping numbers and trading routes to grow.

I am confident about the long-term future of the ATIC industry. An increased focus on risk management, continuing growth in global trade, demand for energy and innovation and growing demand for quality and sustainability will all play key roles in its future development.

Together, these forces represent a compelling opportunity. Just to take soya exports as an illustrative example, the total quantity exported grew at a CAGR of 6.2% per annum between 2001 and 2015 – a similar growth rate to those of many other globally traded agriculture and resource products.

In Resources, our third business sector, which contributed less than 10% of our profit, we anticipate long-term growth driven by increasing demand for global energy to support GDP and population growth, but we recognise this is a cyclical business that is currently in the challenging part of the cycle.

We offer both capex and opex services – we can help companies investing in new capacity and operating existing facilities.

We will also see continued expansion in the different types of energy consumed, with an increasing role for renewables in driving sustainability, carbon reduction and cleanliness of supply.

At the Group level, in the medium- to long-term we expect to deliver GDP plus organic revenue growth that is margin accretive and strongly cash generative. This will enable us to allocate our resources in a disciplined fashion, to create further value via carefully selected capital expenditure and M&A investments that in turn feed further accelerated margin-accretive revenue growth.

OUR STRATEGIC FRAMEWORK

Our earnings model supports our 5x5 differentiated strategy for growth, which aims to move the centre of gravity of the company towards high-growth, high-margin areas in our industry. The strategy comprises five strategic priorities and five strategic enablers, targeted at the achievement of five corporate goals that help us measure progress.

Our five medium- to long-term corporate goals are:

- Fully engaged employees working in a safe environment
- Superior customer service in Assurance, Testing, Inspection and Certification
- Margin-accretive revenue growth based on GDP+ organic growth
- Strong cash conversion from operations
- Accretive, disciplined capital-allocation policy

Read more about our 5x5 strategy on page 12

Our five strategic priorities are:

- A strong brand proposition that positions Intertek as the market-leading provider of Quality Assurance services
- Delivering superior service with our Total Quality Assurance value proposition, building customer loyalty and attracting new customers
- An effective sales strategy that develops our business by attracting new clients and growing account penetration with existing customers, through increasing the focus on the systematic cross-selling of our ATIC solutions
- Operating a growth- and margin-accretive portfolio strategy, that delivers focused growth among the business lines, countries and services with good growth and margin prospects
- Delivering operational excellence in every operation to drive productivity

The five enablers that will support the execution of our strategy are:

- Our entrepreneurial spirit and decentralised organisation that underpins our customer-centric culture
- Disciplined performance management, driving margin-accretive revenue growth with strong cash conversion and strong returns on capital
- Superior technology, increasing productivity and adding value to our customers
- Engaging our people through the appropriate reward strategy and investing in the right capabilities to support our growth agenda
- Achieving sustainable growth for customers, employees, shareholders, suppliers and communities and ensuring we have the right balance between performance and sustainability

FOCUSED PORTFOLIO STRATEGY

Pursuing a growth- and margin-accretive portfolio is one of our five strategic priorities. When managing our day-to-day performance and allocating our capital and people resources, we will pursue a three-tier portfolio strategy:

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

- at the Business Line level: Softlines, Hardlines, Electrical & Wireless, Cargo/AA and GTS
- at the Geographic level: North America and Greater China

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

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

Third, we will focus on improving the performance:

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

ACCRETIVE DISCIPLINED CAPITAL ALLOCATION

In our view, to deliver shareholder returns on a consistent basis, the right formula is sustainable earnings growth with accretive disciplined allocation of capital.

We pursue a disciplined approach to capital allocation that enables us to reinvest our growing earnings and create long-term value and sustainable shareholder returns.

The first priority when it comes to capital allocation is investment to support organic growth. In the medium- to long-term, we will invest circa 5% of revenue in capital expenditure.

The second priority is to deliver sustainable returns for our shareholders through the payment of progressive dividends with a dividend payout ratio of circa 40% of earnings.

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

The fourth priority is to maintain an efficient balance sheet that gives us the flexibility to invest in growth with a net debt to EBITDA ratio of 1.5 to 2 times.

LOOKING AHEAD

We believe that the strength of our results in 2016 demonstrate the attractive nature of our industry, Intertek's high-quality earnings model and the effectiveness of our 5x5 differentiated strategy for growth.

We are confident about the growth prospects of the global Quality Assurance market.

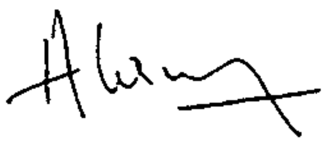
We are uniquely positioned to seize these attractive growth opportunities, underpinned by the increased complexities of corporate supply chains and the associated challenges of maintaining a high level of quality assurance end to end.

Leveraging our industry-leading expertise and innovative and entrepreneurial culture, we service a diversity of industries, geographies and customers with multiple Total Quality Assurance solutions with our global network enabling us to follow the supply chains of our customers wherever they are in the world.

We have a strong track record of creating sustainable growth and shareholder value, leveraging our high-margin and highly cash generative earnings model. We are moving the Company's centre of gravity towards our industry's most attractive growth and margin areas with a disciplined approach to performance management and capital allocation.

The strength of Intertek is first and foremost the excellence of our 42,000 entrepreneurially-minded professionals, who take immense pride in delivering customer service standards that exceed expectations. I would like to thank all my colleagues around the world for their passion and expertise every day that makes Intertek a trusted partner for its clients.

I am tremendously excited about Intertek's future as we continue on our 'good to great' journey to deliver our unique Intertek Customer Promise of Total Quality. Assured.



André Lacroix
Chief Executive Officer

INTERTEK EXECUTIVE MANAGEMENT TEAM

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André Lacroix 1
Chief Executive Officer

See full bio on **page 58**

Edward Leigh 2
Chief Financial Officer

See full bio on **page 58**

Nimer Al-Hafi 3
Senior Vice President, Group ATIC Operational Excellence, North-East Asia and Australasia

Joined Intertek in 1995. Nimer is responsible for the Group's ATIC operational excellence as well as sustainability and health & safety programmes, and has responsibility for North-East Asia and Australasia. Prior to this, he was responsible for the Group's Global Customer Service agenda and President of Intertek's US Products group covering testing, inspection, certification, consulting and quality assurance services, having started with the Company as an Engineer in 1995.

Ann-Michele Bowlin 4
Chief Information Officer

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

Ian Galloway 5
Executive Vice President, Middle-East, Africa and Global Trade

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

Tony George 6
Executive Vice President, Human Resources

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

Ken Lee 7
Executive Vice President, Marketing and Communications

Joined Intertek in 2016. Ken has responsibility for Intertek's marketing as well as internal and external communications. He joined the company from Inchcape plc where he spent 13 years in various senior marketing roles, most recently as Chief Marketing and Communications Officer. Prior to this he held marketing leadership positions with RAC Motoring Services and Hyundai Car (UK) Ltd.

Jan-Jörg Müller-Seiler 8
Executive Vice President, Global Resources

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

Graham Ritchie 9
Executive Vice President, Europe

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

Rajesh Saigal 10
Executive Vice President, South & South East Asia

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

Julia Thomas 11
Senior Vice President, Corporate Development

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

Mark Thomas 12
Group General Counsel

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

Gregg Tiemann 13
Executive Vice President, Americas

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

PRODUCTS

Excellent revenue performance with double-digit growth benefiting from robust organic revenue growth and the contribution from recent acquisitions.

BUSINESS LINES

- SOFTLINES
- HARDLINES
- ELECTRICAL
- NETWORK ASSURANCE
- BUSINESS ASSURANCE
- BUILDING & CONSTRUCTION
- TRANSPORTATION TECHNOLOGIES
- FOOD
- CHEMICALS & PHARMA
- HEALTH, ENVIRONMENTAL & REGULATORY SERVICES
- PRODUCT ASSURANCE

SERVICES & CUSTOMERS

Our Products-related businesses consist of business lines that are focused on ensuring the quality and safety of physical components and products, as well as minimising risk through assessing the operating processes and quality management systems of our customers.

As a trusted partner to the world's leading retailers, manufacturers and distributors, our Products business lines support a wide range of industries including textiles, footwear, toys, hardlines, home appliances, consumer electronics, information and communication technology, automotive, aerospace, lighting, building products, industrial and renewable energy products, food and hospitality, healthcare and beauty, and pharmaceuticals.

Across these industries we provide a wide range of ATIC services including, laboratory safety, quality and performance testing, second-party supplier auditing, sustainability analysis, product assurance, vendor compliance, process performance analysis, facility plant & equipment verification and 3rd party certification.

STRATEGY

Our Total Quality Assurance proposition provides a systemic approach to support the Quality Assurance efforts of our Products-related customers in each of the areas of their operations. To do this we leverage our global network of accredited facilities and world leading technical experts to help our clients meet high-quality safety, regulatory and brand standards, develop new products, materials and technologies and ultimately assist them in getting their products to market quicker, in order to continually meet evolving consumer demands.

REVENUE	ADJUSTED OPERATING PROFIT
£1,465.5m	£297.7m

INTERTEK INNOVATIONS

INTERTEK SUPPORTS MORE EFFICIENT NASAL DRUG DEVELOPMENT

Intertek launched an innovative technology offering that provides clients with a new tool in the development of Orally Inhaled and Nasal Drug Products, in particular for generic nasal suspensions, providing generics developers with a more efficient route to market.

This new technology uses Morphologically-Directed Raman Spectroscopy ('MDRS'), allowing direct measurement of Active Pharmaceutical Ingredient ('API') particle size in the nasal suspension. This was previously difficult to achieve without the Raman function as excipient particles are often a similar size and shape to the API particles. MDRS allows Raman spectra to be produced for selected particles, with this additional chemical information providing robust identification of both drug and excipient.

Meeting regulatory requirements through cost-effective and efficient approaches, such as the inclusion of MDRS data, is of huge interest to generics developers and should support the development and approval of more generic nasal products in the future.

PRODUCTS
continued

Excellent revenue growth benefiting from robust organic revenue growth and the contribution from recent acquisitions.

INNOVATION

We continue to invest in innovation within our Products-related businesses to meet the evolving needs of our clients:

Our **Business Assurance** division has developed a proprietary supplier management platform known as GSM. GSM maximises supply chain visibility for both buyers and suppliers through supply chain management, evaluation and improvement. One of our major clients has asked us to help them mitigate the risks of their entire global supplier base by designing an end-to-end Supplier Qualification Operating System to track the compliance of these suppliers based on their code of conduct in the areas of human rights and labour practices, worker health and safety, environmental management and business integrity.

Our **Transportation Technologies** business became one of the first facilities in Europe to be accredited to perform power certification testing on electric motors, following a significant investment we made in our electric vehicle testing capabilities in the UK. Recognising the changing landscape of traditional gasoline and diesel engines, our business responded swiftly to the evolving needs of our clients and can now provide both testing and certification services in the same location, providing a more efficient solution for our customers.

2016 PERFORMANCE

Our Products-related businesses delivered an excellent revenue performance with double-digit growth rates.

We benefited from a robust organic revenue growth performance that delivered organic margin accretion and the contribution from recent acquisitions was strong.

Our **Softlines** business delivered a robust organic growth performance across our markets. We continue to benefit from strong demand from our customers for chemical testing. We are also leveraging the investments we have made to support the expansion of our customers in new markets and to seize the exciting growth opportunities in the footwear sector.

Our **Hardlines** and Toy business continues to take advantage of our strong global account relationships, the expansion of our customers' supply chain into new markets and our innovative technology for factory inspections. We delivered a robust organic growth performance across our main markets of China, Hong Kong, India and Vietnam.

Our **Transportation Technologies** business delivered strong organic growth across our main markets in the USA, UK, Germany and China. We continue to capitalise on our clients' investments in new powertrains as they strive to adopt more stringent emissions and fuel economy standards.

Our **Business Assurance** business delivered double-digit organic growth in our three regions of North America, Europe and Asia. We continue to benefit from the increased focus of corporations on risk management resulting in strong growth in Supply Chain Audits.

We delivered solid organic growth in **Electrical & Wireless** driven by higher regulatory standards in energy efficiency and by the increased demand for wireless devices.

We continue to benefit from the increased focus of corporations on food safety and delivered good organic growth in our **Food** business.

We saw a solid organic growth in our **Chemicals & Pharma** business as we continue to leverage the structural growth opportunities in the healthcare markets in both developed and emerging economies.

Our **Building & Construction** business delivered a robust organic growth performance driven by the growing demand for greener and higher quality buildings and infrastructure in the US Market. PSI benefited from a good revenue momentum and delivered the expected synergies in year one.

2017 OUTLOOK

We expect our Products division to benefit from good organic growth at constant currency.

MID- TO LONG-TERM OUTLOOK

Our Products division will benefit from mid- to long-term structural growth drivers including product variety, brand and supply chain expansion, product innovation and regulation, and on the increasing quality and sustainability demand of developed and emerging economies, the acceleration of e-commerce as a sales channel, and the increased corporate focus on risk.

FINANCIAL HIGHLIGHTS 2016

	2016 £m	2015 £m	Change at actual rates	Change at constant rates
Revenue	**1,465.5**	1,110.6	32.0%	19.9%
Organic revenue	**1,260.7**	1,086.6	16.0%	5.5%
Adjusted operating profit	**297.7**	233.8	27.3%	16.5%
Adjusted operating margin	**20.3%**	21.1%	(80)bps	(60)bps

INTERTEK INNOVATIONS

INTERTEK INTRODUCES REMOTE VIBRATION MONITORING

Our Building & Construction business has implemented an innovative remote vibration monitoring solution for clients in New York City. Using specialist sensory equipment, vibration levels caused by construction activity are recorded and documented during the course of the working day.

Our experts apply data analysis techniques to interpret the stresses being placed on the building, and if an event occurs that exceeds a certain trigger level, an email or text message alert is automatically sent to the client allowing them to mitigate their level of current activity.

TRADE

Our Trade-related businesses delivered solid organic growth.

BUSINESS LINES

CARGO & ANALYTICAL ASSESSMENT

GOVERNMENT & TRADE SERVICES

AGRIWORLD

SUSTAINABILITY

SERVICES & CUSTOMERS

Our Trade division consists of business lines with differing services and customers, but with similar mid- to long-term structural growth drivers:

- Our **Cargo & Analytical Assessment** ('Cargo/AA') business provides cargo inspection, analytical assessment, calibration and related research and technical services to the world's petroleum and biofuels industries.
- Our **Government & Trade Services** ('GTS') business provides inspection services to governments and regulatory bodies to support trade activities that help the flow of goods across borders, predominantly in the Middle East, Africa and South America.
- Our **Agriculture** business provides analytical and testing services to global agricultural trading companies and growers.

STRATEGY

Our Total Quality Assurance proposition assists our Trade- related customers in protecting the value and quality of their products during their custody-transfer, storage and transportation, globally, 24/7. Our expertise, service innovations and advanced analytical capabilities allow us to optimise the return on our customers' cargoes and help them resolve difficult technical challenges. Our independent product assessments provide peace-of-mind to our government clients that the quality of products imported into the country meet their standards and import processes.

REVENUE	ADJUSTED OPERATING PROFIT
£584.5m	£81.8m

INNOVATION

Providing innovative solutions is a key point of differentiation for our Trade-related businesses:

Our **Agriculture** business has recently developed the Soil Manager App to Support Local Farmers in Africa. Africa is home to more than 10 million farmers with 50% owning a mobile device. The app allows 24/7 access to a range of services which can assist with enriching soil fertility and increase yields whilst minimising input costs. It is available free of charge from online app stores, and is an innovative way for local farmers to connect with qualified specialists, fertiliser merchants, and even allowing for direct investments by sponsors. After submitting test samples, the results are directly available along with fertiliser recommendations on the app. In addition, farmers can connect with a qualified agronomist to discuss the results, a service that is often beyond the reach of small scale farmers in Africa.

In our **GTS** business, we have developed a proprietary Workflow ERP system known as Astra. Following client feedback, we developed our existing platform to integrate through EDI into our clients' logistics operations, in order to provide them with real time updates on the process of certification approvals. This enabled our client to reduce the logistics cycle by knowing at every stage where we were up to in the certification process. This ultimately led to faster product delivery, a reduction in stock, a shorter sales cycle, and an improved competitive position in the market. This was a great example of our GTS business developing a bespoke assurance solution to optimise supply chain processes for their clients.

2016 PERFORMANCE

Our Trade-related businesses delivered solid organic growth overall with moderate margin progression at constant currency.

Our **Cargo/AA** business reported solid organic growth performance benefiting from the structural growth drivers in the Crude Oil and Refined Product global trading market. As expected we saw a normalisation of the supply situation following the build-up of the high level of inventory we saw in 2015.

The demand for **GTS** continued to weaken following the slowdown seen in the second half of 2015 and was below last year. The volume of regional trade in the Middle/East and Africa has reduced given the economic challenges and uncertainties in these regions.

Our **Agriculture** business continues to benefit from the expansion of the supply chain of our clients in markets such as Brazil and Turkey, and delivered a robust organic growth performance.

2017 OUTLOOK

We expect our Trade-related businesses to deliver solid organic growth performance at constant currency.

MID- TO LONG-TERM OUTLOOK

Our Trade division will continue to benefit from regional and global trade-flow growth, as well as the increased customer focus on quality, quantity controls and supply chain risk management.

INTERTEK INNOVATIONS

INTERTEK TAKES #1 POSITION IN MEXICO'S FAST GROWING ENVIRONMENTAL MARKET

During 2016, Intertek expanded its Analytical Assessment offering by entering into an agreement with the shareholders of ABC Analitic to form an environmental services Joint Venture in Mexico.

ABC Analitic has been a leading provider of water testing services in Mexico since 1970, being one of the pioneering companies to offer wastewater analysis when the first regulations for the prevention and control of water pollution came into effect. Since then, ABC Analitic has continued as a market leader in the provision of its water testing and analytical services in the key areas of wastewater, natural and drinking water analysis.

ABC Analitic is highly complementary to Intertek's existing environmental testing business in Mexico, which has a particular strength in soil testing and analysis. By bringing the two businesses together, Intertek will increase its offering of sustainability services by become the market leader in the provision of assurance, testing, inspection and certification services to Government environmental projects, regulators and corporations.

FINANCIAL HIGHLIGHTS 2016

	2016 £m	2015 £m	Change at actual rates	Change at constant rates
Revenue	**584.5**	536.6	8.9%	1.6%
Organic revenue	**582.7**	536.4	8.6%	1.3%
Adjusted operating profit	**81.8**	75.7	8.1%	2.2%
Adjusted operating margin	**14.0%**	14.1%	(10)bps	10bps

RESOURCES

Our Resources-related businesses faced challenging trading conditions in 2016.

BUSINESS LINES

INDUSTRY SERVICES

MINERALS

SERVICES & CUSTOMERS

Our Resources division consists of two business lines with differing services and customers:

- Our **Industry Services** business uses in-depth knowledge of the oil, gas, nuclear and power industries to provide a diverse range of Total Quality Assurance solutions to optimise the use of customers' assets and minimise the risk in their supply chains. Some of our key services include technical inspection, asset integrity management, analytical testing and ongoing training services.
- Our **Minerals** business provides a broad range of ATIC service solutions to the mining and minerals exploration industries, covering the resource supply chain.

STRATEGY

Our Total Quality Assurance proposition allows us to help customers gain peace of mind that their exploration projects will proceed on time with the expected quality standards and their assets will continue to operate with a lower risk of technical failure. Our broad range of services allows us to assist clients in protecting the quantity and quality of their mined and drilled products, improve safety and reduce commercial risk in the trading environment.

REVENUE	ADJUSTED OPERATING PROFIT
£517.0m	£30.2m

INNOVATION

During 2016, our Industry Services team has developed a unique tool, known as **InterPret**. InterPret is a suite of software tools that have been developed in order to support our client's needs for the provision of faster real time information in production environments. There are three processes available to our clients within the suite of InterPret solutions:

- **InBlend** uses infrared spectra to predict hydrocarbon composition, significantly speeding up the laboratory process allowing customers to assess every delivery and sample for all known properties. This helps them maximise margins and reduce process delays.
- **InProcess** uses smart data analytics to analyse large datasets and mitigate future problems such as shutdowns and asset failure. For example the analysis has been used to identify major pump seal failure and to optimise the production of diesel at a refinery.
- **InFlow** can be used to assess the stability of blended hydrocarbons. Understanding the interactions in hydrocarbon blends reduces tank cleaning and maintenance costs, promotes efficiency, and reduces the risk of shutdowns.

2016 PERFORMANCE

Our Resources-related businesses saw an organic revenue decline of 13.0% and a slight margin erosion.

The revenue from **Capex Inspection Services** was lower than last year driven by a lower volume of investments and in exploration activities by our clients and from price pressure in the industry.

The demand for **Opex Maintenance Services** remained stable overall and we are benefiting from the investments made in NDT services.

Given the challenging trading conditions in our **Industry Services** operations we continue to be very focused on cost and capacity management in our Capex Inspection business.

Continuing the trend seen in the second half of 2015, we saw a stable level of demand for testing activities in the **Minerals** business.

2017 OUTLOOK

We do not believe that we have reached the trough in the Resources division and we expect the trading conditions to remain challenging.

MID- TO LONG-TERM OUTLOOK

Our Resources division will grow in the medium to long term as we benefit from investments in the exploration and production of oil and minerals to meet the demand of the growing population around the world.

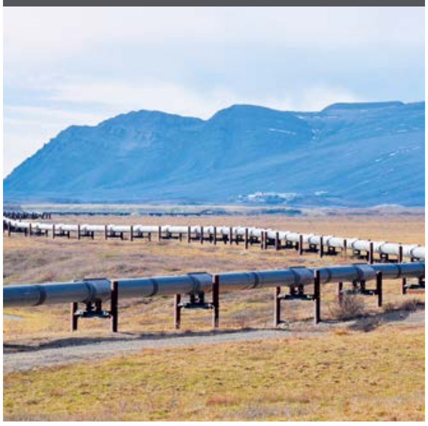
INTERTEK INNOVATIONS

INTELLIGENT PIPELINE INSPECTION SERVICES

Intertek's China-based Intelligent Pipeline Inspection Services utilise tools known as "intelligent pigs" to assess the integrity of assets in a quick and non-intrusive manner.

Smart pigs are intelligent pipeline inline inspection tools that examine the structural integrity of pipeline systems. An intelligent pig is a cylindrical device that is placed inside a pipeline to gather information on the quality of pipe. As the tool travels through the pipeline, technicians are able to track the location of the pig using GPS and are able to catalogue important data on the condition of the pipe.

The results of the intelligent pig's findings help determine anomalies and target areas that likely need to undergo further examination, repair or replacement.



FINANCIAL HIGHLIGHTS 2016

	2016 £m	2015 £m	Change at actual rates	Change at constant rates
Revenue	**517.0**	519.1	(0.4)%	(8.0)%
Organic revenue	**478.5**	508.7	(5.9)%	(13.0)%
Adjusted operating profit	**30.2**	33.9	(10.9)%	(15.2)%
Adjusted operating margin	**5.8%**	6.5%	(70)bps	(50)bps

KPIs – MEASURING OUR STRATEGY

Disciplined performance management focused on margin-accretive revenue growth with strong cash conversion and accretive capital allocation.

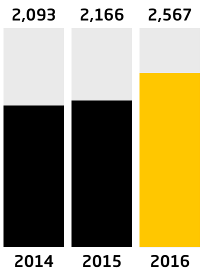
FINANCIAL

The Group uses a variety of key performance indicators ('KPIs') to monitor performance and measure the financial impact of the Group's strategy. Where applicable, KPIs are based on Adjusted measures in order to normalise performance. An explanation and reconciliation of Reported to Adjusted performance measures is given on page 42. Non-financial KPIs are shown in the Sustainability and CSR report on pages 45 to 51.

REVENUE[#]
(£m)

Revenue growth measures how well the Group is expanding its business, and includes currency impacts.

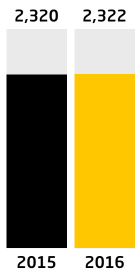
+18.5%



ORGANIC REVENUE AT CONSTANT EXCHANGE RATES[3] (£m)

Revenue growth, excluding currency movements, acquisitions and disposals.

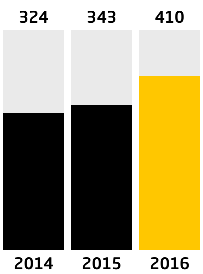
+0.1%



ADJUSTED OPERATING PROFIT[#,1]
(£m)

Measures profitability of the Group and includes currency impacts.

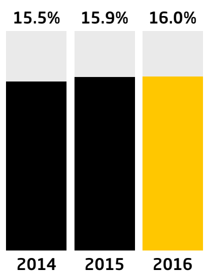
+19.3%



ADJUSTED OPERATING MARGIN[1]
(%)

Margin measures profitability as a proportion of revenue.

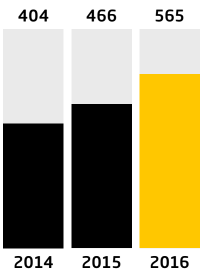
+10bps



ADJUSTED CASH FLOW FROM OPERATIONS[1] (£m)

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

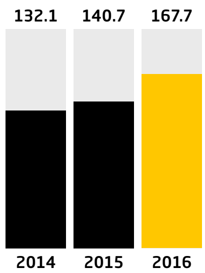
+21.4%



ADJUSTED DILUTED EARNINGS PER SHARE[1] (pence)

A key measure of value creation for the Board and for shareholders.

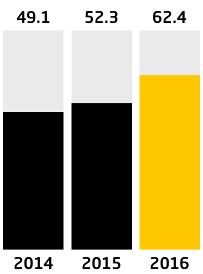
+19.2%



DIVIDEND PER SHARE[2] (pence)

Dividend per share measures returns provided to shareholders.

+19.3%



RETURN ON INVESTED CAPITAL AT CONSTANT EXCHANGE RATES[#,4] (%)

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

+170 bps

#. Revenue, Adjusted Operating Profit and Return on Invested Capital ('ROIC') are re-calculated using 2015 exchange rates to form the basis for Executive Director remuneration, as described in more detail on pages 73 to 74.

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 on page 42.
2. Dividend per share is based on the interim dividend of 19.4p (2015: 17.0p) plus the proposed final dividend of 43.0p (2015: 35.3p).
3. Growth at constant exchange rates compares both 2016 and 2015 at the average exchange rates for 2016 , in order to remove the impact of currency translation from the Group's growth figures. Organic measures at constant exchange rates are used in order to present the Group's results excluding the effects of the change in the scope of consolidation (acquisitions and disposals over the past two years) and the impact of currency translation.
4. 2015 ROIC has been prepared using average 2016 exchange rates for Adjusted operating profit and tax, and year end 2016 exchange rates for invested capital.

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. This work is complemented by the Group Risk Committee, whose purpose is to manage, assess and promote the continuous improvement of the Group's risk management, controls and assurance systems. This risk governance framework is described in more detail in the Directors' Report on pages 62 to 64 and 81 to 85.

The Head of Internal Audit and the Group General Counsel, who report to the Chief Financial Officer and Chief Executive Officer respectively, have accountability for reporting the key risks that the Group faces, the controls and assurance processes in place and any mitigating actions or controls. Both roles report to the Audit Committee, attend its meetings and meet with individual members each year as required.

Risks are formally identified and recorded in a risk register for the significant countries and for each business line and support function. The risk register is updated at least twice each year and is used to plan the Group's internal audit and risk strategy.

In addition to the risk register, all senior executives and their direct reports are required to complete an annual return to confirm that management controls have been effectively applied during the year. The return covers Sales, Operations, IT, Finance and People.

OPERATIONAL

PRINCIPAL RISK	CONTEXT	POSSIBLE IMPACT
REPUTATION	Reputation is key to the Group maintaining and growing its business. Reputation risk can occur in a number of ways: directly as the result of the actions of the Group or a group company itself; indirectly due to the actions of an employee or employees; or through the actions of other parties, such as joint venture partners, suppliers, customers or other industry participants.	• Failure to meet financial performance expectations. • Exposure to material legal claims, associated costs and wasted management time. • Destruction of shareholder value. • Loss of existing or new business. • Loss of key staff.
CUSTOMER SERVICE	A failure to focus on customer needs, to provide customer innovation or to deliver our services in accordance with our customers' expectations and our customer promise.	• May lead to customer dissatisfaction and customer loss. • Gradual erosion of market share and reputation if competitors are perceived to have better, more responsive or more consistent service offerings.

PRINCIPAL RISKS

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

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

LONG-TERM VIABILITY STATEMENT

In accordance with provision C.2.2 of the UK Corporate Governance Code, the Directors have assessed the viability of the Group over a five-year period to 31 December 2021, by carrying out a robust assessment of the potential impact of the principal risks and uncertainties on the Group's current position, including those that would threaten the Group's business model, future performance, solvency or liquidity.

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

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

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

Based on this assessment, the Directors confirm that they have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the period to 31 December 2021.

MITIGATION	2016 UPDATE
• Quality Management Systems; adherence to these is regularly audited and reviewed by external parties, including accreditation bodies. • Risk Management Framework and associated controls and assurance processes, including contractual review and liability caps where appropriate. • Code of Ethics which is communicated to all staff, who undergo regular training. • Zero-tolerance policy with regard to any inappropriate behaviour by any individual employed by the Group, or acting on the Group's behalf. • Whistle-blowing programme, monitored by the Audit Committee, where staff are encouraged to report, without risk, any fraudulent or other activity likely to adversely affect the reputation of the Group. • Relationship management and communication with external stakeholders.	• This risk remains stable compared with 2015. • The Group continues to invest in staff development, quality systems and standard processes to prevent operational failures.
• Net Promoter Score ('NPS') customer satisfaction, customer sales trends and turnaround time tracking. • Global and Local Key Account Management ('GKAM'/'LKAM') initiatives in place. • Customer feedback meetings. • Customer claims/complaints reporting.	• This risk remains stable compared with 2015.

PRINCIPAL RISKS AND UNCERTAINTIES
continued

OPERATIONAL

PRINCIPAL RISK	CONTEXT	POSSIBLE IMPACT
PEOPLE RETENTION	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.	• Poor management succession. • Lack of continuity. • Failure to optimise growth. • Impact on quality, reputation and customer confidence. • Loss of talent to competitors and lost market share.
OPERATIONAL HEALTH, SAFETY AND SECURITY	Any health and safety incident arising from our activities. This could result in injury to Intertek's employees, sub-contractors, customers and/or any other stakeholders affected.	• Individual or multiple injuries to employees and others. • Litigation or legal/regulatory enforcement action (including prosecution) leading to reputational damage. • Loss of accreditation. • Erosion of customer confidence.
FACILITIES	*Environment* – an adverse impact on the environment due to inadequate sample storage/disposal, and/or inappropriate use of materials dangerous to the environment. *Lease Renewals* – a failure to secure the renewal of a critical lease, or having to agree unfavourable renewal terms. *Security* – loss of a critical site due to natural disaster/catastrophe, with alternative sites unavailable/unfeasible. *Restructuring* – an adverse impact on operations caused by restructuring or moving multiple facilities or locations.	• *Environment* – environmental damage, potential litigation and fines, impact on reputation. • *Lease Renewals* – loss of key sites, financial impact in terms of relocation costs, or increased premiums on renewed leases. • *Security* – possible injury or fatality to our people and general public, inability to deliver key services, impact on revenue and reputation. • *Restructuring* – loss of financial or other internal controls, loss of revenues, adverse customer relationship or delivery impacts.
INDUSTRY AND COMPETITIVE LANDSCAPE	A failure to identify, manage and take advantage of emerging and future risks. Examples include the opportunities provided by new markets and customers, a failure to innovate in terms of service offering and delivery, the challenge of radically new and different business models, and the failure to foresee the impact of, or adequately respond to and comply with, changing or new laws and regulations. Macroeconomic factors such as a global/market downturn and contraction/changing requirements in certain sectors.	• Failure to maximise revenue opportunities. • Failure to take advantage of new opportunities. • Lack of ability to respond flexibly. • Erosion of market share. • Impact on share price. • Failure to respond to macroeconomic factors. • Sanctions and fines for non-compliance with new laws, etc.
IT SYSTEMS	*Systems integrity* – Major IT systems integrity issue, or data security breach, either due to internal or external factors such as deliberate interference or power shortages/cuts etc. *Systems functionality* – a failure to define the right IT strategies, maintain existing IT systems or implement new IT systems with the required functionality and which are fit for purpose, in each case to support the Group's growth, innovation and competitive customer offering.	• Loss of revenue due to down time. • Potential loss of sensitive data with associated legal implications. • Potential costs of IT systems replacement and repair. • Loss of customer confidence. • Damage to reputation. • Loss of revenue/profitability if we fail to adopt an IT investment strategy which supports the Group's growth, innovation and customer offering.

MITIGATION	2016 UPDATE
• HR strategy policies and systems. • Development and reward programme to retain and motivate employees. • Succession planning to ensure effective continuation of leadership and expertise.	• This risk remains stable compared with 2015. • New Remuneration Policy consistent throughout the Group.
• Quality management and associated controls, including safety training, appropriate PPE (Personal Protective Equipment), Health & Safety policies (including due diligence on sub-contractors), meetings and communication. • 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 with 2015. • There were zero work-related fatalities in the year for the second year running.
• Business Continuity Plans ('BCPs') and Disaster Recovery Plans ('DRPs') in place. • Health & Safety policies, Environmental policy and Sample Storage policy implemented. • Regular review of contracts/leases.	• This risk remains stable compared with 2015. • There has been no downtime in operational activity, except for where tests of BCPs or DRPs have been conducted.
• GKAM and LKAM initiatives in place. • Diversification of customer base. • Focus on new services and acquisitions. • Tracking new laws and regulations. • Regular strategic and business line reviews. • Development of ATIC cross-selling initiatives. • NPS customer research to understand customer satisfaction.	• This risk remains stable compared with 2015. • The Group's results have been impacted by the lower levels of capital expenditure in the energy sector, driven by lower oil prices, but more than offset by the diverse nature of the Group and its ability to grow revenue and manage the cost base.
• Information systems policy and governance structure. • Regular system maintenance. • Backup systems in place. • Disaster recovery plans that are constantly tested and improved to minimise the impact if a failure does occur. • Global Information Security policies in place (IT, Data Protection, Cyber Security). • Adherence to IT finance systems controls (part of Core Mandatory Controls ('CMCs')). • Adherence to IT general controls and IT finance systems controls. • Internal and external audit testing.	• This risk remains stable compared with 2015. • Review of data security performed including data storage, retention policy, access controls and encryption.

PRINCIPAL RISKS AND UNCERTAINTIES
continued

LEGAL AND REGULATORY

PRINCIPAL RISK	CONTEXT	POSSIBLE IMPACT
LITIGATION	Claims resulting from mistakes in Intertek's work resulting in disputes with clients and/or other relevant third parties.	• Financial impact (fines by regulators, suspension of accreditation, compensation). • Financial impact from defending and settling claims. • Impact of fines. • Potential impact on insurance premiums. • Loss of customer confidence. • Damage to reputation. • Impact on share price.
BUSINESS ETHICS	Non-compliance with Intertek's Code of Ethics ('Code') and/or related laws such as anti-bribery, anti-money laundering, and fair competition legislation. Non-compliance could be either accidental or deliberate, and committed either by our people or sub-contractors who must also abide by the Code.	• Litigation, including significant fines and debarment from certain territories/activities. • Reputational damage. • Loss of accreditation. • Erosion of customer confidence. • Impact on share price.

FINANCIAL

FINANCIAL RISK	Risk of theft, fraud or financial misstatement by employees. On acquisitions or investments, the financial risk or exposure arising from due diligence, integration or performance delivery failures.	• Financial losses with a direct impact on the bottom line. • Large scale losses can affect financial results. • Potential legal proceedings leading to costs and management time. • Corresponding loss of value and reputation could result in funding being withdrawn or provided at higher interest rates. • Possible adverse publicity.

MITIGATION	2016 UPDATE
• Effective Quality Management Systems and assurance procedures and controls, including contractual review and liability caps where appropriate. • Claims management policy and process in place. • Contract review process (including risk review). • Use of standard Intertek Terms & Conditions. • All significant incidents that could potentially result in a claim against the Group are immediately reported to compliance officers and logged in an incident database so that they can be properly managed. The Group General Counsel reports any significant claims to the Audit Committee. External legal counsel is appointed where appropriate. • Insurance liaison – seeking contractual protection from loss or insurance cover for loss where possible.	• This risk remains stable compared with 2015. • Compliance personnel have been utilised to manage contract reviews and assist the wider legal framework. • Ongoing training and education in respect of contractual liabilities being assumed.
• Annual Code of Ethics training and sign-off requirement. • Whistle-blowing programme, monitored by the Group Risk Committee, where staff are encouraged to report, without risk, any fraudulent or other activity likely to adversely affect the reputation of the Group. • Zero-tolerance policy with regard to any inappropriate behaviour by any individual employed by the Group, or acting on the Group's behalf. • The Group employs local people in each country who are aware of local legal and regulatory requirements. There are also extensive internal compliance and audit systems to facilitate compliance. Expert advice is taken in areas where regulations are uncertain. • The Group continues to dedicate resources to ensure compliance with the UK Bribery Act and all other anti-bribery legislation, and internal policy.	• This risk remains stable compared with 2015. • Ongoing annual confirmations ensure that staff verify compliance with the Code of Ethics. • Local compliance officers perform due diligence on sub-contractors that they have signed the Group's Code. • During 2016, 287 (2015: 249) HR and non-compliance issues were reported through the whistle-blowing hotline and other routes. All were investigated with 57 (2015: 51) substantiated and corrective action taken.
• The Group has financial, management and systems controls in place to ensure that the Group's assets are protected from major financial risks. • Adherence to Authorities Cascade (which sets approval limits for financial transactions). • Legal, financial and other due diligence on M&A and other investments. • 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 with 2015. • 'Doing Business the Right Way' established as core principle within Intertek. • Review and update of core mandatory controls for year-end compliance certification.

FINANCIAL REVIEW

FINANCIAL HIGHLIGHTS 2016

+18.5% +8.8% Revenue up to £2,567m	**+19.3%** Dividend per share
+19.3% +10.4% Adjusted operating profit up to £410m	**+230%** Reported operating profit up to £369m
+19.2% +9.6% Adjusted diluted EPS	**+171%** Reported diluted EPS
£35m Acquisitions	**£106m** Organic investment spend

Actual Constant rates

"This year we delivered double-digit growth in operating profit at constant currency, benefiting from a significant contribution from acquisitions. Cash conversion was strong as the focus on working capital initiatives continued to deliver."

Double-digit revenue growth and a focus on cost and operational efficiencies delivered margin accretion for the Group.

CONSOLIDATED INCOME STATEMENT COMMENTARY

Revenue for the year was £2,567.0m, up 18.5% (up 8.8% at constant exchange rates), with organic revenue growth of 0.1% at constant exchange rates.

The Group's adjusted operating profit was £409.7m, up 19.3% on the prior year (up 10.4% at constant exchange rates). The adjusted operating margin was 16.0% compared with 15.9% in the prior year.

The Products division delivered excellent results with all business lines contributing to performance. The Trade division delivered solid revenue growth. The Resources division continued to be impacted by the reduction in energy capital expenditure by our clients.

This resulted in the Group's reported operating profit for the year being £369.5m (2015: reported operating loss £283.5m, which was impacted by the one-off impairment to the Industry Services business line in the Resources division).

NET FINANCING COSTS

The Group had an adjusted net financing cost of £22.4m (2015: £24.2m) in the year. This comprised £0.9m (2015: £1.0m) of finance income and £23.3m (2015: £25.2m) of finance expense. The total interest charge included £nil (2015: £nil) relating to Separately Disclosed Items.

TAX

The Group effective tax rate on adjusted profit before income tax was 25.3% (2015: 24.3%). The statutory tax charge, including the impact of SDIs, of £75.5m (2015: £39.3m), equates to an effective rate of 21.8% (2015: (12.8%)) and the cash tax on adjusted results is 24.3% (2015: 22.2%). The statutory tax charge, excluding the impact of SDIs, is £98.0m (2015: £77.5m).

EARNINGS PER SHARE

The Group delivered adjusted diluted earnings per share ('EPS') of 167.7p (2015: 140.7p). Diluted EPS after SDIs was 156.8p (2015: diluted loss per share of 224.2p), and basic EPS was 158.5p (2015: basic loss per share of 224.2p).

DIVIDEND

The Board recommends a full year dividend of 62.4p per share, an increase of 19.3%. This recommendation reflects the Group's earnings progression, strong financial position and the Board's confidence in the Group's structural growth drivers into the future.

The full year dividend of 62.4p represents a total cost of £100.7m or 37% of adjusted profit attributable to shareholders of the Group for 2016 (2015: £84.2m and 37%). The dividend is covered 2.7 times by earnings (2015: 2.7 times), based on adjusted diluted earnings per share divided by dividend per share.

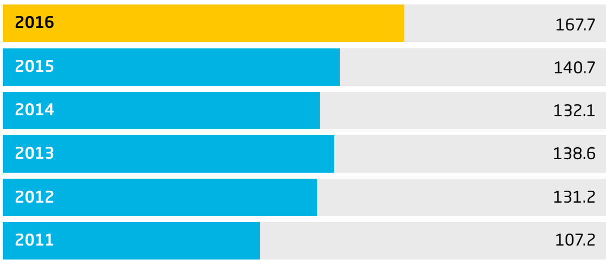
RESULTS FOR THE YEAR

Key financials	2016 £m	2015 £m
Revenue	**2,567.0**	2,166.3
Adjusted Group operating profit	**409.7**	343.4
Adjusted diluted EPS	**167.7p**	140.7p
Statutory Group operating profit/(loss)	**369.5**	(283.5)
Statutory diluted EPS	**156.8p**	(224.2)p
Adjusted cash flow from operations	**565.3**	465.7
Dividend per share	**62.4p**	52.3p
Dividends paid in the year	**88.0**	80.7

FIVE YEAR PERFORMANCE

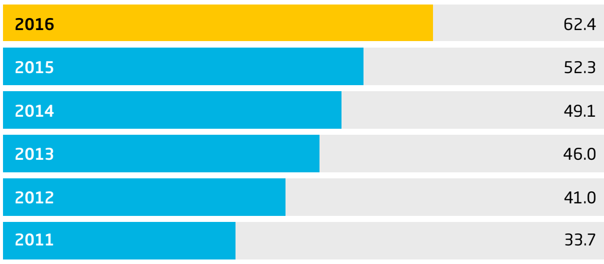
ADJUSTED DILUTED EPS[1] (pence)

+9.4% CAGR[2]



DIVIDEND PER SHARE[3] (pence)

+13.1% CAGR[2]



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 and Reported performance measures is set out overleaf.
2. CAGR represents the compound annual growth rate from 2011 to 2016.
3. Dividend per share for 2016 is based on the interim dividend paid of 19.4p (2015: 17.0p) plus the proposed final dividend of 43.0p (2015: 35.3p).

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

		Revenue			Adjusted operating profit		
	Notes	2016 £m	Change at actual rates %	Change at constant rates %	2016 £m	Change at actual rates %	Change at constant rates %
Products	2	**1,465.5**	32.0	19.9	**297.7**	27.3	16.5
Trade	2	**584.5**	8.9	1.6	**81.8**	8.1	2.2
Resources	2	**517.0**	(0.4)	(8.0)	**30.2**	(10.9)	(15.2)
Group total		**2,567.0**	18.5	8.8	**409.7**	19.3	10.4
Net financing costs	14				**(22.4)**	(7.4)	
Adjusted profit before income tax					**387.3**	21.3	11.6
Income tax expense	6				**(98.0)**	26.5	
Adjusted profit for the year					**289.3**	19.7	10.1
Adjusted diluted EPS	7				**167.7p**	19.2	9.6

FINANCIAL REVIEW
continued

PORTFOLIO ACTIVITIES

In March 2016, the Group announced a new divisional segmentation into Products, Trade and Resources, and also a new organisational management structure. The Group also announced its new 5x5 differentiated strategy for growth, with the aim to move the centre of gravity of the Company towards high-growth, high-margin areas in its industry.

Of note, this included two strategic priorities relevant to the operational structure of the business. First, to operate a portfolio that delivers focused growth amongst the business lines, countries and services, including a strategic review of underperforming business units. Second, to deliver operational excellence in every operation to drive productivity, including re-engineering of unnecessary processes and layers.

During the year, the Group has implemented various fundamental restructuring activities, consistent with this new Company structure and 5x5 strategy, with a resulting charge of £21.4m in the year. These activities included site consolidations, closure of non-core business units, re-engineering of underperforming businesses and the delayering of management structures. These charges are included in the SDI section below.

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. A reconciliation of the Reported to Adjusted measures is given below.

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.

Adjusted operating profit excludes the amortisation of acquired intangible assets, primarily customer relationships, as we do not believe that the amortisation charge in the Income Statement provides useful information about the cash costs of running our business as these assets will be supported and maintained by the ongoing marketing and promotional expenditure, which is already reflected in operating costs. Amortisation of software, however, is included in adjusted operating profit as it is similar in nature to other capital expenditure. The costs of any restructuring are excluded from adjusted operating profit where they represent fundamental changes in individual operations around the Group as a result of the portfolio activities discussed above, and are not expected to recur in those operations. The profit and loss on disposals of businesses or other significant assets and the costs associated with successful, active or aborted acquisitions are excluded from adjusted operating profit in order to provide useful information regarding the underlying performance of the Group's operations.

The SDIs charge for 2016 comprises amortisation of acquisition intangibles £14.0m (2015: £21.4m); acquisition costs relating to successful, active or aborted acquisitions £2.8m (2015: £5.8m); £21.4m (2015: £6.7m) in relation to restructuring businesses and making redundancies currently underway; £2.0m (2015: £nil) relating to the loss on disposal of subsidiaries and associates; and material claims and settlements of £nil (2015: £3.6m).

2016 RECONCILIATION OF REPORTED TO ADJUSTED PERFORMANCE MEASURES

£m	Reported	SDIs	Adjusted
Revenue	2,567.0	–	2,567.0
Operating profit	369.5	40.2	409.7
Operating margin (%)	14.4%	1.6%	16.0%
Net Financing costs	(22.4)	–	(22.4)
Income tax expense	(75.5)	(22.5)	(98.0)
Profit for the year	271.6	17.7	289.3
Cash flow from operations	543.4	21.9	565.3
Basic EPS (p)	158.5p	11.0p	169.5p
Diluted EPS (p)	156.8p	10.9p	167.7p

In 2015, an impairment charge of £577.3m was incurred in relation to our Industry Services business line in the Resources division. In addition, an impairment of £12.1m of IT assets related to computer software was recorded in 2015.

2015 RECONCILIATION OF REPORTED TO ADJUSTED PERFORMANCE MEASURES

£m	Reported	SDIs	Adjusted
Revenue	2,166.3	–	2,166.3
Operating (loss)/profit	(283.5)	626.9	343.4
Operating margin (%)	(13.1)%	29.0%	15.9%
Net Financing costs	(24.2)	–	(24.2)
Income tax expense	(39.3)	(38.2)	(77.5)
(Loss)/profit for the year	(347.0)	588.7	241.7
Cash flow from operations	442.3	23.4	465.7
Basic EPS (p)	(224.2)p	366.1p	141.9p
Diluted EPS (p)	(224.2)p	364.9p	140.7p

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

KEY PERFORMANCE INDICATORS

The Group uses a variety of key performance indicators ('KPIs') to monitor the financial performance of the Group and operating divisions. The specific metrics are disclosed on pages 32 to 33.

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

Reported ROIC in 2016 of 21.7% reflects a full year of the PSI acquisition and the 2015 impairment charge and compares to 20.0% in the prior year at constant exchange rates. ROIC in the 2015 Annual Report and Accounts of 16.9% was stated excluding the impact of the PSI acquisition on 23 November 2015 and excluding the impairment in order to be comparable to 2014.

ACQUISITIONS AND INVESTMENT

The Group strategy is to invest both organically and by acquiring or investing in 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 and investments

The Group completed three (2015: four) acquisitions and investments in the year with cash consideration of £34.8m, net of cash acquired of £0.7m.

In January 2016, the Group acquired the Food Institute Trust – Italia SRL ('FIT-Italia'), an Italian-based business providing food quality and safety services to the retail and agricultural sectors.

In October 2016, the Group acquired EWA-Canada Ltd ('EWA'), a leading provider of cyber security and assurance services to a broad range of industries. Its service portfolio includes IT network security solutions for network carriers, product security evaluations according to the Common Criteria standard, network security evaluations, as well as certain consulting services.

In November 2016, the Group entered into an agreement with the shareholders of Laboratorios ABC Química Investigación y Análisis S.A. de C.V. ('ABC Analitic') to form an environmental and food services Joint Venture in Mexico, which will operate as 'Intertek+ ABC Analitic'.

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

Organic investment

The Group also invested £105.5m (2015: £112.2m) organically in laboratory expansions, new technologies and equipment and other facilities. This investment represented 4.1% of revenue (2015: 5.2%).

CASH FLOW AND NET DEBT

Cash flow

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

	2016 £m	2015 £m	Change %
Cash flow from operations	**543.4**	442.3	22.9%
Add back: cash flow relating to SDIs	**21.9**	23.4	
Adjusted cash flow from operations	**565.3**	465.7	21.4%
Add back: special contributions to pension schemes	**2.8**	2.8	
Cash flow for cash conversion	**568.1**	468.5	21.3%
Cash conversion %	**138.7%**	136.4%	230bps

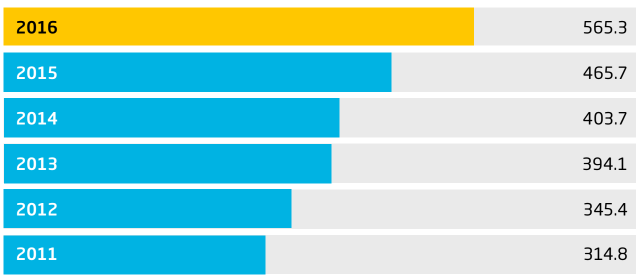
The components of free cash flow are summarised below:

Free cash flow	2016 £m	2015 £m
Adjusted operating profit	**409.7**	343.4
Add back: depreciation and amortisation	**89.5**	85.2
Movement in working capital and provisions	**52.4**	26.8
Net capital expenditure	**(102.5)**	(110.9)
Other*	**(131.0)**	(109.3)
Free cash flow	**318.1**	235.2

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

FIVE YEAR TREND – ADJUSTED CASH FLOW FROM OPERATIONS (£m)

+12.4% CAGR[1]



1. CAGR represents the compound annual growth rate from 2011 to 2016.

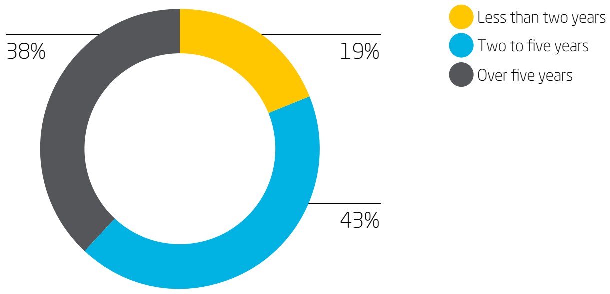
FINANCIAL REVIEW
continued

Net debt

Net debt has decreased from £775.4m at 31 December 2015 to £743.7m at 31 December 2016.

In the year, the Group drew on facilities it had in place at 31 December 2015. During the year US$60m of its existing bilateral term loan facility and US$75m of Senior Notes were repaid. 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



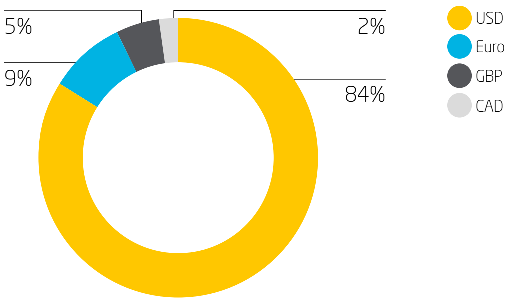
Under existing facilities the Group has available debt headroom of £412m at 31 December 2016. The components of net debt at 31 December 2016 are outlined below:

	1 January 2016 £m	Cash flow £m	Exchange adjustments £m	31 December 2016 £m
Cash	116.0	(6.3)	49.1	**158.8**
Borrowings	(891.4)	169.7	(180.8)	**(902.5)**
Total net debt	(775.4)	163.4	(131.7)	**(743.7)**

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

The Group borrows primarily in US dollars and any currency translation exposures on the borrowings are offset by the currency translation on the US dollar and US dollar-related overseas assets of the Group. The composition of the Group's gross borrowings in 2016, analysed by currency is as follows:

BORROWINGS BY CURRENCY



FOREIGN CURRENCY MOVEMENTS

The Group transacts in over 80 currencies across more than 100 countries, 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 8.8% (actual exchange rates 18.5%) and adjusted operating profit grew 10.4% (actual exchange rates 19.3%).

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

	Statement of financial position rates		Income statement rates	
Value of £1	2016	2015	2016	2015
US dollar	**1.22**	1.48	**1.35**	1.53
Euro	**1.17**	1.36	**1.23**	1.38
Chinese renminbi	**8.51**	9.61	**8.98**	9.62
Hong Kong dollar	**9.49**	11.48	**10.52**	11.87
Australian dollar	**1.70**	2.03	**1.83**	2.04

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

IN THIS SECTION

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How our Total Quality value proposition means we are making a positive contribution to society and the planet.

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Our commitment to energising, inspiring and engaging and the well-being of our people.

50 Our environment
Our impacts on the environment and taking action to reduce them.

51 Our communities
Engaging and partnering with the local communities in which we operate.

"Our people are passionate about their work and are proud to be involved in activities that generate a positive impact for society and the environment."

I am proud to report that following an external review in December 2016, Intertek, for the first time, became a constituent of the FTSE4GOOD Index. Inclusion within the index recognises the progress we have made in our internal and external sustainability activities, as well as in our Group reporting on sustainability.

During the year Intertek also formed a Joint Venture with ABC Analitic in Mexico, creating the market leader in the provision of Environmental testing services in the country, focused on the prevention and control of water pollution, further expanding our sustainability offering to our customers.

Across our business, our people provide Assurance, Testing, Inspection and Certification ('ATIC') services which assist our customers in mitigating the environmental impacts of their products, processes and operations, and in 2016, social and environmental assessments of entire supply chains were also a key area of focus for our customers. Our people are passionate about their work and are proud to be involved in activities which generate a positive impact for society and the environment.

We are focused on ensuring that our strategy and culture provides our people with the right platform to grow and develop their careers, but also allows them to be involved in activities which are socially responsible and enables them to engage with the communities in which they live and work.

This report describes Intertek's sustainability performance for 2016 and highlights some of the work we are doing to help our customers, partner with our local communities and reduce our own ecological footprint.

André Lacroix
Chief Executive Officer

SUSTAINABILITY AND CSR
continued

OUR BUSINESS

Our ATIC services cover almost every industry, from textiles, toys and electronics, to building, heating, pharmaceuticals, petroleum products, food, and cargo inspection. Our clients trust us to ensure the quality and safety of their products, assets and processes, to protect their brands and gain competitive advantage.

We work globally with our clients to improve the social, ethical, safety and environmental impacts of their services, supply chains and products that are used by their customers every day. Through the provision of our ATIC service, our vision is to become the world's most trusted partner for quality assurance. This gives rise to improving our customers' performance and helping them to operate sustainably, overcoming market constraints, improving processes, reducing risk and supporting their ability to operate effectively and act responsibly. Here are some examples of the work that we have done for our customers:

UNDERSTANDING MICROPLASTICS IN THE RIVER RHINE

Intertek has completed a study supporting researchers from the University of Basel to evaluate plastic debris in the River Rhine. The study, which was recently published in the journal, Scientific Reports, represents the first scientific study of microplastics over the length of a major river. Tiny plastic particles, smaller than five millimetres, known as microplastics, are found in almost all rivers, lakes and oceans. They can result from fragmentation of plastic waste, textile fibres or occur as intermediate products in plastic production or as small pellets used in personal care products.

The University of Basel researchers collected many samples from the Rhine and partnered with Intertek's Basel laboratory to understand the type and concentration of microplastics found. Intertek's polymer testing experts developed a process which would enable the handling and grouping of the thousands of particles which make up the samples in a manageable way and then investigated the many plastic particles using a technique called infra-red spectroscopy.

This information has given a first insight into the origin and former use of the plastics debris which, in turn, could help to reduce the levels of microplastics and prevent harm to the aquatic biodiversity of the River Rhine. The results revealed that these microplastics have originated from a wide range of applications such as packaging, personal care products, office equipment, vehicle construction and numerous others. We plan to continue our collaboration with the University of Basel and to support further characterisation of microplastics and their origins.

SAFE HYDROGEN REFUELLING STATIONS IN THE US

Intertek has worked with Powertech, Sandia National Laboratories and The National Renewable Energy Laboratory to launch a new method of safety and performance testing and certification of hydrogen fuelling stations in the US. The Hydrogen Station equipment performance ('HyStEP') device which is in a mobile unit attached to the back of a vehicle was so innovative that no standards adequately addressed the safety hazards it potentially created. This new method of testing is more efficient than previous methods where individual automotive manufacturers conducted their own testing to certify the safety and performance of hydrogen fuelling stations.

To bring the new testing and certifying method to the market, Intertek facilitated a process known as a Failure Mode, Effects, and Criticality Analysis ('FMECA') on each HyStEP device. The purpose of the FMECA is to analyse and assess potential failures within a process or device for safety hazards and performance, and the causes and effects of those failures and levels of performance. After which, it identifies what actions could be taken to eliminate or reduce the chance of each failure occurring and performance being improved.

Initially, the HyStEP device has been used for certifying fuelling stations in California, which currently has the most hydrogen fuelling stations of any state in the US. Construction is expected to begin on additional stations in 2017. Intertek is uniquely placed to harness the opportunities for safety and performance testing and certification in the alternative fuels industry in the US market.

WATER QUALITY COMPLIANCE AROUND THE WELSH COAST

Intertek has led the modelling and compliance for Welsh Water's largest ever scientific coastal investigation, an £8m project across 49 coastal sites around Wales and has also provided numerous innovative techniques and a state-of-the-art assessment methodology.

Intertek Energy & Water is working with the Dwr Cymru Welsh Water ('DCWW') Capital Delivery Alliance supporting an extensive field data collection programme designed to ensure that data are suitable for model calibration and compliance investigation. This data will be combined with outputs from sewerage network models to feed into Intertek's state-of-the-art compliance assessment systems.

We have been working continuously with DCWW for 15 years and have built an extensive knowledge of the physical processes of coastal waters, estuaries, river catchments and reservoirs. This work is a valuable step in extending our understanding of water quality issues and building on previous solutions in order to meet the latest regulatory targets.

RESPONSIBLE INVESTMENT

Delivering sustainable returns is a key enabler of our 5x5 strategy for growth and incorporates Responsible Investment ('RI'). At Intertek, RI includes the evaluation of Environmental, Social & Corporate Governance ('ESG') risks as part of the investment process. ESG due diligence forms a key part of our acquisition review process as well as when assessing capital expenditure decisions on new and innovative ATIC services. We ensure that we have identified potential ESG risks, and have in place corresponding mitigation plans and remedies. Our investment process, in line with our overall Group strategy, ensures that we maintain the right balance between performance and sustainability.

A further example of our focus on RI for our stakeholders is the Joint Venture formed with ABC Analitic in Mexico, which expands our sustainability offering to our customers, for more details see page 29.

STEWARDSHIP AND GOVERNANCE

At Intertek, the Board of Directors oversees and has the responsibility for setting the Group's strategy and performance and risk management (see pages 56 to 64). The Board acknowledges the importance of diversity in the boardroom as a key component of good governance. As at 31 December 2016, the Board's composition was 33% female and 67% male and for the senior leadership group (502 people at the end of 2016), 25% female and 75% male. To read more about our Board diversity see page 57.

Sustainability and CSR are integrated into Intertek through policy distribution and through our Code of Ethics framework. Our operations and support functions are responsible for identifying and evaluating risks applicable to their areas of the business and the design and operation of suitable internal controls (see 'Principal risks and uncertainties' on pages 34 to 39). The Board has overall accountability for Intertek's sustainability and CSR, and the Group-wide strategy and implementation are the responsibility of the Senior Vice-President, Global Customer Service and ATIC Operational Excellence.

OUR PEOPLE

Our 42,452 people at Intertek work globally for our customers on a daily basis, driving the performance of our business to be the world's most trusted partner for quality assurance. To get there, our 5x5 strategy energises our people to take Intertek to new heights, deliver our customer promise and to live our own values. We want to foster a company culture where our people are recognised for being inspired to find innovative ways to continually develop our business and are engaged in what we do for our customers. How we give our people opportunities, how we integrate our people into our mission and values, and how we engage and inspire our people to deliver our mission across our global business in a way that our stakeholders expect, are at the heart of our business.

ENERGISING, INSPIRING, AND ENGAGING TALENTED PEOPLE

In 2016, we have launched our 10x recognition awards programme to celebrate the success of our people who have been energised and inspired to live our values and deliver our customer promise. The programme recognises the individual contributions that our people have made to power our 5x5 strategy throughout our global business. The Executive Management Team collectively select and award individuals to celebrate their contributions made for exceptional performance.

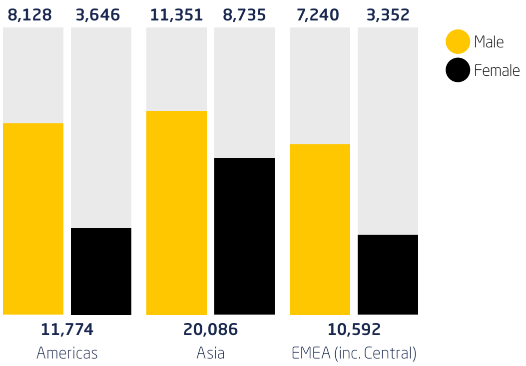
At Intertek, we are proud to be an Equal Opportunities Employer and all qualified applicants are considered for employment regardless of gender, ethnicity, religion, age, and other protected characteristics. We believe that this is an important element of attracting talented people to engage them from the beginning. We reach out to prospective employees in a variety of ways, depending on location and role, in compliance with local regulations for fair recruitment practices and equal opportunities. We post vacancies via our website (www.intertek.com/careers) and employ different ways of sourcing talented people, such as recruitment agencies, social media, printed advertisements, employee referrals, professional bodies and associations, schools, colleges and universities. In order to offer people career growth and progression within the Group, where possible, we fill vacancies from within the Company first.

SUSTAINABILITY AND CSR
continued

INCLUSION AND DIVERSITY

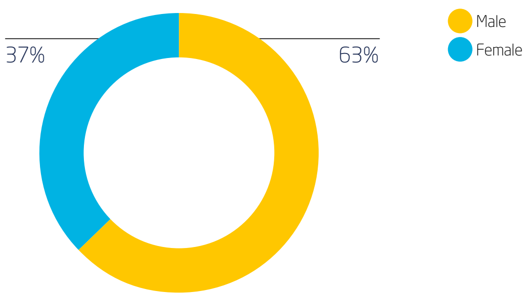
To live our values and be a global family that is inclusive and values diversity, we apply all employment policies and practices, including recruitment, promotion, reward, working conditions, and performance management related policies, in a way that is informed, fair and objective. Our inclusion and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

MALE:FEMALE BY REGION



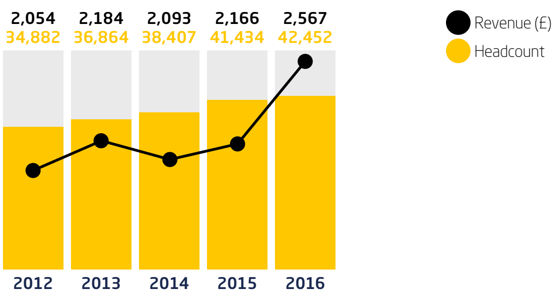
At 31 December 2016 Intertek employed 42,452 people, an increase of 2.5% over the previous year.

INTERTEK TOTAL WORKFORCE BY GENDER



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 and careers.

INVESTING IN THE GROWTH OF OUR PEOPLE

To seize the exciting growth opportunities of our Total Quality value proposition we invest in the growth of our people. We want to provide the potential leaders of Intertek with skills to grow our business, to hire, inspire, engage and retain the best people to power our 5x5 strategy. We want our people to grow by learning new skills to help them advance their careers and deliver our customer promise. Our talent mapping process is critical to the future success of our organisation to deliver our strategy and foster our passionate culture and our values throughout Intertek.

PROFESSIONAL CONDUCT

Intertek has the vision of becoming the world's most trusted partner for quality assurance. To achieve this, we work tirelessly to ensure the work that we do in many markets across the world is protected against risks by ensuring compliance with local, national and international laws. Maintaining the trust and confidence of our customers by assuring the validity and accuracy of reports and certificates that we deliver through our ATIC services is a top priority for us.

Intertek is committed to improving its culture of upholding the highest standards of integrity and professional ethics. All issues relevant to our Code of Ethics can be raised and discussed openly and we operate a strict integrity policy of zero-tolerance regarding breaches of our compliance policy. To support this policy in action, all people working for or on behalf of Intertek are required to sign our Code of Ethics upon joining the Company or before commencing work on our behalf, confirming acceptance of the high standards expected of them in all business dealings. The Code sets clear expectations that people working for our business must act with integrity and in an open, honest, ethical and socially responsible manner. Intertek employees or people acting on Intertek's behalf are responsible for applying the Code in their own job role, their part of the business and location. To support their continual understanding, they are required to complete our comprehensive online Code of Ethics training course annually.

To empower the people who work for Intertek to act, we have a well-publicised hotline for all employees, contractors and others representing Intertek, enabling them to confidentially report suspected misconduct or breaches of the Code. Our whistle-blowing hotline is run by an independent, external provider, it is multi-language and accessible to all employees 24 hours a day either by phone or by email. Those concerned are encouraged to report any non-compliance, integrity or ethical concerns using the hotline. Posters are present in all our sites.

If a report is made to the hotline, it is followed up by Intertek's Compliance officers. All reports are investigated and, where required, are escalated immediately, provided there is no conflict of interest, to the Ethics & Compliance Committee which is chaired by our Group CEO and also includes our Group Legal Counsel, SVP Global Customer Service & ATIC Operational Excellence and EVP Human Resources. This ensures effective resolution both of individual issues and any systemic or process improvements which can be made to address them.

During 2016, 163 reports of non-compliance with our Code of Ethics were made to our hotline. Of those reports, 47 were substantiated and required remedial action. Of those substantiated claims:

- there were no substantiated grievances relating to human rights, labour practices or societal impact breaches;
- there were two environmental incidents;
- there were no reported violations of the rights of indigenous people; and
- there were no cases of discrimination.

MODERN SLAVERY

As a global provider of quality solutions, including supply chain assurance and modern slavery audits, for its clients, Intertek is committed to preventing slavery and human trafficking in its own corporate activities and to ensuring that its own supply chain is free from modern slavery.

The Group analyses its supply chain on an ongoing basis as part of its risk, compliance and ethics framework. We have corporate policies and governance processes to support our efforts to address the issues covered by the Modern Slavery Act 2015, including: the Code of Ethics (with regular refresher training for all employees); a confidential and external hotline on which issues can be reported; a labour and human rights policy; and clear recruitment policies aimed at fair recruitment and treatment of employees.

Furthermore, to demonstrate our commitment to continued improvements and achieving an industry-leading standard in this area, we will work to put in place enhanced policies, procedures and due diligence processes for suppliers which are aimed more specifically at evaluating the risk of, and preventing, modern slavery issues.

HEALTH & SAFETY

Managing the health, safety and welfare of our people, clients and third parties connected with the business, is a top priority for us at Intertek. Intertek is committed to the continuous review and improvement of its health and safety performance and works towards achieving zero incidents.

As a key element of our commitment to health and safety this year we have launched our 'Speak up for Safety' campaign across the whole of Intertek. One of our key goals is to ensure that our colleagues are fully engaged in creating a safe working environment.

Our employees have signed the 'Speak up for Safety' pledge to demonstrate their commitment to lead by example and look out for the safety of co-workers, customers, and the community. It also represents the commitment to working safely and bringing a positive attitude to ensuring that best safety practices are followed and concerns are voiced. Our people are able to report all incidents quickly in a standardised way on our Group intranet.

From left to right: Ryan Parks, Ramzi Amawi and Nimer Al-Hafi sign the 'Speak up for Safety' pledge at the Plano, Texas town hall.

During 2016 we achieved a 21% reduction in lost time injuries and an 8% reduction in medical treatment injuries.

	2016	2015	2014
Occupational fatalities	**0**	0	1
Lost time injuries rate*	**0.25**	0.18	0.25
Medical treatment injuries rate*	**0.35**	0.56	0.34

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

We go to great lengths to train all of our employees on health and safety matters, including emergency response procedures and intervention and reporting of accidents, incidents and near misses, during on-boarding. Where relevant, all employees and contractors are provided with personal protection equipment when performing work for the Company.

To ensure that each Intertek location is able to operate safely, there is a dedicated fire warden, first-aider and health and safety representative at each Intertek location. These representatives are empowered to not only investigate incidents and implement preventive and corrective actions, but also to disseminate safety information through training and continual improvement programmes to target specific areas of concern that are identified.

SUSTAINABILITY AND CSR
continued

OUR ENVIRONMENT

At Intertek, we aim to minimise the impact of our operations on the environment by understanding and mitigating against our material impacts. In doing so, we can target where we take action and we do this through reducing energy consumption in our buildings and facilities, utilising renewable sources of energy, implementing 'green' waste management practices, efficient water management, 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 2016, Intertek's electricity consumption was reported to be 227,534 MWh (5.55 MWh per employee) and gas consumption was reported to be 70,556 MWh (1.72 MWh per employee). Our Greenhouse Gas ('GHG') emissions accounting system has been implemented using the guidelines of the GHG protocol and DEFRA. In this report, we are reporting for the annual period from 1 October 2015 to 30 September 2016. The corresponding average number of employees for this time period was 40,983.

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	58,283
	operation of facilities	13,813
Scope 2	purchase of electricity, heat or steam	126,069
Outside of scope		679
Total emissions		198,844

Intensity ratios	CO_2e per employee
2016	4.85
2015	4.86
2014	5.29

1. CO_2e – Carbon dioxide equivalent.

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

ENVIRONMENTAL MANAGEMENT SYSTEMS

Our environmental management systems are geared towards minimising our impacts on the environment. We carefully plan what we are going to do, checking throughout the year how we are impacting the environment to ensure that we are acting responsibly. Here are some examples of the good work that we have done in 2016:

- At our site in Mexico City we have implemented a water recycling system. This supports the water needs of our textile laboratory which washes clothing as a part of the testing process. The system reduces our consumption of fresh water, thereby reducing our demand on local water supplies.
- This year, across 76 sites in the United States, we have launched a programme to improve our management of non-hazardous waste. The programme focuses on connecting our sites to local opportunities for minimising how much waste we send to landfill and to increase recycling. We have implemented new performance metrics so that each site can utilise the waste programme offerings at the local level.

At Intertek, to minimise the risk of harmful and hazardous substances impacting the environment and harming people and ecosystems, we operate strict controls to manage the handling, storage and disposal of harmful and hazardous substances. 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 key element of continuous improvement is the reporting of incidents which all employees are trained to do.

OUR COMMUNITIES

We are committed to the cultural values and the relationships that we share with the communities in which we operate. Fostering good relationships supports our standing in the community and our business. Here, we have selected some examples from across Intertek of how we have engaged with our local communities during 2016:

EMEA

Intertek has shown its continued commitment to promoting Science, Technology, Engineering and Mathematics careers for the fifth year running. This year, we have sponsored and judged on the panel of the Aberdeen Schools' Science Fair in the UK.

In France, Intertek employees took part in 'La Parisienne' charity race to join the race against breast cancer. The race course saw participants run 6.7km through the streets of Paris.

Intertek volunteered to support the Humedica project 'Geschenk mit Herz' to certify Christmas parcels going to disadvantaged children in Germany. Every donated parcel had its contents checked to remove unsuitable gifts, such as breakable items or toy weapons and to ensure that each child received gifts appropriate for their age and gender.

APAC

As a part of the 'Swachh Bharat Abhiyan' Initiative, a government-led initiative, Intertek India's 'Hygiene and Sanitation Improvement Project' launched in 2015 was completed in 2016. This year, Intertek has funded and been part of the construction of drainage, sewage and road systems around the Intertek India Delhi office. Intertek has also worked with local volunteers to clean streets as a part of the project.

In Bangladesh, Intertek employees travelled to areas most affected by the seasonal flooding to support the relief effort. We distributed food, drinking water, money and other essential items to support around 255 families affected by the floods.

Intertek volunteers in Indonesia went to Bagan Lalang Beach near Kuala Lumpur to pick up litter. This activity supports local biodiversity and makes the beach a better place to visit for the local community.

In Hong Kong, Intertek volunteers visited elderly people who live alone during the Mid-Autumn Festival. We delivered festive food and supplies to help elderly people in poverty during a time when people come together in the community.

AMERICAS

Intertek employees in Grand Rapids donated supplies to a local school to help disadvantaged children. The donations came in the form of rucksacks filled with items such as notebooks, markers, pens and folders to ensure that they started the school year with everything they needed to help them learn.

In the wake of hurricane Matthew, Intertek employees in Arlington Heights, USA, packed 1,700 meals to send to Haiti. Working with charitable organisations, this was an initiative that contributed to tackling the risk of hunger in the aftermath of a natural disaster.

In Mexico and Central America, executives assembled and tested wheelchairs for children with disabilities. The finished wheelchairs were presented to the children as a part of the regional annual management conference.

The Strategic Report was approved by the Board on 6 March 2017.

By order of the Board

André Lacroix
Chief Executive Officer

Global Reporting Initiative (GRI) G4 guidelines provide a recommended framework and indicators for reporting. A table outlining the GRI standard disclosures is provided on our corporate website at www.intertek.com/about/corporate-responsibility/. All data used for performance indicators is representative of the GRI Guidelines.

CHAIRMAN'S STATEMENT

Over the past 12 months, much has been achieved. We have continued to pursue the strategy outlined by André Lacroix last March that established the mission, purpose and vision of Intertek and the values that underpin this strategy.

We have redefined our value proposition shifting our focus to Total Quality Assurance solutions that provide our customers with Assurance, Testing, Inspection and Certification services that deliver more than assuring quality of components, products and assets to now look at processes and systems. This enables ever more complex supply chains to operate safely by monitoring, assessing and managing risk in this rapidly changing world.

2016 PERFORMANCE

I am pleased to report another year of strong progress. The Group delivered revenue of £2,567m, an increase of 8.8% at constant exchange rates over the prior year benefiting from the 12 month contribution of recent acquisitions. Our Products and Trade businesses delivered good organic growth of 5.5% and 1.3% respectively at constant exchange rates, while as expected trading conditions in the Resources sector remained challenging. Organic revenue growth at constant exchange rates was 0.1%.

"As a global leader in the attractive Quality Assurance industry, Intertek is well positioned to seize significant growth opportunities that will deliver value for shareholders."

Sir David Reid
Chairman

Adjusted operating profit was up 10.4% at constant exchange rates to £409.7m and we improved our adjusted operating margin to 16.0%. On an underlying basis, adjusted diluted earnings per share were 167.7p, up 19.2%. Return on invested capital was 21.7%.

Intertek has a progressive dividend policy and seeks to grow the dividend each year in a sustainable way while maintaining a minimum dividend cover of 2.5 times earnings. On 14 October 2016, we paid an interim dividend of 19.4p per share (2015: 17.0p). At the Annual General Meeting, the Board will propose a final dividend of 43.0p per share, which will make a full year dividend of 62.4p per share (2015: 52.3p), an increase of 19.3%.

This final dividend will be paid on 2 June 2017 for those shareholders on the register on 19 May 2017. During 2016, the share price increased from £27.77 to £34.81, and total shareholder return was 27.3%.

CASH FLOW AND INVESTMENT

The Group's focus on strong cash generation continued in 2016, with adjusted cash flow from operations increasing by 21.4% to £565m. Cash conversion improved to 139% (2015: 136%).

Capital investment is a key capital allocation priority ensuring that Intertek is well placed for future growth. Investment in new laboratories and equipment in the year was £106m, equivalent to 4.1% of total revenue (2015: £112m, 5.2%).

Net debt at the year end was £744m, a decrease of 4.1% on the prior year. This has driven a net debt to EBITDA ratio of 1.5 times in 2016, an improvement on prior year.

ACQUISITIONS AND INVESTMENTS

We continue to focus on strengthening our portfolio of global and local businesses in growth areas.

In 2016, Intertek completed three acquisitions and investments: FIT-Italia, an Italian company specialising in providing assurance services to the retail and agricultural sectors through food quality and safety assessments; EWA-Canada, a leading cyber security assurance solutions business that strengthens our Internet of Things proposition; and a Joint Venture with ABC Analitic, which establishes Intertek as the environmental quality assurance market leader in Mexico. The total spend on acquisitions and investments in 2016 was £34.8m, net of cash acquired.

Our strong financial position means that we continue to have the flexibility to consider strategic acquisition opportunities that bring complementary services to our portfolio and have the potential to increase shareholder value.

BOARD AND COMMITTEE CHANGES

One of my key roles is to constantly evaluate the balance of skills, experience, knowledge and independence of the Directors. The composition of the Board continued to evolve during 2016. Edward Astle retired at the AGM and I would like to thank Edward for his valuable contribution to Intertek since December 2009. You may be aware that, sadly, Mark Williams passed away in March 2016 after three years on the Board.

We welcomed Andrew Martin to the Board as a Non-Executive Director and a member of the Audit Committee on 25 May 2016. Andrew will take over as Chairman of the Audit Committee from Michael Wareing on 1 March 2017.

GOVERNANCE

As Chairman, I am committed to strong and effective corporate governance. This enables us to assess business performance and strategic progress as well as manage existing and emerging risks. To this end, during the year, we established a Risk Committee, separate from the Audit Committee, and reporting directly to the Chief Executive Officer. The work of the Board and its Committees is set out in the Corporate Governance Report on pages 56 to 87.

Intertek continues to support diversity in all its forms across the organisation including the Board. While all Board appointments are made on merit, we firmly believe in the importance of diversity. Three of the nine Board members are female. The Board notes the recommendations of both the Hampton-Alexander Report and The Parker Review and is following through to ensure the Group takes the appropriate steps to champion ability and diversity across the business.

CORPORATE RESPONSIBILITY

Foremost in our approach to corporate responsibility is a continual focus on sustainable business practices. Not only do we strive to ensure our own processes are sustainable and adhere to best practice, our role in helping our customers around the world improve the social, ethical and environmental impact of their products, processes, and supply chains, ensures quality, safety and the reputation of their business and brands.

Another key operating principal is health and safety and we have policies and processes in place to ensure staff welfare remains of utmost importance. Our aim is zero lost time accidents and to achieve this, we are committed to continuous review and improvement of our health and safety performance to help identify, assess, prioritise and mitigate risk.

Our employees' cultural values and relationships with their local communities is important to them, our business and to our clients. Throughout the year, our colleagues have led awareness campaigns, volunteered, participated in fund-raising efforts and inspired young people.

More detail can be found in the Sustainability and CSR Report on pages 45 to 51.

CULTURE, VALUES AND ETHICS

Values are at the core of Intertek. The way we live these values and our behaviours are even more important; doing the right thing is integral to our people and our business. We strive to deal with our business partners with integrity and respect and treat them as we would hope and expect to be treated ourselves. We have robust ethical policies and control procedures which help us ensure that good business ethics are embedded across the Group. This is key to our success.

Our decentralised structure encourages fast decision making at the local level by people who really understand their customers' needs and can provide great service. We rely on the quality of our employees around the globe to deliver our strategy for growth. It is their innovation, entrepreneurial spirit, passion and commitment that drives our progress. On behalf of the Board, I would like to thank all of our employees for their continued dedication and diligence.

LOOKING AHEAD

Structural changes in sourcing and distribution have made supply chain operations more complex for our customers. The fundamental strengths of our high-quality business model are therefore critical in a world that demands greater quality assurance and gives me confidence that we will continue to create long-term value for our shareholders.

Sir David Reid
Chairman

CHAIRMAN'S INTRODUCTION

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"We continually strive to have high standards of corporate governance."

Sir David Reid
Chairman

DEAR SHAREHOLDER

In my capacity as Chairman of the Board, I am pleased to present the Corporate Governance Report for the year ended 31 December 2016. The Board continues to take corporate governance very seriously and 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. The Board remains committed to improving the governance framework and is well aware of the need to demonstrate to shareholders that the Company is properly governed in order to support the delivery of our strategic and business goals.

COMPLIANCE WITH THE 2014 UK CORPORATE GOVERNANCE CODE (THE 'CODE')

The Company is subject to the principles and provisions of the Code, which is published by the UK Financial Reporting Council ('FRC'). To demonstrate the Board's proactive approach to corporate governance, the Company has sought to apply the latest update of the Code, released in April 2016 (together 'the Codes'), in advance of its formal application to our reporting year. A copy of the Codes are available at www.frc.org.uk.

I am pleased to report that throughout the year ended 31 December 2016, the Company has applied the main and supporting principles, and also complied with the provisions, of the Codes, except for provision D.2.1. for the period 6 March to 20 April 2016. Following the sudden death of Mark Williams on 6 March 2016, the Remuneration Committee consisted of two independent Non-Executive Directors ('NED'). The Nomination Committee and the Board evaluated the composition of the Remuneration Committee and Michael Wareing was subsequently appointed as a member on 20 April 2016. During this brief time no meetings were held and no decisions were taken by the Remuneration Committee. Following Michael Wareing's appointment to the Remuneration Committee, the Company once again complied fully with the Codes for the rest of the year.

CULTURE

We believe that boards should give sufficient time not only to managing performance and results, but also to understanding the culture and values that underpin the Company. During the year, the CEO and his Executive Team spent considerable time and energy on embedding Intertek's values within the organisation, and reinforcing the levels of communication and behaviour that are expected of everyone to strengthen accountability and reduce complexity. More detail can be found in the Strategic report on pages 12 and 13.

SUCCESSION PLANNING

My focus continues to be on maintaining a Board that works effectively and cohesively under my leadership, with the right range and balance of skills, expertise and attributes to ensure the continued growth and success of the Group. The Nomination Committee ensures that it is presented with, and considers, a broad range of candidates for any new Board appointments.

As announced on 24 February 2016, Edward Astle stepped down from the Board at the 2016 Annual General Meeting ('AGM') after serving as a valued member of the Board for more than six years. I would like to take this opportunity to thank him for his service.

It is with profound sadness that the Board pays tribute to Mark Williams after his death on 6 March 2016. Mark served as a Non-Executive Director of Intertek since September 2013 and was a member of the Remuneration and Nomination Committees. Mark provided invaluable contributions to his fellow Directors and to management, and is greatly missed.

The Nomination Committee focused on continuing the NED refreshment programme and on evaluating the composition of the Board and its Committees and the necessary skills required to address the evolving and changing needs of the business. On 26 May 2016 we welcomed Andrew Martin to the Board as a Non-Executive Director and member of the Audit Committee. He brings wide-ranging experience, including financial knowledge gained within large international organisations to our Board.

More information on the role and activity of the Nomination Committee is detailed on pages 86 and 87.

PERFORMANCE EVALUATION

At the end of the year the Board and each of the Committees conducted their annual performance evaluation. In accordance with the requirements of the Codes, we undertook an internally facilitated assessment. I am pleased to report that the evaluation concluded that each Director is making significant contributions to debate and discussion and that the Board and its Committees operate effectively. Further details on the outcome of the evaluation and its process can be found on pages 61 and 62.

SHAREHOLDER ENGAGEMENT

Our engagement with shareholders is outlined in the Corporate Governance report on and in the Remuneration report in the letter from the Chair to the Remuneration Committee on page 65.

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

BUSINESS FOCUS

We continually strive to have high standards of corporate governance and the report that follows has been prepared in order to provide shareholders with a comprehensive understanding of our governance framework and to meet the requirements of the Codes, the Listing Rules and the Disclosure Guidance and Transparency Rules. A fuller explanation of our compliance can also be found on our website at www.intertek.com. I hope this provides you with more information and gives a greater insight into the discussions held at the Board and its Committee meetings during the year.

Sir David Reid
Chairman

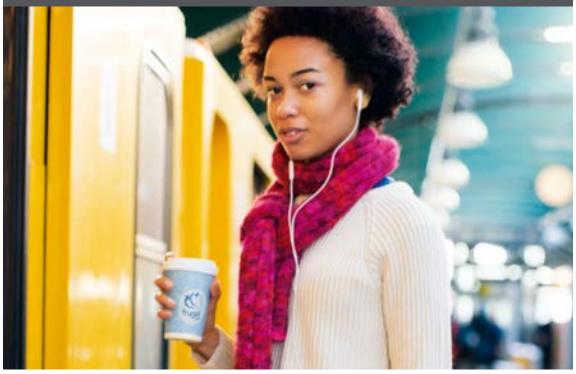
INTERTEK INNOVATIONS

INTERTEK HELPS BRING RECYCLABLE COFFEE CUP TO MARKET

Intertek has supported Frugalpac, a pioneering UK packaging firm, in developing a recyclable coffee cup. The innovative cup is now being trialled by some of the world's major coffee brands.

Intertek helped in assessing the viability of the proposed recyclable cup by conducting and managing recycling trials, testing the cup's functional performance, and measuring the cup's carbon footprint.

As companies develop new innovations, testing, measuring and proving the environmental impact of a product is becoming increasingly important, both to manufacturers and ultimately consumers.



CORPORATE GOVERNANCE

The Board is responsible to shareholders for ensuring the sound running of the Company in accordance with best practice corporate governance. The Codes set out five key areas: Leadership, Effectiveness, Accountability, Remuneration and Relations with Shareholders. The disclosures that follow mirror these sections and together with the Remuneration report, Audit Committee report and the Nomination Committee report, set out on pages 65 to 80, 81 to 85, and 86 and 87 respectively describe how the Company has applied the main and supporting principles and complied with the provisions of the Codes throughout the year.

LEADERSHIP

THE ROLE OF THE BOARD

The Board is collectively responsible and accountable to shareholders for providing entrepreneurial leadership of the Company to ensure that the strategic aims and financial performance are delivered within a framework of prudent and effective control systems. Our strategy and progress towards its delivery are set out in the Strategic report.

The Board has the ultimate responsibility to the Company's shareholders for the conduct of the business and also establishes the Company's policies. There is a clear division of responsibility between the running of the Board and the executive responsibility for running the Company's business. The Board Approval Matrix formally outlines the matters specifically requiring the consent of the full Board. The Board also delegates specific responsibilities, subject to certain financial limits, to management and this is governed by the Authorities Cascade, which is regularly reviewed and updated to meet business needs. The Board decides and reviews all key policies and regulations for the Company, its strategy, operating plans, acquisitions, corporate governance, major investments and disposals, appointment and removal of Directors, risk management, financial reporting, audit, sustainability, ethics, the environment and people policies.

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 ('Articles') 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.

ROLES AND RESPONSIBILITIES

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

Role	Name	Responsibility
Chairman	Sir David Reid	• Leadership and governance of the Board to ensure its effectiveness. • To ensure that the Directors receive accurate, timely and clear information. • To ensure that there is effective two-way communication with shareholders. • To facilitate the effective contribution to the Board of the Non-Executive Directors. • Hold meetings with the Non-Executive Directors without the Executives present.
Chief Executive Officer	André Lacroix	• Proposes and agrees the strategy with the Board. • Run the day-to-day operation of the business in line with the agreed strategy and commercial objectives. • Be responsible for promoting and conducting the affairs of the Company with the highest standards of ethics, integrity and corporate governance. • Lead the Executive Management Team.
Senior Independent Non-Executive Director	Michael Wareing	• Provide a sounding board for the Chairman. • Be responsible for leading the Directors' review of the Chairman's performance. • Be available to meet with shareholders should they have concerns that have not been resolved through normal channels.

GROUP COMPANY SECRETARY

The Group Company Secretary supports the Chairman in the delivery of the Board and governance procedures, in particular with the planning of agendas for the annual cycle of Board and Committee meetings, the planning of the induction for new Directors and in ensuring that information is made available to the Board members on a timely basis. She arranges for the Non-Executive Directors to meet with investors to discuss aspects of Intertek's corporate governance arrangements on request and supervises the arrangements for them to visit Intertek's operations to enhance their knowledge and understanding of the business.

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

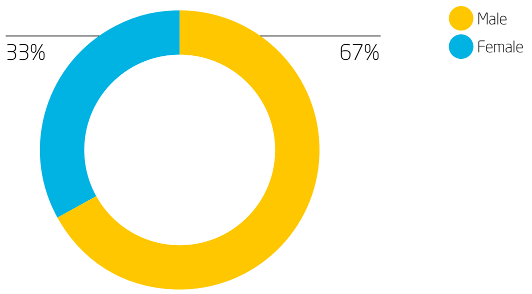
The Company has granted an indemnity, to the extent permitted by law, to each of the Directors and the Group Company Secretary. Directors' and Officers' liability insurance is also in place.

EFFECTIVENESS

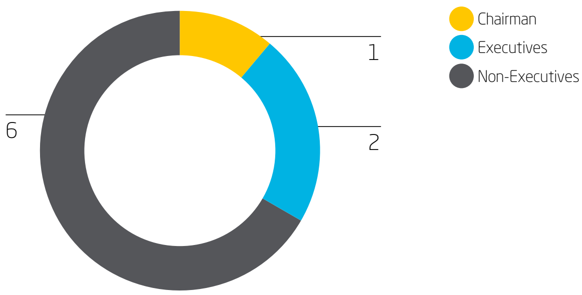
As at 31 December 2016, the Board comprised the Chairman, two Executive Directors and six Non-Executive Directors. Biographical details of individual Directors are set out on pages 58 and 59.

The Board's composition gives Intertek an appropriate balance of skills, experience, independence and knowledge to ensure the business continues to be run effectively. A key focus is to build an effective and complementary Board, whose capability is appropriate for the scale, complexity and strategic positioning of the Group's business.

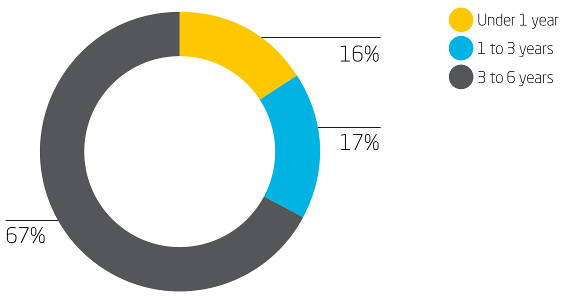
DIVERSITY



COMPOSITION



TENURE NON-EXECUTIVES

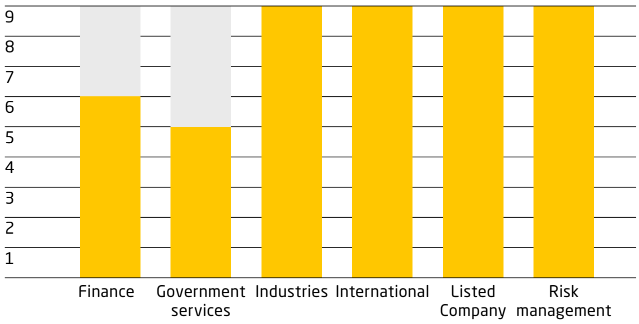


The Nomination Committee is responsible for reviewing the composition of the Board and its Committees and assessing whether the balance of skill, experience, independence and knowledge is appropriate to enable them to operate effectively.

On 25 May 2016, Edward Astle stepped down from the Board as announced earlier in the year and then, on 26 May 2016, Andrew Martin was appointed to the Board as a Non-Executive Director and member of the Audit Committee following a selection process led by the Nomination Committee. More detail on the process for appointments can be found in the report of the Nomination Committee on page 86.

EXPERIENCE OF THE BOARD BY NUMBER

Number of Board members with experience in the sector as at 31 December 2016.[1]



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

The Company's Non-Executive Directors provide a strong, independent and external insight to the Board's proceedings and bring with them wide-ranging experience and knowledge from previous roles held in other business sectors and industries which complement the various sectors in which the Company operates. The Board has reviewed the independence of the Non-Executive Directors, other than the Chairman, and has determined that all remain independent in character and judgement.

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

DIRECTORS' CONFLICTS OF INTEREST

To assist Directors in complying with their duty to avoid conflicts, or possible conflicts, a formal procedure is in place. The Directors are advised of the process for dealing with conflicts of interest upon appointment and whenever any Director considers that he or she is, or may be, interested in any contract or arrangement to which the Company is, or may be, a party, the Director gives due notice to the Board in accordance with the Companies Act 2006 and the Company's Articles of Association.

The Conflicts of Interest Register is maintained by the Group Company Secretary and the Board undertakes an annual review of each Director's interests, if any, including outside the Company.

BOARD OF DIRECTORS

Committees:

Nomination	N
Audit	A
Remuneration	R

1 Sir David Reid
Chairman N

Appointed to the Board in December 2011 and became Chairman in January 2012. Sir David Reid retired as Non-Executive Chairman of Tesco PLC in November 2011 after serving in that role since April 2004. Prior to that he was Deputy Chairman of Tesco PLC and had served on the Tesco Board since 1985. David is Chairman of the charity Whizz-Kidz. In February 2012 he was appointed a member of the Global Senior Advisory Board of Jefferies International Limited, a global securities and investment banking group. He was formerly the Senior Independent Non-Executive Director of Reed Elsevier Group PLC (now RELX Group), Chairman of Kwik-Fit Group Ltd, Non-Executive Director at Greenalls Group Plc (now De Vere Group), Legal & General Group Plc and Westbury plc.

2 André Lacroix
Chief Executive Officer

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

3 Edward Leigh
Chief Financial Officer

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

4 Alan Brown
Non-Executive Director A

Appointed to the Board as a Non-Executive Director in April 2011. He is currently Group Chief Executive Officer of ASCO Group, an international oilfield support services business. Alan was Chief Executive Officer of Rentokil Initial plc for five years until October 2013. He spent 25 years at Unilever PLC where he rose through a variety of finance roles in the UK and Europe and then general management in Taiwan and China. His last four years were as Executive Chairman of Unilever China. Following this, Alan returned to the UK as Chief Financial Officer at Imperial Chemical Industries PLC taking a leading role in the divestment of the company. Alan is a Trustee of St Cuthbert's Day Care Centre.

5 Dame Louise Makin
Non-Executive Director R N

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

6 Andrew Martin
Non-Executive Director A

Appointed to the Board as a Non-Executive Director in May 2016. He currently holds a non-executive directorship with easyJet plc where he is a member of the Audit, Nomination and Remuneration Committees and is Chairman of the Finance Committee. From 2012 to 2015, Andrew was the Group Chief Operating Officer for Europe and Japan for Compass Group PLC and prior to that served as their Group Finance Director from 2004 to 2012. Before he joined the Compass Group, he was the Group Finance Director at First Choice Holidays plc. Andrew also previously held senior financial positions with Forte plc and Granada Group plc and was a partner at Arthur Andersen.

7 Gill Rider CB
Non-Executive Director R

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

8 Michael Wareing CMG
Senior Independent Non-Executive Director R N A

Appointed to the Board as a Non-Executive Director in April 2011. He is currently Chairman at Cobham plc and was previously a Non-Executive Director and Audit Committee Chairman at Wolseley plc. Michael 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 has completed two roles on behalf of the British Government, namely as the Economic Development Advisor to the Government of Afghanistan (2011 to 2015) and as the Prime Minister's Special Envoy for Reconstruction in Southern Iraq (2007 to 2009).

9 Lena Wilson CBE
Non-Executive Director A

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 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.

CORPORATE GOVERNANCE
continued

DIRECTORS' CONFLICTS OF INTEREST (CONTINUED)

Any conflicts of interests are reviewed when a new Director is appointed, or if a new potential conflict arises. Directors abstain from voting when there is a vote to approve their own reported conflicts. During the year, this process operated effectively.

BOARD ACTIVITY DURING THE YEAR

The Chairman, and respective Committee Chairs, develop and agree a forward agenda for Board and Committee meetings for the year ahead to ensure that proper oversight of key areas of responsibility are scheduled regularly and that sufficient time is allocated during the year for the Board to fully consider strategic matters.

Papers, including minutes of Board and Committee meetings held since the previous meeting, are circulated in advance of each meeting. During 2016, there were five scheduled Board meetings in addition to frequent ad-hoc contact between Directors to discuss the Group's affairs and the development of its business.

Agenda items for 2016 included:

- Updates on Group strategy and commercial objectives;
- Chief Executive's Business Performance Reports;
- 2016 annual budget;
- Approval of full year results, Annual Report and Accounts, half year results, the AGM circular and dividends;
- Reports of the activities of the Audit, Remuneration and Nomination Committees;
- Reappointment of Directors at the 2016 AGM;
- Approval of changes to the composition of the Board and its Committees;
- Conflicts of interest;
- Updates on governance, sustainability, legal, risk, internal controls and compliance;
- Updates on developments, acquisitions and disposals; and
- Talent mapping and succession planning.

The Non-Executive Directors also receive monthly Business Performance Reports and information which enables them to review the performance of the Group and management against the agreed strategy, budget objectives and prior period performance. As well as the above, during the year the Board receives updates on debt financing and investor relations.

Since the year-end, the Board also approved the Annual Report and Accounts for 2016 and has concluded that, taken as a whole, they are fair, balanced and understandable. The Notice of Annual General Meeting was also approved, the payment of a final dividend to shareholders was recommended and the Board has received and discussed the report on the effectiveness of the Board during 2016.

BOARD MEETING ATTENDANCE

The Directors' attendance at Board meetings during the year is set out in the following table. Details of the Directors' Committee attendance are set out in their respective reports.

BOARD MEMBERSHIP AND MEETING ATTENDANCE

	Number of meetings held in 2016	
Board Members	**Eligible to attend**	**Attendance**
Sir David Reid Chairman	5	5
André Lacroix Chief Executive Officer	5	5
Edward Leigh Chief Financial Officer	5	5
Edward Astle Non-Executive Director (stepped down 25 May 2016)	2	2
Alan Brown Non-Executive Director	5	5
Dame Louise Makin Non-Executive Director	5	5
Andrew Martin Non-Executive Director (appointed 26 May 2016)	3	2[1]
Gill Rider Non-Executive Director	5	5
Michael Wareing Senior Independent Non-Executive Director	5	5
Mark Williams Non-Executive Director (passed away 6 March 2016)	1	0[2]
Lena Wilson Non-Executive Director	5	4[3]

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

1. Andrew Martin was unable to attend one meeting due to a prior commitment entered into before his appointment to the Board.
2. Mark Williams missed one meeting due to illness. He passed away on 6 March 2016.
3. Lena Wilson was unable to attend one meeting due to an illness in the family.

Whenever a Director is unable to attend a meeting, they will go through the papers, which have been circulated before the meeting, and give feedback to the Chairman. There are also meetings held between the Chairman and the Non-Executive Directors without Executive Directors and management in attendance.

BOARD VISIT TO CHINA

As part of a familiarisation programme to widen the Board's understanding of the Group's business, the Board visited the Intertek operations in China in October 2016. The visit provided an excellent opportunity for Board members to meet with the China management team and to visit sites in the region. The local management team presented on the drivers of the local operations and the opportunities in the region. There was also time for informal interaction between the Board and senior management after the meetings. The combination of laboratory visits and presentations by colleagues was well received and gave the Board an in-depth view of the business in China and the environment in which Intertek operates.

The Intertek Board visited our operations in China as part of a familiarisation programme to widen their understanding of our businesses.

Intertek Chairman, Sir David Reid, visited PSI in both Houston, Texas and Orlando, Florida.

DIRECTORS' INDUCTION AND DEVELOPMENT

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

During the year Andrew Martin undertook his induction programme including orientation from relevant senior executives from the operations and other functional areas to ensure the development of a deeper understanding and knowledge of Intertek. He also received information about the business operations, internal audit activities, Group risks and management processes and procedures. During September 2016, Andrew travelled to various sites and laboratories in the UK and Europe to visit the operations and meet local management. Gill Rider also joined him on some of these visits as part of her induction into the business.

In addition to the Board's visit to China, the Chairman had the opportunity to visit the Intertek site in Kista, Sweden. He was hosted by the Country Manager for the Nordic and Baltic countries. In October 2016 the Chairman also visited PSI (part of Intertek's Building & Construction business) in both Houston, Texas and Orlando, Florida. The Chairman was hosted by the EVP Americas, North East Asia and Australasia and the SVP, Building & Construction and was given an update on current and future projects.

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

PERFORMANCE EVALUATION

The effectiveness of the Board and its Committees is reviewed annually and an independent externally facilitated review is conducted every three years. A full externally facilitated Board evaluation exercise was last conducted in 2015 and reported on in the 2015 Annual Report and Accounts.

Board, Committee and Directors' performance cycle

Year 1 2015/2016
Externally facilitated evaluation conducted by an independent consultant

Year 2 2016/2017
Internal review

Year 3 2017/2018
Internal review

2016 Internal Board and Committee evaluation

The evaluation process was led by the Chairman, with the support of the Group Company Secretary and entailed:

- the completion of detailed questionnaires by each Board member;
- discussions on the outcomes and recommendations with the Chairman and each Board member; and
- following discussion of the results of the evaluation with the relevant Committee and the Board as a whole, identifying and agreeing areas for improvement.

Last year's Effective Board Review 2015 was about transition from the previous leadership of the Group to a new era of leadership under the CEO, André Lacroix and his team.

CORPORATE GOVERNANCE
continued

This year's Effective Board Review 2016 covers how the Board is actively progressing and implementing the agreed strategy and putting in place the strategic initiatives and capability to deliver sustainable growth and strong returns for our shareholders. This will move the Group from good to great.

The key findings of this year's report are very positive:

- The Board continues to go from strength to strength.
- The strategy is now well embedded and the Board is looking forward to implementation delivering further value for the business.
- The leadership of the CEO is very strong and making a real difference, with good early results.
- Despite the significant challenges in the Oil & Gas industry, the Group results have delivered a strong performance in Revenue, Earnings and Cash.
- The TSR for the year 2016 has increased by 27.3%, a strong absolute performance and also strong relative to Intertek's peers.
- Governance is seen as strong. Importantly, this year a strong vote (96%) on the approval of our 2016 Remuneration report and Policy was achieved.
- Risk management and controls have been revamped and the CEO has set great 'tone from the top' in this respect.
- Risk Committee has been separated from the Audit & Risk Committee and reports into the Board but is led by senior operational management.
- The Board feels that the quality and level of information and papers are good, and the progress on the strategic agenda is reviewed and discussed at each meeting. There is good balance and constructive debate at the meetings. The Board visit to Intertek's large and successful business in China was seen as a highlight. The CEO also encourages Non-Executives to visit lab sites and management covering the important geographies and business lines.
- The Board, led by the Chairman, reviews the performance of our Non-Executives, and also the skills and experience needed looking forward; and then plans succession and refreshment accordingly.
- The Board is pleased with the energy and focus on people in terms of talent planning and management development thereby increasing our capabilities to be best in class in Intertek's sector. This will also provide a stronger platform and more choice for management succession at both senior and lower levels.
- The Board supports the way the CEO has raised the bar on customer focus on sales, service and customer satisfaction across the business and specifically on the growth platforms such as total business assurance.
- There is good engagement with shareholders by senior management and the IR team. The Chairman received good feedback in January/February 2017 from his visits to shareholders, who accounted for some 25% of the portfolio.

Looking forward,

- Our teams are excited and motivated by the strategy and plans we are making.
- There is significant energy and resolve through our people now going into the implementation phase of our strategy both on a twin track basis in the shorter term performance and also the transformational plans for the medium and longer term.
- Our Board is a good team with a will to succeed. This review recognised the rapid progress being made and added constructive builds on how we could continue to improve our performance on the two key areas critical for our success as a Group; our People and our Customers.

Chairman and Director evaluation

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

The Chairman met with each Director to discuss individual contributions and performance, together with training and development needs. Following these reviews, the Board remains satisfied that, in line with the Codes, all Directors are able to allocate sufficient time to the Company to enable them to discharge their responsibilities as Directors effectively and that any current external appointments do not detract from the extent or quality of time which the Director is able to devote to the Company.

The Board recommends that shareholders should be supportive of their election or re-election to the Board at the 2017 AGM.

ACCOUNTABILITY

GOVERNANCE FRAMEWORK

Board Committees

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

During the year, the Board took the decision to separate out the responsibility for risk from the former Audit & Risk Committee. The principal Board Committees now comprise the Audit Committee, the Nomination Committee and the Remuneration Committee.

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

At each Board meeting, the Chair of each Committee provides the Board with a brief summary of the work carried out by their Committee, if any, between Board meetings and makes recommendations to the Board for approval.

Further information on the responsibilities and activities of each of the Committees can be found on pages 65 to 80 (Remuneration Committee), pages 81 to 85 (Audit Committee) and on pages 86 and 87 (Nomination Committee).

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

OPERATIONAL COMMITTEES

Intertek Executive Management Team

The Intertek Executive Management Team, which comprises the Executive Directors, EVPs and other senior management, meets regularly to discuss and decide business and operational issues.

The biographical details of the members of the Executive Management Team can be found on pages 22 and 23.

Investment Committee

The Board delegates certain responsibilities to the Investment Committee within certain limits as outlined in the Board Approval Matrix. 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 CEO and the CFO. The Committee is supported by the Deputy Company Secretary.

Group Risk Committee ('GRC')

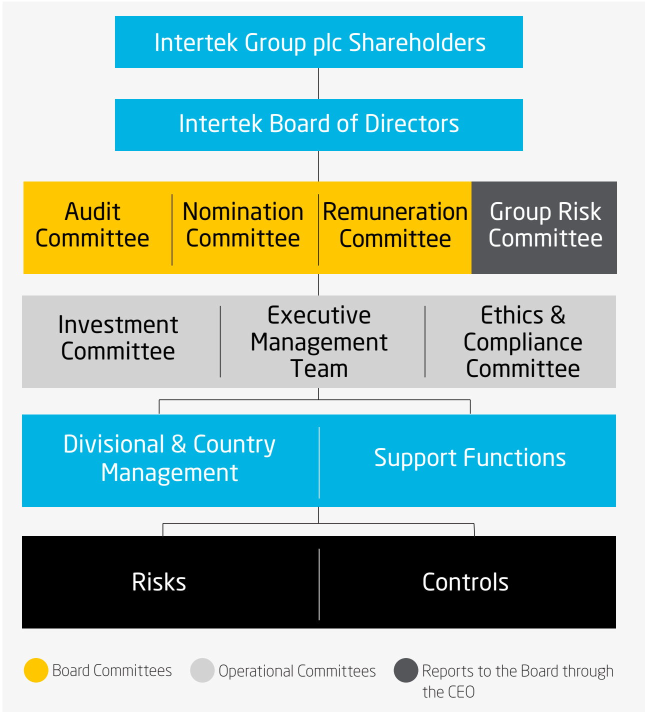
The GRC was established during the year replacing the Risk, Control & Assurance Committee to complement the work of the Board. It meets quarterly, and its purpose is: the management of risk; to develop, oversee and promote the continuous improvement of the Group's risk management, internal controls and assurance framework and the related procedures and systems; and to oversee the development, implementation and adoption of any policies, procedures and systems which are identified as being required to address, or as a consequence of, Group risks. The GRC provides an integrated, Group-wide approach to identifying and managing the Group's emerging and systemic risk environment.

Any 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 GRC and corrective action is taken.

The GRC comprises the CEO, CFO, EVP Human Resources and the Group General Counsel.

Ethics & Compliance Committee

In January 2016, the Ethics & Compliance Committee was established. It meets monthly and is responsible for the monitoring of ethical, compliance and HSE issues affecting any part of the Intertek Group. The membership consists of the CEO, CFO, EVP Human Resources, the Group General Counsel and the SVP Global Customer Service & ATIC Operational Excellence.



INTERNAL CONTROL AND RISK MANAGEMENT

The Board is responsible for monitoring the Group's system of internal control and risk management and for reviewing its effectiveness so as to be in line with best practice. 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 the top 30 countries and for each business line and support function, and then consolidated at Group level. The GRC reviews the risks and mitigation plans throughout the year, and the Board approved the final Group Risk Register in December.

A detailed verification programme provides assurance to the Audit Committee when checking that all the statements made in the Annual Report and Accounts are accurate. Intertek's Manual of Accounting Policies and Procedures is issued to all finance staff and gives instructions and guidance on all aspects of accounting and reporting that apply to the Group. Intertek's internal control environment is defined by the Core Mandatory Controls Framework, which applies across the Group in all locations. This policy is reviewed and refreshed on a regular basis to reflect the changes in the risk, governance and operating environments.

CODE OF ETHICS AND ZERO TOLERANCE APPROACH

The Group's key ethics and integrity policies are set out in the Code of Ethics, which covers topics such as health and safety, anti-bribery, integrity, labour and human rights. The Group has a zero-tolerance policy to any breaches of the Code of Ethics.

Training on the Code of Ethics is provided to all new employees when they join Intertek, and all employees are required to complete refresher training annually.

CORPORATE GOVERNANCE
continued

When completing the training, all employees are required to sign a certificate confirming their understanding that any breaches of the Group's Code of Ethics will result in disciplinary action that may include summary dismissal of the employee concerned. Code of Ethics training (including the importance of the Labour and Human Rights Policy) is also provided by the Group Compliance function as part of its programme of site visits.

The Code of Ethics is available on the Group's website.

CONFIDENTIAL HOTLINE

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

COMPLIANCE

Dedicated compliance officers across the Group's markets undertake investigations of issues that arise either from reports to the hotline system or from other sources, such as routine compliance questions. The Group Compliance function is independent of the Group's operational business and reports directly to the Group General Counsel.

REMUNERATION

The Remuneration report, comprising the Remuneration Committee Chair's annual statement and the Annual Report on Remuneration are set out on pages 65 to 80.

RELATIONSHIP WITH SHAREHOLDERS

SHAREHOLDER ENGAGEMENT

The views and opinions of shareholders are important to the Company and an ongoing engagement programme for major shareholders is maintained.

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

Intertek's largest shareholders are invited annually to meet with the Chairman to share their views and discuss any corporate governance matters. In 2016 shareholders holding more than 52% of the share register collectively were invited to these meetings.

The Company has also consulted extensively with shareholders in relation to remuneration leading up to the 2016 AGM.

2016 INVESTOR RELATIONS CALENDAR

March	Full Year Results 2015 Annual Results Roadshows Pan-European Business Services Conference
April	Testing, Inspection & Assurance Conference Paris Roadshow Netherlands Roadshow
May	AGM Trading Update Nordic Investor Forum
June	Poland Roadshow Global Consumer, Technology & Services Conference European Select Conference
August	Half Year Results 2016 Interim Results Roadshows
September	Business Services Conference Frankfurt Annual Support and Business Services Conference Strategic Decisions Conference
October	Testing, Inspection & Certification Conference Paris Roadshow
November	Trading Statement
December	Premium Review Conference Annual European Business Services Conference US Roadshow Copenhagen Roadshow

ANNUAL GENERAL MEETING ('AGM')

This year the AGM will be held on 26 May 2017 at 9.00a.m. in the Marlborough Theatre, No. 11 Cavendish Square, London, W1G 0AN. The AGM provides the opportunity for all shareholders to develop their understanding of the Company's strategy and operations, to ask questions of the full Board on the matters put to the meeting, including the Annual Report and Accounts. All Board members attend the AGM and, in particular, the Chairs of the Audit, 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, and is also available on the website at www.intertek.com.

OTHER DISCLOSURES

Other disclosures required by paragraph 7.2.6 of the Disclosure Guidance and Transparency Rules and the Companies Act 2006 are set out in the Other statutory information section on pages 88 to 90.

REMUNERATION REPORT

DEAR SHAREHOLDER

First, I would like to thank you for the support you have shown with your votes for both our reward policy and the Remuneration report for 2015. Your input to the consultations preceding the Annual General Meeting ('AGM') in May 2016 proved invaluable and helped us achieve a clear majority for the policy presented on the following pages. This should now remain in force unchanged for the next three years.

In the business environment and markets, change continues, presenting different challenges to the three main economic sectors (Products, Trade and Resources) in which Intertek operates. The launch and cascade of Intertek's 5x5 differentiated strategy for growth in early 2016, with its clear corporate goals, strategic priorities and enablers, provides guidance and focus to managers and employees on improving shareholder returns and creating new opportunities.

On remuneration, the major change in 2016 was the approach to the annual incentive. As indicated in last year's report, we have reduced the number of measures and aligned the annual incentive more closely to the delivery of our growth strategy. From 1 January 2016 the annual incentive has been based solely on financial performance with three main indicators weighted as shown below:

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

Intertek delivered a strong performance in revenue, earnings and cash generation in 2016 with the achievement of 18.5% growth in revenue at actual rates (8.8% at constant currency), 19.3% growth in adjusted operating profit (10.4% at constant currency) and strong ROIC at 21.7% against stretching performance targets.

For the annual bonus, this performance resulted in the Remuneration Committee approving an overall payout for Group performance of 70.24% of maximum. As per policy, the proposed bonus was subject to a quality of earnings review at the end of the year to ensure that the pay-out was appropriate and commensurate with the underlying business performance and the Group's culture and values.

The elements specifically required to be audited within the shaded sections of pages 73 to 77 have been audited by PwC LLP in compliance with the requirements of the Regulations.

The performance of the 2014 LTIP, which was measured based on EPS and relative TSR performance over the three-year period to 31 December 2016, resulted in a payout of 42.35%.

The salary increase for the Executive Directors in 2017 has been set at an inflation-based 2.0%.

In line with best practice when Edward Leigh was appointed as CFO, his base salary was positioned behind market levels to reflect that this was his first appointment as CFO. Having delivered over two years of performance in this role, the Committee intends to review the positioning of his base salary during the course of 2017, and we will consult on this matter with shareholders.

Information for André Lacroix for 2015 is for remuneration from 16 May 2015, the date of his appointment as CEO, unless stated otherwise.

Finally, I hope you will find that you are able to support the level of remuneration we have determined for 2016 as submitted for your approval at this year's AGM.

Yours sincerely,

Gill Rider
Chair of the Remuneration Committee

REMUNERATION REPORT continued

DIRECTORS' REMUNERATION POLICY REPORT

The section below sets out the Remuneration policy for Executive and Non-Executive Directors, which was approved by a resolution of the shareholders and became effective from 25 May 2016, the date of the 2016 AGM.

The policy remains unchanged. Tables have been updated with current data.

POLICY OVERVIEW

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

Our remuneration strategy is to:

- align and recognise the individual's contribution to help us succeed in achieving our growth strategy and long-term business goals;
- attract, engage, motivate and retain the best available people by positioning total pay and benefits to be competitive in the relevant market and in line with the ability of the business to pay;
- reward people equitably for the size of their responsibilities and performance; and
- motivate high performers to increase shareholder value and share in the Group's success.

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

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

As a global service business, our success is critically dependent on the performance and retention of our key people around the world. Employment costs represent the major element of Group operating costs. As a global Group our pay arrangements take into account both local and international markets and we operate a global remuneration policy framework to achieve our reward strategy.

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

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

REMUNERATION POLICY FOR DIRECTORS

The following table sets out the key aspects of the Remuneration Policy for Directors:

ELEMENT OF PAY	PURPOSE AND LINK TO STRATEGY	OPERATION	MAXIMUM OPPORTUNITY	PERFORMANCE MEASURES
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, but are not limited to, development in role, change in responsibility and/or variance to market levels of remuneration.	Individual performance is taken into account when salary levels are reviewed.
BENEFITS	To provide competitive benefits to ensure the well-being of employees.	Benefits include, but are not limited to, annual medicals, life assurance cover of up to six times base salary, allowances in lieu of a company car or other benefits, private medical insurance (for the individual and his dependants) and other benefits typically provided to senior executives. Executive Directors can participate in the all-employee share plans operated by the Company on the same basis as all other employees.	The total value of these benefits (excluding the all-employee plans) will not exceed 12% of salary. The maximum opportunity under any all-employee share plan is in line with all other employees and is as determined by the prevailing HMRC rules.	n/a
PENSION	To provide competitive retirement benefits.	Executive Directors can elect to join the Company's defined contribution pension scheme, receive pension contributions into their personal pension plan or receive a cash sum in lieu of pension contributions.	Up to 30% of salary.	n/a
ANNUAL INCENTIVE PLAN ('AIP')	To drive the short-term strategy and recognise annual performance against targets which are based on business objectives.	Awards are based on Group annual financial performance targets, with performance targets set annually by the Committee. Normally, 50% of any bonus is paid in cash and 50% deferred into shares which will vest after a period of three years subject to continued employment. Accrued dividends on deferred shares during the deferral period are paid in cash or shares at the end of the deferral period. Not pensionable. Malus and clawback provisions apply.	The maximum opportunity is 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 annual bonus will be measured against a range of key Group financial measures. The current intention is that none of the bonus will be subject to non-financial measures or personal performance measures. The Committee, however, retains the discretion to introduce such measures in the future, up to a maximum of 20% of the bonus. Where the Committee were to introduce such measures, it would normally consult with the Company's largest institutional shareholders. The stretch targets, when met, reward exceptional achievement and contribution. There is no bonus pay-out if threshold targets are not met.

REMUNERATION REPORT
continued

ELEMENT OF PAY	PURPOSE AND LINK TO STRATEGY	OPERATION	MAXIMUM OPPORTUNITY	PERFORMANCE MEASURES
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. Awards may be made in other forms (e.g. nil-cost options) if considered appropriate. The shares will also be subject to a six-month holding period after vesting. The Committee has the discretion to increase the length of the holding period in future years. Performance targets are set annually for each three-year performance cycle by the Committee. Accrued dividends during the vesting period to be paid in cash or shares at vesting, to the extent that shares vest. The Committee may adjust and amend awards in accordance with the LTIP rules.	Up to 250% of salary in respect of any financial year.	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, with the split determined each year by the Committee. 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 should be met within five years of the guideline being set.	CEO: 200% of salary. CFO: 200% of salary.	n/a
NON-EXECUTIVE DIRECTORS' FEES	To attract and retain high calibre Non-Executive Directors through the provision of market competitive fees.	A proportion of the fees (at least 50%) are paid in cash, with the remainder used to purchase shares. Fees are determined based on the responsibility and time committed to the Group's affairs and appropriate market comparisons. With the exception of benefits-in-kind arising from the performance of duties, no other benefits are provided, other than to the Chairman, who receives a car allowance of £25,000 per annum.	As for the Executive Directors, there is no prescribed maximum annual increase. The Committee is guided by the general increase for the employee population but on occasions may need to recognise other factors including, but not limited to, change in responsibility and/or variance to market levels of remuneration.	n/a

CHANGES TO THE POLICY TABLE
There have been no changes to the policy.

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

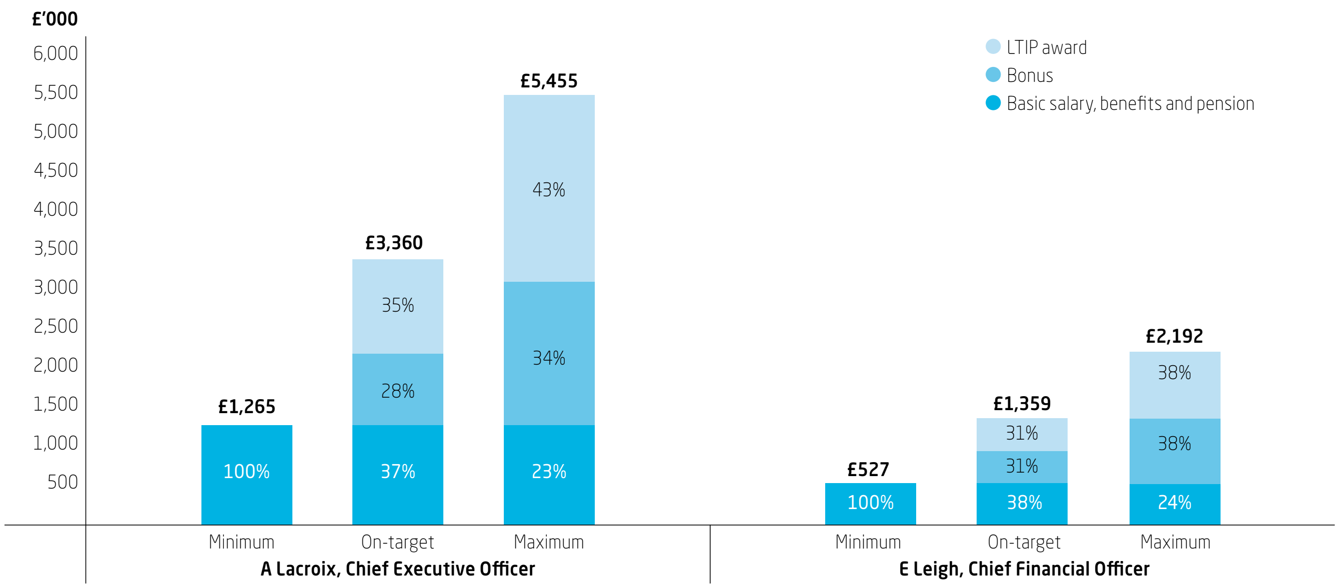
The LTIP is based on EPS growth and TSR performance. EPS is a measure of the Group's overall financial success and TSR provides an external assessment of the Company's performance against the market. It also aligns the rewards received by executives with the returns received by shareholders. A sliding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

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

REMUNERATION SCENARIOS FOR EXECUTIVE DIRECTORS

The charts below illustrate how the Executive Directors' remuneration packages vary at different levels of performance under the ongoing policy, which will apply in 2017 for both the Chief Executive Officer ('CEO') and Chief Financial Officer ('CFO'):

VALUE OF REMUNERATION PACKAGES AT DIFFERENT LEVELS OF PERFORMANCE



Points relating to the above table:
1. Salary levels are based on those applying on 1 April 2017.
2. The value of taxable benefits is based on the cost of supplying those benefits (as disclosed) for the year ended 31 December 2016.
3. The value of pension receivable by the CEO and CFO in 2017 is taken to be 30% of salary and 20% of salary respectively.
4. The on-target level of bonus is taken to be 50% of the maximum bonus opportunity.
5. The on-target level of the LTIP is taken to be 50% of the face value of the award at grant.
6. Share price movement and dividend accrual have not been incorporated into the values shown above.

APPROACH TO RECRUITMENT AND PROMOTIONS

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

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

For external and internal appointments, the Committee may agree that the Company will meet certain relocation expenses and continuing allowances as appropriate. Additionally, in the case of any Executive Director being recruited from overseas, or being recruited by the Company to relocate overseas to perform their duties, the Committee may offer expatriate benefits on an ongoing

REMUNERATION REPORT continued

basis subject to their aggregate value to the individual not exceeding 50% of salary per annum.

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

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

SERVICE CONTRACTS FOR EXECUTIVE DIRECTORS

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

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

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

The default treatment under the 2011 LTIP is that any outstanding awards lapse on cessation of employment. However, in certain prescribed circumstances, such as death, ill-health, disability, retirement or other circumstances at the discretion of the Committee, 'good leaver' status may be applied.

For good leavers, awards will normally vest on the original vesting date, subject to the satisfaction of the relevant performance conditions at that time and reduced pro-rata to reflect the proportion of the performance period actually served. However, the Committee has discretion to determine that awards vest at an earlier date and/or to disapply time pro-rating, although it is envisaged that this would only be applied in exceptional circumstances. Any such incidents, where discretion is applied by the Committee in relation to Executive Directors, will be disclosed in the following Annual Report on Remuneration.

The default treatment for deferred bonus awards is that any outstanding awards lapse on cessation of employment.

However, in certain 'good leaver' circumstances (as described under the 2011 LTIP above), awards will vest in full on the original vesting date, unless (as permitted under the plan rules) the Committee determines that awards should vest at an earlier date.

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

LETTERS OF APPOINTMENT FOR NON-EXECUTIVE DIRECTORS

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

The table below sets out the terms for all the current Non-Executive Directors of the Board.

	Date of Appointment	Notice Period/ unexpired term as at 31 December 2016
Sir David Reid	1 December 2011 Reappointed: 1 December 2014	One month / 11 months
Alan Brown*	15 April 2011 Reappointed: 14 April 2014	One month / 3 months
Dame Louise Makin	1 July 2012 Reappointed: 1 July 2015	One month / 18 months
Andrew Martin	26 May 2016	One month / 29 months
Gill Rider	1 July 2015	One month / 18 months
Michael Wareing	15 April 2011 Reappointed: 14 April 2014	One month / 3 months
Lena Wilson	1 July 2012 Reappointed: 1 July 2015	One month / 18 months

* Alan Brown will be stepping down from the Board on 24 May 2017

CONSIDERATION OF EMPLOYMENT CONDITIONS ELSEWHERE IN THE COMPANY

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

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

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

CONSIDERATION OF SHAREHOLDER VIEWS

The Remuneration Committee takes the views of the Group's shareholders very seriously and, as highlighted in the Remuneration Committee Chair's statement, prior to the vote on the Annual Remuneration Report at the 2016 AGM took considerable time to engage with and listen to shareholders on their views and the Remuneration Policy going forward. The policy that was approved by shareholders at the 2016 AGM reflects the policy discussed with shareholders during the consultation process.

LEGACY ARRANGEMENTS

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

(i) before the policy set out above, or any previous policy, came into effect;

(ii) at a time when a previous policy approved by shareholders was in place provided that the payment is in line with the terms of that policy; and

(iii) at a time when the relevant individual was not a Director of the Company and the payment was not in consideration for the individual becoming a Director of the Company.

ANNUAL REPORT ON REMUNERATION

COMMITTEE MEMBERSHIP AND MEETING ATTENDANCE

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

	Number of meetings held in 2016	
Committee Members	**Eligible to attend**	**Attendance**
Gill Rider (Committee Chair)	4	4
Dame Louise Makin	4	4
Michael Wareing[1]	3	3
Mark Williams[2]	1	0

1. Michael Wareing was appointed to the Committee on 20 April 2016.
2. Mark Williams missed one meeting due to illness. He passed away on 6 March 2016.

Throughout the year, the composition of the Committee was in compliance with the Codes, with the exception of the brief period between 6 March 2016 and 20 April 2016 when the Committee consisted of just two members following the sudden death of Mark Williams. All members are independent Non-Executive Directors.

On appointment, new Committee members receive an appropriate induction consisting of the review of the Terms of Reference, previous Committee meeting papers, meetings with senior personnel and advisors and, as appropriate, meetings with shareholders.

The Chairman, CEO and the EVP, Human Resources may, by invitation, attend the Committee meetings, except when their own remuneration is discussed. No Director is involved in determining his or her own remuneration. None of the Committee members has had any personal financial interest, except as shareholders, in the matters decided. The Group Company Secretary acts as Secretary to the Committee.

THE ROLE OF THE COMMITTEE

On behalf of the Board, the Committee:

- determines the Company's policy on the remuneration of the Chairman, the Executive Directors and other senior executives;
- determines the remuneration packages of the above, including any compensation on termination of office;
- reviews the remuneration arrangements for the wider employee population and considers issues relating to remuneration that may have a significant impact on the Group;
- provides advice to, and consults with, the CEO on major policy issues affecting the remuneration of other executives; and
- keeps the 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 the Intertek website at www.intertek.com.

REMUNERATION REPORT
continued

THE ACTIVITY OF THE COMMITTEE

The Committee met four times during 2016 and considered:

- Executive Director remuneration;
- the salary for senior management and the determination of the bonus payments for 2016;
- the TSR and EPS performance results for the 2013 to 2015 share plan award cycles;
- the 2016 bonus targets and performance measures;
- share plan awards for 2016 to 2019 and TSR and EPS performance criteria;
- Remuneration Policy for Directors including outcomes from consultation and shareholder feedback;
- the remuneration proposals for new senior employees;
- the departure terms for senior executives;
- the review of the Directors' Remuneration report to ensure compliance with Remuneration Reporting Regulations;
- the annual Committee agenda schedule;
- the Committee Terms of Reference;
- the annual Committee evaluation;
- 2016 AGM update and Corporate Governance bodies voting recommendations; and
- updates on Corporate Governance developments.

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.

In 2015, the Committee selected and appointed Deloitte LLP for their particular expertise both at a local and global level due to the worldwide operations of the Group. During 2016 the Committee continued to receive advice from Deloitte LLP and following review remain satisfied that the advice is objective and independent. Deloitte provided no other services to the Committee during the year under review.

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

The fees paid to Deloitte in the year were £81,370. The charges for services are calculated on the basis of time spent and the seniority of the personnel performing the work at their respective rates.

EXTERNAL APPOINTMENTS

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

André Lacroix

André is the Senior Independent Non-Executive Director at Reckitt Benckiser Group plc for which his earnings from 1 January to 31 December 2016 were £125,000 which he retained.

STATEMENT OF SHAREHOLDER VOTING

At the 2016 AGM, a resolution was proposed to shareholders to approve both the Remuneration policy and the Remuneration report for the year ended 31 December 2015. These resolutions received the following votes from shareholders:

Remuneration policy:

	Votes	%
In favour	116,806,831	96.38
Against	4,383,570	3.62
Total	121,190,401	75.09*
Withheld	1,386,204	

* Percentage of total issued share capital voted.

Remuneration report:

	Votes	%
In favour	118,265,856	96.49
Against	4,304,004	3.51
Total	122,569,860	75.95*
Withheld	6,746	

* Percentage of total issued share capital voted.

A further resolution was proposed to approve the Intertek Group plc Savings-Related Share Option Scheme. This resolution received the following votes from shareholders:

	Votes	%
In favour	121,288,154	99.05
Against	1,158,001	0.95
Total	122,446,155	75.87*
Withheld	130,452	

* Percentage of total issued share capital voted.

DIRECTORS' REMUNERATION EARNED IN 2016

The table below summarises Directors' remuneration received in 2016 and the prior year for comparison.

		Base salary or fees £'000	Benefits[1] £'000	BIK arising from performance of duties[6] £'000	Pension £'000	Annual bonus[2] £'000	Long-term incentives £'000	Sub-total £'000	Other £'000	Total £'000
Executive Directors										
André Lacroix	**2016**	**908**	**53**	**–**	**273**	**1,282**	**–**	**2,516**	**2,906**[3]	**5,422**
	2015[7]	557	20	–	167	1,080	–	1,824	–	1,824
Edward Leigh	**2016**	**406**	**27**	**–**	**82**	**573**	**99**[4]	**1,187**	**–**	**1,187**
	2015	390	24	–	78[5]	772	–	1,264	–	1,264
Non-Executive Directors										
Edward Astle	**2016**[8]	**34**	**–**	**1**	**–**	**–**	**–**	**35**	**–**	**35**
	2015	71	–	1	–	–	–	72	–	72
Alan Brown	**2016**	**69**	**–**	**–**	**–**	**–**	**–**	**69**	**–**	**69**
	2015	67	–	–	–	–	–	67	–	67
Dame Louise Makin	**2016**	**68**	**–**	**1**	**–**	**–**	**–**	**69**	**–**	**69**
	2015	66	–	1	–	–	–	67	–	67
Andrew Martin	**2016**[10]	**35**	**–**	**–**	**–**	**–**	**–**	**35**	**–**	**35**
Sir David Reid	**2016**	**320**	**25**	**2**	**–**	**–**	**–**	**347**	**–**	**347**
	2015	320	25	3	–	–	–	348	–	348
Gill Rider	**2016**	**73**	**–**	**–**	**–**	**–**	**–**	**73**	**–**	**73**
	2015	32	–	–	–	–	–	32	–	32
Michael Wareing	**2016**	**98**	**–**	**7**	**–**	**–**	**–**	**105**	**–**	**105**
	2015	93	–	7	–	–	–	100	–	100
Mark Williams	**2016**[9]	**21**	**–**	**–**	**–**	**–**	**–**	**21**	**–**	**21**
	2015	65	–	4	–	–	–	69	–	69
Lena Wilson	**2016**	**68**	**–**	**1**	**–**	**–**	**–**	**69**	**–**	**69**
	2015	68	–	6	–	–	–	74	–	74

1 Benefits include allowances in lieu of company car, annual medicals, life assurance and private medical insurance, and the use of a car and driver for the CEO. With respect to the Non-Executive Directors, other than Sir David Reid who receives a car allowance of £25,000 per annum, no other benefits are provided.
2. This relates to the payment of the annual bonus and Deferred Bonus Share Award for the financial year end. Further details of this payment are set out on the following pages.
3. This relates to the vesting of the Mirror award granted on joining. The value shown is based on the share price of £31.12 which was the closing mid-market quotation on 25 May 2016, the date of vesting.
4. This relates to the vesting of the 2014 LTIP award. The value shown is based on the share price of £33.71 which is based on the average share price in the fourth quarter of 2016. The awards were granted on 10 March 2014 prior to Edward Leigh's appointment as CFO on 1 October 2014.
5. The pension contributions for Edward Leigh include the sum of £17,140 (2015: £39,600) which was paid into the Intertek Group Personal Pension Plan, which is a defined contribution scheme.
6. Certain expenses relating to the performance of a Director's duties (not included in the Benefits column above) such as travel to and from Company meetings and related accommodation have now been classified as taxable. In such cases, the Company will ensure that the Director is not out of pocket by settling the related tax via the PSA. In line with current regulations, these taxable benefits have been disclosed and are shown in the BIK arising from performance of duties column. The figures shown are the cost of the taxable benefit.
7. Information for André Lacroix for 2015 is for remuneration from 16 May 2015, on his appointment as CEO.
8. Edward Astle's fees relate to the period until he stepped down from the Board.
9. Mark Williams's fees relate to the period until he passed away on 6 March 2016.
10. Andrew Martin's fees relate to the period from 26 May 2016, the date he was appointed to the Board.

ANNUAL BONUS

The annual bonus for 2016 was based solely on financial measures:

- 80% based on a matrix (illustration provided on the following page) based on revenue and operating profit growth
- 20% based return on invested capital (ROIC)

REMUNERATION REPORT
continued

Overview of the matrix (80% of the award)

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

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

The Company's performance resulted in a Group bonus payout of 70.24%. Performance of individual components is shown below.

2016 Company Performance against bonus targets

Financial measures	% Weighting	2016 Threshold	2016 Target[2]	2016 Maximum	2016 Actual	Achieved[3]	Weighted achievement
Total External Revenue		£2,310.0m	£2,357.0m	£2,404.0m	£2,350.6m		
Operating Profit[1]		£363.0m	£374.2m	£385.4m	£380.9m		
Revenue/Profit Matrix	80%					62.8%	50.24%
Return on invested capital	20%	22.0%	22.2%	22.4%	23.6%	100%	20.00%
Total	**100%**						**70.24%**

1. Calculated using constant 2015 exchange rates. Adjusted results exclude the impact of Separately Disclosed Items.
2. Target is equivalent to 50% pay-out.
3. Percentage achieved against maximum targets.

For 2016, the annual bonus outturn in cash and shares is as follows:

	Payable in cash £'000	Deferred Share Award £'000
André Lacroix	**641.2**	**641.2**
Edward Leigh	**286.6**	**286.6**

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

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

VESTING OF LTIP SHARE AWARDS

The LTIP Share Awards granted in 2014 are subject to performance for the three-year period ended 31 December 2016. 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%	14%	6.92%	33.62%
Total Shareholder Return	Relative TSR performance against the FTSE 31 to 130 (excluding banks and investment trusts)	Median	Upper quartile	Between median and upper quartile[1]	51.09%
Total vesting					**42.35%**

1. TSR performance calculation was calculated by Deloitte; Intertek was ranked 39th of the 93 members of the comparator group of companies.

The LTIP Share Awards granted in 2014 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[1]	Number of shares to lapse	Number of shares to vest	Value of vested shares £'000
André Lacroix	–	–	–	–	–	–
Edward Leigh[2]	6,576	349	6,925	(3,993)	(2,932)	98.9
Total vesting						**98.9**

1. The 2014 award includes accrual of dividends paid and payable during the vesting period.
2. The value shown is based on the share price of £33.71 which is based on the average share price in the fourth quarter of 2016. The awards were granted on 10 March 2014 prior to Edward Leigh's appointment as CFO on 1 October 2014.

LTIP SHARE AWARDS GRANTED DURING THE YEAR

The following LTIP (Performance) Share Awards were granted to the Executive Directors on 21 March 2016:

	Type of award	Basis of award granted	Share price at date of grant £	Number of shares over which award was granted	Face value of award £'000	% of face value that would vest at threshold performance	Vesting determined by performance over
André Lacroix	LTIP Share Award	250% of salary	£31.084	71,982	2,237	25%	Three years to 31 December 2018
Edward Leigh	LTIP Share Award	200% of salary	£31.084	25,736	800	25%	

The LTIP Share Awards granted in 2016 are subject to performance for the three-year period ending 31 December 2018.

The performance conditions attached to this award and the targets are as follows:

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

SHARE PLAN AWARDS

The table below shows the Directors' interests in the Intertek Share Plans, all of which are restricted stock units (RSUs):

	Type of Award	31 December 2015 Number of shares	Granted in 2016 Number of shares	Award price[1] £	Dividend accrued in 2016[7]	Vested in 2016 Number of shares	Lapsed in 2016 Number of shares	31 December 2016 Number of shares	Date of vesting
André Lacroix									
2015[5]	LTIP Share	90,440	–	–	–	–	–	90,440	Sep 2018
	Dividend	612	–	–	1,493	–	–	2,105	
	Mirror share, Tranche A	91,575	–	28.006	–	(91,575)	–	–	May 2016
	Dividend	1,810	–	–	–	(1,810)	–	–	
	Mirror share, Tranche B	91,574	–	28.006	–	–	–	91,574	May 2017
	Dividend	1,810	–	–	1,511	–	–	3,321	
2016[6]	LTIP Share	–	71,982	31.084	–	–	–	71,982	Mar 2019
	Dividend	–	–	–	1,188	–	–	1,188	
	Deferred Share	–	17,376	31.084	–	–	–	17,376	Mar 2019
	Dividend	–	–	–	286	–	–	286	
Total		**277,821**	**89,358**	**-**	**4,478**	**(93,385)**	**-**	**278,272**	

REMUNERATION REPORT
continued

SHARE PLAN AWARDS (CONTINUED)

The table below shows the Directors' interests in the Intertek Share Plans, all of which are restricted stock units (RSUs):

	Type of Award	31 December 2015 Number of shares	Granted in 2016 Number of shares	Award price[1] £	Dividend accrued in 2016[7]	Vested in 2016 Number of shares	Lapsed in 2016 Number of shares	31 December 2016 Number of shares	Date of vesting
Edward Leigh									
2013[2]	Deferred Share	1,755	–	34.17	–	(1,755)	–	–	May 2016
	Dividend	88	–	–	–	(88)	–	–	
	LTIP (Performance)	1,755	–	34.17	–	–	(1,755)	–	May 2016
	Dividend	88	–	–	–	–	(88)	–	
2014[3]	Deferred Share	1,331	–	30.41	–	–	–	1,331	Mar 2017
	Dividend	48	–	–	21	–	–	69	
	LTIP Share	6,576	–	30.41	–	–	–	6,576	Mar 2017
	Dividend	241	–	–	108	–	–	349	
2015	Deferred Share[4]	5,405	–	25.572	–	–	–	5,405	Mar 2018
	Dividend	106	–	–	89	–	–	195	
	LTIP Share[5]	32,336	–	24.74	–	–	–	32,336	Sep 2018
	Dividend	218	–	–	533	–	–	751	
2016[6]	Deferred Share	–	12,425	31.084	–	–	–	12,425	Mar 2019
	Dividend	–	–	–	204	–	–	204	
	LTIP Share	–	25,736	31.084	–	–	–	25,736	Mar 2019
	Dividend	–	–	–	424	–	–	424	
Total		**49,947**	**38,161**	**-**	**1,379**	**(1,843)**	**(1,843)**	**85,801**	

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 25 May 2016, on which date the closing market price of shares was £31.12 having been granted on 20 May 2013 on which date the closing market price was £33.27. 50% of LTIP (Performance) Awards were subject to EPS and 50% were 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). The LTIP (Performance) shares did not vest as performance conditions were not met.
3. Awards will vest on 10 March 2017, subject to performance and continued employment, having been granted on 10 March 2014 on which date the closing market price was £30.46. 50% of the LTIP Share Awards are subject to EPS and 50% are subject to relative TSR. The EPS threshold level was set at 6% per annum and the upper target at 14% per annum. Under the TSR condition, the Company's TSR ranking is measured relative to the FTSE index members 31 to 130 (excluding banks and investment trusts). As set out on page 74, 42.35% of awards will vest.
4. Awards will vest on 9 March 2018, subject to continued employment, having been granted on 9 March 2015 on which date the closing market price was £25.70.
5. Awards will vest on 22 September 2018, subject to performance and continued employment, having been granted on 22 September 2015 on which date the closing market price was £23.94. 50% of awards are subject to EPS and 50% are subject to relative TSR. The EPS threshold level was set at 4% per annum and the upper target at 10% per annum. Under the TSR condition, the Company's TSR ranking is measured relative to the FTSE index members 31 to 130 (excluding banks and investment trusts).
6. Awards will vest on 21 March 2019, subject to continued employment, having been granted on 21 March 2016 on which date the closing market price was £31.13. Awards were made on a share price of £31.084 being the share price obtained by averaging the closing share prices for the five dealing days before the date of grant. 50% of the LTIP Share Awards are subject to EPS and 50% are subject to relative TSR. The EPS threshold level was set at 4% per annum and the upper target at 10% per annum. Under the TSR condition, the Company's TSR ranking is measured relative to the FTSE index members 31 to 130 (excluding banks and investment trusts).
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. The dividend accruals relate to Share Awards made in lieu of not receiving cash dividends during the vesting period.

MALUS AND CLAWBACK

Malus and clawback will operate, in respect of the 2011 Long Term Incentive Plan in circumstances where there is reasonable evidence of misbehaviour or material error, conduct considered gross misconduct, breach of any restrictive covenants by participants, conduct which resulted in (a) significant loss(es) to the Company, failure to meet appropriate standards of fitness and proprietary; a material failure of management in the Company, a discovery of a material misstatement in the audited consolidated accounts or the behaviour of a Director has a significant detrimental impact on the reputation of the Group. Clawback can be applied at any time during the clawback period which is six years from the date of the award unless extended by the Remuneration Committee prior to the expiry of the initial clawback period.

The Remuneration Committee has the discretion to reduce bonus payments if it believes that short-term performance has been achieved at the expense of the Group's long-term future or vice versa. The Remuneration Committee also retains the discretion to reduce or reclaim payments if the performance achievements are subsequently found to have been significantly mis-stated.

DIRECTORS' INTERESTS IN ORDINARY SHARES

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

	Beneficially owned at 31 December 2015 or on appointment	Beneficially owned at 31 December 2016 or on ceasing to be a Director[1]	Outstanding LTIP Share Awards[2]	Outstanding Deferred Shares/ Mirror Awards	Outstanding Share Award dividends	Shareholding as a % of salary[3]	Shareholding Guideline met?
André Lacroix[4]	100,000	**249,494**	162,422	108,950	6,900	951	Yes
Edward Leigh[5]	1,000	**1,976**	64,648	19,161	1,992	17	No
Edward Astle[6]	1,443	**1,628**	–	–	–	n/a	n/a
Alan Brown	1,623	**1,808**	–	–	–	n/a	n/a
Dame Louise Makin	546	**715**	–	–	–	n/a	n/a
Andrew Martin[7]	–	**-**	–	–	–	n/a	n/a
Sir David Reid	2,828	**3,356**	–	–	–	n/a	n/a
Gill Rider	–	**249**	–	–	–	n/a	n/a
Michael Wareing	3,801	**3,973**	–	–	–	n/a	n/a
Mark Williams[8]	2,384	**2,575**	–	–	–	n/a	n/a
Lena Wilson	530	**699**	–	–	–	n/a	n/a

1. No changes in the above Directors' interests have taken place between 31 December 2016 and the date of this report.
2. Subject to performance conditions.
3. Based on a share price of £34.81 as at 31 December 2016 and applies to the annual salary for 2016.
4. Appointed 16 May 2015 with the guideline to hold 200% of base salary in shares by 16 May 2020.
5. Appointed on 1 October 2014 with the guideline to hold 150% of base salary in shares by 1 October 2019. This guideline was increased to 200% in the Remuneration policy approved by shareholders on 25 May 2016 and must be met by 25 May 2021.
6. Stepped down from the Board on 25 May 2016.
7. Appointed on 26 May 2016.
8. Passed away on 6 March 2016.

PAYMENTS TO PAST DIRECTORS

Wolfhart Hauser (ceased to be a Director on 15 May 2015)

As set out in the 2015 Annual report and Accounts, on 4 January 2016 the following awards granted to Wolfhart Hauser vested at a share price of £27.48. All shares vested are to be held by Wolfhart until the original vesting dates.

Award Date	Type	Number of shares	Dividend Shares	Closing price on day of award
5 March 2013	Deferred shares	20,689	1,039	£34.40
10 March 2014	Deferred shares	10,507	385	£30.46
9 March 2015	Deferred shares	12,585	248	£25.70

The dividend shares are accrued on the date the dividend is paid and determined using the closing market price of the shares on that date. The dividend accruals relate to Share Awards made in lieu of not receiving cash dividends during the vesting period.

All 41,378 LTIP (Performance) Share Awards that were granted to Wolfhart on 5 March 2013, on which date the closing market price was £34.40, lapsed on 7 March 2016 as the performance criteria was not met. The applicable performance criteria was based 50% on EPS and 50% on 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 was measured relative to the FTSE index members 31 to 130 (excluding banks and investment trusts).

19,580 of the 46,991 LTIP (Performance) Share Awards granted to Wolfhart on 10 March 2014, on which date the closing market price was £30.46, lapsed when he left office. 907 dividend shares also lapsed in relation to those awards. 452 dividend shares were awarded for dividends paid in 2016 in relation to the remaining 27,411 LTIP (Performance) Share Awards.

Award Date	Type	Number of shares	Dividend Shares	Closing price on day of award
10 March 2014	LTIP (Performance) share	27,411	1,268	£30.46

PAYMENTS FOR LOSS OF OFFICE

No payments were made in respect of loss of office during the year ended 31 December 2016.

REMUNERATION REPORT
continued

PERCENTAGE CHANGE IN REMUNERATION LEVELS

The table below shows the average movement in salary and annual bonus for UK employees between the 2015 and 2016 financial year ends. On taking up his appointment as CEO on 16 May 2015, André Lacroix's salary was £895,000 for 2015. In 2016, his salary was increased to £912,900.

	Salary	Bonus	Benefits
CEO (A Lacroix[1])	2.0%	(25.8%)	65.6%
Average pay based on Intertek's UK employees	3.5%	(15.0%)	4.1%

1. The percentage change for bonus and benefits for André Lacroix are based on actual amounts earned in 2016 and an annualised comparative for 2015.

RELATIVE IMPORTANCE OF THE SPEND ON PAY

The table below shows the movement in spend on staff costs between the 2015 and 2016 financial years, compared to dividends.

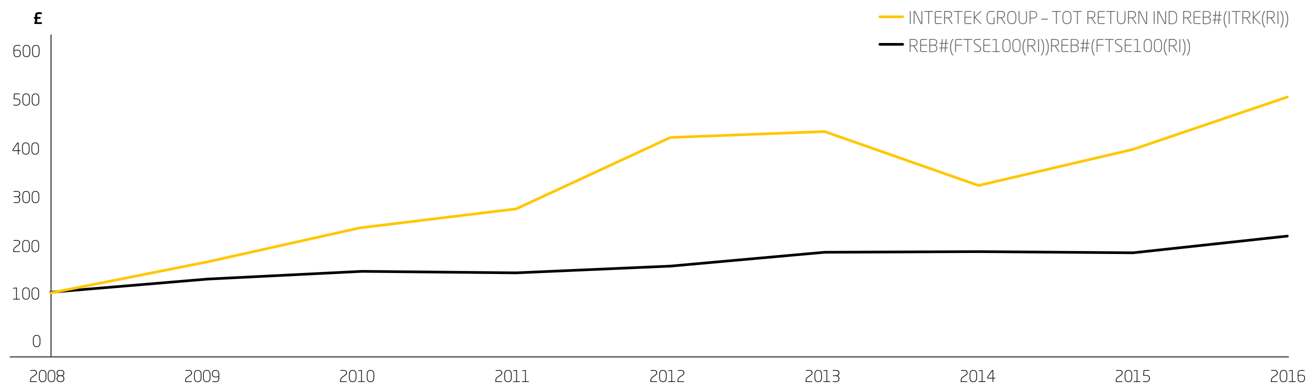
	2016 £m	2015 £m	% change
Staff costs*	**1,140.6**	956.2	19.3%
Dividends	**88.0**	80.7	9.0%

* Staff costs are shown at actual rates, which include a 10.2% foreign exchange impact. Excluding the foreign exchange impact, staff costs increased by 8.2%.

PERFORMANCE GRAPH

Consistent with prior years, the graph below shows the TSR in respect of the Company over the last eight financial years, compared with the TSR for the full FTSE 100 Index. TSR, reflecting the change in the value of a share and dividends paid, can be represented by the value of a notional £100 invested at the beginning of a period and its change over that period.

TSR PERFORMANCE



CEO TOTAL REMUNERATION

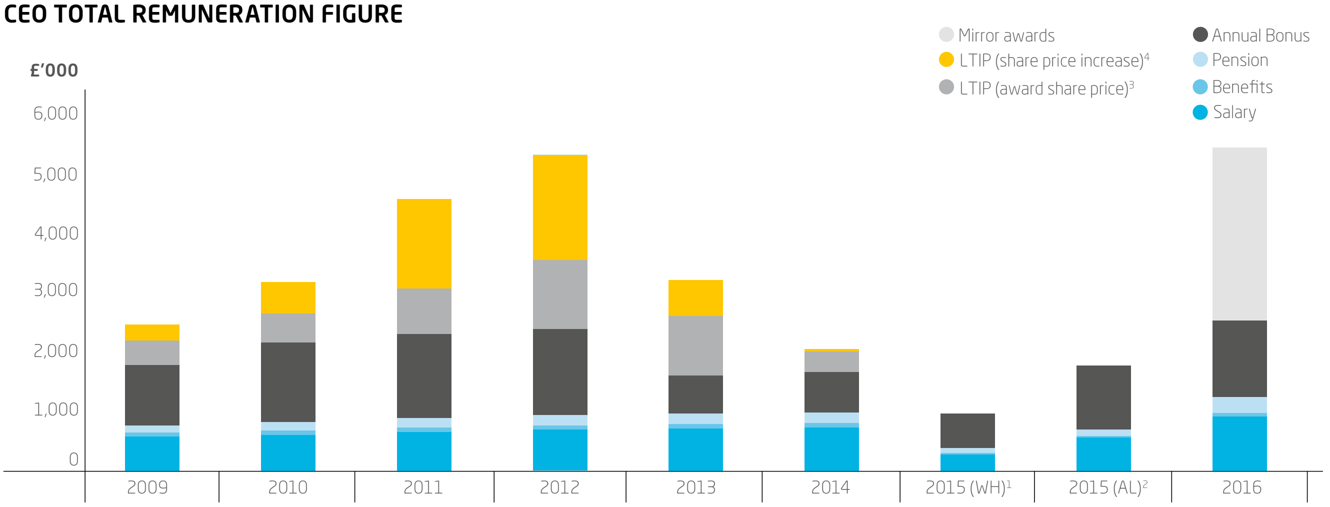
The total remuneration figures for the CEO during each of the past eight financial years are shown in the table below. Consistent with the calculation methodology for the single figure for total remuneration, the total remuneration figure includes the total annual bonus and Deferred Share Award based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

	Year ended 31 December								
	2009	2010	2011	2012	2013	2014	2015 W Hauser	2015 A Lacroix	2016
Total remuneration £'000	2,451	3,164	4,554	5,298	3,195	2,011	876	1,824	**5,422**
Annual bonus (%)	100	96.6	92.3	83.1	34.6	38.4	90.6	96.6	**70.24**
LTIP award vesting (%)	100	100	100	100	81.8	25.2	–	–	**-**

CEO TOTAL REMUNERATION

The graph below shows the total remuneration of the Intertek CEO over the eight year period from 2009 to 2016.

CEO TOTAL REMUNERATION FIGURE



1. Shows W Hauser remuneration based on period to 15 May 2015.
2. Shows A Lacroix remuneration for the period from appointment as CEO on 16 May 2015.
3. LTIP (award share price) shows the proportion of the LTIP value received which resulted from the share price on the award date.
4. LTIP (share price increase) shows the proportion of the LTIP value received which resulted from increase in the share price over the vesting period.

REMUNERATION DECISIONS TAKEN IN RESPECT OF THE FINANCIAL YEAR ENDING 31 DECEMBER 2017

Base salary

Following a review of each individual's performance in the year, the Remuneration Committee approved salary increase of 2.0% for the Executive Directors. This is in line with the increase provided to UK employees in the Group.

The Executive Directors' salaries are:

	Base salary from 1 April 2016 £'000	Base salary from 1 April 2017 £'000	% increase
André Lacroix	**913**	931	2.0%
Edward Leigh	**408**	416	2.0%

Annual Bonus and LTIP awards to be granted in 2017

For 2017, the annual bonus opportunity expressed as a percentage of base salary will be 200% for the CEO and CFO. The Committee has determined that for 2017 the basis for calculating the Annual Bonus will be unchanged from the previous year – 80% will be based on a matrix based on revenue and operating profit growth, and 20% will be based on ROIC.

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

The Committee has chosen not to disclose, in advance, the performance targets for the forthcoming year as these include items which the Committee considers commercially sensitive. In accordance with good governance, the Committee is however committed to providing insightful and transparent disclosure to our shareholders. In this regard, and in line with the Investment Association's position regarding bonus target disclosure, the Committee will disclose the performance targets for the annual incentive in the following year.

REMUNERATION REPORT
continued

For 2017, the LTIP opportunity for the CEO and CFO will be 250% and 200% of salary respectively with targets based on the Group Remuneration Policy as below:

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

NON-EXECUTIVE DIRECTORS' FEES

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

	2016 £'000	2017 £'000
Board membership		
Chairman	**320**	320
Non-Executive Director	**58**	58
Senior Independent Non-Executive Director	**12**	12
Committee membership		
Chair Audit Committee	**20**	20
Chair Remuneration Committee	**15**	15
Chair Nomination Committee	**–**	–
Member Audit Committee	**10**	10
Member Remuneration Committee	**7.5**	7.5
Member Nomination Committee	**2.5**	2.5

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

APPROVAL OF THE DIRECTORS' REMUNERATION REPORT

The Directors' Remuneration report, including both the Directors' Remuneration policy report and Annual Report on Remuneration, was approved by the Board on 6 March 2017.

Gill Rider
Chair of the Remuneration Committee

AUDIT COMMITTEE

DEAR SHAREHOLDER

Our last financial year has once again seen more regulatory changes. I am pleased to present this year's report of the Audit Committee ('Committee') which aims to outline the activities and the responsibilities of the Committee, on behalf of the Board, in responding to these changes and in scrutinising the conduct of the business, its management and auditors to protect the interests of our shareholders.

The Board and the Committee devoted significant time to assess our current approach to managing the Group's risk, controls and compliance. In order to respond dynamically to our changing risk environment, it was agreed to establish a separate Group Risk Committee during the year that reports into the Board through the CEO. Delegating the management of risk to the Group Risk Committee is intended to enable an integrated, group-wide approach to identifying and managing emerging and systemic risks responsively and providing an immediate improvement in the quality of risk reporting and monitoring. The Committee continues to review the Company's internal control and risk management systems.

The Terms of Reference of the Audit Committee have been reviewed and updated, and are available on the Company's website at www.intertek.com.

Following the audit tender during 2015 and the appointment of PricewaterhouseCoopers LLP ('PwC') in May 2016, the Committee oversaw a smooth transition from the previous auditor, KPMG Audit Plc ('KPMG'). The process included the attendance of PwC at Committee meetings before their formal appointment, supplemented by detailed audit planning activities at all the Group's material operating sites and the review of KPMG's audit files at major locations.

During the year the Committee also ensured that separate meetings with the CFO, Group General Counsel, Group Audit Director and the external auditor without management present took place in order to provide a forum for any issues to be raised.

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

As announced during the year, Andrew Martin has succeeded me as Chairman of this Committee with effect from 1 March 2017.

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 2016: Eligible to attend	Attendance
Michael Wareing (Committee Chair)	5	5
Edward Astle[1]	3	3
Alan Brown	5	5
Andrew Martin[2]	2	1[3]
Lena Wilson	5	4[4]

1. Edward Astle stepped down from the Committee on 25 May 2016.
2. Andrew Martin was appointed to the Committee on 26 May 2016.
3. Andrew Martin was unable to attend one meeting due to a prior commitment entered into before his appointment.
4. Lena Wilson was unable to attend one meeting due to an illness in the family.

Throughout the year, the composition of the Committee was in compliance with the Codes and all members are independent Non-Executive Directors. The Board determined that Michael Wareing, Andrew Martin and Alan Brown have recent and relevant financial experience. The Committee as a whole has competence relevant to the sectors in which Intertek operates and their biographies are set out on pages 58 and 59.

On appointment 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 and meetings with senior management and the Group's internal and external auditors.

The business of the Committee is linked to the Group's financial calendar of events and the timetable for the annual audit. At the invitation of the Committee, the Chairman, CEO, CFO, Group Financial Controller, Group General Counsel and the Group Audit Director attended the meetings. The audit partner and audit lead from KPMG attended meetings held prior to 25 May 2016 and PwC attended all meetings held during the year. Other senior executives were invited to attend the Committee meetings as required.

ROLE AND RESPONSIBILITY OF THE COMMITTEE

Our role and responsibilities, as authorised by the Board, are set out in the Terms of Reference of the Committee and fall into the categories below:

Financial reporting

- Monitor the integrity of the financial statements and their compliance with UK statutory requirements.
- Review significant financial reporting issues and judgements and accounting policies and compliance with accounting standards.

AUDIT COMMITTEE
continued

Narrative reporting
- Where requested by the Board, to review the Annual Report and Accounts, and advise the Board on whether, taken as a whole, it is fair, balanced and understandable, and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

Internal control and risk management systems
- Review the adequacy and effectiveness of the internal financial controls and internal control and risk management systems.
- Review and approve the statements to be included in the Annual Report concerning internal controls and risk management.

Internal audit
- Monitor the effectiveness of the internal audit function.
- Agree internal audit plans and review reports of the internal audit work.
- Review and monitor management's responsiveness to control observations made by the internal auditor.

External audit
- Consider and make recommendations to the Board, to be put to shareholders for approval at the AGM, in relation to the appointment, re-appointment and removal of the Company's external auditor.
- Oversee the relationship with the external auditor.
- Ensure that at least once every 10 years the audit services contract is put out to tender.
- Monitor and review the independence and performance of the external auditor and evaluate their effectiveness.

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

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

The level of provision is subsequently reviewed on a regular basis with the Group General Counsel, taking into account the advice of external legal counsel. The Group General Counsel briefs the Committee 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 in the year.

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

Restructuring
In reviewing the provision for restructuring, the Committee reviewed details of each of the activities pursued as part of the restructuring to ensure that the appropriate level of provision is put in place. The Committee also sought confirmation from the external auditor that the restructuring plan met the criteria for recognising a provision under IAS 37 before determining that the provision was appropriate.

Accounting for acquisitions
In November 2015, the Group made the significant acquisition of PSI in the US. The provisional recognition of goodwill, intangible assets, other assets and liabilities and estimates of the fair value of consideration transferred were based on a number of assumptions. In 2016, management concluded its final assessment of these assets and liabilities and presented an update to the Committee. The Committee reviewed management's final accounting paper on the acquisition, and taken into account the report presented by the external auditor, before determining that the acquisition accounting is appropriate.

Impairment
The Group's strategy includes acquisition-led growth to generate new services and expand into new locations. These acquisitions, being in the service sector, can 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.

ACTIVITIES DURING THE YEAR

During the year the Committee discussed the following items. Items starred below were discussed at the Board in December.

Audit Committee agenda items 2016

Financial statements and reports	Feb	May	Jul	Dec
Full year results 2015	•			
Annual Report and Accounts 2015	•			
Management highlights memorandum	•		•	
Going concern assessment	•		•	
Fair, balanced and understandable assessment	•			
Review of significant accounting policies				•
Half year results 2016			•	
Risk Register and Viability Statement process	•			•
External audit				
PwC 2016 audit plan		•		
Audit fee proposal 2016		•		
PwC engagement letter		•		
Non-audit fees review of policy, spend and budget	•		•	
Non-audit services update		•	•	
PwC pre year-end accounting and controls update				•
KPMG highlights/review memorandum	•			
PwC half year review			•	
KPMG effectiveness		•		
Letter of representation to the auditors	•		•	
Independence confirmation and transition plan and update for non-audit work	•		•	
Update on audit transition	•	•	•	
Internal Control Environment				
2017 Internal Audit plan and Charter				•
Internal audit reports (including internal audit review 2015 and internal audit update)	•	•	•	•
Internal audit effectiveness review				•
Compliance and operational risk report	•	•	•	*
Key claims report	•	•	•	*
Core Mandatory Controls update and Assurance Map				•
Other				
Impairment review	•			
2016 Rolling Committee agenda	•			
Review, approval and endorsement of Treasury Policy	•			•
2015 Evaluation of the Committee	•			

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

The significant issues considered by the Committee in relation to the financial statements were consistent, with the exception of restructuring, with those identified by the external auditor in their report on pages 145 to 150.

FAIR, BALANCED AND UNDERSTANDABLE ASSESSMENT

Further to the request of the Board, the Committee has reviewed the Annual Report and Accounts with the intention of providing advice to the Board on whether, as required by the Codes, the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the necessary information for shareholders and other readers of the Annual Report and Accounts to assess the Group's position and performance for 2016, its business model and strategy.

In justifying this statement, the Committee has considered the robust process that underpins it, which includes:

- Clear guidance and instruction given to all contributors, including at business line level;

AUDIT COMMITTEE
continued

- 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 Committee; and
- Final sign-off provided by the Board.

The results are presented to the Committee to ensure compliance with the Codes. The Committee challenges judgemental statements to ensure that they are reasonable within the context of the report. This process enabled the Committee, and then the Board, to confirm that the 2016 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 position, performance, business model and strategy.

EXTERNAL AUDITOR

Independence

The independence of the external auditor is critical for the integrity of the audit. The Committee is satisfied that PwC are fully independent from the Company's management and free from conflicts of interest. A control process was in place throughout the year to assist the exit arrangements made in respect of non-audit services that continued into 2016.

The continued independence of the external auditor is achieved through:

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

Effectiveness of the external audit

In line with previous years a review was conducted into the effectiveness of the external audit as part of the year-end process. A survey assessed the effectiveness of the KPMG audit across its three main stages; Planning, Fieldwork and Reporting for the 2015 year-end. The survey was sent to those within the Group who were involved in the audit process seeking their views on the service provided.

At the meeting held in May 2016 the Committee considered in detail the feedback received from the internal review, KPMG's performance and independence and concluded that the overall audit process was effective. PwC's effectiveness for the 2016 audit of the Group will be reviewed by the Committee in May 2017.

Audit tendering

Following a comprehensive tender carried out in 2015, PwC were appointed the Company's external auditor for the 2016 audit replacing KPMG who had been the auditor for a number of years. The Committee has recommended to the Board that PwC continues to act as Auditor to the Group, and resolutions will be put to shareholders at the AGM to be held on 26 May 2017 proposing the reappointment of PwC and for the Committee, on behalf of the Board, to be authorised to determine the Auditor's remuneration. The Company has complied with the Statutory Audit Services for Large Companies Market Investigation Order, published by the CMA.

Audit and non-audit fees

The Company has set out a policy on the provision of non-audit work by the external auditor to make sure that the auditor's independence is safeguarded. The policy was reviewed during the year in light of the transition of auditor and revised guidance from the FRC. The policy is consistent with the FRC Ethical Standard and is designed to ensure that the provision of such services does not create a threat to the external auditor's independence and objectivity.

It identifies certain types of engagement that the external auditor shall not undertake, including internal audit and actuarial services relating to the preparation of accounting estimates for the financial statements, appraisal or valuation services, tax services in relation to marketing, planning or opining in favour of a transaction and any other services that, locally, are prohibited through regulation. For 2016 only, a transitional amount had been set by the Committee to assist the completion of agreed hand-over tasks.

In the event that specific engagement arises in the future, the policy is designed to ensure that the external auditor is only appointed to provide a non-audit service where it is considered to be the most suitable supplier of the service. This will require the approval by the Chair of the Committee and the CFO, and will be limited to a maximum of 35% of the annual external audit fee.

A summary of the fees paid for non-audit services is set out below and further information is contained in note 4 to the financial statements on page 103:

AUDIT FEE BREAKDOWN FOR SERVICES PROVIDED BY PwC IN 2016 AND BY KPMG IN 2015

	2016 £m	2015 £m
Total non-audit fees	0.2	0.6
– audit related services	0.1	–
– tax services	0.1	0.4
– other non-audit services	–	0.2
Audit fee	3.1	2.5
% of audit fee	6%	25%

INTERNAL CONTROLS AND REPORTING

In order to provide assurance that the Intertek controls and policy framework is being adhered to, a self-certification exercise is undertaken across the Group's global operations. This process is facilitated by the Legal, Risk and Compliance function and the internal control framework has been subject to a thorough review this year to support the continued development of the Group's control environment. An online questionnaire requesting confirmation of adherence to controls, financial and operational, is sent to all Intertek country and finance operations. Where corrective actions are needed, the country is required to provide an outline and a confirmed timeline. These items are monitored closely to ensure timely completion.

A consolidated assessment is made at regional level for approval. An evaluation is then undertaken with EVPs following which a Company-wide position is submitted to the CEO and the CFO. A final summary assessment is provided to the Committee. The self-assessment exercise has been reviewed during the year to ensure global coverage and to reflect Intertek operational and financial structure, and in order to enhance the alignment of the self-assessment to the assurance process. 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 2016 and up to the date upon which these financial statements were approved. No significant failings or weaknesses had been identified.

AUDIT STRATEGY

The Audit Strategy was presented to the Committee during the year. The strategy has focused on ensuring that the programme is annually strengthened and continues to evolve and is enhanced to reflect the size and global reach of the Intertek Group. PwC based their risk assessment, strategy and approach on their understanding of the business and the gaining of a deeper understanding of the Intertek business has been a key focus during the year. It has been important to ensure that the Intertek audit team has the right expertise in the right places. To achieve this, the PwC team has been structured to mirror the way Intertek is structured, with local teams for each location, regional teams who will liaise with Intertek's regional CFOs and Group oversight of regional accountability.

INTERNAL AUDIT

The annual Internal Audit plan is reviewed and approved by the Committee. Where there is no internal expertise to perform a specialised audit, a third-party auditor with the requisite skills is appointed to undertake the audit, the findings of which are reported to the Committee. In its quarterly reports to the Committee, Internal Audit provided summaries of each audit performed, with commentary on the robustness of risk management activities and internal control design and operating effectiveness. In 2016 there was a varied plan of work across key risk areas, including reviews of businesses, functions and projects, as well as regular follow-up activities.

As part of its annual programme, the Committee reviewed the effectiveness of the Group Internal Audit function.

PRIORITIES FOR 2017

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

- Continue to monitor the new external auditor and facilitate their understanding of the business;
- Ensure that the audit continues to evolve and align with the changes in the business and strategic objectives;
- Continue to monitor the impact of external economic factors on the Group and its financial position; and
- Monitor any relevant changes in the corporate governance and regulatory arena.

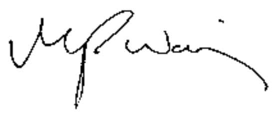
GOING CONCERN

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

This conclusion is based on a review and an assessment of the levels of facilities expected to be available to the Group, based on levels of cash held, Group Treasury funding projections, and the Group's financial projections for a period to 31 December 2021. With the exception of £82m of facilities maturing in 2017, all the current borrowing facilities are expected to be available at 31 December 2017.

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. Accordingly they continue to adopt the going concern basis in preparing the Group's financial statements.



Michael Wareing
Chair of the Audit Committee

NOMINATION COMMITTEE

DEAR SHAREHOLDER

In my role as Chair, I am pleased to present the report of the Nomination Committee ('Committee'). This year the Committee has continued its work on succession planning and the ongoing review of the composition of the Board and its Committees.

Following a rigorous selection process the Committee was pleased to recommend the appointment of Andrew Martin to the Board as a Non-Executive Director and a member of the Audit Committee with effect from 26 May 2016. His wide-ranging experience and financial background is a strong and complementary addition to our Board.

As announced during the year, Andrew succeeded Michael Wareing as Chair of the Audit Committee on 1 March 2017. Michael remains the Senior Independent Director and a member of the Audit and Remuneration Committees.

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

Main responsibilities of the Committee:

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

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

COMMITTEE MEMBERSHIP AND MEETING ATTENDANCE

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

	Number of meetings held in 2016	
Committee members	**Eligible to attend**	**Attendance**
Sir David Reid (Committee Chair)	4	4
Edward Astle[1]	2	2
Dame Louise Makin	4	4
Michael Wareing	4	4
Mark Williams[2]	1	0

1. Edward Astle stepped down from the Committee on 25 May 2016.
2. Mark Williams missed one meeting due to illness. He passed away on 6 March 2016.

The Group Company Secretary attends all the meetings of the Committee.

THE ACTIVITY OF THE COMMITTEE DURING THE YEAR

The Committee's programme of work for the year was as follows:

- Considered and discussed the results of the external annual review into the effectiveness of the Committee.
- Reviewed and appointed recruitment consultants.
- Reviewed the composition of each Committee and approved the appointment of Michael Wareing as a member of the Remuneration Committee.
- Reviewed the shortlist of candidates for the position of Non-Executive Director.
- Recommended to the Board that Andrew Martin be appointed as a Non-Executive Director to the Board and a member of the Audit Committee with effect from 26 May 2016.

SUCCESSION PLANNING ON THE BOARD

The Committee annually reviews the Board's effectiveness and composition in relation to long-term succession planning, including the review of plans in place for the orderly and progressive refreshing of the Board. In particular, the Committee considers the balance of skills, experience and independence of the Board when considering new appointments and oversees the preparation of a detailed role specification that is provided to an independent search firm to assist in the identification of the right candidates.

At the end of 2015 it was agreed, to ensure the ongoing refreshing of the skills on the Board, to commence a search for a new Non-Executive Director.

The Committee engaged Egon Zehnder, an external search agency with no other connection to the Company, to assist with the selection process and spent time to prepare the role specification. In addition to the specific skills, knowledge and experience deemed necessary, the specification contained criteria such as competency and personal qualities that would be required for this position. The Committee also considered the current balance of skills, knowledge and experience on the Board and whether the candidate would be able to allocate sufficient time to the Company to discharge their responsibilities.

Having reviewed all the profiles presented, Egon Zehnder prepared a long list of candidates, which was reviewed before a shortlist of candidates was drawn up and interviews were held. Following a rigorous selection process, the Committee, having considered the relative merits and fit of each candidate, made a recommendation to the Board, which was accepted, to appoint Andrew Martin as an independent Non-Executive Director with effect from 26 May 2016. His biography is available on page 59. A resolution will be proposed at the forthcoming AGM for his election.

DIVERSITY

As described above it is the Company's policy, in line with the Codes, that proposed appointments to the Board, and succession planning, are based on merit, judged against objective criteria, whilst also making the best use of differences in culture, gender, skills, background, regional and industry experience and other qualities. All of these factors are considered by the Committee in determining the composition of the Board as outlined on the previous page.

An analysis of the diversity of the senior leadership group and other employees as at 31 December 2016 is set out on pages 47 and 48 respectively.

As at 31 December 2016, Intertek had three female members on the Board of nine (representing 33%).

Whilst the Board's wish is to maintain at least 33% female representation at Board level, in line with the revised recommendation by Lord Davies, the need to ensure the progressive refreshing of the Board to maintain the correct balance of skills, knowledge and experience remains paramount.

Sir David Reid
Chair of the Nomination Committee

INTERTEK INNOVATIONS

UK'S HIGHEST CAPACITY ELECTRIC AND HYBRID VEHICLE DRIVELINE TEST FACILITY

During 2016 Intertek opened the UK's highest capacity electric and hybrid vehicle driveline test facility at Intertek's Milton Keynes test laboratory.

The new state-of-the-art facility at Intertek's automotive engine testing laboratory hosts some of the UK's highest capacity electric vehicle driveline testing equipment, including high capacity battery simulators and the latest exhaust emissions measurement systems in order to support the European automotive industry's continued push into driveline electrification.

This new facility cements Intertek Milton Keynes' position as the European centre of excellence for low carbon and electric vehicle development, which supports the increased demand for electric and hybrid vehicles, tougher rules on air quality emissions and CO_2 reduction in future vehicles.

OTHER STATUTORY INFORMATION

In accordance with the requirements of the Companies Act 2006 ('Act') and the Disclosure Guidance 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:

Sir David Reid	Chairman
André Lacroix	Chief Executive Officer
Edward Leigh	Chief Financial Officer
Edward Astle	Non-Executive Director (stepped down 25 May 2016)
Alan Brown	Non-Executive Director
Dame Louise Makin	Non-Executive Director
Andrew Martin	Non-Executive Director (appointed 26 May 2016)
Gill Rider	Non-Executive Director
Michael Wareing	Senior Independent Non-Executive Director
Mark Williams	Non-Executive Director (passed away 6 March 2016)
Lena Wilson	Non-Executive Director

The biographies of the Directors at the date of this report are set out on pages 58 and 59.

ARTICLES OF ASSOCIATION

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

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

DIRECTORS' INDEMNITIES

The Board believes that it is in the best interests of the Group to attract and retain the services of the most able and experienced Directors by offering competitive terms of engagement, including the granting of indemnities on terms consistent with the applicable statutory provisions. In accordance with the Articles of Association, the Company has executed deed polls of indemnity for the benefit of Directors of the Company.

These provisions which are deemed to be qualifying third-party indemnity provisions (as defined by section 234 of the Act), were in force during the financial year ended 31 December 2016, for the benefit of the Directors and, at the date of this report, remain in force in relation to certain losses and liabilities which they may incur (or have incurred) in connection with their duties, powers or office.

DIRECTORS' INTERESTS

Other than the Directors' Service Agreements or letters of appointment, none of the Directors of the Company had a personal interest in any business transactions of the Company or its subsidiaries. The terms of the Directors' Service Agreements or letters of appointment and the Directors' interests in shares and Share Awards of the Company, in respect of which transactions are notifiable to the Company under Rule 3 of the DTR of the FCA are disclosed in the Remuneration report on pages 65 to 80.

DIRECTORS' POWERS

The Directors are responsible for the strategic management of the Company and their powers to do so are determined by the provisions of the Act and the Company's Articles of Association.

DIVIDEND

The Directors are recommending a final dividend of 43.0p per ordinary share (2015: 35.3p) making a full year dividend of 62.4p per ordinary share (2015: 52.3p) which will, if approved at the AGM, be paid on 2 June 2017 to shareholders on the register at the close of business on 19 May 2017.

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 493,629 shares held by the Intertek Group Employee Share Ownership Trust ('Trust') as at 31 December 2016. 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 holder 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 2016 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.

At the AGM in 2016 the Directors were also 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, at the forthcoming AGM.

In line with guidance issued by the Pre-Emption Group it is the Board's intention to propose an additional special resolution to be passed at the AGM to allow the Company to allot equity securities up to a further 5% of the Company's issued share capital for transactions which the Board determines to be an acquisition or other capital investment, as defined by the Pre-Emption Group's Statement of Principles. In the event that this additional 5% disapplication of pre-emption right is used the Company will outline the reason for its use and the consultation process they have undertaken within six months of the date that it is used.

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 Awards, they will be classed as new issue shares for the purpose of the 10% limit on the number of shares that may be issued over a 10 year period under the relevant share plan rules.

SIGNIFICANT AGREEMENTS – CHANGE OF CONTROL

The Company is not a party to significant agreements which take effect, alter or terminate upon a change of control following a takeover bid apart from a number of credit facilities with banks together with certain senior notes issued by the Company. The total amount owing under such credit facilities and senior note agreements as at 31 December 2016 is shown in note 14 to the financial statements. These agreements contain clauses such that, in the event of a change of control, the Company can offer to or must repay all such borrowings together with accrued interest, fees and other sums owing as required by the individual agreements.

The rules of the Company's incentive plans contain clauses relating to a change of control resulting from a takeover and in such an event awards would vest subject to the satisfaction of any associated performance criteria.

MATERIAL INTERESTS IN SHARES

Up to 28 February 2017, being the latest practicable date before the publication of this report, the following disclosures of major holdings of voting rights have been made (and have not been amended or withdrawn) to the Company pursuant to the requirements of Rule 5 of the DTR of the FCA. There have been no changes since the year-end.

	At the date of notification	
Shareholder	**Number of voting rights**	**% of voting rights**
BlackRock Inc.	11,865,413	7.35
MFS Investment Management	9,547,182	5.92
Mawer Investment Management Ltd	8,110,417	5.03
Marathon Asset Management LLP	8,050,509	4.99

EMPLOYMENT

Information about the Group's employees, employment of disabled persons and employment practices is contained within the Sustainability and CSR report on pages 47 to 49. Information on employee share schemes appears in note 17 to the financial statements.

GREENHOUSE GAS EMISSIONS ('GHG')

Information about the Group's Greenhouse Gas emissions is given in the Sustainability and CSR report on page 50.

POLITICAL DONATIONS

At the AGM in 2016 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 such political donations (2015: £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.

At the forthcoming AGM of the Company, shareholders' approval will again be sought to authorise the Group to make political donations and/or incur political expenditure (as such terms are defined in sections 362 to 379 of the Act). Further information is contained in the Notice of AGM.

BRANCHES

The Company, through various subsidiaries has established branches in a number of different countries in which the business operates. The list of subsidiaries is available on pages 134 to 139.

AUDITOR

The auditor, PricewaterhouseCoopers LLP, have expressed their willingness to continue in office. Upon the recommendation of the Audit Committee, resolutions to reappoint them as auditor and to determine their remuneration will be proposed at the forthcoming AGM.

OTHER STATUTORY INFORMATION
continued

FINANCIAL INSTRUMENTS

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

ANNUAL GENERAL MEETING

The Notice of AGM, which is to be held on 26 May 2017, is available for download from the Company's website at www.intertek.com/investors. The Notice details the business to be conducted at the meeting and includes information concerning the deadlines for submitting proxy forms and in relation to voting rights.

STATEMENT OF DISCLOSURE OF INFORMATION TO AUDITORS

The Directors who held office at the date of approval of this Directors' report confirm that, so far as they are aware, there is no relevant audit information of which the Company's auditor is 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 themselves aware of any relevant audit information and to establish that the Company's auditor is 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 51) which provides an overview of the development and performance of the Company's business during the year ended 31 December 2016 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, including the sections of the Annual Report and Accounts incorporated by reference.

For the purposes of LR 9.8.4C R, the information required to be disclosed by LR 9.8.4 R can be found in the following locations:

Topic	Location
1. Amount of interest capitalised	Not applicable
2. Any information required by LR 9.2.18 R (Publication of unaudited financial information)	Not applicable
3. Details of long-term incentive schemes	Directors' Remuneration report (pages 65 to 80)
4. Waiver of emoluments by a Director	Not applicable
5. Waiver of future emoluments by a Director	Not applicable
6. Non pre-emptive issues of equity for cash	Not applicable
7. Information required by (6) above for any unlisted major subsidiary undertaking of the Company	Not applicable
8. Company participation in a placing by a listed subsidiary	Not applicable
9. Any contracts of significance	Other statutory information (page 89)
10. Any contracts for the provision of services by a controlling shareholder	Not applicable
11. Shareholder waivers of dividends	Other statutory information (page 88)
12. Shareholder waivers of future dividends	Other statutory information (page 88)
13. 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, including FRS 101 Reduced Disclosure Framework.

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Parent Company and of their profit or loss for that period. In preparing each of the Group and Parent Company financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- for the Group financial statements, state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- for the Parent Company financial statements, state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the Parent Company financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the Parent Company will continue in business.

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

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

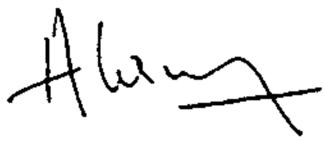
The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

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

Each of the Directors, whose name and functions are listed on pages 58 and 59, 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 2016 Annual Report and Accounts, taken as a whole, is fair, balanced and understandable, and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy.

The Directors' report comprising pages 52 to 93 and the Group Strategic report comprising pages 2 to 51 have been approved by the Board and signed on its behalf by:



André Lacroix
Chief Executive Officer
6 March 2017

Registered Office
33 Cavendish Square
London
W1G 0PS

Registered Number: 04267576

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CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2016	Notes	Adjusted results £m	Separately Disclosed Items* £m	Total 2016 £m	Adjusted results £m	Separately Disclosed Items* £m	Total 2015 £m
Revenue	2	**2,567.0**	**-**	**2,567.0**	2,166.3	–	2,166.3
Operating costs		(2,157.3)	(40.2)	(2,197.5)	(1,822.9)	(626.9)	(2,449.8)
Group operating profit/(loss)	2	**409.7**	**(40.2)**	**369.5**	343.4	(626.9)	(283.5)
Finance income	14	0.9	–	0.9	1.0	–	1.0
Finance expense	14	(23.3)	–	(23.3)	(25.2)	–	(25.2)
Net financing costs		**(22.4)**	**-**	**(22.4)**	(24.2)	–	(24.2)
Profit/(loss) before income tax		387.3	(40.2)	347.1	319.2	(626.9)	(307.7)
Income tax expense	6	(98.0)	22.5	(75.5)	(77.5)	38.2	(39.3)
Profit/(loss) for the year	2	**289.3**	**(17.7)**	**271.6**	241.7	(588.7)	(347.0)
Attributable to:							
Equity holders of the Company		272.7	(17.7)	255.0	228.2	(588.7)	(360.5)
Non-controlling interest	20	16.6	–	16.6	13.5	–	13.5
Profit/(loss) for the year		**289.3**	**(17.7)**	**271.6**	241.7	(588.7)	(347.0)
Earnings per share**							
Basic	7			**158.5p**			(224.2)p
Diluted	7			**156.8p**			(224.2)p

* See note 3.
** Earnings per share on the adjusted results is disclosed in note 7.

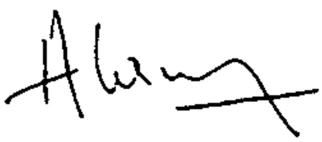
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2016	Notes	2016 £m	2015 £m
Profit/(loss) for the year	2	**271.6**	(347.0)
Other comprehensive income			
Remeasurements on defined benefit pension schemes	16	(5.2)	(2.2)
Income tax recognised in other comprehensive income	6	–	–
Items that will never be reclassified to profit or loss		**(5.2)**	(2.2)
Foreign exchange translation differences of foreign operations	14	279.5	2.0
Net exchange loss on hedges of net investments in foreign operations	14	(194.1)	(33.1)
Gain/(loss) on fair value of cash flow hedges		14.3	–
Tax on items that are or may be reclassified subsequently to profit or loss	6	2.8	3.0
Items that are or may be reclassified subsequently to profit or loss		**102.5**	(28.1)
Total other comprehensive expense for the year		**97.3**	(30.3)
Total comprehensive income/(expense) for the year		**368.9**	(377.3)
Total comprehensive income/(expense) for the year attributable to:			
Equity holders of the Company		347.2	(391.8)
Non-controlling interest	20	21.7	14.5
Total comprehensive income/(expense) for the year		**368.9**	(377.3)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2016	Notes	2016 £m	Restated 2015 £m
Assets			
Property, plant and equipment	8	443.3	365.3
Goodwill	9	586.1	471.1
Other intangible assets	9	198.8	160.4
Investments in associates		0.3	0.3
Deferred tax assets	6	48.3	42.7
Total non-current assets		**1,276.8**	1,039.8
Inventories		19.1	16.1
Trade and other receivables	11	651.8	583.5
Cash and cash equivalents	14	175.6	141.1
Current tax receivable		23.0	15.6
Total current assets		**869.5**	756.3
Total assets		**2,146.3**	1,796.1
Liabilities			
Interest bearing loans and borrowings	14	(103.4)	(121.8)
Current taxes payable		(55.8)	(52.6)
Trade and other payables	12	(406.8)	(356.6)
Provisions	13	(34.0)	(30.7)
Total current liabilities		**(600.0)**	(561.7)
Interest bearing loans and borrowings	14	(815.9)	(794.7)
Deferred tax liabilities	6	(48.7)	(51.7)
Net pension liabilities	16	(31.8)	(26.9)
Other payables	12	(33.7)	(17.3)
Provisions	13	(13.8)	(4.4)
Total non-current liabilities		**(943.9)**	(895.0)
Total liabilities		**(1,543.9)**	(1,456.7)
Net assets		**602.4**	339.4
Equity			
Share capital	15	1.6	1.6
Share premium		257.8	257.8
Other reserves		35.3	(58.0)
Retained earnings		273.0	110.2
Total equity attributable to equity holders of the Company		**567.7**	311.6
Non-controlling interest	20	34.7	27.8
Total equity		**602.4**	339.4

The financial statements on pages 93 to 139 were approved by the Board on 6 March 2017 and were signed on its behalf by:



André Lacroix
Chief Executive Officer

Edward Leigh
Chief Financial Officer

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2016	Notes	Share capital £m	Share premium £m	Translation reserve £m	Other £m	Retained earnings £m	Total before non-controlling interest £m	Non-controlling interest £m	Total equity £m
		Attributable to equity holders of the Company		Other reserves					
At 1 January 2015		1.6	257.8	(32.3)	6.4	547.1	780.6	26.1	806.7
Total comprehensive income for the year									
(Loss)/profit		–	–	–	–	(360.5)	(360.5)	13.5	(347.0)
Other comprehensive income		–	–	(32.1)	–	0.8	(31.3)	1.0	(30.3)
Total comprehensive income for the year		–	–	(32.1)	–	(359.7)	(391.8)	14.5	(377.3)
Transactions with owners of the company recognised directly in equity									
Contributions by and distributions to the owners of the company									
Dividends paid	15	–	–	–	–	(80.7)	(80.7)	(13.3)	(94.0)
Adjustment arising from changes in non-controlling interest	20	–	–	–	–	(0.7)	(0.7)	0.5	(0.2)
Purchase of own shares	15	–	–	–	–	(5.2)	(5.2)	–	(5.2)
Tax paid on Share Awards vested*	17	–	–	–	–	(3.0)	(3.0)	–	(3.0)
Equity-settled transactions	17	–	–	–	–	12.9	12.9	–	12.9
Income tax on equity-settled transactions	6	–	–	–	–	(0.5)	(0.5)	–	(0.5)
Total contributions by and distributions to the owners of the company		–	–	–	–	(77.2)	(77.2)	(12.8)	(90.0)
At 31 December 2015		1.6	257.8	(64.4)	6.4	110.2	311.6	27.8	339.4
At 1 January 2016		**1.6**	**257.8**	**(64.4)**	**6.4**	**110.2**	**311.6**	**27.8**	**339.4**
Total comprehensive income for the year									
Profit		–	–	–	–	255.0	255.0	16.6	271.6
Other comprehensive income		–	–	79.0	14.3	(1.1)	92.2	5.1	97.3
Total comprehensive income for the year		**–**	**–**	**79.0**	**14.3**	**253.9**	**347.2**	**21.7**	**368.9**
Transactions with owners of the company recognised directly in equity									
Contributions by and distributions to the owners of the company									
Dividends paid	15	–	–	–	–	(88.0)	(88.0)	(16.3)	(104.3)
Adjustment arising from changes in non-controlling interest	20	–	–	–	–	–	–	1.5	1.5
Put option liability over non-controlling interest	10	–	–	–	–	(8.6)	(8.6)	–	(8.6)
Issue of share capital	15	–	–	–	–	–	–	–	–
Purchase of own shares	15	–	–	–	–	(6.4)	(6.4)	–	(6.4)
Tax paid on Share Awards vested*	17	–	–	–	–	(5.2)	(5.2)	–	(5.2)
Equity-settled transactions	17	–	–	–	–	16.6	16.6	–	16.6
Income tax on equity-settled transactions	6	–	–	–	–	0.5	0.5	–	0.5
Total contributions by and distributions to the owners of the company		**–**	**–**	**–**	**–**	**(91.1)**	**(91.1)**	**(14.8)**	**(105.9)**
At 31 December 2016		**1.6**	**257.8**	**14.6**	**20.7**	**273.0**	**567.7**	**34.7**	**602.4**

* The tax paid on share awards vested is related to settlement of the tax obligation on behalf of employees by the Group via the sale of a portion of the equity-settled shares.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2016	Notes	2016 £m	2015 £m
Cash flows from operating activities			
Profit/(loss) for the year	2	**271.6**	(347.0)
Adjustments for:			
Depreciation charge	8	76.4	75.1
Amortisation of software	9	13.1	10.1
Amortisation of acquisition intangibles	9	14.0	21.4
Impairment of goodwill and other assets	8,9	–	589.4
Equity-settled transactions	17	16.6	12.9
Net financing costs	14	22.4	24.2
Income tax expense	6	75.5	39.3
(Profit)/loss on disposal of Subsidiary		(0.4)	–
Loss/(profit) on disposal of Associate		2.4	–
(Profit)/loss on disposal of property, plant, equipment and software		(0.1)	0.2
Operating cash flows before changes in working capital and operating provisions		**491.5**	425.6
Change in inventories		–	(1.0)
Change in trade and other receivables		28.8	(10.8)
Change in trade and other payables		21.9	24.9
Change in provisions		4.0	6.4
Special contributions into pension schemes	16	(2.8)	(2.8)
Cash generated from operations		**543.4**	442.3
Interest and other finance expense paid		(29.7)	(26.4)
Income taxes paid		(94.1)	(70.8)
Net cash flows generated from operating activities		**419.6**	345.1
Cash flows from investing activities			
Proceeds from sale of property, plant, equipment and software		3.0	1.3
Interest received		1.0	1.0
Acquisition of subsidiaries, net of cash acquired	10	(34.8)	(231.3)
Consideration paid in respect of prior year acquisitions	13	(2.0)	–
Purchase of non-controlling interest	20	–	(0.3)
Sale/(Purchase) of Subsidiary		2.0	–
(Purchase)/Sale of associate		(3.4)	1.1
Acquisition of property, plant, equipment and software	8,9	(105.5)	(112.2)
Net cash flows used in investing activities		**(139.7)**	(340.4)
Cash flows from financing activities			
Purchase of own shares	15	(6.4)	(5.2)
Tax paid on share awards vested		(5.2)	(3.0)
Drawdown of borrowings		0.2	169.0
Repayment of borrowings		(170.5)	(63.5)
Dividends paid to non-controlling interest	20	(16.3)	(13.3)
Equity dividends paid	15	(88.0)	(80.7)
Net cash flow used in financing activities		**(286.2)**	3.3
Net (decrease)/increase in cash and cash equivalents	14	(6.3)	8.0
Cash and cash equivalents at 1 January	14	116.0	119.5
Exchange adjustments	14	49.1	(11.5)
Cash and cash equivalents at 31 December	14	**158.8**	116.0

The notes on pages 98 to 139 are an integral part of these consolidated financial statements.

Cash outflow relating to Separately Disclosed Items was £21.9m for year ended 31 December 2016 (2015: £23.4m).

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 2016 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 140 to 144.

IFRSs announced but not yet effective

The following IFRSs have been announced, but are not yet effective, in the preparation of these financial statements. Their adoption is not expected to have a material effect on the financial statements, unless otherwise indicated. Certain of these standards and interpretations will, when adopted, require addition to, or amendment of, disclosures in the accounts.

IFRS 15 Revenue from contracts with customers (effective 1 January 2018) – management has completed its initial analysis of this standard and to date its adoption is not expected to have material impact on the timing of revenue recognition based on the Group's current revenue streams. However, the impact of adopting this standard cannot be reliably estimated until this work is complete and is expected to primarily affect the revenue recognised on long-term projects where time incurred is billed at agreed rates on a periodic basis, or staged payment invoicing occurs, requiring an assessment of percentage completion.

IFRS 16 Leases (not yet endorsed by the EU, effective 1 January 2019) – IFRS 16 requires lessees to recognise a lease liability reflecting future lease payments and a right-of-use asset for lease contracts, subject to limited exceptions for short-term leases and leases of low value assets. The quantitative impact of IFRS 16 on the Group's net assets and results is in the process of being assessed, and management has collated its initial data set to determine the impact on the Group. IFRS 16 is expected to have a material impact on the balance sheet as both assets and liabilities will increase, and is also expected to have a material impact on key components within the income statement, as operating lease rental charges will be replaced by depreciation and finance costs. Please refer to Note 8 to the financial statements which gives an indication of the Group's total operating lease commitments. IFRS 16 will not have any impact on the underlying commercial performance of the Group nor the cash flows generated in the year.

IFRS 9 Financial Instruments (effective 1 January 2018) – whilst management has performed an initial review, the potential impact of this new standard will be quantified closer to the date of adoption.

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 2016, but do not have a significant effect on the consolidated financial statements of the Group.

Revision of disclosure

Following an agenda decision by the IFRS Interpretations Committee in March 2016 regarding offsetting and cash pool arrangements, the Group has revised the disclosure of its cash pooling arrangements in the comparative balance sheet at 31 December 2015.

This revision has had the effect of increasing both cash and cash equivalents and interest bearing loans and borrowings by £25.1m at 31 December 2015. There is no change to the results or cash flows for the period to 31 December 2015. The impact at 1 January 2015 amounted to £42.9m.

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.

1 Significant accounting policies (continued)

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.

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 2016**	**31 Dec 2015**	**2016**	**2015**
US dollar	**1.22**	1.48	**1.35**	1.53
Euro	**1.17**	1.36	**1.23**	1.38
Chinese renminbi	**8.51**	9.61	**8.98**	9.62
Hong Kong dollar	**9.49**	11.48	**10.52**	11.87
Australian dollar	**1.70**	2.03	**1.83**	2.04

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 and deferred 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. 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. The main areas of judgement in the Group tax calculation are the tax provisions for the full year and the recognition of the UK deferred tax asset; see note 6.

Basis of consolidation

Judgement is applied when determining if the Group controls a subsidiary. In assessing control, the Group considers whether it has power over the investee to affect the amount of investor returns; see above 'Basis of consolidation' policy.

NOTES TO THE FINANCIAL STATEMENTS
continued

1 Significant accounting policies (continued)

Intangible assets
When the Group makes an acquisition, management determines whether any intangible assets should be recognised separately from goodwill, and the amounts at which to recognise those assets; see note 9.

Restructuring
In making a provision and classifying costs as restructuring, management has used its judgement to assess the specific circumstances of each local and regional restructuring proposal, including an estimate of future costs and timing of completion.

Put option over non-controlling interest
The calculation of the fair value of put options over the non-controlling interest in the Group's businesses in the relevant countries required the use of judgement in the application of key assumptions around the future performance of those businesses; the risk adjusted discount rate taking into account the risk free rate and the gross domestic product growth in those countries.

ESTIMATES
Discussed below are key assumptions concerning the future, and other key sources of estimation at the reporting date, that could 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.

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.

2 Operating segments and presentation of results (continued)

Revenue (continued)

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.

Since 1 January 2016, following the change in Group strategy, the approach to reporting and performance management that the CEO uses to make decisions about operating matters has changed from the previous five divisions to the three divisions set out below. The segment information for earlier periods has been restated to conform to these changes. The changes have been made as the business lines within the new divisions demonstrate similar mid- to long-term structural growth drivers.

As part of this change the former Consumer Goods, Commercial & Electrical and Chemicals & Pharmaceuticals divisions have been mostly aggregated into the Products division; the former Commodities division has primarily moved to the Trade division and the former Industry & Assurance division has primarily moved to Resources. Certain business lines within those former segments have also been reallocated to better align to the structural growth drivers of each division. This has had a consequential effect on the allocation of goodwill to CGUs (see note 9).

The costs of the corporate head office and other costs which are not controlled by the three 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.

The principal activities of the divisions, and the customers they serve, are as follows:

Products – Our Products-related division consists of business lines that are focused on ensuring the quality and safety of physical components and products, as well minimising risk through assessing the operating process and quality management systems of our customers.

As a trusted partner to the world's leading retailers, manufacturers and distributors, our Products business lines support a wide range of industries including textiles, footwear, toys, hardlines, home appliances, consumer electronics, information and communication technology, automotive, aerospace, lighting, building products, industrial and renewable energy products, food and hospitality, healthcare and beauty, and pharmaceuticals.

Across these industries we provide a wide range of ATIC services including laboratory safety, quality and performance testing, second-party supplier auditing, sustainability analysis, products assurance, vendor compliance, process performance analysis, facility plant & equipment verification and 3rd party certification.

Trade – Our Trade division consists of three Global business lines with differing services and customers, but similar mid- to long-term structural growth drivers:

Our Cargo & Analytical Assessment ('Cargo/AA') business provides cargo inspection, analytical assessment, calibration and related research and technical services to the world's petroleum and biofuels industries.

Our Government & Trade Services ('GTS') business provides inspection services to governments and regulatory bodies to support trade activities that help the flow of goods across borders, predominantly in the Middle East, Africa and South America.

Our Agriculture business provides analytical and testing services to global agricultural trading companies and growers.

Resources – Our Resources division consists of two business lines with differing services and customers:

Our Industry Services business uses in-depth knowledge of the oil, gas, nuclear and power industries to provide a diverse range of Total Quality Assurance solutions to optimise the use of customers' assets and minimise the risk in their supply chains. Some of our key services include technical inspection, asset integrity management, analytical testing, and ongoing training services.

Our Minerals business provides a broad range of ATIC service solutions to the mining and minerals exploration industries, covering the resource supply chain.

NOTES TO THE FINANCIAL STATEMENTS
continued

2 Operating segments and presentation of results (continued)

The results of these divisions for the year ended 31 December 2016 are shown below:

Year ended 31 December 2016

	Revenue from external customers £m	Depreciation and software amortisation* £m	Adjusted operating profit £m	Separately Disclosed Items £m	Operating profit £m
Products	1,465.5	(56.6)	297.7	(16.7)	281.0
Trade	584.5	(18.6)	81.8	(6.4)	75.4
Resources	517.0	(13.8)	30.2	(17.1)	13.1
Total	**2,567.0**	**(89.0)**	**409.7**	**(40.2)**	**369.5**
Group operating profit			**409.7**	**(40.2)**	**369.5**
Net financing costs			(22.4)	–	(22.4)
Profit before income tax			**387.3**	**(40.2)**	**347.1**
Income tax expense			(98.0)	22.5	(75.5)
Profit for the year			**289.3**	**(17.7)**	**271.6**

* Depreciation and software amortisation of £89.5m includes unallocated charges of £0.5m.

Year ended 31 December 2015

	Revenue from external customers £m	Depreciation and software amortisation* £m	Adjusted operating profit £m	Separately Disclosed Items £m	Operating profit/(loss) £m
Products	1,110.6	(45.4)	233.8	(20.4)	213.4
Trade	536.6	(17.4)	75.7	(5.1)	70.6
Resources	519.1	(13.2)	33.9	(601.4)	(567.5)
Total	2,166.3	(76.0)	343.4	(626.9)	(283.5)
Group operating profit			343.4	(626.9)	(283.5)
Net financing costs			(24.2)	–	(24.2)
Profit before income tax			319.2	(626.9)	(307.7)
Income tax expense			(77.5)	38.2	(39.3)
Profit for the year			241.7	(588.7)	(347.0)

* Depreciation and software amortisation in 2015 of £85.2m includes unallocated charges of £9.2m.

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; the United States, China (including Hong Kong) and the United Kingdom.

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	
	2016 £m	2015 £m	2016 £m	2015 £m
United States	836.1	609.1	648.5	552.8
China (including Hong Kong)	485.0	422.6	61.5	51.0
United Kingdom	173.7	171.7	105.1	131.9
Other countries and unallocated	1,072.2	962.9	413.5	304.1
Total	**2,567.0**	2,166.3	**1,228.6**	1,039.8

MAJOR CUSTOMERS

No revenue from any individual customer exceeded 10% of total Group revenue in 2015 or 2016.

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; material claims and settlements; significant recycling of amounts from equity to the income statement; and unrealised gains/losses on financial assets/liabilities.

Adjusted operating profit excludes the amortisation of acquired intangible assets, primarily customer relationships, as we do not believe that the amortisation charge in the Consolidated Income Statement provides useful information about the cash costs of running our business, as these assets will be supported and maintained by ongoing marketing and promotional expenditure, which is already reflected in operating costs. Amortisation of software, however, is included in adjusted operating profit as it is similar in nature to other capital expenditure. The costs of any restructuring are excluded from adjusted operating profit where they represent fundamental changes in individual operations around the Group, and are not expected to recur in those operations.

SEPARATELY DISCLOSED ITEMS

The Separately Disclosed Items are described in the table below:

		2016 £m	2015 £m
Operating costs:			
Amortisation of acquisition intangibles	(a)	(14.0)	(21.4)
Acquisition costs	(b)	(2.8)	(5.8)
Restructuring costs	(c)	(21.4)	(6.7)
Loss on disposal of businesses	(d)	(2.0)	–
Impairment of goodwill and other assets	(e)	–	(589.4)
Material claims and settlements	(f)	–	(3.6)
Total operating costs		**(40.2)**	(626.9)
Net financing costs		–	–
Total before income tax		**(40.2)**	(626.9)
Income tax credit on Separately Disclosed Items		22.5	38.2
Total		**(17.7)**	(588.7)

(a) Of the amortisation of acquisition intangibles in the current year, £3.9m (2015: £13.4m) relates to the customer contracts and customer relationships acquired with the purchase of Moody International Limited ('Moody') in 2011, and £5.0m (2015: £0.4m) relates to the customer relationships acquired with the purchase of PSI Group in 2015.

(b) Acquisition costs comprise £2.5m (2015: £5.2m) for transaction costs in respect of current year acquisitions, and £0.3m in respect of prior years' acquisitions (2015: £0.6m).

(c) During the year, the Group has implemented various fundamental restructuring activities, consistent with the new Company structure and 5x5 strategy. These activities included site consolidations, closure of non-core business units, re-engineering of underperforming businesses and the delayering of management structures.

(d) Three small non-core businesses were disposed of in 2016.

(e) In 2015, £589.4m of impairment of goodwill and other assets comprised £577.3m for the Industry Services CGU and £12.1m in respect of computer software.

(f) Material claims and settlements relate to a commercial claim that is separately disclosable due to its nature.

NOTES TO THE FINANCIAL STATEMENTS continued

4 Expenses and auditor's remuneration

An analysis of operating costs by nature is outlined below:

	2016 £m	2015 £m
Employee costs	1,140.6	956.2
Depreciation and software amortisation	89.5	85.2
Impairment of goodwill and other assets	–	589.4
Other expenses	967.4	819.0
Total	**2,197.5**	2,449.8

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

	2016 £m	2015 £m
Included in profit for the year are the following expenses:		
Property rentals	76.6	65.6
Lease and hire charges – fixtures, fittings and equipment	21.2	17.1
(Profit)/loss on disposal of property, fixtures, fittings, equipment and software	(0.1)	0.2

	2016 £m	2015 £m
Auditor's remuneration:		
Audit of these financial statements	0.5	0.5
Amounts receivable by the auditors and their associates in respect of:		
Audit of financial statements of subsidiaries pursuant to legislation	2.6	2.0
Total audit fees payable pursuant to legislation	3.1	2.5
Audit-related services	0.1	–
Taxation compliance services	0.1	0.3
Taxation advisory services	–	0.1
Other	–	0.2
Total	**3.3**	3.1

5 Employees

Total employee costs are shown below:

Employee costs	2016 £m	2015 £m
Wages and salaries	971.9	814.3
Equity-settled transactions	15.2	12.9
Social security costs	108.3	89.4
Pension costs (note 16)	45.2	39.6
Total employee costs	**1,140.6**	956.2

Details of pension arrangements and equity-settled transactions are set out in notes 16 and 17 respectively.

Average number of employees by division	2016	2015
Products	22,427	19,712
Trade	9,468	9,269
Resources	7,598	7,836
Central	2,078	2,118
Total average number for the year ended 31 December	**41,571**	38,935
Total actual number at 31 December	**42,452**	41,434

The total remuneration of the Directors is shown below:

Directors' emoluments	2016 £m	2015 £m
Directors' remuneration	7.3	4.6
Amounts charged under the long-term incentive scheme	0.1	–
Company contributions to the defined contribution schemes	–	0.2
Total Directors' emoluments	**7.4**	4.8

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:

- recognition of consolidated 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.

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 ended 31 December 2016 is £75.5m (2015: £39.3m). The Group's consolidated effective tax rate for the year ended 31 December 2016 is 21.8% (2015: 12.8%).

The income tax expense for the adjusted profit before tax for the year ended 31 December 2016 is £98.0m (2015: £77.5m). The Group's adjusted consolidated effective tax rate for the 12 months ended 31 December 2016 is 25.3% (2015: 24.3%).

Differences between the consolidated effective tax rate of 21.8% and notional statutory UK rate of 20.0% 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 28.0% (2015: 26.7%). The Group's tax rate is affected by its financing arrangements that are in place to fund business operations in overseas territories. There is no guarantee that these reduced rates will continue to be applicable in future years (see note 22).

NOTES TO THE FINANCIAL STATEMENTS
continued

6 Taxation (continued)

Tax charge

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

	2016 £m	2015 £m
Current tax charge for the period	86.4	72.6
Adjustments relating to prior year liabilities	(0.3)	(2.6)
Current tax	86.1	70.0
Deferred tax movement related to current year	(0.9)	(35.1)
Deferred tax movement related to prior year	(9.7)	4.4
Deferred tax movement	(10.6)	(30.7)
Total tax in income statement	**75.5**	39.3
Tax on adjusted result	98.0	77.5
Tax on Separately Disclosed Items	(22.5)	(38.2)
Total tax in income statement	**75.5**	39.3

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.

	2016 £m	2015 £m
Profit/(loss) before taxation	**347.1**	(307.7)
Notional tax charge at UK standard rate 20.0% (2015: 20.25%)	69.4	(62.3)
Differences in overseas tax rates	11.0	(2.6)
Tax on dividends	10.1	7.0
Non-deductible expenses	4.7	3.5
Tax exempt income	(5.6)	(3.9)
Impairment losses with no tax effect	–	97.3
Movement in unrecognised deferred tax	(1.7)	0.5
Adjustments in respect of prior years	(10.1)	1.8
Other*	(2.3)	(2.0)
Total tax in income statement	**75.5**	39.3

*The Other category contains R&D tax credits £0.9m (2015: £0.9m).

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

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 2016 £m	Tax credit 2016 £m	Net of tax 2016 £m	Before tax 2015 £m	Tax credit 2015 £m	Net of tax 2015 £m
Foreign exchange translation differences of foreign operations	279.5	–	279.5	2.0	–	2.0
Net exchange (loss)/gain on hedges of net investments in foreign operations	(194.1)	–	(194.1)	(33.1)	–	(33.1)
Gain on fair value of cash flow hedges	14.3	–	14.3	–	–	–
Remeasurements on defined benefit pension schemes	(5.2)	–	(5.2)	(2.2)	–	(2.2)
Deferred tax assets recognised in other comprehensive income	–	2.8	2.8	–	3.0	3.0
Total other comprehensive income for the year	**94.5**	**2.8**	**97.3**	(33.3)	3.0	(30.3)

6 Taxation (continued)

Income tax recognised directly in equity

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

	Before tax 2016 £m	Tax credit 2017 £m	Net of tax 2016 £m	Before tax 2015 £m	Tax charge 2015 £m	Net of tax 2015 £m
Equity-settled transactions	**16.6**	**0.5**	**17.1**	12.9	(0.5)	12.4

DEFERRED TAX

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets 2016 £m	Assets 2015 £m	Liabilities 2016 £m	Liabilities 2015 £m	Net 2016 £m	Net 2015 £m
Intangible assets	0.8	0.4	(72.0)	(67.6)	(71.2)	(67.2)
Property, fixtures, fittings and equipment	9.9	19.1	(15.3)	(5.6)	(5.4)	13.5
Pensions	1.4	1.3	–	–	1.4	1.3
Equity-settled transactions	6.0	4.3	–	–	6.0	4.3
Provisions and other temporary differences	46.5	29.2	(2.6)	(1.9)	43.9	27.3
Tax value of losses	24.9	11.8	–	–	24.9	11.8
Total	**89.5**	66.1	**(89.9)**	(75.1)	**(0.4)**	(9.0)
As shown on balance sheet:						
Deferred tax assets*					48.3	42.7
Deferred tax liabilities*					(48.7)	(51.7)
Total					**(0.4)**	(9.0)

* 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 £41.1m, but the net liability of £0.4m is the same in both cases.

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 2016 £m	Exchange adjustments £m	Acquisitions £m	Recognised in income statement £m	Recognised in equity and OCI £m	31 December 2016 £m
Intangible assets	(67.2)	(12.1)	(2.7)	10.8	–	(71.2)
Property, fixtures, fittings and equipment	13.5	(3.1)	–	(15.8)	–	(5.4)
Pensions	1.3	–	–	0.4	(0.3)	1.4
Equity-settled transactions	4.3	–	–	1.0	0.7	6.0
Provisions and other temporary differences	27.3	6.6	5.0	5.0	–	43.9
Tax value of losses	11.8	2.6	–	9.2	1.3	24.9
Total	(9.0)	(6.0)	2.3	10.6	1.7	**(0.4)**

	1 January 2015 £m	Exchange adjustments £m	Acquisitions £m	Recognised in income statement £m	Recognised in equity and OCI £m	31 December 2015 £m
Intangible assets	(50.6)	(3.0)	(26.2)	12.6	–	(67.2)
Property, fixtures, fittings and equipment	2.4	(0.7)	–	11.8	–	13.5
Pensions	1.0	–	–	0.3	–	1.3
Equity-settled transactions	4.6	0.1	–	(0.8)	0.4	4.3
Provisions and other temporary differences	28.5	0.6	–	(1.8)	–	27.3
Tax value of losses	3.5	(0.3)	–	8.6	–	11.8
Total	(10.6)	(3.3)	(26.2)	30.7	0.4	(9.0)

NOTES TO THE FINANCIAL STATEMENTS
continued

6 Taxation (continued)

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:

	2016 £m	2015 £m
Property, fixtures, fittings and equipment	46.6	46.4
Pensions	23.9	18.4
Intangibles	24.6	22.8
Equity-settled transactions	–	–
Provisions and other temporary differences	15.0	12.1
Tax losses	77.8	71.9
Total	**187.9**	171.6

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 £296.2m (2015: £206.1m) which relates to unremitted post-acquisition overseas earnings. No deferred tax is provided on this amount as the distribution of these retained earnings is under the control of the Group and there is no intention to either repatriate from, or sell, the associated subsidiaries in the foreseeable future.

7 Earnings per ordinary share

The calculation of earnings per ordinary share is based on profit attributable to ordinary shareholders of the Company and the weighted average number of ordinary shares in issue during the year. Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares in issue on the assumption of conversion of all potentially dilutive ordinary shares. Potential ordinary shares shall be treated as dilutive when, and only when, their conversion to ordinary shares would decrease earnings per share or increase loss per share from continuing operations. Basic loss per share in 2015 is therefore equal to diluted loss per share.

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

	2016 £m	2015 £m
Profit/(loss) attributable to ordinary shareholders	255.0	(360.5)
Separately Disclosed Items after tax (note 3)	17.7	588.7
Adjusted earnings	**272.7**	228.2
Number of shares (millions)		
Basic weighted average number of ordinary shares	160.9	160.8
Potentially dilutive share awards	1.7	1.4
Diluted weighted average number of shares	**162.6**	162.2
Basic earnings/(loss) per share	**158.5p**	(224.2)p
Potentially dilutive share awards	(1.7)p	–
Diluted earnings/(loss) per share	**156.8p**	(224.2)p
Adjusted basic earnings per share	169.5p	141.9p
Potentially dilutive share awards	(1.8)p	(1.2)p
Adjusted diluted earnings per share	**167.7p**	140.7p

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.

NOTES TO THE FINANCIAL STATEMENTS
continued

8 Property, plant and equipment (continued)

PROPERTY, PLANT AND EQUIPMENT

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

	Land and buildings £m	Fixtures, fittings, plant and equipment £m	Total £m
Cost			
At 1 January 2015	70.7	766.8	837.5
Exchange adjustments	3.2	(7.2)	(4.0)
Additions	2.1	93.3	95.4
Disposals	(0.4)	(14.6)	(15.0)
Businesses acquired (note 10)	6.8	13.9	20.7
At 31 December 2015	82.4	852.2	934.6
Depreciation			
At 1 January 2015	16.3	457.9	474.2
Exchange adjustments	0.5	(2.6)	(2.1)
Charge for the year	2.8	72.3	75.1
Impairments (note 9)	1.3	34.3	35.6
Disposals	(0.1)	(13.4)	(13.5)
At 31 December 2015	20.8	548.5	569.3
Net book value at 31 December 2015	61.6	303.7	365.3
Cost			
At 1 January 2016	82.4	852.2	934.6
Exchange adjustments	15.6	158.8	174.4
Additions	0.1	85.9	86.0
Disposals	(0.6)	(20.6)	(21.2)
Businesses acquired (note 10)	0.8	3.3	4.1
At 31 December 2016	**98.3**	**1,079.6**	**1,177.9**
Depreciation			
At 1 January 2016	20.8	548.5	569.3
Exchange adjustments	5.4	101.8	107.2
Charge for the year	3.5	72.9	76.4
Disposals	(0.2)	(18.1)	(18.3)
At 31 December 2016	**29.5**	**705.1**	**734.6**
Net book value at 31 December 2016	**68.8**	**374.5**	**443.3**

Fixtures, fittings, plant and equipment include assets in the course of construction of £26.9m at 31 December 2016 (2015: £34.9m), 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:

	2016 £m	2015 £m
Freehold	62.7	55.5
Long leasehold	2.4	2.3
Short leasehold	3.7	3.8
Total	**68.8**	61.6

8 Property, plant and equipment (continued)

Commitments

Operating lease payments

Payments made under operating leases are recognised in the income statement on a straight-line basis over the 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 2016 £m	Other 2016 £m	Total 2016 £m	Land and buildings 2015 £m	Other 2015 £m	Total 2015 £m
Within one year	65.2	6.1	71.3	51.5	5.0	56.5
In the second to fifth years inclusive	119.9	8.1	128.0	84.5	5.0	89.5
Over five years	74.0	0.8	74.8	62.6	–	62.6
Total	**259.1**	**15.0**	**274.1**	198.6	10.0	208.6

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

Contracts for capital expenditure which are not provided in the financial statements amounted to £4.6m (2015: £4.4m).

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.

NOTES TO THE FINANCIAL STATEMENTS
continued

9 Goodwill and other intangible assets (continued)

Other intangible assets

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

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

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

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

Impairment

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

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

Any impairment is recognised in the income statement. Impairment is determined for goodwill by assessing the recoverable amount of each asset or group of assets, i.e. cash generating unit, to which the goodwill relates. A CGU represents an asset grouping at the lowest level for which there are separately identifiable cash flows.

The recoverable amount of an asset or a CGU is the greater of its fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. The estimation process is complex due to the inherent risks and uncertainties and if different estimates were used this could materially change the projected value of the cash flows. An impairment loss in respect of goodwill is not reversed.

9 Goodwill and other intangible assets (continued)

INTANGIBLES

The intangibles employed by the business are analysed below:

		Other intangible assets				
	Goodwill £m	Customer relationships £m	Licences £m	Other acquisition intangibles £m	Computer software £m	Total £m
Cost						
At 1 January 2015	792.8	232.3	8.1	17.1	103.0	360.5
Exchange adjustments	14.6	3.7	0.2	0.4	4.9	9.2
Additions	–	–	–	–	16.8	16.8
Disposals	–	–	–	–	(0.1)	(0.1)
Businesses acquired (note 10)	157.9	59.8	–	5.7	1.4	66.9
At 31 December 2015	965.3	295.8	8.3	23.2	126.0	453.3
Amortisation and impairment losses						
At 1 January 2015	12.9	124.0	7.7	16.2	37.7	185.6
Exchange adjustments	(0.1)	1.4	0.2	0.4	1.5	3.5
Charge for the year	–	21.1	0.2	0.1	10.1	31.5
Disposals	–	–	–	–	(0.1)	(0.1)
Impairment	481.4	60.3	–	–	12.1	72.4
At 31 December 2015	494.2	206.8	8.1	16.7	61.3	292.9
Net book value at 31 December 2015	471.1	89.0	0.2	6.5	64.7	160.4
Cost						
At 1 January 2016	965.3	295.8	8.3	23.2	126.0	453.3
Exchange adjustments	144.0	44.9	1.1	(4.3)	22.5	64.2
Additions	–	–	–	–	19.5	19.5
Disposal	–	(0.4)	–	–	(0.5)	(0.9)
Businesses acquired (note 10)	29.3	10.8	–	–	–	10.8
At 31 December 2016	**1,138.6**	**351.1**	**9.4**	**18.9**	**167.5**	**546.9**
Amortisation and impairment losses						
At 1 January 2016	494.2	206.8	8.1	16.7	61.3	292.9
Exchange adjustments	58.3	18.3	1.1	1.4	7.5	28.3
Charge for the year	–	13.5	0.2	0.3	13.1	27.1
Disposal	–	(0.3)	–	–	(0.5)	(0.8)
Impairment	–	–	–	–	0.6	0.6
At 31 December 2016	**552.5**	**238.3**	**9.4**	**18.4**	**82.0**	**348.1**
Net book value at 31 December 2016	**586.1**	**112.8**	–	**0.5**	**85.5**	**198.8**

Other intangible assets

The other acquisition intangibles of £0.5m (2015: £6.5m) consist of covenants not to compete and know-how. The average remaining amortisation period for customer relationships is seven years (2015: seven years).

Computer software net book value of £85.5m at 31 December 2016 (2015: £64.7m) includes software in construction of £32.0m (2015: £30.5m).

Goodwill

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

	2016 £m	2015 £m
Products	15.0	141.3
Trade	14.3	–
Resources	–	16.6
At 31 December	**29.3**	157.9

NOTES TO THE FINANCIAL STATEMENTS
continued

9 Goodwill and other intangible assets (continued)

The total carrying amount of goodwill by operating segment is as follows, which is also used for the assessment of the Group's impairment review. Following the change in Group strategy described in Note 2, where the former Consumer Goods, Commercial & Electrical and Chemicals & Pharmaceuticals divisions have been mostly aggregated into the Products division; the former Commodities division has primarily moved to the Trade division and the former Industry & Assurance division has primarily moved to Resources, certain business lines within those former segments have also been reallocated to better align to the structural growth drivers of each division. This has had a consequential effect on the allocation of goodwill to CGUs. As such, the prior year goodwill allocation has been represented to reflect those changes.

As a result of the above realignment, Industry Services has been redefined to include Exploration & Production. For reference, the goodwill of Industry Services of £13.0m in 2015 comprised £9.0m for Industry Services and £4.0m for Exploration & Production.

	2016 £m	Represented 2015 £m
Industry Services	15.8	13.0
Business Assurance	12.2	10.7
Food & Agriculture Services	17.1	14.0
Cargo & Analytical Assessment	54.6	35.7
Government & Trade Services	0.9	0.7
Minerals	40.7	34.1
Softlines	6.2	5.9
Hardlines	5.8	4.4
Product Assurance	4.3	3.5
Electrical & Wireless	71.6	43.9
Transportation Technologies	38.5	32.0
Building & Construction	235.9	197.9
Chemicals & Pharma/Health, Environmental & Regulatory	82.5	75.3
Net book value at 31 December*	**586.1**	471.1

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

Impairment review

In order to determine whether impairments are required, the Group estimates the recoverable amount of each operating segment or CGU. The calculation is based on projecting future cash flows over a five-year period and using a terminal value to incorporate expectations of growth thereafter. A discount factor is applied to obtain a value in use which is the recoverable amount.

Key assumptions

The key assumptions include the rate of revenue and profit growth within each of the territories and business lines in which the Group operates. These are based on the Group's approved budget and five-year Strategic Plan. The long-term growth rate is also key since it is used in the perpetuity calculations. Finally, the discount rate used to bring the cash flow back to a present value varies depending on the location of the operation and the nature of the operations. The estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

The calculation of the value in use is sensitive to long-term growth rates and discount rates. Long-term growth rates predict growth beyond the Group's planning cycle, and range from 1.7% to 2.5% (2015: 1.7% to 3.5%). The discount rate for each CGU reflects the Group's weighted average cost of capital adjusted for the risks specific to the CGU. Pre-tax discount rates ranged from 9.5% to 12.4% (2015: 10.2% to 12.7%).

Sensitivity analysis

None of the reasonable downside sensitivity scenarios on key assumptions would cause the carrying amount of each CGU to exceed its recoverable amount. The sensitivities modelled by management include:

(i) Assuming revenues decline each year by 1% in 2018 to 2021 from the 2017 budgeted revenues, with margins increasing with base assumptions.

(ii) Assuming zero growth in operating profit margins in 2017 to 2021 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.

10 Acquisitions

ACQUISITIONS IN 2016

On 3 October 2016, the Group completed the acquisition of EWA-Canada Ltd, a leading provider of cyber security and assurance services for products, equipment and networks across multiple industries, for an estimated purchase price of £25.1m (£25.0m net of cash acquired), generating goodwill of £18.8m.

On 8 January 2016, the Group acquired FIT Italia SRL, an Italian company specialising in providing assurance services to the retail and agricultural sectors through food quality and safety assessments. On 11 November 2016, the Group entered into an agreement with Laboratorios ABC Quimica, Investigacion y Analisis, S.A. de C.V ('ABC') to form an environmental services Joint Venture in Mexico. ABC is a leading provider of water testing and analytical services. Cash consideration for these two ventures was £17.9m (£17.3m net of cash acquired) generating goodwill of £15.5m.

Provisional details of the net assets acquired and fair value adjustments are set out in the following tables. These analyses are provisional and amendments may be made to these figures in the 12 months following the date of acquisition.

EWA-Canada Ltd	2016		
Total	Book value prior to acquisition £m	Provisional fair value adjustments £m	Fair value to Group on acquisition £m
Property, plant and equipment	0.7	–	0.7
Goodwill	–	18.8	18.8
Other intangible assets	–	6.3	6.3
Trade and other receivables	3.0	–	3.0
Trade and other payables	(2.1)	–	(2.1)
Deferred tax liabilities	–	(1.7)	(1.7)
Net assets acquired	**1.6**	**23.4**	**25.0**

Other acquisitions	2016		
Total	Book value prior to acquisition £m	Provisional fair value adjustments £m	Fair value to Group on acquisition £m
Property, plant and equipment	3.4	–	3.4
Goodwill	–	15.5	15.5
Other intangible assets	–	4.4	4.4
Trade and other receivables	3.8	(2.0)	1.8
Trade and other payables	(2.5)	(3.0)	(5.5)
Provisions for liabilities and charges	(0.2)	–	(0.2)
Deferred tax liabilities	–	(1.0)	(1.0)
Attributable to Non-Controlling Interest	(1.1)	–	(1.1)
Net assets acquired	**3.4**	**13.9**	**17.3**

Goodwill and intangible assets

The total goodwill arising on acquisitions made during 2015 was £34.3m. Goodwill in respect of 2015 acquisitions decreased by £5.0m. The goodwill arising represents the value of the assembled workforce and the benefits the Company expects to gain from increasing its presence in the relevant sectors in which the acquired businesses operate. The intangible assets of £10.7m primarily represent the value placed on customer relationships and the deferred tax thereon was £2.7m.

Consideration paid

The total cash consideration paid for the acquisitions in the year was £35.5m (2015: £237.2m), with further contingent consideration payable of £7.5m. Cash consideration includes cash and debt acquired of £0.7m. The estimated purchase price was £42.3m.

Put option over non-controlling interest

An earnout arrangement exists resulting in a put option over the minority shareholding related to ABC. This put option is exercisable at certain points through to 2019. The net present value of the put option liability has been recognised as a non-current financial liability under IAS 39.

Contribution of acquisitions to revenue and profits

In total acquisitions made during 2016 contributed revenues of £6.8m and a net profit after tax of £1.0m from their respective dates of acquisition to 31 December 2016. The Group revenue and profit after tax for the year ended 31 December 2016 would have been £2,590.2m and £274.8m respectively if all the acquisitions were assumed to have been made on 1 January 2016.

NOTES TO THE FINANCIAL STATEMENTS
continued

10 Acquisitions (continued)

ACQUISITIONS IN 2015

On 23 November 2015, the Group completed the acquisition of Professional Service Industries, Inc., for a purchase price of £220.9m (£216.2m net of cash acquired), generating goodwill of £140.1m. PSI is a provider of industry-leading testing and assurance services to the commercial and civil construction markets and non-destructive testing for onshore pipelines in the USA.

On 3 February 2015, the Group acquired Adelaide Inspection Services Pty Ltd, an Australian-based business providing non-destructive testing and associated services to the power generation, construction, oil, gas and mining industries. On 10 September 2015, the Group acquired Dansk Institut for Certificering A/S, a Danish company that provides business assurance services to a wide range of industries including Hospitality, Transport and Food. On 8 October 2015, the Group acquired MT Group LLC and Materials Testing Lab, Inc, (together 'MT'), a leading provider in the US of materials testing and inspection services to the building industry. Cash consideration for these three acquisitions was £18.1m (£16.9m net of cash acquired) generating goodwill of £12.8m.

The fair value adjustments 12 months from the date of acquisition were:

Professional Service Industries, Inc.	2016			2015		
Total	Book value prior to acquisition £m	Fair value adjustments £m	Fair value to Group on acquisition £m	Book value prior to acquisition £m	Provisional fair value adjustments £m	Fair value to Group on acquisition £m
Property, plant and equipment	15.9	3.8	19.7	15.9	3.8	19.7
Goodwill	108.1	32.0	140.1	108.1	38.0	146.1
Other intangible assets	66.1	0.1	66.2	66.1	0.1	66.2
Trade and other receivables	50.7	(0.5)	50.2	50.7	(0.8)	49.9
Trade and other payables	(24.6)	(1.6)	(26.2)	(24.6)	(2.7)	(27.3)
Provisions for liabilities and charges	–	(12.6)	(12.6)	–	(13.2)	(13.2)
Deferred tax liabilities	(26.8)	5.6	(21.2)	(26.8)	0.8	(26.0)
Net assets acquired	**189.4**	**26.8**	**216.2**	189.4	26.8	215.4

Other acquisitions	2016			2015		
Total	Book value prior to acquisition £m	Fair value adjustments £m	Fair value to Group on acquisition £m	Book value prior to acquisition £m	Provisional fair value adjustments £m	Fair value to Group on acquisition £m
Property, plant and equipment	1.0	–	1.0	1.0	–	1.0
Goodwill	–	12.8	12.8	–	11.8	11.8
Other intangible assets	–	0.7	0.7	–	0.7	0.7
Inventories	0.2	–	0.2	0.2	–	0.2
Trade and other receivables	4.8	–	4.8	4.8	–	4.8
Trade and other payables	(2.4)	–	(2.4)	(2.4)	–	(2.4)
Deferred tax liabilities	–	(0.2)	(0.2)	–	(0.2)	(0.2)
Net assets acquired	**3.6**	**13.3**	**16.9**	3.6	12.3	15.9

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 historical default rates, reflecting the track record of payments by the Group's customers, the Group believes that no impairment allowance is necessary in respect of trade receivables which are less than six months outstanding, unless there are specific circumstances such as the bankruptcy of a customer which would render the trade receivable irrecoverable.

The Group provides fully for all trade receivables over 12 months old as these are considered likely to be irrecoverable, and 25% of balances six to 12 months old. Where recovery is in doubt, a provision is made against the specific trade receivable until such time as the Group believes the amount to be irrecoverable. At that time the trade receivable is written off.

TRADE AND OTHER RECEIVABLES

Trade and other receivables are analysed below:

	2016 £m	2015 £m
Trade receivables	472.8	413.7
Other receivables	60.0	57.9
Prepayments and accrued income	118.9	111.8
Fixed assets held for resale	0.1	0.1
Total trade and other receivables	**651.8**	583.5

Trade receivables are shown net of an allowance for impairment losses of £23.9m (2015: £20.0m) and are all expected to be recovered within 12 months. Impairment on trade receivables charged as part of operating costs was £7.8m (2015: £6.9m).

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:

	2016 £m	2015 £m
Under 3 months	399.9	342.0
Between 3 and 6 months	49.0	50.1
Between 6 and 12 months	27.5	26.5
Over 12 months	20.3	15.1
Gross trade receivables	**496.7**	433.7
Allowance for impairment	(23.9)	(20.0)
Trade receivables, net of allowance	**472.8**	413.7

Included in trade receivables under three months of £399.9m (2015: £342.0m) are trade receivables of £218.5m (2015: £185.1m) 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	2016 £m	2015 £m
At 1 January	20.0	18.3
Exchange differences	3.1	(0.7)
Acquisitions	–	1.6
Cash recovered	0.8	0.6
Impairment loss recognised	7.8	6.9
Receivables written off	(7.8)	(6.7)
At 31 December	**23.9**	20.0

There were no material individual impairments of trade receivables.

NOTES TO THE FINANCIAL STATEMENTS
continued

12 Trade and other payables

ACCOUNTING POLICY

Trade payables

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.

Put option over non-controlling interest

Put options held by non-controlling interests that arise on acquisition are recognised initially at the present value of the redemption amount. They are subsequently measured at amortised cost using the effective interest method. The discount is unwound through the Income Statement as a finance charge.

TRADE AND OTHER PAYABLES

Trade and other payables are analysed below:

	Current 2016 £m	Current 2015 £m	Non-current 2016 £m	Non-current 2015 £m
Trade payables	107.3	64.7	–	–
Other payables	25.5	41.6	26.1	9.5
Accruals and deferred income	274.0	250.3	7.6	7.8
Total trade and other payables	**406.8**	356.6	**33.7**	17.3

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

The key assumptions in arriving at the value of the put options over shares held by non-controlling interests are the performance of those businesses; the risk adjusted discount rate taking into account the risk free rate and the gross domestic product growth in the countries of those underlying businesses.

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 2016	4.4	18.5	12.2	35.1
Exchange adjustments	0.7	0.7	0.5	1.9
Provided in the year:	–	5.6	22.8	28.4
in respect of current year acquisitions	7.9	–	–	7.9
in respect of prior year acquisitions	1.0	(0.6)	–	0.4
Released during the year	(0.2)	(1.2)	(1.0)	(2.4)
Utilised during the year	–	(3.5)	(20.0)	(23.5)
At 31 December 2016	**13.8**	**19.5**	**14.5**	**47.8**
Included in:				
Current liabilities	–	19.5	14.5	34.0
Non-current liabilities	13.8	–	–	13.8
At 31 December 2016	**13.8**	**19.5**	**14.5**	**47.8**

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 £19.5m (2015: £18.5m) 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 £14.5m (2015: £12.2m) includes restructuring provisions. The timing of the cash outflow is uncertain, but is likely to be within one year.

14 Borrowings and 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.

The fair value of put option liabilities over non-controlling interests is calculated using a present value calculation, incorporating observable and non-observable inputs. This valuation technique has been adopted as it most closely mirrors the contractual arrangement.

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.

Cash flow hedges

Cash flow hedges comprise derivative financial instruments designated in a hedging relationship to manage interest rate risk to which the cash flows of certain assets and liabilities are exposed. The effective portion of changes in the fair value of the derivative that is designated and qualifies for hedge accounting is recognised in other comprehensive income. The ineffective portion is recognised immediately in the income statement. Amounts accumulated in equity are reclassified to the income statement in the period in which the hedged item affects profit or loss. However, where a forecasted transaction results in a non-financial asset or liability, the accumulated fair value movements previously deferred in equity are included in the initial cost of the asset or liability.

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.

NOTES TO THE FINANCIAL STATEMENTS
continued

14 Borrowings and financial instruments (continued)

Net financing costs

Net financing costs are shown below:

Recognised in income statement	2016 £m	2015 £m
Finance income		
Interest on bank balances	0.9	1.0
Total finance income	**0.9**	1.0
Finance expense		
Interest on borrowings	(26.7)	(26.2)
Net pension interest cost (note 16)	(0.8)	(0.8)
Foreign exchange differences on revaluation of net monetary assets and liabilities	5.7	3.1
Facility fees and other*	(1.5)	(1.3)
Total finance expense*	**(23.3)**	(25.2)
Net financing costs*	**(22.4)**	(24.2)

* Includes £nil (2015: £nil) relating to SDIs.

Analysis of net debt

	2016 £m	2015 £m
Cash and cash equivalents per the Statement of Financial Position	175.6	141.1
Overdrafts	(16.8)	(25.1)
Cash per the Statement of Cash Flows	**158.8**	116.0

The components of net debt are outlined below:

	1 January 2016 £m	Cash flow £m	Exchange adjustments £m	31 December 2016 £m
Cash	116.0	(6.3)	49.1	**158.8**
Borrowings:				
Revolving credit facility US$800m 2021	(253.8)	73.5	(61.9)	(242.2)
Bilateral term loan facilities US$100m 2018	(67.5)	–	(14.3)	(81.8)
Bilateral term loan facilities US$60m 2016	(40.4)	41.8	(1.4)	–
Senior notes US$75m 2016	(50.6)	52.6	(2.0)	–
Senior notes US$100m 2017	(67.4)	–	(14.4)	(81.8)
Senior notes US$20m 2019	(13.5)	–	(2.9)	(16.4)
Senior notes US$150m 2020	(101.2)	–	(21.5)	(122.7)
Senior notes US$15m 2021	(10.1)	–	(2.1)	(12.2)
Senior notes US$140m 2022	(94.5)	–	(20.0)	(114.5)
Senior notes US$40m 2023	(27.0)	–	(5.7)	(32.7)
Senior notes US$125m 2024	(84.4)	–	(17.9)	(102.3)
Senior notes US$40m 2025	(27.0)	–	(5.7)	(32.7)
Senior notes US$75m 2026	(50.6)	–	(10.7)	(61.3)
Other*	(3.4)	1.8	(0.3)	(1.9)
Total borrowings	(891.4)	169.7	(180.8)	**(902.5)**
Total net debt	(775.4)	163.4	(131.7)	**(743.7)**

* Other borrowings of £4.8m (2015: £6.2m) and facility fees.

14 Borrowings and financial instruments (continued)

	1 January 2015 £m	Cash flow £m	Exchange adjustments £m	31 December 2015 £m
Cash	119.5	8.0	(11.5)	116.0
Borrowings:				
Revolving credit facility US$800m 2020	(124.1)	(123.9)	(5.8)	(253.8)
Bilateral term loan facilities US$100m 2017	(25.8)	(39.8)	(1.9)	(67.5)
Bilateral term loan facilities US$60m 2016	(38.6)	–	(1.8)	(40.4)
Senior notes US$100m 2015	(64.4)	63.5	0.9	–
Senior notes US$75m 2016	(48.3)	–	(2.3)	(50.6)
Senior notes US$100m 2017	(64.4)	–	(3.0)	(67.4)
Senior notes US$20m 2019	(12.9)	–	(0.6)	(13.5)
Senior notes US$150m 2020	(96.7)	–	(4.5)	(101.2)
Senior notes US$15m 2021	(9.7)	–	(0.4)	(10.1)
Senior notes US$140m 2022	(90.2)	–	(4.3)	(94.5)
Senior notes US$40m 2023	(25.8)	–	(1.2)	(27.0)
Senior notes US$125m 2024	(80.6)	–	(3.8)	(84.4)
Senior notes US$40m 2025	(25.8)	–	(1.2)	(27.0)
Senior notes US$75m 2026	(48.3)	–	(2.3)	(50.6)
Other*	2.6	(6.2)	0.2	(3.4)
Total borrowings	(753.0)	(106.4)	(32.0)	(891.4)
Total net debt	(633.5)	(98.4)	(43.5)	(775.4)

BORROWINGS

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

	Current 2016 £m	Current 2015 £m	Non-current 2016 £m	Non-current 2015 £m
Senior term loans and notes	81.8	90.5	815.9	794.7
Other borrowings	4.8	6.2	–	–
Total borrowings	**86.6**	96.7	**815.9**	794.7

Analysis of debt	2016 £m	2015 £m
Debt falling due:		
In one year or less	86.6	96.7
Between one and two years	81.1	134.2
Between two and five years	391.3	367.0
Over five years	343.5	293.5
Total borrowings	**902.5**	891.4

Description of borrowings

Total undrawn committed borrowing facilities as at 31 December 2016 were £412.0m (2015: £286.0m).

US$800m revolving credit facility

The Group's principal bank facility comprises a US$800m multi-currency revolving credit facility. In July 2016, US$672m of the facility was extended to June 2021. 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 2016 were £242.2m (2015: £253.8m).

Bilateral term loan facility 1

On 21 December 2012 the Group signed a US$20m bilateral term loan which was increased on 4 April 2014 to US$40m. This facility was further increased in November 2015 to US$100m, and the maturity of this facility was also extended to November 2018. Advances under this facility bear interest at a rate equal to LIBOR plus a margin. Drawings under this facility at 31 December 2016 were £81.8m (2015: £67.5m).

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 was March 2016. Advances under this facility bore interest at a rate equal to LIBOR plus a margin. Drawings under this facility at 31 December 2016 were £nil (2015: £40.4m).

NOTES TO THE FINANCIAL STATEMENTS
continued

14 Borrowings and financial instruments (continued)

BORROWINGS (CONTINUED)

Private placement bonds

In December 2008 the Group issued US$75m of senior notes. The notes, which were repaid on 10 June 2016, paid a fixed annual interest rate of 8.0%.

In December 2010 the Group issued US$250m of senior notes. These notes were issued in two tranches with US$100m repayable on 15 December 2017 at a fixed annual interest rate of 3.2% and US$150m repayable on 15 December 2020 at a fixed annual interest rate of 3.91%.

In October 2011 the Group issued US$265m of senior notes. These notes were issued in three tranches with US$20m repayable on 18 January 2019 at a fixed annual interest rate of 3.0%, US$140m repayable on 18 January 2022 at a fixed annual interest rate of 3.75% and US$105m repayable on 18 January 2024 at a fixed annual interest rate of 3.85%.

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

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

FINANCIAL RISKS

Details of the Group's treasury controls, exposures and the policies and processes for managing capital and credit, liquidity, interest rate and currency risk are set out below, and in the Strategic Report – Financial Review that starts on page 34.

Credit risk

Exposure to credit risk

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

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

	2016 £m	2015 £m
Trade receivables, net of allowance (note 11)	472.8	413.7
Cash and cash equivalents	158.8	116.0
Total	**631.6**	529.7

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

	2016 £m	2015 £m
Asia Pacific	131.5	111.5
Americas	180.4	160.2
Europe, Middle East and Africa	160.9	142.0
Total	**472.8**	413.7

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

14 Borrowings and financial instruments (continued)

Liquidity risk

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

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

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

The following are the contractual cash flows of financial liabilities/(assets) including interest (for floating rate instruments, interest payments are based on the interest rate at 31 December 2016):

2016	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	897.7	1,031.8	13.1	94.9	142.8	535.7	245.3
Other loans	4.8	4.8	–	4.8	–	–	–
Trade payables (note 12)	107.3	107.3	103.9	3.1	0.3	–	–
Put option liability over non-controlling interest	8.6	9.6	–	–	–	9.6	–
	1,018.4	**1,153.5**	**117.0**	**102.8**	**143.1**	**545.3**	**245.3**
Derivative financial liabilities/ (assets)							
Forward exchange contracts:							
Outflow	–	658.1	657.9	0.2	–	–	–
Inflow	(8.0)	(666.1)	(665.9)	(0.2)	–	–	–
	(8.0)	**(8.0)**	**(8.0)**	**-**	**-**	**-**	**-**
Total	**1,010.4**	**1,145.5**	**109.0**	**102.8**	**143.1**	**545.3**	**245.3**

2015	Carrying amount £m	Contractual cash flows £m	Six months or less £m	6-12 months £m	1-2 years £m	2-5 years £m	More than five years £m
Non-derivative financial liabilities							
Senior term loans and notes	885.2	1,014.7	52.9	62.8	173.0	420.5	305.5
Other loans	6.2	6.2	–	6.2	–	–	–
Trade payables (note 12)	64.7	64.7	63.2	1.5	–	–	–
	956.1	1,085.6	116.1	70.5	173.0	420.5	305.5
Derivative financial liabilities/ (assets)							
Forward exchange contracts:							
Outflow	–	423.4	366.5	56.9	–	–	–
Inflow	(1.6)	(425.0)	(367.7)	(57.3)	–	–	–
	(1.6)	(1.6)	(1.2)	(0.4)	–	–	–
Total	954.5	1,084.0	114.9	70.1	173.0	420.5	305.5

NOTES TO THE FINANCIAL STATEMENTS
continued

14 Borrowings and financial instruments (continued)

Interest rate risk

The Group's objective is to manage the risk to the business from movements in interest rates, and to provide stability and predictability of the near term (12 month horizon) interest expense. Under the Group's Treasury policy, management may fix the interest rates on up to 80% of the Group's debt portfolio for the period of the current financial year. The Group's debt portfolio beyond this period is to be managed within the range of a 20%-60% fixed to floating rate ratio. To do this the Group uses hedging instruments where considered appropriate. A cash flow hedge is in place in respect of a borrowing that is repayable in 2020.

Sensitivity

At 31 December 2016, 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 £9.3m (2015: £4.5m). This analysis assumes all other variables remain constant.

Foreign currency risk

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

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

The foreign currency profiles of cash, trade receivables and payables subject to translation risk and transaction risk, at the reporting date were as follows:

2016	Carrying amount £m	Sterling £m	US dollar £m	Chinese renminbi £m	Hong Kong dollar £m	Euro £m	Other currencies £m
Cash	**158.8**	4.1	7.6	55.0	1.0	0.5	90.6
Trade receivables (note 11)	**472.8**	44.8	158.6	44.9	14.0	44.5	166.0
Trade payables (note 12)	**107.3**	14.6	30.8	14.9	3.7	11.2	32.1
2015							
Cash	116.0	6.2	13.6	16.4	2.2	1.3	76.3
Trade receivables (note 11)	413.7	37.7	138.1	37.6	11.2	40.9	148.2
Trade payables (note 12)	64.7	11.0	15.3	9.0	2.1	8.8	18.5

14 Borrowings and financial instruments (continued)

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 2016 was £857.7m (2015: £888.2m).

A foreign exchange loss of £194.1m (2015: loss £33.1m) 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 2016 by approximately £20.8m (2015: £15.9m). 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 2016 £m	Fair value 2016 £m	Book value 2015 £m	Fair value 2015 £m
Financial assets				
Cash and cash equivalents	158.8	158.8	116.0	116.0
Trade receivables (note 11)	472.8	472.8	413.7	413.7
Forward exchange contracts*	8.0	8.0	1.6	1.6
Total financial assets	**639.6**	**639.6**	531.3	531.3
Financial liabilities				
Interest bearing loans and borrowings*	902.5	909.9	891.4	900.6
Trade payables (note 12)	107.3	107.3	64.7	64.7
Put option liability over non-controlling interest	8.6	8.6	–	–
Total financial liabilities	**1,018.4**	**1,025.8**	956.1	965.3

* 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	2016 Number	2016 £m	2015 £m
Allotted, called up and fully paid:			
Ordinary shares of 1p each at start of year	161,361,777	1.6	1.6
Share Awards	24,998	–	–
Ordinary shares of 1p each at end of year	**161,386,775**	**1.6**	1.6
Shares classified in shareholders' funds		**1.6**	1.6

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

During the year, the Company issued 24,998 (2014: nil) ordinary shares in respect of all share plans.

Purchase of own shares for trust

During the year ended 31 December 2016, the Company financed the purchase of 200,000 (2015: 200,126) of its own shares with an aggregate nominal value of £2,000 (2015: £2,001) for £6.4m (2015: £5.2m) 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, 221,309 shares were utilised to satisfy the vesting of share awards and share options (note 17). At 31 December 2016, the ESOT held 493,629 shares (2015: 514,938 shares) with an aggregate nominal value of £4,936 (2015: £5,149). The associated cash outflow of £6.4m (2015: £5.2m) has been presented as a financing cash flow.

Dividends	2016 £m	2016 Pence per share	2015 £m	2015 Pence per share
Amounts recognised as distributions to equity holders:				
Final dividend for the year ended 31 December 2014	–	–	53.3	33.1
Interim dividend for the year ended 31 December 2015	–	–	27.4	17.0
Final dividend for the year ended 31 December 2015	56.8	35.3	–	–
Interim dividend for the year ended 31 December 2016	31.2	19.4	–	–
Dividends paid	**88.0**	**54.7**	80.7	50.1

After the reporting date, the Directors proposed a final dividend of 43.0p per share in respect of the year ended 31 December 2016, which is expected to amount to £69.4m. 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 2 June 2017.

RESERVES

Translation reserve

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

Other

This reserve includes a merger difference that arose in 2002 on the conversion of share warrants into share capital, as well as the cash flow hedge reserve.

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:

	2016 £m	2015 £m
Defined contribution schemes	(41.6)	(36.3)
Defined benefit schemes – current service cost and administration expenses	(3.6)	(3.3)
Pension cost included in operating profit (note 5)	**(45.2)**	(39.6)

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 2015 for IAS 19 purposes. The last full actuarial valuation of the Hong Kong scheme was carried out as at 31 December 2013, for local accounting purposes but this has been updated to 31 December 2015 for IAS 19 purposes. The Swiss scheme was actuarially valued for IAS 19 purposes at 31 December 2013 and for accounting purposes has been updated to 31 December 2015 for IAS 19 purposes. The average duration of the schemes are 20 years, 10 years and 15 years for the United Kingdom, Hong Kong and Switzerland schemes respectively.

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:

	2016 £m	2015 £m
Current service cost	(3.0)	(2.9)
Scheme administration expenses	(0.5)	(0.4)
Net pension interest cost (note 14)	(0.8)	(0.8)
Total charge	**(4.3)**	(4.1)

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:

	2016 £m	2015 £m
Remeasurements arising from:		
Demographic assumptions	4.1	0.7
Financial assumptions	(26.1)	(0.5)
Experience adjustment	4.1	(0.5)
Asset valuation	12.9	(1.6)
Other	(0.2)	(0.3)
Total	**(5.2)**	(2.2)

Company contributions

The Company assessed the triennial actuarial valuation and its impact on the scheme funding plan in 2017 and future years. In 2017 the Group expects to make normal contributions of £0.8m (2016: £0.8m) and a special contribution of £2.8m (2016: £2.8m) to the United Kingdom Scheme. The next triennial valuation (due as at 1 April 2016) is currently underway and will conclude after the date of signature of these financials statements. This will include a review of the company's future contribution requirements.

The Hong Kong Scheme has an annual actuarial valuation, identifying the funding requirements for 2017.

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	105.9	21.9	15.7	143.5
Present value of funded defined benefit obligations	(129.8)	(26.8)	(18.7)	(175.3)
Deficit in schemes	**(23.9)**	**(4.9)**	**(3.0)**	**(31.8)**

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

	2016 £m	2015 £m
Fair value of scheme assets at 1 January	120.9	120.1
Interest income	3.7	3.7
Normal contributions by the employer	1.9	1.6
Special contributions by the employer	2.8	2.8
Contributions by scheme participants	0.6	0.5
Benefits paid	(5.2)	(7.5)
Effect of exchange rate changes on overseas schemes	6.2	1.5
Remeasurements	12.9	(1.6)
Scheme administration expenses	(0.5)	(0.4)
Contribution to fund scheme administration expenses	0.2	0.2
Fair value of scheme assets at 31 December	**143.5**	120.9

16 Employee benefits (continued)

ASSET ALLOCATION

Investment statements were provided by the Investment Managers which showed that, as at 31 December 2015 the invested assets of the United Kingdom Scheme totalled £105.9m (2015: £89.4m) and of the Hong Kong Scheme totalled £21.9m (2015: £17.6m) broken down as follows:

	United Kingdom Scheme		Hong Kong Scheme	
Asset class	**2016 £m**	**2015 £m**	**2016 £m**	**2015 £m**
Equities	50.4	41.8	14.0	11.3
Property	8.6	8.4	–	–
Bonds	–	–	7.9	6.2
Absolute Return Fund*	25.2	23.0	–	–
Liability Driven Investment**	16.4	13.0	–	–
Cash	5.3	3.2	–	0.1
Total	**105.9**	89.4	**21.9**	17.6

* 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 no bank account assets as at 31 December 2016 (2015: £0.1m).

All invested assets of the United Kingdom and Hong Kong Schemes are unquoted. The Switzerland Scheme is fully insured.

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

	2016 £m	**2015 £m**
Defined benefit obligations at 1 January	147.8	145.4
Current service cost	3.0	2.9
Interest cost	4.5	4.5
Contributions by scheme participants	0.3	0.5
Benefits paid	(5.2)	(7.5)
Effect of exchange rate changes on overseas schemes	7.6	1.7
Remeasurements	17.3	0.3
Defined benefit obligations at 31 December	**175.3**	147.8

Principal actuarial assumptions:

	United Kingdom Scheme		Hong Kong Scheme		Switzerland Scheme	
	2016 %	**2015 %**	**2016 %**	**2015 %**	**2016 %**	**2015 %**
Discount rate	2.7	3.7	1.9	1.6	0.4	0.8
Inflation rate (based on CPI)	2.4	2.5	n/a	n/a	n/a	n/a
Rate of salary increases	3.4	3.3	4.0	4.0	1.0	1.0
Rate of pension increases:						
CPI subject to a maximum of 5% p.a.	2.4	2.5	n/a	n/a	n/a	n/a
Increases subject to a maximum of 2.5% p.a.	1.9	1.9	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.

NOTES TO THE FINANCIAL STATEMENTS
continued

16 Employee benefits (continued)

Life expectancy assumptions at year end for:

	United Kingdom Scheme		Hong Kong Scheme*		Switzerland Scheme	
	2016	**2015**	**2016**	**2015**	**2016**	**2015**
Male aged 40	49.4	47.2	n/a	n/a	42.8	41.6
Male aged 65	22.2	22.2	n/a	n/a	19.8	18.9
Female aged 40	51.5	49.1	n/a	n/a	45.4	44.6
Female aged 65	24.2	24.5	n/a	n/a	21.9	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 2016 for the United Kingdom Scheme are the S2PA projected by year of birth, based on the CMI 2015 mortality projection model with a 1.25% long-term annual rate for future improvement. In 2015 the S1PA tables were used, based on the CMI 2013 mortality projection model. For the Switzerland Scheme, the mortality table adopted for 2016 is the BVG2015, an update to the BVG 2010, an industry standard in Switzerland which is based on statistical evidence of major Switzerland pension funds.

SENSITIVITY ANALYSIS

The table below sets out the sensitivity on the United Kingdom and Hong Kong pension assets and liabilities as at 31 December 2016 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	129.8	–	26.8	–
0.25% rise in discount rate	123.5	(6.3)	26.2	(0.6)
0.25% fall in discount rate	136.6	6.8	27.4	0.6
0.25% rise in inflation	136.4	6.6	26.8	–
0.25% fall in inflation	123.6	(6.2)	26.8	–

The United Kingdom Scheme is also subject to the mortality assumption. If the mortality tables used are rated up/down one year, the value placed on the liabilities increases by £5.9m and decreases by £5.9m respectively.

FUNDING ARRANGEMENTS

United Kingdom Scheme

The trustees use the Projected Unit credit method with a three-year control period. Currently the scheme members pay contributions at the rate of 8.5% of salary. The employer pays contributions of 16.4% of salary, plus £0.2m per year to fund scheme expenses, and is due to make an additional contribution of £2.8m in 2017 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.

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 Deferred Share Awards is adjusted to reflect expected and actual levels of vesting for service conditions. The expense of the LTIP Share 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:

	2016		2015	
	Weighted average exercise price	Number of options	Weighted average exercise price	Number of options
At beginning of year	–	–	778p	44,286
Exercised	–	–	778p	(26,008)
Forfeited	–	–	762p	(18,278)
Outstanding options at end of year	**–**	**–**	–	–
Exercisable at end of year	**–**	**–**	–	–

There were no share options outstanding at the start of the year. In 2015, the weighted average share price of the Company at the date of exercise of share options was 2,501p.

SHARE PLANS

2011 Long Term Incentive Plan

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

	2016			Restated# 2015		
Outstanding Awards	Deferred Share Awards	LTIP Share Awards	Total awards	Deferred Share Awards	LTIP Share Awards	Total awards
At beginning of year	807,939	879,491	1,687,430	851,376	649,280	1,500,656
Granted*/#	379,575	399,994	779,569	317,383	455,806	773,189
Vested**	(271,383)	–	(271,383)	(334,269)	(54,511)	(388,780)
Forfeited	(98,545)	(235,766)	(334,311)	(26,551)	(171,084)	(197,635)
At end of year	**817,586**	**1,043,719**	**1,861,305**	807,939	879,491	1,687,430

* Includes 12,015 Deferred Share Awards (2015: 3,798) and 16,522 LTIP Share awards (2015: 3,026) granted in respect of dividend accruals.
** Of the 271,383 awards vested in 2016, 24,998 were satisfied by the issue of shares and 158,860 by the transfer of shares from the ESOT (see note 15). The balance of 87,525 awards represented a tax liability of £3.5m which was settled in cash on behalf of employees by the Group, of which £3.2m was settled by the Company.
# In 2015, 91,575 shares were included in error as Deferred Share Awards granted, when they related to 2015 Mirror Share Awards. The correct 2015 Deferred Share Awards granted number has been restated in the table above.

Deferred Share Plan

On 9 March 2015 the Remuneration Committee approved the adoption of the Intertek Deferred Share Plan (the 'DSP'). Awards may be granted under the DSP to employees of the Group (other than the Executive Directors of the Company) selected by the Remuneration Committee over existing, issued ordinary shares of the Company only. The DSP was adopted primarily to allow for the deferral of a proportion of selected employees annual bonus into shares in the Company, but may also be used for the grant of other awards (such as incentive awards and buy-out awards for key employees) in circumstances that the Remuneration Committee deems appropriate. The initial award under the DSP had a two-year vesting period; any subsequent awards will normally have a three-year vesting period. Awards may be made subject to performance conditions and are subject to normal good and bad leaver provisions and malus and clawback.

NOTES TO THE FINANCIAL STATEMENTS
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17 Share schemes (continued)

Outstanding Awards	2016 Deferred Share Awards	2016 Total Awards	2015 Deferred Share Awards	2015 Total awards
At beginning of year	101,886	101,886	–	–
Granted*	40,927	40,927	101,886	101,886
Vested**	(24,376)	(24,376)	–	–
Forfeited	(900)	(900)	–	–
At end of year	**117,537**	**117,537**	101,886	101,886

* Includes 1,642 Deferred Share Awards (2015: 659) granted in respect of dividend accruals.
** Of the 24,376 awards vested in 2016, 12,955 were satisfied by the transfer of shares from the ESOT (see note 15). The balance of 11,421 awards represented a tax liability of £0.4m which was settled in cash on behalf of employees by the Company.

Mirror Share Awards
On 20 May 2015, André Lacroix was granted conditional rights to acquire 183,149 shares under a one-off arrangement as a condition of his recruitment as CEO of the Company. The award comprised two parts, tranche A and B, with tranche A vesting on 20 May 2016 and tranche B vesting on 20 May 2017. 93,385 shares vested in 2016, which included 1,810 shares granted in respect of dividend accruals. 49,494 awards were satisfied by the transfer of shares from the ESOT (see note 15) and the balance of 43,891 awards represented a tax liability of £1.3m which was settled in cash by the Company. Further details are shown in the Remuneration report on pages 63 to 77.

Equity-settled transactions
During the year ended 31 December 2016, the Group recognised an expense of £16.6m (2015: £12.9m), of which £1.4m (2015: £nil) related to restructuring SDIs. The fair values and the assumptions used in their calculations are set out below:

	2016 Awards			
	Deferred Share Awards (DSP)	Share Awards	LTIP Share Awards EPS element	LTIP Share Awards TSR element
Fair value at measurement date (pence)	3,376	3,113	3,113	2,073
Share price (pence)	3,376	3,113	3,113	3,113
Expected volatility	n/a	n/a	n/a	23.4%
Risk free interest rate	n/a	n/a	n/a	0.5%
Time to maturity (years)	1-3	3	3	3

	2015 Awards			
	Deferred Share Awards (DSP)	Share Awards	LTIP Share Awards EPS element	LTIP Share Awards TSR element
Fair value at measurement date (pence)	2,570	2,570	2,394	1,317
Share price (pence)	2,570	2,570	2,394	2,394
Expected volatility	n/a	n/a	n/a	21.0%
Risk free interest rate	n/a	n/a	n/a	0.9%
Time to maturity (years)	2	3	3	3

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 LTIP Share 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
No post balance sheet events were identified between 31 December 2016 and the date of signing this report.

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.

19 Capital management (continued)

The Group's policy is to maintain a robust capital base (including cash and debt) to ensure the market and key stakeholders retain confidence in the capital profile. Debt capital is monitored by Group Treasury assessing the liquidity buffer on a short and longer-term basis as discussed in note 14. The Group uses key performance indicators, including return on invested capital and adjusted diluted earnings per share to monitor the capital position of the Group to ensure it is being utilised effectively. The dividend policy also forms part of the Board's capital management policy, and the Board ensures there is appropriate earnings cover for the dividend proposed at both the interim and year end.

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:

	2016 £m	2015 £m
At 1 January	27.8	26.1
Exchange adjustments	5.1	1.0
Share of profit for the year	16.6	13.5
Adjustment arising from changes in non-controlling interest	1.5	0.5
Dividends paid to non-controlling interest	(16.3)	(13.3)
At 31 December	**34.7**	27.8

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:

	2016 £m	2015 £m
Short-term benefits	8.5	6.9
Post-employment benefits	0.6	0.5
Equity-settled transactions	4.5	1.1
Total	**13.6**	8.5

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

	2016 £m	2015 £m
Guarantees, letters of credit and performance bonds	**31.4**	23.6

LITIGATION

The Group is involved in various claims and lawsuits incidental to the ordinary course of its business, including claims for damages, negligence and commercial disputes regarding inspection and testing, and disputes with employees and former employees. The Group is not currently party to any legal proceedings other than ordinary litigation incidental to the conduct of business. The Group maintains appropriate insurance cover to provide protection from the small number of significant claims it is subject to from time to time.

TAX

The Group operates in more than 100 countries and is subject to a wide range of complex tax laws and regulations. At any point in time it is normal for there to be a number of open years in any particular territory which may be subject to enquiry by local authorities. In some jurisdictions the Group receives tax incentives (see note 6) which are subject to renewal and review and reduce the amount of tax payable. Where the effect of the laws and regulations is unclear, estimates are used in determining the liability for the tax to be paid on past profits which are recognised in the financial statements. The Group considers the estimates, assumptions and judgements to be reasonable but this can involve complex issues which may take a number of years to resolve. The final determination of prior year tax liabilities could be different from the estimates reflected in these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
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23 Principal Group companies

The principal subsidiaries whose results or financial position, in the opinion of the Directors, principally affect the figures of the Group have been shown below. All the subsidiaries shown were consolidated with Intertek Group plc as at 31 December 2016. Unless otherwise stated, these entities are wholly-owned subsidiaries and the address of the registered office is Academy Place, 1-9 Brook Street, Brentwood, Essex, CM14 5NQ, United Kingdom for all related undertakings included in this note.

Company name	Country of Incorporation and principal place of operation	Activity
Intertek Testing Services Shenzhen Limited (iv)	China	Trading
Intertek Testing Services Limited Shanghai (iii)	China	Trading
Intertek USA, Inc. (v)	USA	Trading
Intertek Testing Services NA, Inc. (vi)	USA	Trading
Intertek Testing Services Holdings Limited (i)	England	Holding
Intertek Finance plc	England	Finance
Intertek Testing Services Hong Kong Limited (vii)	Hong Kong	Trading
Testing Holdings USA Inc. (viii)	USA	Holding
Intertek USD Finance Limited	England	Finance
Intertek Holdings Limited (i)	England	Finance
Labtest Hong Kong Limited (ix)	Hong Kong	Trading
Intertek Technical Services, Inc. (ii)(x)	USA	Trading
RCG-Moody International Limited	England	Holding

(i) Directly owned by Intertek Group plc.
(ii) Ownership held in Ordinary and Preference shares.
(iii) Equity shareholding 85%, Company controlled by the Group based on management's assessment; Registered office address is: Room 1605, No 201, NanQuan North Road, Pudong, Shanghai, China.
(iv) Registered office address is: Room A201, No.1, Qianwan Yi Road, Qianhai Shenzhen-Hongkong Cooperation Zone, Shenzhen, China.
(v) Registered office address is: CT Corporation System, 5615 Corporate Blvd., Suite 400B, Baton Rouge LA 70808, United States.
(vi) Registered office address is: 3933 US Route 11, Cortland, NY, 13045, United States.
(vii) Registered office address is: 2/F Garment Centre, 576 Castle Peak Road, Kowloon, Hong Kong.
(viii) Registered office address is: Corporation Trust Center, 1209 Orange Street, Wilmington, DE, 19801, United States.
(ix) Registered office address is: 11/F, Unit IJK, Garment Centre, 576 Castle Peak Road, Kowloon, Hong Kong.
(x) Registered office address is: 25025 I-45 North, Suite #111, The Woodlands TX 77380, United States.

GROUP COMPANIES

In accordance with section 409 of the Companies Act 2006 a full list of related undertakings is set out below. Related undertakings comprise subsidiaries, partnerships, associates, joint ventures and joint arrangements. The above principal subsidiaries have not been duplicated in the list below. Unless otherwise stated the share capital disclosed comprises ordinary shares which are indirectly held by Intertek Group plc as at the year end 31 December 2016. No subsidiary undertakings have been excluded from the consolidation.

FULLY OWNED SUBSIDIARIES

0949491 B.C. Limited
1620-400 Burrard Street, Vancouver BC V 6C 3A6, Canada

4th Strand, LLC
3000 Northwoods Parkway, Suite 330, Norcross GA 30071, United States

Adelaide Inspection Services Pty Limited
Level 3, 235 St Georges Terrace, Perth WA 6000, Australia

Ageus Solutions Inc.
505 March Road, Suite 100, Kanata ON K2K 2V6, Canada

Alta Analytical Laboratory, Inc. (i)
2 Riverway, Suite 500, Houston TX 77056, United States

Amtac Certification Services Limited

Architectural Testing Holdings, Inc.
2711 Centerville Road, Suite 400, Wilmington DE 19808, United States

Architectural Testing, Inc.
130, Derry Court, York PA 17406, United States

Atlantic Verification Cape (Proprietary) Limited
Noland House, River Park, Mowbray, 7700, South Africa

Caleb Brett Ecuador S.A.
Centro Commercial Mall del Sol, Av. Joaquín Orrantia González y Juan Tanca Marengo, Torre B, Piso 5, Oficina 505, Guayaquil, Ecuador

Cantox US Inc.
100 Davidson Avenue, Suite #102, Somerset, NJ 08873, United States

Capcis Limited

Center for the Evaluation of Clean Energy Technology, Inc.
3933 US Route 11, Cortland, NY 13045, United States

Charon Insurance Limited
Thomas Miller (Bermuda) Ltd, Canon's Court, 22 Victoria Street, Hamilton, HM12, Bermuda

Coscomply (i)
ZAC Ecopark 2, 27400, Heudeboville, France

Electrical Mechanical Instrument Services (UK) Limited
Unit 19 & 20 Wellheads Industrial Centre, Dyce, Aberdeen, AB21 7GA, Scotland

Electronic Warfare Associates-Canada, Ltd
1223 Michael St, Suite 200, Ottawa ON K1J 7T2, Canada

Entela-Taiwan, Inc.
4700 Broadmoor Avenue SE, Suite 200, Kentwood MI 49512, United States

Esperanza Guernsey Holdings Ltd.
PO Box 472, St Julian's Court, St Julian's Avenue, St Peter Port, GY1 6AX, Guernsey

Esperanza International Services (Southern Africa) (Pty.) Limited
Charter House, 13 Brand Road, Glenwood, Durban, South Africa

FIT Italia SRL
Via Mozzi 4/6, 24127, Bergamo, Italy

Four Front Research (India) Pvt Limited (ii)
Plot# 847, 5th Floor, Near Electricity Substation, Ayyappa Society Road, Madhapur, Hyderabad, Andhra Pradesh, 500081, India

Gellatly Hankey Marine Services (M) Sdn. Bhd.
Unit 30-01 Level 30, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia

Genalysis Laboratory Services Pty Limited (vi)
Level 3, 235 St Georges Terrace, Perth WA 6000, Australia

Geotechnical Services Pty Limited
Level 3, 235 St Georges Terrace, Perth WA 6000, Australia

Global X-Ray & Testing Corporation
P.O. Box 1536, Morgan City LA 70380, United States

Global X-Ray Holdings, Inc. (v)
112 East Service Road, Morgan City LA 70381, United States

Hawks Acquisition Holding, Inc
Corporation Service Company, 2711 Centerville Rd. Suite 400 Wilmington, DE New Castle County DE 19808, United States

23 Principal Group companies (continued)

FULLY OWNED SUBSIDIARIES (CONTINUED)

Hi-Tech Holdings, Inc.
CT Corporation System, 1200 S.Pine Island Road, Plantation FL 33324, United States

Hi-Tech Testing Service, Inc.
CT Corporation System, 1999 Bryan Street Suite 900, Dallas TX 75201, United States

H.P. White Laboratory Inc.
3114 Scarboro Road, Street MD 21154, United States

Inspection Services (US), LLC
Corporation Trust Center, 1209 Orange Street, Wilmington, DE, 19801, United States

Inteco Group Services Limited (i)
Akara Building Suite #8, 24th De Castro Street, Wickhams Cay 1, Road Town, Tortola, British Virgin Islands

International Cargo Services, Inc. (i)
c/o CT Corp, 8550 United Plaza Blvd, Baton Rouge LA 70809, United States

International Inspection Services Limited
33/37 Athol Street, Douglas, IM1 1LB, Isle of Man

Intertek (Mauritius) Limited
2 Palmerston Road, Pheonix, Mauritius

Intertek (Schweiz) AG
TechCenter, Kaegenstrasse 18, 4153 Reinach, Switzerland

Intertek Academy A/S
Vejstruprodvej 31–33, 6093, Sjolund, Denmark

Intertek Argentina Certificaciones S.A. (iii)
Cerrito 1136 3rd floor CF, Ciudad Autónoma de, Buenos Aires, C1010AAX, Argentina

Intertek Aruba N.V.
Lago Heights Straat 28A, San Nicolas, Aruba

Intertek Asset Integrity Management, Inc.
1710 Sens Road, La Porte, TX 77571, United States

Intertek ATI SRL
266-268 Calea Rahovei Street, Building 61, 1st Floor, Sector 5, Bucharest, Romania

Intertek Australia Holdings Pty Limited
Level 3, 235 St Georges Terrace, Perth WA 6000, Australia

Intertek Azeri Limited
2236 Mirza Davud Str., Xatai District, Baku, AZ 1026, Azerbaijan

Intertek BA EOOD
24A Akad. Metodi Popov Str., Floor 5, Sofia, 1113, Bulgaria

Intertek Bangladesh Limited
Phoenix Tower, Plot-407 (3rd Floor), Tejgaon I/A, Dhaka, Bangladesh

Intertek Belgium NV
Kruisschansweg 11, 2040 Antwerp, Belgium

Intertek Burkina Faso Ltd Sarl (i)
Ouagadougou, Secteur 13, Parcelle 21, Lot 11 Section EO Arrondissement de Nongr'Masson, Ouagadougou 11 Burkina Faso, 11 GP 1429, Burkina Faso

Intertek C&T Australia Holdings PTY Ltd (i)
Level 3, 235 St Georges Terrace, Perth WA 6000, Australia

Intertek C&T Australia Pty Ltd (i)
Level 3, 235 St Georges Terrace, Perth WA 6000, Australia

Intertek Caleb Brett (Uruguay) S.A.
Cerrito 507, 4th Floor, Of. 46 and 47, Montevideo, 11000, Uruguay

Intertek Caleb Brett Chile S.A.
Coyancura 2283, Piso 12, Providencia, Santiago, Chile

Intertek Caleb Brett Colombia S.A.
Calle 97, No.19A–57, Bogota, Colombia

Intertek Caleb Brett El Salvador S.A. de C.V.
Recinto Industrial de RASA zona industrial de Acajutla, Sonsonate, El Salvador

Intertek Caleb Brett Germany GmbH
Witternstrasse 14, 21107, Hamburg, Germany

Intertek Caleb Brett Panama, Inc. (i)
Zona Procesadora para la Exportacion de Albrook, Building 6, Ancon Panama, Panama

Intertek Caleb Brett Venezuela C.A.
2a AV El Mirador Edif. Saragon Palace Piso, PH-602/603 La Campina, Caracas, 1050, Venezuela

Intertek Canada Newco Limited
1829 32nd Avenue, Lachine QC H8T 3JI, Canada

Intertek Capacitacion Chile Spa
Coyancura 2283, Piso 12, Providencia, Santiago, Chile

Intertek Capital Resources Limited

Intertek Certification AB
Torshamnsgatan 43, Box 1103, Kista, S-164 22, Sweden

Intertek Certification AS
Leif Weldings vei 8, 3208 Sandfjord, Norway

Intertek Certification France
67 Boulevard Bessières, 75017, Paris, France

Intertek Certification GmbH
Marie-Bernays-Ring 19a, 41199 Monchengladbach, Germany

Intertek Certification International Sdn. Bhd.
6-L12-01, Level 12, Tower 2, Menara PGRM, No. 6 & 8 Jalan Pudu Ulu, Cheras, 56100 Kuala Lumpur, Malaysia

Intertek Certification Japan Limited
Nihonbashi N Bldg, 1-4-2, Nihonbashi – Horidomecho, Chuo-ku, Tokyo, 103-0012, Japan

Intertek Certification Limited

Intertek Commodities Botswana (Proprietary) Limited (i)
First Floor, Time Square, Plot 134 Independence Avenue, Gaborone, Botswana

Intertek Commodities Mozambique Lda
Rua 1233, NR 72 R/C, Distrito Urbano 1, Maputo, Mozambique

Intertek Consulting & Training (UK) Limited
Northpoint Aberdeen Science & Energy Park, Exploration Drive, Bridge of Don, Aberdeen, AB23 8HZ, United Kingdom

Intertek Consulting & Training (USA), Inc.
201 Energy Parkway, Suite 240, Lafayette LA 70508, United States

Intertek Consulting & Training Colombia Limitada
Calle 97, No.19A – 57, Bogota, Colombia

Intertek Consulting & Training Egypt
46 B Street #7, Maadi, Cairo, Egypt

Intertek Consulting AB
Torshamnsgatan 43, Box 1103, KISTA, S-164 22, Sweden

Intertek Consumer Goods GmbH
Würzburger Strasse, 152, 90766 Furth, Germany

Intertek Curacao N.V
Barendslaan #3, Rio Canario Willemstad, Curacao, Netherlands Antilles

Intertek de Guatemala SA
46 Calle 21-53 Zona 12, Expobodega 46, Edificio 10, Guatemala Ciudad, Guatemala

Intertek de Nicaragua S.A.
Zona Franca Astro KM 47, Carretera Tipitapa Masaya, Nave 20, Managua, Nicaragua

Intertek Denmark A/S
Dokhavnsvej 3, 4400, Kalundborg, Denmark

Intertek Deutschland GmbH
Stangenstr.1, 70771 Leinfelden-Echterdingen, Germany

Intertek DIC A/S
Vejstruprodvej 31–33, 6093, Sjolund, Denmark

Intertek do Brasil Laboratorios Ltda (85%)
Alameda Tocantins No 630, Galpao 5, Alphaville Centro Industrial e Empresarial, Barueri, CEP 06455 – 020, Brazil

Intertek Egypt for Testing Services
2nd Floor, Block 13001, Piece 15, Street 13, First Industrial Zone, (Beside Abou Ghali Motors), Elobour City, Cairo, Egypt

Intertek Engineering Service Shanghai Limited
Room 308A, 3rd Floor, No. 1 Building, No.1287, Shangcheng Road, Pulot Free Trade Zone, Shanghai, China

Intertek Engineering Services (Wuhu) Ltd
No. 65 Chang Ye Street, YinHu District, Wuhu, China

Intertek Evaluate AB
Torshamnsgatan 43, Box 1103, Kista, S-164 22, Sweden

Intertek Finance Ireland Unlimited Company
8th Floor, Block E, Iveagh Court, Harcourt Road, Dublin 2, Ireland

Intertek Finance No. 2 Ltd

Intertek Finland OY
Teknoublevardi 3-5, FI-01530 Vantaa, Finland

Intertek Fisheries Certification Limited

Intertek Food Services GmbH
Olof-Palme-Strasse 8, 28719 Bremen, Germany

Intertek France
ZAC Ecopark 2, 27400, Heudeboville, France

Intertek Fujairah FZC
P.O. Box 1307, Fujairah, United Arab Emirates

Intertek Genalysis (Zambia) Limited
Plot No 25/26 Nkwazi House, Nkwazi and Cha Cha Cha Roads, PO Box 31014, Lusaka, Zambia

Intertek Genalysis Madagascar SA
Saint Denis Terrain II, Parcel 2 Ambatofotsy, Ampandrianomby, Madagascar

Intertek Genalysis SI Ltd
c/o Baoro & Associates, Top Floor, Y. Sato Building, Point Cruz, Honiara City, Solomon Islands

NOTES TO THE FINANCIAL STATEMENTS
continued

23 Principal Group companies (continued)

FULLY OWNED SUBSIDIARIES (CONTINUED)

Intertek Genalysis South Africa Pty Limited
Level 3, 235 St Georges Terrace, Perth WA 6000, Australia

Intertek Ghana Limited
A&A Complex, Block B, Ground Floor, Osu Badu Street, Accra, Ghana

Intertek Global (Iraq) Limited (i)

Intertek Global International LLC
Building 242, Office No.3, C-Ring Road, PO Box 47146, Doha, Qatar

Intertek Global Limited
1st Floor, Liberation House, Castle Street, St Helier, JE1 1GL, Jersey

Intertek Health Sciences Inc.
2233 Argentia Road, Suite # 201, Mississauga ON L5N 2X7, Canada

Intertek Holding Deutschland GmbH
Stangenstr.1, 70771 Leinfelden-Echterdingen, Germany

Intertek Holdings France
ZAC Ecopark 2, 27400 Heudebouville, France

Intertek Holdings Italia SRL
Via Guido Miglioli 2/A, Cernusco sul Naviglio, 20063, Milano, Italy

Intertek Holdings Nederland B.V.
Leerlooierstraat 135, 3194AB Hoogvliet, Rotterdam, Netherlands

Intertek Holdings Norge AS
Oljeveien 2, Tananger, 4056, Norway

Intertek Hungary Kft. (ii)
Ground Floor 3, Szilágyi Erzsébet alley 1., Budapest, 1024, Hungary

Intertek Ibérica Spain S.L.
Alda. Recalde, 27-5., 48009, Bilbao, Vizcaya, Spain

Intertek India Private Limited
E-20, Block B1, Mohan Co-operative Industrial Area, Mathura Road, New Delhi, 110044, India

Intertek Industrial Services GmbH
Marie-Bernays-Ring 19a, 41199 Monchengladbach, Germany

Intertek Industry and Certification Services (Thailand) Limited.
539/2 Gypsum Metropolitan Tower, 11C Fl., Sri-Ayudhaya Road, Tanon – Phayathai Subdistrict, Khet Ratchathewi, Bangkok, 10400, Thailand

Intertek Industry Services (PTY) LTD
3 EL Wak Street, Vereeniging, 1930, Gauteng, South Africa

Intertek Industry Services (S) Pte Ltd
2 International Business Park, #10-09/10, The Strategy, 609930, Singapore

Intertek Industry Services Brasil Ltda
Alameda Mamore 503, Alphaville, Barueri-SP, 06454-040-SP, Brazil

Intertek Industry Services Colombia Limited
Calle 93B No.19–35/37 Office 501, Bogota, Colombia

Intertek Industry Services Japan Limited
Nihonbashi N Bldg, 1-4-2, Nihonbashi – Horidomecho, Chuo-ku, Tokyo, 103-0012, Japan

Intertek Industry Services Romania Srl
266-268 Calea Rahovei Street, Building 63, 8th Floor, Sector 5, Bucharest, Romania

Intertek Industry WLL
Office # 24, Building 400, Road 3207, Mahooz, Block 332, Manama, Kingdom of Bahrain

Intertek Inspection Services Ltd
2561 Avenue Georges V, Montreal-Est Québec H1L 6S4, Canada

Intertek Inspection Services Scandinavia AS
Leif Weldings vei 8, 3208 Sandfjord, Norway

Intertek Inspection Services UK Limited

Intertek Insurance Surveyors and Loss Assessors Private Limited (ii)
E-20, Block B1, Mohan Co-operative Industrial Area, Mathura Road, New Delhi, 110044, India

Intertek International France
67 Boulevard Bessières, 75017, Paris, France

Intertek International Guinee S.A.R.L. (i)
Conakry Republique de Guinee, Compte Bancaire: 52481.369.10 0 (SGBG), Conakry, Guinea

Intertek International Inc.
24900 Pitkin Road, Site 200, The Woodlands TX 77386, United States

Intertek International Kazakhstan, LLC
4 Khakimov Str., Atyrau City, 060005, Kazakhstan

Intertek International Limited

Intertek International LLC
Matbuotchilar street, 32. Office No.502, Tashkent, 100060, Uzbekistan

Intertek International Ltd Egypt
69, Road 161, Intersection with Road 104, Ground Floor, Maadi, Cairo, Egypt

Intertek International Nederland BV
Leerlooierstraat 135, 3194AB Hoogvliet, Rotterdam, Netherlands

Intertek International Niger SARL
BP 2769, 2nd Floor Lot 792 Block Q, Independance Boulevard, Rue GM-20, Niger

Intertek International Suriname N.V.
Prins Hendrikstraat 49, Paramaribo, Suriname

Intertek International Tanzania Limited
Minazini Street, Kilwa Road 5, Dar es Salaam, Tanzania, United Republic of Tanzania

Intertek Italia SpA
Via Guido Miglioli 2/A, Cernusco sul Naviglio, 20063, Milano, Italy

Intertek Japan K.K.
Pier City Shibaura Building, 4F, 3-18-1, Kaigan, Minato-ku, Tokyo, 108-0022, Japan

Intertek Kalite Servisleri Limited Sirketi
Icerenkoy mahallesi Eski Uskudar Yolu cadessi, VIP Center No: 10, Kat 12, Daire 13, Atasehir, Istanbul, Turkey

Intertek Korea Industry Service Ltd
Yeouido Dept Bldg #916, 36-2, Yeouido-Dong, Youngdeungpo-Gu, Seoul, 150-749, Republic of Korea

Intertek Labtest S.A.R.L
Route 110, (par Chefchaouni), Lot Saadi no. 20, Q.I. Aïn Sebaâ 20 250, 4eme Etage, Casablanca, Morocco

Intertek Ltd
Borco Administration Bldg, West Sunrise Highway, Freeport, Grand Bahama, Bahamas

Intertek Management Services (Australia) Pty Ltd
Level 3, 235 St Georges Terrace, Perth WA 6000, Australia

Intertek Med SARL AU
Zone Franche Logistique Tanger Med, Plateau Bureaux 4, Lot 130, Tanger, Morocco

Intertek Medical Diagnostic Testing Centre (Shanghai) Co. Ltd
Room 101, 1F, No 6 Building, 1218 Wan Rong Road, Zha Bei District, Shanghai, China

Intertek Minerales Services SARL (i)
Rue KM 10, Route de Kouroussa S/P Karifamoriah, Commune Urbaine de Kankan, Guinea

Intertek Minerals Limited
Osu Badu Street, Airport Residential Area, Accra, Greater Accra, CP8196, Ghana

Intertek Myanmar Limited
Classic Strand Cono, No.693/701, Room (4-A), (4th Floor), Merchant Road, Pabedan Township, Yangon, Myanmar

Intertek Nederland B.V.
Leerlooierstraat 135, 3194 AB Hoogvliet Rt, Rotterdam, The Netherlands

Intertek Nominees Limited

Intertek Overseas Holdings Limited

Intertek Overseas Holdings, Eritrea Limited (i)
3rd Floor, Warsay Avenue, P.O. Box 4588, Asmara, Eritrea

Intertek Pakistan (Private) Limited
Intertek House, Shams Centre, 172-S, P.E.C.H.S, Block No.2, Tariq Road, Karachi, Pakistan

Intertek Poland sp.z o.o.
Cyprysowa 23 B, 02-265, Warsaw, Poland

Intertek Poland-Certification Sp. z.o.o. w likwidacji (ii)
Ul. Mickiewicza, 18A , 60-833, Poznan, Poland

Intertek Polychemlab B.V.
Koolwaterstofstraat 1, 6161 RA, Geleen, Netherlands

Intertek Portugal, Unipessoal Lda
Rua Antero de Quental, 221-Sala 102, 4455-586, Perafita-Matosinhos, Portugal

Intertek Quality Services Ltd (i)

Intertek Resource Solutions (Trinidad) Limited
#91-92 Union Road, Marbella, Trinidad, Trinidad and Tobago

Intertek Resource Solutions, Inc.
24900 Pitkin Rd., Ste. 200, The Woodlands TX 77386, United States

23 Principal Group companies (continued)

FULLY OWNED SUBSIDIARIES (CONTINUED)

Intertek Rus JSC
8, 2nd Brestskaya Str., 125047, Moscow, Russian Federation

Intertek S.R.O
Sokolovská 131/86, Karlín, Praha 8, 186 00, Czech Republic

Intertek Saudi Arabia Limited (i)

Intertek Saudi Arabia Limited
Southern Olaya Center, Office No. 213, Makkah Al-Mukaramah Street, P.O. Box 2526, Al-Khobar, 31952, Saudi Arabia

Intertek ScanBi Diagnostics AB
Box 166, SE-230 53, Alnarp, Sweden

Intertek Secretaries Limited (i)

Intertek Semko AB
Torshamnsgatan 43, Box 1103, Kista, S-164 22, Sweden

Intertek Services (Pty) Ltd
151 Monument Road, Aston Manor, 1619, South Africa

Intertek Servicios C.A. (i)
Res. San Ignacio, Calle San Ignacio de Loyola con Avenue Francisco de Miranda, Local 3, Chacao, Caracas, Venezuela

Intertek Settlements Limited (i)

Intertek Statius N.V.
Man 'O' War #B3, Oranjestad, St. Eustatius, Netherlands Antilles

Intertek Surveying Services (USA), LLC
3033 Chimney Rock Road, Suite 625, Houston TX 77056, United States

Intertek Surveying Services UK Limited
Redshank House, Alness Point Business Park, Alness, Highland, IV17 0UP, Scotland

Intertek Technical Inspections Canada Inc. (iv)
1829 32nd Avenue, Montreal H8T 3J1, Canada

Intertek Technical Services PTY Limited
Level 3, 235 St Georges Terrace, Perth WA 6000, Australia

Intertek Testing & Certification Limited

Intertek Testing and Inspection Services UK Limited

Intertek Testing Management Limited

Intertek Testing Services (Australia) Pty Limited
Level 3, 235 St Georges Terrace, Perth WA 6000, Australia

Intertek Testing Services (Cambodia) Company Limited
13AC, Street 337, Sangkat Boeung Kak I, Khan Tuol Kork, Phnom Penh, Cambodia

Intertek Testing Services (East Africa) Pty Limited
Djibouti Free Zone, Room 19, Rue De Venice, P.O. Box 6419, Djibouti, Republique de Djibouti, South Africa

Intertek Testing Services (Fiji) Limited
c/- BDO, Level 10, FNPF Place, 343 Victoria Parade, Suva, Fiji

Intertek Testing Services (Guangzhou) Ltd
3F Hengyun Building, 235 Kaifa Ave, Guangzhou Economic & Technological Development District, Guangzhou, 510730, China

Intertek Testing Services (ITS) Canada Ltd.
105-9000 Bill Fox Way, Burnaby BC V5J 5J3, Canada

Intertek Testing Services (Japan) K. K.
Nihonbashi N Bldg, 1-4-2, Nihonbashi – Horidomecho, Chuo-ku, Tokyo, 103-0012, Japan

Intertek Testing Services (NZ) Limited
3 Kepa Road, Ruakaka, Northland, 0171, New Zealand

Intertek Testing Services (Shanghai FTZ) Co., Ltd
Build T52-8, No. 1201, Gui Qiao Road, Jinqiao Development Area, Pudong District, Shanghai, 201206, China

Intertek Testing Services (Singapore) Pte Ltd.
80 Bendemeer Road #03-02, Hyflux Innovation Centre, 339949, Singapore

Intertek Testing Services (Thailand) Limited
1285/5 Prachachuen Road, Wong-Sawang Sub-District, Bangsue District, Bangkok, 10800, Thailand

Intertek Testing Services Argentina S.A.
Cerrito 1136, piso 3ro, Frente. Ciudad Autonoma de Buenos Aires, (C1010AAX), Argentina

Intertek Testing Services Bolivia S.A.
Calle Chichapi # 2125, Santa Cruz, de la Sierra, Bolivia

Intertek Testing Services Caleb Brett Egypt Limited

Intertek Testing Services Center LLC
Office 165-N, Letter A, 21 Rozenshteina Street, 198095, Saint Petersburg, Russian Federation

Intertek Testing Services Chongqing Co., Limited
1-2/F, Building #3, 5 Gangcheng East Ring Road, Jiangbei District, Chongqing, China

Intertek Testing Services de Honduras, S.A.
Edificio la Pradera, locales 5 y 6. 1-2 Ave, 1 calle, Puerto Cortes, Barrio el Centro, Honduras

Intertek Testing Services De Mexico, S.A. De C.V. (iii)
Poniente 134, No 660 Industrial Vallejo, Mexico DF CP, 02300, Mexico

Intertek Testing Services Environmental Laboratories Inc. (i)
Lexis Document Services, 15 East North Street, Dover, Delaware, 19901, United States

Intertek Testing Services International (Hong Kong) Limited
11/F, Unit IJK, Garment Centre, 576 Castle Peak Road, Kowloon, Hong Kong

Intertek Testing Services International AB (i)
Box 1103, Kista, 16422, SE, Sweden

Intertek Testing Services Korea Limited
1st Fl., Aju Digital Tower, 284-56, Seongsu-dong 2-ga, Seongdong-gu, Seoul 133-120, Republic of Korea

Intertek Testing Services NA Limited
1829 32nd Avenue, Lachine QC H8T 3JI, Canada

Intertek Testing Services NA Sweden AB (i)
c/o Intertek Semko AB, Box 1103, Kista, 16422, Sweden

Intertek Testing Services Namibia (Proprietary) Limited
15th Floor, Frans Indongo Gardens, Dr Frans Indongo Street, Windhoek, Namibia

Intertek Testing Services Pacific Limited
11/F, Unit IJK, Garment Centre, 576 Castle Peak Road, Kowloon, Hong Kong

Intertek Testing Services Peru S.A.
Jr. Mariscal Jose de la Mar No. 200 Urb., Res. El Pino, San Luis, Lima, Peru

Intertek Testing Services Philippines, Inc.
Intertek Building, 2307 Chino Roces Avenue Extension, Metro Manila, Makati City, 1231, Philippines

Intertek Testing Services Taiwan Limited
8F No. 423 Ruiguang Rd, Neihu District, Taipei, 11492, Taiwan

Intertek Testing Services Tianjin Limited
2-F, No. 7 GuiYuan Road, Yi Shang Hu Tong Building, Hua Yuan High-tech Industry Park, Tianjin, China

Intertek Timor, S.A.
Hotel Timor, Colmera, Vera Cruz, Dili, Timor-Leste

Intertek Torton Limited
11/F, Unit IJK, Garment Centre, 576 Castle Peak Road, Kowloon, Hong Kong

Intertek Training Malaysia Sdn. Bhd.
6-L12-01, Level 12, Tower 2, Menara PGRM, No. 6 & 8 Jalan Pudu Ulu, Cheras, 56100 Kuala Lumpur, Malaysia

Intertek Trinidad Limited
#91-92 Union Road, Marabella, Trinidad and Tobago

Intertek UK Holdings Limited

Intertek Ukraine
Chernomorskogo Kazachestva, 115, Office 507, Odessa, 65003, Ukraine

Intertek USA Finance LLC
c/o CSC Services of Nevada, Inc., 2215-B Renaissance Dr, Las Vegas NV 89919, United States

Intertek Vietnam Limited
3rd & 4th floor, Au Viet Building, No. 01 Le Duc Tho Str., Mai Dich Ward, Cau Giay District, Hanoi City, Vietnam

Intertek West Africa SARL
Rue du Canal de Vridi Face Appontement, SIAP, Abidjan, 15 BP 882, Cote d'Ivoire

Intertek West Lab AS
Oljev 2, 4056 Tananger, 1124 Sola, Norway

ITS (PNG) Limited
Section 27 Allotment 27, Voco Point, Lae, Morobe Province, Papua New Guinea

ITS Hong Kong NA, Limited (i)
2/F Garment Centre, 576 Castle Peak Road, Kowloon, Hong Kong

ITS Labtest Bangladesh Limited
Phoenix Tower, Plot – 407 (3rd Floor), Tejgaon I/A, Dhaka, Bangladesh

ITS Testing Holdings Canada Limited (Canada)
3771 North Fraser Way, Suite 17, Burnaby BC V5J 5G5, Canada

ITS Testing Services (UK) Limited

Labtest International Inc.
2107 Swift Drive, No 200, Oak Brook, Illinois, 60523, United States

NOTES TO THE FINANCIAL STATEMENTS continued

23 Principal Group companies (continued)

FULLY OWNED SUBSIDIARIES (CONTINUED)

Lintec Testing Services Limited

Louisiana Grain Services, Inc. (i)
c/o CT Corp, 8550 United Plaza Blvd, Baton Rouge LA 70809, United States

Mace Land Company, Inc.
3114 Scarboro Road, Street MD 21154, United States

Management & Industrial Consultancy (i)
59 Road No.104, Second Floor, Maadi, Cairo, Egypt

Management Systems International Limited (i)

Material Testing Lab, Inc.
145 Sherwood Avenue, Farmingdale NY 11735, United States

Materials Testing & Inspection Services Limited

McPhar Geoservices (Philippines) Inc. (i)
Building 7 & 8 Philcrest 1 Compound, Km23 West Service Road, Bo. Cupang , Muntinlupa City, Philippines

Melbourn Scientific Limited
Melbourn Scientific, Saxon Way, Melbourn, Hertfordshire, Royston, SG8 6DN, United Kingdom

Metoc Limited

Midwest Engineering Services, Inc.
CT Corporation System, 8020 Excelsior Dr. Suite 200, Madison WI 53717, United States

Moody Algerie SARL
Cité SERBAT, Bat. B2/C2, N°03, Garidi 1, 16051, Kouba, Wilaya d'Alger, Algeria

Moody Energy Technical Service Co Ltd
Rm. A201, B-2 East 3rd, Ring Road North Road, Chaoyang District, Beijing, 100027, China

Moody International (Holdings) Limited

Moody International (India) Private Limited
E-20, Block B1, Mohan Co-operative Industrial Area, Mathura Road, New Delhi, 110044, India

Moody International (Malaysia) Sdn. Bhd.
6-L12-01, Level 12, Tower 2, Menara PGRM, No. 6 & 8 Jalan Pudu Ulu, Cheras, 56100 Kuala Lumpur, Malaysia

Moody International (Russia) Limited

Moody International Angola Ltda
Rua de Macau, Edifico ex Edil Apto 1, Res de Chao Esq. C.P 215, Cabinda, Angola

Moody International Certification India Limited
E-20, Block B1, Mohan Co-operative Industrial Area, Mathura Road, New Delhi, 110044, India

Moody International de Argentina SA
Cerrito 1136, 2nd Floor, CF, Buenos Aires, C1010AAX, Argentina

Moody International Holdings LLC
24900 Pitkin Rd., Ste. 200, The Woodlands TX 77386, United States

Moody International LLC (i)
18A Kikvidze str., 01133, Kiev, Ukraine

Moody International Philippines Inc. (i)
Intertek Building, 2310 Chino Roces Avenue Extension, Metro Manila, Makati City, 1231, Philippines

Moody International Scandinavia AB (i)
Box 1103, Kista, 16422, SE, Sweden

Moody Shanghai Consulting Ltd
1F, No. 5 Building, 912 Bibo Road, Zhangjiang Hi-Tech Park, Shanghai, 201203, China

Moody United Certification Limited (i)
2F, No. 5 Building, 912 Bibo Road, Pudong, Shanghai, 201203, China

MT Group LLC
145 Sherwood Avenue, Farmingdale NY 11735, United States

MT Operating of New Jersey LLC
145 Sherwood Avenue, Farmingdale NY 11735, United States

MT Operating of New York LLC
145 Sherwood Avenue, Farmingdale NY 11735, United States

NDT Services Limited

Northern Territory Environmental Laboratories Pty Ltd (i)
Level 3, 235 St Georges Terrace, Perth WA 6000, Australia

Paulsen & Bayes-Davy Ltd
11/F, Unit IJK, Garment Centre, 576 Castle Peak Road, Kowloon, Hong Kong

Petroleum Services of Union Lab Sdn. Bhd.
Suite C-7-10 (B), Level 9, Block C, UE3 Corporate Offices, Menara Uncang Emas, No 85 Jalan Loke Yew, Taman Miharja, 55200 Kuala Lumpur, Malaysia

Pittsburgh Testing Laboratory, Inc
PSI, 850 Poplar Street, Pittsburgh PA 15220, United States

Professional Service Industries Holding, Inc.
Corporation Trust Center, 1209 Orange Street, Wilmington, DE, 19801, United States

Professional Service Industries (Canada) Inc. (i)
200 Bay Street, Suite 3800, Royal Bank Plaza, South Tower, Toronto ON M5J 2J7, Canada

Professional Service Industries, Inc.
Corporation Trust Center, 1209 Orange Street, Wilmington, DE, 19801, United States

PSI Acquisitions, Inc.
Corporation Service Company, 2711 Centerville Road, Suite 400, Wilmington 19808, United States

PT. Moody Technical Services
Graha STR 3rd floor, Suite#302, Jl. Ampera Raya No. 11, Jakarta, 12550, Indonesia

PT. RCG Moody
Graha STR 3rd floor, Suite#302, Jl. Ampera Raya No. 11, Jakarta, 12550, Indonesia

RCG Moody International Uruguay S.A.
Cerrito 507, 4th Floor, Off. 46, 47, Montevideo 11000, Uruguay

S.A.R.L. Intertek OCA France
Route Industrielle – Centre Routier, 76600, Gonfreville L'Orcher, France

Schindler & Associates (L.C.) (i)
24900 Pitkin Rd., Ste. 200, The Woodlands TX 77386, United States

Shanghai Orient Intertek Testing Services Company Limited
Build T52-8, No. 1201, Gui Qiao Road, Jinqiao Development Area, Pudong District, Shanghai, 201206, China

Shanghai Tianxiao Investment Consultancy Company Limited
Room 520, No. 5-6, Lane 1218, WanRong Road, ZhaBei District, Shanghai, China

Technical Company for Testing and Conformity Services & Systems LLC
Gates No. 1/2/6, Building 73/ Area 903, Karadah, Al Rusafa, Baghdad, Iraq

Testing Holdings Sweden AB
Torshamnsgatan 43, Box 1103, Kista, S-164 22, Sweden

Tradegood Singapore Pte. Ltd. (i)
80 Bendemeer Road #03-02, Hyflux Innovation Centre, 339949, Singapore

Tradegood WFOE – Beijing Rui Gu Information Consultancy Company Ltd (i)
Room 802, Information Building, Linyin North Road No.13, Pinggu District, Beijing City, 101200, China

Tradegood.com International Limited
11/F, Unit IJK, Garment Centre, 576 Castle Peak Road, Kowloon, Hong Kong

UAB Intertek Lithuania (ii)
Jogailos 9, Vilnius, Lithuania

Van Sluys & Bayet NV
Kruisschansweg 11, 2040 Antwerp, Belgium

White Land Company, Inc.
3114 Scarboro Road, Street MD 21154, United States

Wilson Inspection X-Ray Services, Inc.
Michael E Wilson, 6010 Edgewater Dr., Corpus Christi TX 78412, United States

Wisco SE Asia PTE Limited (i)
80 Bendemeer Road #03-02, Hyflux Innovation Centre, 339949, Singapore

Yickson Enterprises Limited
11/F, Unit IJK, Garment Centre, 576 Castle Peak Road, Kowloon, Hong Kong

Youngever Holdings Ltd.
171 Main Street, Road Town, P.O. Box 4041, Tortola, VG 1110, British Virgin Islands

23 Principal Group companies (continued)

RELATED UNDERTAKINGS WHERE THE EFFECTIVE INTEREST IS LESS THAN 100%

Caleb Brett Abu Dhabi LLC (49%)
CB UAE (Private) Ltd, c/o Al Nahiya Group, PO Box 3728, Abu Dhabi, United Arab Emirates

Euro Mechanical Instrument Services LLC (49%)
PO Box 46153, Abu Dhabi, United Arab Emirates

International Inspection Services LLC (70%)
PO Box 193, Al Hamriyah, Muscat, PC 131, Oman

Intertek (Qeshm Island) Limited (51%)
Unit 107, Goldis Building, Valiasr Boulevard, Qeshm Island, Islamic Republic of Iran

Intertek Angola LDA (99%)
282 Rua Amilcar Cabral no.147 2nd floor, Apartment Z, Luanda, Angola

Intertek do Brasil Inspecoes Ltda (99%)
Av Eng. Augusto Barata s/n, Alamoa, Santos, SP, CEP11095-650, Brazil

Intertek ETL SEMKO KOREA Limited (90%)
5F, Intertek building, Gongdan-ro, 160beon-gil 3, Gunpo-si, Gyeonggi-do, 15845, Republic of Korea

Intertek Kimsco Co. Ltd.(vii) (50%)
Intertek Building, 3, Gongdan-ro, 160beon-gil, Gunpo-si, Gyeonggi-do, 15845, Republic of Korea

Intertek Lanka (Private) Limited (70%)
Intertek House, No: 282, Kaduwela Road, Battaramulla, Sri Lanka

Intertek Libya Technical Services and Consultations Company Spa (65%)
PO Box 3788, Al Shaat Road, Souq Al-Juma, Tripoli, Libya

Intertek Life Bridge (Shanghai) Testing Services Co., Ltd. (80%)
Room 401, Building #5-6, Lane 1218, WanRong Road, JinAn District, Shanghai, Shandong, China

Intertek Robotic Laboratories Pty Limited(vii) (50%)
15 Davison Street, Maddington WA 6109, Australia

Intertek Test Hizmetleri Anonim Sirketi (85%)
Merkez Mahallesi, Sanayi Cad. No.23, Altindag Plaza, Yenibosna-34197, Istanbul, Turkey

Intertek Testing Services (Hangzhou) Limited (70%)
No. 16, First Street South, Hangzhou Economic Development Zone, Hangzhou, Zhejiang Province, 310018, China

Intertek Testing Services (South Africa) (Proprietary) Limited (75%)
5th Floor, Charter House, 13 Brand Road, Glenwood, Durban, South Africa

Intertek Testing Services Nigeria Limited (65.93%)
No. 2 Bombay Crescent, Apapa, Lagos, Nigeria

Intertek Testing Services Wuxi Ltd (70%)
No. 8 Fubei Road, Xishan Economic Development Zone, Wuxi, Jiangsu, 214101, China

ITS (Subic Bay), Inc. (99%)
Area 8 – 10, Lots 11/12 Boton Wharf, Argonaut Highway, Subic Bay, Freeport Zone, Olongapo City, Philippines

ITS Caleb Brett Deniz Survey A S(viii) (50%)
Ulus Mah. Oz Topuz cad. no.32, Besiktas, Istanbul, 34340, Turkey

ITS Testing Services Holdings (M) Sdn Bhd (49%)
Unit 30-01, Level 30, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No.8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia

ITS Testing Services (M) Sdn Bhd (74%)
Unit 30-01 Level 30, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia

Laboratorios ABC Química, Investigación y Análisis(vii) (10%)
Jacarandas No. 19, Colonia San Clemente, Delegación Álvaro Obregón, Mexico City, C.P. 01740, México, Ciudad de México

Laboratory Services International Rotterdam B.V (75%)
Pittsburghstraat 9, 3047 BL, Rotterdam, Netherlands

Lynx Diagnostics Inc.(viii) (50%)
#220, 8 Perron Street, St Albert AB T8N 1E4, Canada

Moody International Bangladesh Limited (99.9%)
House 6, Road 17/A, Block E, Ground Floor, Banani, Dhaka, 1213, Bangladesh

Moody International Certification Limited (40%)
Brivibas iela 85, Riga, LV-1001

Moody International Certification Ltd (40%)
53, Nautic, Triq l-Ortolan, San Gwann, SGN 1943, Malta

Moody International Holdings Chile Ltda (99%)
Coyancura 2283, Piso 12, Providencia, Santiago, Chile

Moody International SA (35%)
4 Rue Des Brasseurs, Zone 3 Abidjan, Cote d'Ivoire

Moody International Lanka (Private) Ltd. (99.9%)
no. 5, St Albans Place, Colombo – 4, Sri Lanka

PT Citrabuana Indoloka(viii) (50%)
Jl. Raya Bogor KM 28, RT/RW. 04/07, Kel. Pekayon, Kec. Pasar Rebo, Jakarta Timur, 13710, Indonesia

PT. Intertek Utama Services(viii) (50%)
Jl. Raya Bogor KM. 28, RT/RW. 04/07, Kel. Pekayon, Kec. Pasar Rebo, Jakarta Timur, 13710, Indonesia

Qatar Calibration Services LLC (49%)
Petrotec, PO Box 16069, 8th Floor, Toyota Tower, Doha, Qatar

RCG Moody International de Venezuela S.A.(i) (99%)
Res Morgana, p_4, #04, Av.Andres Bello, Fco de Miranda, Los Polos Grandes, Caracas, Venezuela

Shanghai Moody Management & Technical Services Co. Ltd (90%)
Room 225, No. 14 at Lane No. 1700 Luo Shan Road, Shanghai, China

Societe Tunisienne d'Inspection Caleb Brett SARL (51%)
67 rue Ech-Chem, Tunis, 1002, Tunisia

UzIntertek Testing Services LLC (51%)
Abdulla Kodiriy Str., C-4, House 24,100017, Tashkent, Uzbekistan

ASSOCIATES

Intertek Riyadh Geotechnique and Foundations Laboratory (51%)
Buildings Number 1 and 2, Khamra Area, Mikaish 2, Jeddeh, Saudi Arabia

Decernis LLC (20%)
1250 Connecticut Avenue, NW, Suite 200, Washington WA DC 20036, United States

(i) Dormant Company.
(ii) In Liquidation.
(iii) Ownership held in class of A shares and B shares.
(iv) Ownership held in class of A shares and E shares.
(v) Ownership held in ordinary and preference shares.
(vi) Shares held in Class A, B, C, D, E and F.
(vii) Ownership held in class I Series B shares and class II Series B shares.
(viii) Intertek shares joint control over the company under a shareholders' agreement, and its rights to the profit, assets and liabilities of the company are dependent on the performance of the Group's brands rather than the effective equity ownership of the company.

INTERTEK GROUP PLC – COMPANY BALANCE SHEET

As at 31 December 2016	Notes	2016 £m	2015 £m
Fixed assets			
Investments in subsidiary undertakings	(d)	**318.1**	308.1
Current assets			
Debtors due after more than one year	(e)	124.5	124.5
Debtors due within one year		57.9	66.9
		182.4	191.4
Cash at bank and in hand		0.5	1.0
		182.9	192.4
Creditors due within one year			
Other creditors		(13.2)	(30.6)
		(13.2)	(30.6)
Net current assets		**169.7**	161.8
Total assets less current liabilities		**487.8**	469.9
Creditors due after one year			
Other creditors	(f)	(26.4)	(55.2)
		(26.4)	(55.2)
Net assets		**461.4**	414.7
Capital and reserves			
Called up share capital	(g)	1.6	1.6
Share premium	(g)	257.8	257.8
Profit and loss account	(g)	202.0	155.3
Shareholders' funds		**461.4**	414.7

The profit for the financial year was £129.4m (2015: £21.8m).

The financial statements on pages 140 to 144 were approved by the Board on 6 March 2017 and were signed on its behalf by:

André Lacroix
Chief Executive Officer

Edward Leigh
Chief Financial Officer

INTERTEK GROUP PLC – COMPANY STATEMENT OF CHANGES IN EQUITY

	Notes	Share capital £m	Share premium £m	Retained earnings £m	Total equity £m
At 1 January 2015		1.6	257.8	208.3	467.7
Total comprehensive income for the year					
Profit	(b)	–	–	21.8	21.8
Total comprehensive income for the year		–	–	21.8	21.8
Transactions with owners of the company recognised directly in equity					
Contributions by and distributions to the owners of the company					
Dividends paid	(c)	–	–	(80.7)	(80.7)
Purchase of own shares		–	–	(5.2)	(5.2)
Tax paid on Share Awards vested		–	–	(1.8)	(1.8)
Equity-settled transactions	(d)	–	–	12.9	12.9
Total contributions by and distributions to the owners of the company		–	–	(74.8)	(74.8)
At 31 December 2015		1.6	257.8	155.3	414.7
At 1 January 2016		**1.6**	**257.8**	**155.3**	**414.7**
Total comprehensive income for the year					
Profit	(b)	–	–	129.4	129.4
Total comprehensive income for the year		**–**	**–**	**129.4**	**129.4**
Transactions with owners of the company recognised directly in equity					
Contributions by and distributions to the owners of the company					
Dividends paid	(c)	–	–	(88.0)	(88.0)
Purchase of own shares		–	–	(6.4)	(6.4)
Tax paid on Share Awards vested		–	–	(4.9)	(4.9)
Equity-settled transactions	(d)	–	–	16.6	16.6
Total contributions by and distributions to the owners of the company		**–**	**–**	**(82.7)**	**(82.7)**
At 31 December 2016		**1.6**	**257.8**	**202.0**	**461.4**

NOTES TO THE COMPANY FINANCIAL STATEMENTS

(A) ACCOUNTING POLICIES – COMPANY

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

Basis of preparation

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

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

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

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

As the consolidated financial statements include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of IFRS 2 Share Based Payments in respect of group settled share based payments.

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

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

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

Foreign currencies

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

Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

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

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination; and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

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

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

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

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

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

(B) PROFIT AND LOSS ACCOUNT
Amounts paid to the Company's auditor and their associates in respect of services to the Company, other than the audit of the Company's financial statements, have not been disclosed as the information is required instead to be disclosed on a consolidated basis. The Company does not have any employees.

Details of the remuneration of the Directors are set out in the Remuneration report.

(C) DIVIDENDS
The aggregate amount of dividends comprises:

	2016 £m	2015 £m
Final dividend paid in respect of prior year but not recognised as a liability in that year	56.8	53.3
Interim dividends paid in respect of the current year	31.2	27.4
Aggregate amount of dividends paid in the financial year	**88.0**	80.7

The aggregate amount of dividends proposed and recognised as liabilities as at 31 December 2016 is £nil (2015: £nil). The aggregate amount of dividends proposed and not recognised as liabilities as at 31 December 2016 is £69.4m (2015: £57.0m).

(D) INVESTMENT IN SUBSIDIARY UNDERTAKINGS

	2016 £m	2015 £m
Cost and net book value		
At 1 January	308.1	300.9
Additions due to share-based payments	16.6	12.9
Recharges of share-based payments to subsidiaries	(6.6)	(5.7)
At 31 December	**318.1**	308.1

The Company has granted options over its own shares and made Share Awards to the employees of its direct and indirectly-owned subsidiaries, and as such, the Company recognises an increase in the cost of investment in subsidiaries of £16.6m (2015: £12.9m). Details of the principal operating subsidiaries are set out in note 23 to the Group financial statements.

The Company had two direct subsidiary undertakings at 31 December 2016; Intertek Testing Services Holdings Limited and Intertek Holdings Limited, both of which are holding companies, are incorporated in the United Kingdom and registered in England and Wales. All interests are in the ordinary share capital and all are wholly owned. In the opinion of the Directors, the value of the investments in subsidiary undertakings is not less than the amount at which the investments are stated in the balance sheet.

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

NOTES TO THE COMPANY FINANCIAL STATEMENTS continued

(E) DEBTORS DUE AFTER MORE THAN ONE YEAR

	2016 £m	2015 £m
Amounts owed by Group undertakings	**124.5**	124.5

The amounts owed by Group undertakings represent long-term loans due in two to five years, which carry interest based on the denomination of the borrowing currency.

(F) CREDITORS DUE AFTER MORE THAN ONE YEAR

	2016 £m	2015 £m
Amounts owed to Group undertakings	**26.4**	55.2

The amounts owed to Group undertakings represent long-term loans due in two to five years, which carry interest based on the denomination of the borrowing currency.

(G) STATEMENT OF CHANGES IN EQUITY

Details of share capital are set out in note 15 and details of share-based payments are set out in note 17 to the Group financial statements.

A profit and loss account for Intertek Group plc has not been presented as permitted by Section 408 of the Companies Act 2006. The profit for the financial year, before dividends paid to shareholders of £88.0m (2015: £80.7m), was £129.4m (2015: £21.8m) which was mainly in respect of dividends received from subsidiaries.

The Company has sufficient distributable reserves to pay dividends for a number of years, and when required the Company can receive dividends from its subsidiaries to further increase distributable reserves.

The Group settled in cash the tax element of the Share Awards vested in 2016 amounting to £5.2m of which the Company settled £4.9m (2015: £1.8m).

During the year ended 31 December 2016, the Company purchased, through its Employee Benefit Trust, 200,000 (2015: 200,126) of its own shares with an aggregate nominal value of £2,000 (2015: £2,001) for £6.4m (2015: £5.2m) which was charged to profit and loss in equity.

(H) RELATED PARTY TRANSACTIONS

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

(I) CONTINGENT LIABILITIES

The Company is a member of a group of UK companies that are part of a composite banking cross guarantee arrangement. This is a joint and several guarantee given by all members of the Intertek UK cash pool, guaranteeing the total gross liability position of the pool which was £5.9m at 31 December 2016 (2015: £10.5m).

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

(J) POST BALANCE SHEET EVENTS

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF INTERTEK GROUP PLC

REPORT ON THE FINANCIAL STATEMENTS

OUR OPINION

In our opinion:

- Intertek Group Plc's group financial statements and company financial statements (the "financial statements") give a true and fair view of the state of the group's and of the company's affairs as at 31 December 2016 and of the group's profit and cash flows for the year then ended;
- the group financial statements have been properly prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union;
- the company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the group financial statements, Article 4 of the IAS Regulation.

WHAT WE HAVE AUDITED

The financial statements, included within the Annual Report, comprise:

- the consolidated statement of financial position as at 31 December 2016;
- the company balance sheet as at 31 December 2016;
- the consolidated income statement and consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of cash flows for the year then ended;
- the consolidated statement of changes of equity for the year then ended;
- the company statement of changes of equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the group financial statements is IFRSs as adopted by the European Union, and applicable law. The financial reporting framework that has been applied in the preparation of the company financial statements is United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework"), and applicable law.

OUR AUDIT APPROACH

Overview

Materiality

- Overall group materiality: £17.3 million which represents 5% of profit before tax.

Audit Scope

- We performed full scope audit procedures over 73 legal entities and performed specific audit procedures on a further 13 entities covering 26 territories in total.
- The Group audit team held regular meetings with component teams, and visited the UK, US, China and Hong Kong teams, to understand and supervise the work of these local teams and to make sure that we had a full and comprehensive understanding of the results of their work – particularly insofar as it related to the identified areas of focus.
- Taken together, the components at which audit work has been performed accounted for 87% of the group's revenue and 84% of the group's statutory profit before tax.

Areas of focus

- Carrying value of goodwill and intangible assets
- Valuation of current and deferred tax balances
- Completeness and valuation of customer claims
- Presentation and valuation of acquisitions

The scope of our audit and our areas of focus

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)").

We designed our audit by determining materiality and assessing the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

The risks of material misstatement that had the greatest effect on our audit, including the allocation of our resources and effort, are identified as "areas of focus" in the table below. We have also set out how we tailored our audit to address these specific areas in order to provide an opinion on the financial statements as a whole, and any comments we make on the results of our procedures should be read in this context. This is not a complete list of all risks identified by our audit.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF INTERTEK GROUP PLC continued

AREA OF FOCUS	HOW OUR AUDIT ADDRESSED THE AREA OF FOCUS
Carrying value of goodwill and intangible assets Refer to the Audit Committee report on pages 82 to 83 and to note 9 to the financial statements. The Group had £586.1m of goodwill and a further £198.8m of intangible assets recognised on the balance sheet at 31 December 2016. The carrying values of goodwill and intangibles are contingent on future cash flows of the underlying Cash Generating Units ("CGUs") and there is a risk that, if these cash flows do not meet the directors' expectations, the assets will be impaired. Accounting standards require management to perform an annual assessment of the carrying value of goodwill, and other intangible assets are assessed where there are indications that they are impaired. As this assessment is based on the future value in use, future cash flows must be estimated, which can be highly judgemental and could significantly impact the carrying value of the assets.	We evaluated future cash flow forecasts, and the process by which they were drawn up, including comparing them to the latest Board approved budgets, and testing the underlying calculations. We identified no issues in this testing. We used our in-house valuation specialists to evaluate the methodology used to calculate the value in use of the CGUs, and key assumptions including: • the discount rate by comparing the cost of capital for the Group with comparable organisations; and • the long term growth rates by comparing these to publicly available market data on projected growth rates in key territories such as the UK, USA and China. We concluded that they were within the range of reasonable assumptions based on this information. We performed sensitivity analysis around these assumptions. Having ascertained the extent of change in those assumptions that either individually or collectively would be required for an impairment to arise, we considered the likelihood of such a movement occurring. Our testing did not identify any indicators of impairment, and that the assumptions were reasonable and would require significant downside changes before any impairment would be triggered. In addition we assessed the appropriateness of the CGUs used in the impairment assessment, the useful economic lives of the intangible assets and the related disclosures, and concluded that these were appropriate.
Valuation of current and deferred tax balances Refer to the Audit Committee report on page 82 and to note 6 to the financial statements. Provisions in relation to potential tax exposure are subject to judgement and require the selection of estimation techniques and determination of estimates, either of which could influence the current or deferred tax positions. The Group operates in a large number of jurisdictions, which increases the risk of non-compliance with international tax legislation and introduces complex transfer pricing considerations. In addition the Group has provisions for uncertain tax positions relating to both historic and current tax arrangements. The recognition and measurement of these items in the financial statements is judgemental, and we focused on the directors' forecasts of future profits against which to utilise accumulated losses, and the technical interpretation of taxation law in respect to transactions giving rise to deferred tax assets and uncertain tax positions.	We involved our in-house tax specialists in our testing of the appropriateness of the techniques, estimates and judgements taken in relation to deferred taxation and in respect of uncertain tax positions recognised in the financial statements. In assessing uncertain tax positions, we obtained management's calculations and evaluated the methodology and assumptions used. In understanding and evaluating the directors' technical interpretation of tax law in respect of specific transactions that gave rise to uncertain tax positions we evaluated: • third party tax advice received by the Group; • the status of recent and current tax authority audits and enquiries; • the outturn of previous claims; • judgemental positions taken in tax returns and current year estimates; and • changes in tax legislation, or interpretation of existing legislation by local tax authorities. In assessing the recoverability of deferred tax assets, we considered the likelihood of the Group being able to generate sufficient future taxable profits against which to offset accumulated losses, and tested: • key inputs to the calculation including revenue and profit assumptions, in line with our work over the carrying value of goodwill; and • the directors' ability to accurately forecast future profits where the tax assets will not be recoverable in the foreseeable future. The procedures above did not identify any issues with regards to the valuation of deferred tax assets and provisions for uncertain tax positions.

AREA OF FOCUS	HOW OUR AUDIT ADDRESSED THE AREA OF FOCUS
Completeness and valuation of customer claims Refer to the Audit Committee report on page 82 and to note 13 to the financial statements. As an assurance provider, the Group can be subject to claims from customers and consumers relating to its work, and the geographically diverse nature of the Group means there is a risk that one or more significant claims are omitted from the centrally maintained claims register. Where customer claims may give rise to a future liability, the Directors are required to recognise either a liability or a contingent liability in the financial statements. As the actual cost is often unknown, management must exercise their judgement in calculating the liability.	Where relevant obtained confirmations from the Group's external legal counsels of the existence and details of open claims. Confirmations were sent to both the lawyers associated with the key claims but also additional lawyers who Intertek have interacted with throughout the year. We met with legal counsel to discuss certain open or threatened claims to understand the likelihood of an adverse judgement and the potential magnitude of the claim. We obtained and read the relevant sections of the Group's insurance documents, and confirmed that any liability cap had been appropriately applied to the calculation of provision held against those claims. Through our work, we did not identify any material claims that had not been recorded centrally and provided for, or for which the provision was not appropriate.
Presentation and valuation of acquisitions Refer to the Audit Committee report on pages 82 and to note 10 in the Consolidated Financial Statements. The Group's strategy is to use acquisitions to augment organic revenue growth, and during the year made three acquisitions: FIT Italia SRL, EWA-Canada Ltd and Laboratorios ABC Quimica, Investigacion y Analisis, S.A de C.V.. In addition, the 12-month hindsight period for reassessing the acquisition of Professional Service Industries, Inc closed during the year. Judgement is required in determining the amount of consideration paid and the valuation of assets and liabilities acquired. In addition, the disclosure requirements in respect of acquisitions are extensive.	For these transactions we obtained and read the sale and purchase agreements ("SPAs") in order to gain an understanding of the key terms of each transaction. In testing acquisitions during the year we: • tested that the consideration paid by the Group was consistent with the terms of the SPAs; • assessed the appropriateness of the directors' identification of intangible assets acquired by reference to the SPAs, due diligence reports and other supporting documentation, to identify any assets listed; • obtained the directors' calculation of the fair value of intangible assets acquired, and where material corroborated the inputs and assumptions to supporting evidence; and, • verified that the accounting treatment for each transaction, and any resulting liabilities, is consistent with the accounting standard requirements. We noted no exceptions through performing these procedures. For PSI, which was acquired in 2015, in order to test the directors' final assessment of the purchase price allocation, we: • obtained evidence from internal and external advisors in relation to the fair value of liabilities recognised on acquisition, to evaluate whether the valuation remained appropriate, or that any adjustments were supported; • evaluated whether all fair value adjustments, and any resulting impact, had been appropriately recognised and accounted for. Based on the evidence obtained, we did not identify any indications that the fair value adjustments identified by management were inappropriate. We also reviewed the disclosures in the financial statements and are satisfied that they are in line with the requirements of the relevant accounting standards.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF INTERTEK GROUP PLC continued

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the geographic structure of the group, the accounting processes and controls, and the industry in which the group operates.

The Group is split into 3 reporting segments: Products, Trade and Resources and the operations are spread across over 100 countries and over 500 legal entities. The results are not consolidated at a country or regional level, so we determined that the most appropriate level at which to scope our audit was the legal entity level.

When determining our scope, the key financial measure used is profit before tax. Due to the disaggregation of the group's results across the various entities, we identified only two individually financially significant legal entities, both within China. As a result we instructed our component team to perform audits of the complete financial information of these entities.

We then considered the 45 countries in which PwC are appointed statutory auditors. Of these, 22 accounted for the majority of external profit, and we therefore focused our considerations on these territories. Within these countries, we then excluded any legal entities with no external balances, such as intermediary holding companies, and those entities with highly immaterial revenue, leaving 59 legal entities for which we instructed our local teams to perform audits of the complete financial information for the purpose of the group audit.

In certain territories, notably the US, there is no statutory audit requirement and so we considered whether procedures needed to be performed to supplement our coverage. Due to the number of entities within the US and Canada we selected 14 entities in those countries, representing those with the largest contribution to group profit, over which we performed audits of the complete financial information. We also identified a further 13 entities in other countries over which we instructed specific audit procedures to be performed over revenue and receivables to supplement coverage over these key financial line items.

In total we performed procedures over 86 legal entities in 26 countries, which together accounted for 87% of the Group's revenue and 84% of the Group's profit before tax.

Members of the Group audit team visited US, China, Hong Kong and UK component teams in the year in order to understand and supervise the audit approach in those locations and we held a series of planning workshops for all in scope component teams to inform them of our audit approach and strategy.

This, together with additional procedures performed at the Group level (including audit procedures over material head office entities, tax, legal claims, impairment assessments and consolidation adjustments), gave us the evidence we needed for our opinion on the Group financial statements as a whole.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality.

These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Overall group materiality	£17.3 million
How we determined it	5% of profit before income tax
Rationale for benchmark applied	We believe that profit before tax is the primary measure used by the shareholders in assessing the performance of the group. This is a generally accepted benchmark and the users of the accounts consider it to be a key measure of the performance of the business.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £900,000 as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Going concern

Under the Listing Rules we are required to review the directors' statement, set out on page 85, in relation to going concern. We have nothing to report having performed our review.

Under ISAs (UK & Ireland) we are required to report to you if we have anything material to add or to draw attention to in relation to the directors' statement about whether they considered it appropriate to adopt the going concern basis in preparing the financial statements. We have nothing material to add or to draw attention to.

As noted in the directors' statement, the directors have concluded that it is appropriate to adopt the going concern basis in preparing the financial statements. The going concern basis presumes that the group and company have adequate resources to remain in operation, and that the directors intend them to do so, for at least one year from the date the financial statements were signed. As part of our audit we have concluded that the directors' use of the going concern basis is appropriate. However, because not all future events or conditions can be predicted, these statements are not a guarantee as to the group's and company's ability to continue as a going concern.

OTHER REQUIRED REPORTING
CONSISTENCY OF OTHER INFORMATION AND COMPLIANCE WITH APPLICABLE REQUIREMENTS

COMPANIES ACT 2006 REPORTING

In our opinion, based on the work undertaken in the course of the audit:

- the information given inthe Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

In addition, in light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we are required to report if we have identified any material misstatements in the Strategic Report and the Directors' Report. We have nothing to report in this respect.

ISAS (UK & IRELAND) REPORTING

Under ISAs (UK & Ireland) we are required to report to you if, in our opinion:

• information in the Annual Report is: – materially inconsistent with the information in the audited financial statements; or – apparently materially incorrect based on, or materially inconsistent with, our knowledge of the group and company acquired in the course of performing our audit; or – otherwise misleading.	We have no exceptions to report.
• the explanation given by the directors on page 83, in accordance with provision C.1.1 of the UK Corporate Governance Code (the "Code"), as to why the Annual Report does not include a statement that they consider the Annual Report taken as a whole to be fair, balanced and understandable and provides the information necessary for members to assess the group's and company's position and performance, business model and strategy is materially inconsistent with our knowledge of the group and company acquired in the course of performing our audit.	We have no exceptions to report.
• the section of the Annual Report on page 82, as required by provision C.3.8 of the Code, describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.	We have no exceptions to report.

THE DIRECTORS' ASSESSMENT OF THE PROSPECTS OF THE GROUP AND OF THE PRINCIPAL RISKS THAT WOULD THREATEN THE SOLVENCY OR LIQUIDITY OF THE GROUP

Under ISAs (UK & Ireland) we are required to report to you if we have anything material to add or to draw attention to in relation to:

• the directors' confirmation on page 35 of the Annual Report, in accordance with provision C.2.1 of the Code, that they have carried out a robust assessment of the principal risks facing the group, including those that would threaten its business model, future performance, solvency or liquidity.	We have nothing material to add or to draw attention to.
• the disclosures in the Annual Report that describe those risks and explain how they are being managed or mitigated.	We have nothing material to add or to draw attention to.
• the directors' explanation on page 35 of the Annual Report, in accordance with provision C.2.2 of the Code, as to how they have assessed the prospects of the group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.	We have nothing material to add or to draw attention to.

Under the Listing Rules we are required to review the directors' statement that they have carried out a robust assessment of the principal risks facing the group and the directors' statement in relation to the longer-term viability of the group. Our review was substantially less in scope than an audit and only consisted of making inquiries and considering the directors' process supporting their statements; checking that the statements are in alignment with the relevant provisions of the Code; and considering whether the statements are consistent with the knowledge acquired by us in the course of performing our audit. We have nothing to report having performed our review.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF INTERTEK GROUP PLC continued

ADEQUACY OF ACCOUNTING RECORDS AND INFORMATION AND EXPLANATIONS RECEIVED

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

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- the company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

DIRECTORS' REMUNERATION

Directors' remuneration report – Companies Act 2006 opinion

In our opinion, the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

Other Companies Act 2006 reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made.

We have no exceptions to report arising from this responsibility.

CORPORATE GOVERNANCE STATEMENT

Under the Listing Rules we are required to review the part of the Corporate Governance Statement relating to ten further provisions of the Code.

We have nothing to report having performed our review.

RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS AND THE AUDIT

OUR RESPONSIBILITIES AND THOSE OF THE DIRECTORS

As explained more fully in the Statement of Director's responsibilities set out on page 91, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and ISAs (UK & Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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

WHAT AN AUDIT OF FINANCIAL STATEMENTS INVOLVES

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the group's and the company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report. With respect to the Strategic Report and Directors' Report, we consider whether those reports include the disclosures required by applicable legal requirements.

Ian Chambers
(Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors

London
6 March 2017

The maintenance and integrity of the Intertek Group plc website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

- Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

SHAREHOLDER AND CORPORATE INFORMATION

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

ELECTRONIC SHAREHOLDER COMMUNICATIONS
Shareholders who would prefer to view documentation electronically can elect to receive automatic notification by email each time the Company distributes documents, instead of receiving a paper version of such documents. Registering for electronic communication is very straightforward and can be done via Shareview, at www.shareview.co.uk. Shareview is Equiniti's suite of online services that helps shareholders 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 allows shareholders to view details about their holdings, submit a proxy vote for shareholder meetings, complete a change of address and provide dividend mandates online, so that dividends can be paid directly into a nominated bank account.

Shareholders can also find out what to do if a share certificate is lost, as well as download forms in respect of share transfers.

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

ShareGift at www.sharegift.org
T: +44 (0) 20 7930 3737

SHARE PRICE INFORMATION
Information on the Company's share price is available from the Company's website at www.intertek.com.

FINANCIAL CALENDAR

Financial year end	31 December 2016
Results announced	7 March 2017
Ex-dividend date for final dividend	18 May 2017
Record date for final dividend	19 May 2017
Annual General Meeting	26 May 2017
Final dividend payable	2 June 2017
Interim results announced	1 August 2017
Ex-dividend date for interim dividend	28 September 2017
Record date for interim dividend	29 September 2017
Interim dividend payable	13 October 2017

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: 0371 384 2653 (UK)*
T: +44 121 415 7047 (outside UK)

* Lines are open 8.30a.m. to 5.30p.m. Monday to Friday, excluding bank holidays.

AUDITOR
PricewaterhouseCoopers LLP
1 Embankment Place
London WC2N 6RH
T: +44 (0)20 7583 5000

BROKERS
J.P.Morgan Cazenove
25 Bank Street
Canary Wharf
London E14 5JP
T: +44 (0) 20 7588 2828

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

REGISTERED OFFICE
Intertek Group plc
33 Cavendish Square
London W1G 0PS
T: +44 (0)20 7396 3400
F: +44 (0)20 7396 3480
www.intertek.com

Registered number: 04267576

ISIN: GB0031638363

LEI: 2138003GAT25WW1RN369

London Stock Exchange Support Services
FTSE 100
Symbol: ITRK

INTERTEK GROUP PLC
33 Cavendish Square
London
W1G 0PS
United Kingdom
Tel +44 20 7396 3400
Fax +44 20 7396 3480
info@intertek.com
intertek.com

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