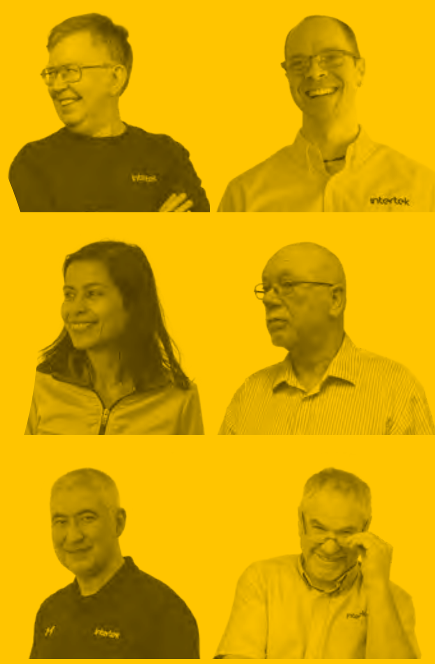


THE GLOBAL TQA EXPERTS

intertek
Total Quality. Assured.

ANNUAL REPORT 2017

INTERTEK AT A GLANCE

OUR SERVICES

As the global pioneers of a fully integrated Assurance, Testing, Inspection and Certification ('ATIC') solution, we offer our clients an end-to-end systemic Total Quality Assurance ('TQA') value proposition. In doing so, we help customers operate more safely, more effectively and with greater peace of mind.

Read more on our services on page 10

ASSURANCE

TESTING

OUR SECTORS

Our organisational structure ensures our people's expertise is concentrated in the markets where customers need our direct support. With business lines structured in the three sectors of Products, Trade and Resources, we focus on attractive growth and margin sectors where we can add most value.

Read more in our operating reviews on pages 22 to 29

PRODUCTS

REVENUE
£1,625m

ADJUSTED OPERATING PROFIT
£350m

STATUTORY OPERATING PROFIT
£336m

OUR HISTORY

The Intertek story features some of history's most prominent Quality Assurance pioneers. Today, our population of innovative and passionate experts continues this tradition as we introduce our unique Total Quality Assurance value proposition to companies across the world.

- **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** The Charles Warnock Company is created in Canada to inspect steel products

INSPECTION

CERTIFICATION

TRADE

REVENUE

£648m

ADJUSTED OPERATING PROFIT

£89m

STATUTORY OPERATING PROFIT

£83m

RESOURCES

REVENUE

£496m

ADJUSTED OPERATING PROFIT

£29m

STATUTORY OPERATING PROFIT

£4m

- **1973** Labtest is established in Hong Kong, initially to focus on testing textiles
- **1987** Inchcape Testing Services (ITS, the future Intertek) is founded and completes the purchase of Caleb Brett
- **1989** ITS enters the Chinese market
- **1994** ITS acquires SEMKO
- **2002** 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 buys the PSI building and construction business
- **2016** Intertek acquires FIT-Italia and EWA-Canada, and enters a joint venture with ABC Analitic in Mexico
- **2017** Intertek acquires KJ Tech and Acumen Security

FINANCIAL HIGHLIGHTS

Continued progress in revenue, margin and cash reflecting the Group's performance management discipline focused on margin-accretive revenue growth and cash conversion.

- Group revenue growth of: +3.0% at constant currency rates, +7.9% at actual rates
- Solid organic revenue growth at constant rates of 2.1%: Products +5.5%, Trade +3.0%, Resources -8.6%
- Portfolio strength and performance management discipline driving margin progression: adjusted +110bps at constant rates, +90bps at actual rates
- Adjusted operating profit of £468m, an increase of 14.2% at actual rates and 10.0% at constant rates
- Statutory operating profit of £423m, an increase of 14.4% at actual rates and 10.3% at constant rates
- Strong diluted EPS growth: adjusted +10.4% at constant rates, +14.3% at actual rates; statutory +12.4% at actual rates
- Full year dividend per share of 71.3p, an increase of 14.3%
- Free adjusted cash flow of £342m, +7.4% year on year
- Free statutory cash flow of £309m, +10.2% year on year

REVENUE (£m)

+7.9%

OPERATING PROFIT[1,2] (£m)

+14.2% +14.4%

DILUTED EARNINGS PER SHARE[1] (pence)

+14.3% +12.4%

FREE CASH FLOW[1] (£m)

+7.4% +10.2%

DIVIDEND PER SHARE[3] (pence)

+14.3%

RETURN ON INVESTED CAPITAL AT CONSTANT CURRENCY[2] (%)

+280bps

2017 Adjusted — 2017 Statutory
2016 Adjusted — 2016 Statutory

1. Adjusted operating profit, adjusted diluted earnings per share ('EPS') and adjusted free cash flow, which are non-GAAP measures, are stated before Separately Disclosed Items, which are described in note 3 to the financial statements. Reconciliations between statutory and adjusted measures, as well as Return on Invested Capital and cash conversion, are shown in the Financial review on pages 38 to 43.
2. Definitions of the above metrics and constant currency are set out on page 30.
3. Dividend per share for 2017 is based on the interim dividend paid of 23.5p (2016: 19.4p) plus the proposed final dividend of 47.8p (2016: 43.0p).

We are leading the industry with our end-to-end systemic Total Quality Assurance ('TQA') value proposition of Assurance, Testing, Inspection and Certification solutions, delivered across the world by our global TQA Experts.

Read more in the CEO Review on page 14

DIFFERENTIATED FOR GROWTH WITH OUR 5x5 STRATEGY

Our 5x5 strategy aims to move the Company's centre of gravity towards high-growth and high-margin areas of industries across the world.

OUR GOALS

- 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

OUR PURPOSE

Bringing quality and safety to life.

OUR VISION

To be 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 CUSTOMER-CENTRIC ORGANISATION

Our decentralised organisational model places our people's talents, commitment and ambition to succeed directly where our clients need them most – in the markets where they work and live.

Then, by supporting all our people with shared operating principles across our global footprint, we empower them to react quickly to the constantly evolving ATIC needs of those clients.

That drives the ultimate Intertek differentiator that's at the heart of our drive for global growth – our unique ability to deliver the Total Quality Assurance solutions our clients demand with precision, pace and passion.

"It's exciting to work with clients on innovative products, especially for new energy sources, renewables, and smart grids where we can be part of creating a better future."

Sarah Linn
Global Marketing Director, Electrical & Network Assurance UK

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

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

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

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

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

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

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

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

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

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

OUR SUSTAINABILITY PRIORITIES ARE AT THE HEART OF OUR 5x5 STRATEGY

Our sustainability priorities aligned with our 5x5 differentiated strategy for growth.

As a Total Quality Assurance provider, we are in a strong position, given our global scale and expertise, to support the sustainability objectives of our customers with our industry-leading Sustainability value proposition. Whilst supporting our clients, we are also focused on generating a positive impact for our stakeholders – the communities in which we operate, the environment, our people, our investors, and our suppliers. Our objective is to create sustainable growth for all.

"I am proud to work for a company that is putting sustainability at the heart of its strategy, both for the services we provide our customers, as well as the progress we are making internally."

Eric Saigeon
Sustainability and Energy Manager, USA and Canada

OUR VALUES

WE ARE A GLOBAL FAMILY THAT **VALUES DIVERSITY**

WE ALWAYS DO THE RIGHT THING WITH PRECISION, PACE AND PASSION

WE CREATE SUSTAINABLE GROWTH FOR ALL

WE TRUST EACH OTHER AND HAVE FUN WINNING TOGETHER

WE OWN AND **SHAPE OUR FUTURE**

OUR STAKEHOLDERS

OUR COMMUNITIES

OUR INVESTORS

OUR PEOPLE

OUR CUSTOMERS

OUR SUPPLIERS

OUR PURPOSE
Bringing quality and safety to life

OUR VISION
To be the world's most **trusted** partner for Quality Assurance

"Every day, I'm aware that I'm treading in the footsteps of giants like Thomas Edison. It's that incredible history and spirit of constant innovation that puts Intertek ahead of the field."

Gary Yu
Manager, Luminaires
Electrical & Network Assurance,
Hong Kong

ALIGNING WITH THE UNITED NATIONS SUSTAINABLE DEVELOPMENT GOALS

In order to track our progress in Sustainability, each of our major business lines and countries will provide quarterly updates on the progress they are making towards the United Nations Sustainable Development Goals.

OUR GLOBAL NETWORK

Our global scale, allied with the depth and breadth of our solutions, means we are uniquely positioned to grasp growth opportunities in markets across the world.

The primary drivers of our growth are our 43,000+ employees, based in more than 1,000 laboratories and offices in over 100 countries worldwide.

We are based where our customers and prospects are – delivering global solutions locally and building local relationships, in local languages and with a deep understanding of local priorities and culture.

In the eyes of our customers, our employees across the world are Intertek, enabling us collectively to deliver value with precision, pace and passion.

EMPLOYEES
43,000+

AUDITORS
3,000+

AUDITS
100,000+

COUNTRIES
100+

LABS AND OFFICES
1,000+

LANGUAGES
80+

"

The team makes Intertek an incredibly positive place to work, not just in each country but globally too. The sheer range of expertise in specialist areas, from Minerals to Trade, never ceases to impress me."

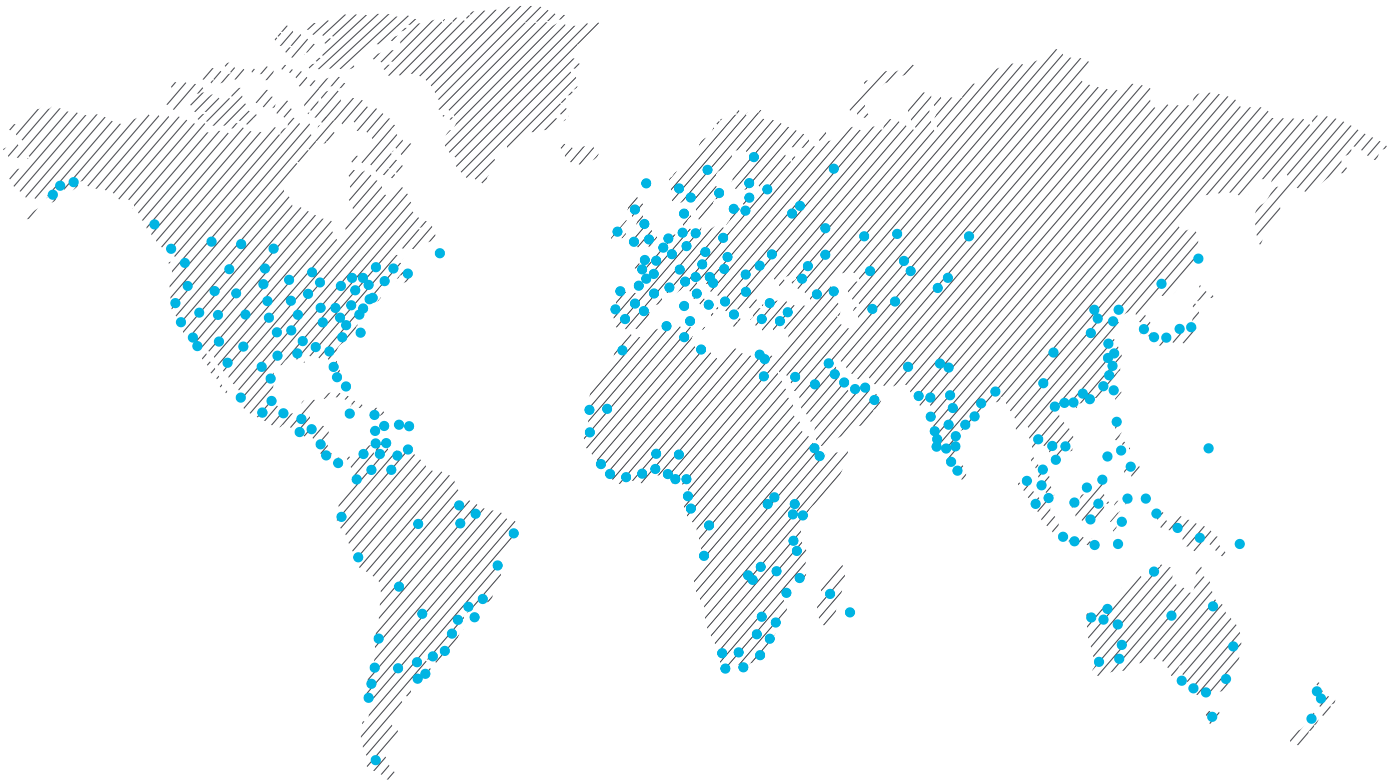
Kaeti Fallens
Marketing Manager
Minerals, Australia

GLOBAL INNOVATIONS

CHILD SAFETY
We've created a unique testing approach for toys to reduce the risk of children inhaling small plastic toy parts

INTERTEK PIPEAWARE™

An industry-leading digital inspection solution for delivering full transparency into the pipe manufacturing process



TAKING INSPECTION TO NEW HEIGHTS
Delivering non-destructive testing and inspection services with drones to ensure asset quality, safety and reliability

AUTONOMOUS ASSESSMENT
We're working with the American Center for Mobility to facilitate the testing of autonomous and connected vehicles

LIGHT FANTASTIC
Our expertise in both the Electrical and Agricultural sectors has allowed us to develop a Horticultural Lighting Certification Programme

FUEL FOR THOUGHT
We're working with manufacturers and regulatory bodies to develop standards to provide clear safety solutions for alternative fuel components

ROBOTIC REVOLUTION
Integrating robotics into our fuel-tank inspections enables customers to achieve safety and compliance more quickly and efficiently

A CONCRETE ISSUE
Our new specialist corrosion sensors can monitor the strength of concrete structures throughout their entire lifetime

EXCITING GROWTH OPPORTUNITIES IN THE ATIC MARKET

The global ATIC market is currently valued at $250bn. With more and more companies outsourcing their Quality Assurance activities, Intertek is well placed to capture a disproportionate share of the $200bn that's currently managed in-house.

WHY OUTSOURCE?

The growing complexity of companies' operations is creating unprecedented levels of risk in supply and distribution chains across the world.

Many forces are at play, from increasingly decentralised supply and manufacturing operations, to more empowered and demanding consumers and an ever-more competitive distribution and retail landscape.

Many companies are recognising two key truths.

First, they need an end-to-end Total Quality Assurance solution that manages quality, safety and endemic risk at every point of the supply and distribution chain.

Second, that using independent TQA experts with a proven track record delivers peace of mind while freeing them up to concentrate on their core competencies.

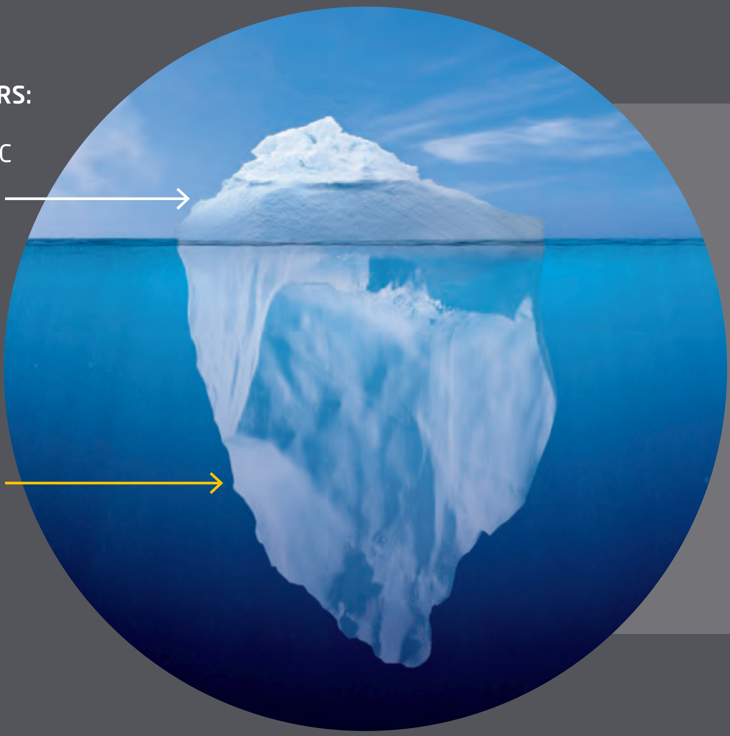
Intertek provides independent TQA expertise, based on our integrated portfolio of ATIC solutions, delivered through the unmatched precision, pace and passion of our 43,000+ experts located in more than 100 countries across the world.

In short, we believe that Intertek can truly deliver the peace of mind that our clients seek.

$50BN

EXISTING CUSTOMERS:
Increase account penetration from ATIC cross selling

NEW CUSTOMERS:
New contracts



$200BN

EXISTING & NEW CUSTOMERS:
Outsourcing

Our customers' world has changed. Complexity throughout the value chain demands a systemic, integrated and end-to-end approach to quality assurance and risk management. This is TQA.

OUR TQA VALUE PROPOSITION

HOW WE ADD VALUE

We deliver our Total Quality Assurance value proposition with 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.

- Precision: the consistent quality and precision of our people's findings, conclusions and reports
- Pace: their speed of response, delivering the rapid and accurate feedback that clients demand
- Passion: the desire to manage properly customer-centric relationships by placing clients at the centre of our universe

To deliver on our Promise, we first employ people with the right potential, attitude, intellect and entrepreneurial spirit. Then we expose them to our culture of excellence and innovation, helping them to focus on meeting our demanding service standards.

It is by aligning the quality of our people with the scale of our operations that we unleash the shared value on which we build long-term, mutually rewarding and constantly expanding customer relationships.

Read more in the CEO Review on page 14

DELIVERING ATIC SOLUTIONS THROUGH OUR PRECISION-ENGINEERED SERVICE PROPOSITION

Enabling our clients to manage and mitigate their increasingly complex risk universe takes commitment to continuous evolution and improvement.

The single biggest step forward that we have taken this century was when we placed Assurance at the forefront of our service offering.

This pioneering shift from TIC to ATIC did far more than simply rename our industry. In a single step it clarified the relevance of our integrated services to countless organisations across the world.

Now, our people can deliver Total Quality Assurance solutions with precision, pace and passion to any business wishing to:

- manage the endemic risk at every point in its supply and distribution chains; and
- gain a deep understanding of how its operating processes and quality management systems are performing.

In today's ultra-complex, competitive and global trading environment, our TQA services are every day helping more organisations to operate more safely, effectively and with greater peace of mind.

ASSURANCE

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

TESTING

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

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.

OUR EXPERTS SUPPORT AND DELIVER AT EVERY STAGE

The energy, commitment and expertise of our people at every point in the TQA journey give our clients the Intertek TQA Advantage.

"Assurance can be an incredibly powerful tool: used in the right ways, it can help companies cut costs, increase efficiency, improve quality and reduce any negative impacts of their operations."

Read Nikhil's story on page 29

"Testing supports the value and marketability of products, in this case by providing proof of authenticity."

Read Antje's story on page 25

"Companies use our Inspection services to validate their assets. Doing so can make a difference in value worth many millions of dollars."

Read Sergei's story on page 27

"Ultimately, what Certification delivers is realisation of confidence from customers, partners, legislators and other stakeholders, clearly demonstrating that the organisation will sustainably meet requirements for quality, safety, reliability and environmental performance."

Read Jeffrey's story on page 23

ASSURING TOTAL QUALITY FOR OUR CLIENTS AT EVERY STAGE

We've taken a single, simple product – a lightbulb – to illustrate how we provide end-to-end quality assurance at every stage of the lightbulb product journey. By the time it reaches the consumer, the lightbulb has been through up to 20 Intertek quality and safety processes.

SUPPLY >

TESTING, INSPECTION AND CERTIFICATION PROVIDE QUALITY & SAFETY CONTROLS IN HIGH RISK AREAS OF GLOBAL OPERATIONS

intertek

Copper Mine Physical Testing & Chemical Analysis

R&D Laboratory Reliability and Lifetime Testing

Manufacturing Factory Working Conditions Evaluation

Manufacturing Global Safety Certification

Manufacturing Energy Efficiency Testing

ASSURANCE PROVIDES AN END-TO-END ASSESSMENT OF QUALITY & SAFETY PROCESSES

Damage Survey

Environmental Modelling Services

Quality/Health & Safety, Environmental Audits Training Programs

Global Market Access Assurance

PRECISION, PACE AND PASSION AT EVERY STAGE

"We build, set up and manage laboratories on mine sites for our clients to provide them with expert independent quality assurance. The speed of turnaround is always crucial – quality can never be compromised."

Yennhi Vo
Projects Manager, Minerals, Australia

"By testing a bulb's useful lifetime, we give the manufacturer two opportunities for business improvement. To use exceptional performance data in marketing. Or to improve the product."

Hector Huitron
Engineer, Associate, Electrical & Network Assurance, USA

"We ensure that factories in the supply chain shape ethical, progressive and productive work environments that not only protect workers but also safeguard the reputation of brand-owners."

Raquel Sese
Senior Manager – Global Technical, Quality and Compliance, Supplier Management & Business Assurance, Philippines

TOTAL QUALITY ASSURANCE

Our TQA value proposition gives our clients the ATIC Advantage, our TIC Expertise plus our Assurance Differentiation.

Assurance + Testing + Inspection + Certification

PRODUCTION > DISTRIBUTION > RETAIL >

Manufacturing
IoT Services

Distributor
Transportation Testing

Haulier
Green Packaging Claim Certification

Retailer
Market Surveillance Inspecting On-Sale Product Quality

Retailer
Commercial & Functional Claims

Packaging Evaluation

Global Security Verification Programme

Expediting Services

Benchmarking

Product Returns Analysis

"We provide manufacturers and consumers with secure lines of defence against unsafe electrical products. It might sound simple, but our team's shared knowledge and passion are vital in getting it right every time."

Viktor Rubin
Technical Manager Lighting Products, Electrical & Network Assurance, Sweden

"Our work on energy efficiency has a direct impact on people's quality of life: by assuring them that a product is fit for purpose, we give them the confidence that they're making the right buying decision."

Cindy Kong
Senior Lead Engineer, Electrical & Network Assurance, Hong Kong

"For connected devices, testing the interface is just as important as testing the device itself – we're here to quality-assure the total customer experience."

Raymond Balolong
Project Manager, Internet of Things and Software, USA

"Companies can depend on us to give them the comfort and confidence that comes with knowing their products comply with all relevant standards."

Jeffrey Davis
Engineering Supervisor, Aviation and Energy Efficient Lighting, Electrical & Network Assurance, USA

CHIEF EXECUTIVE OFFICER'S REVIEW

In 2017, we made progress on performance and strategy... the organic and inorganic growth opportunities ahead are truly exciting!

The Group has delivered continued progress in revenue, margin and cash performance in 2017, reflecting the Group's performance management discipline focused on margin-accretive revenue growth and cash conversion delivering strong returns for our shareholders.

In line with our progressive dividend policy and underpinned by our excellent cash generative earnings model and strong balance sheet, we have announced a full year dividend of 71.3p, an increase of 14.3% and are increasing the dividend payout ratio to circa 50% from 2018.

The Products and Trade related divisions, which represent 94% of the Group's earnings, delivered excellent performance with organic revenue growth of 4.8% at constant rates while, as expected, trading conditions remained challenging in the Resources related division.

Moving forward, the growth opportunities are highly attractive for Intertek as we further leverage our high-quality, cash-generative earnings model, built on the local expert delivery of Assurance, Testing, Inspection and Certification services on a global scale, that together define our unique Total Quality Assurance (TQA) value proposition.

It remains important to contextualise our performance of 2017 and anticipated future earnings growth, driven by our differentiated growth strategy based on our TQA value proposition and the significant market development opportunities ahead, all underpinned by the exceptionally deep and broad expertise of our people.

SEIZING THE MARKET OPPORTUNITIES AHEAD

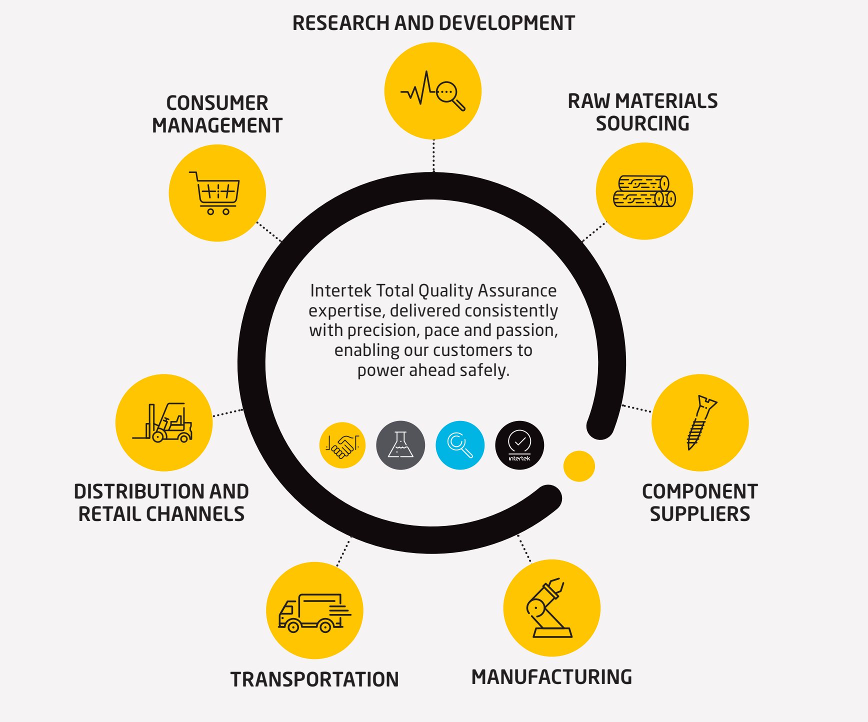
At Intertek, our aim is to give our clients across the world the uncompromised peace of mind that builds trust.

One thing is for certain – this is a differentiated approach with the commercial potential to step up our scale and performance as we move ahead. Intertek is facing a tremendous opportunity: a global opportunity that we currently value at around $250 billion.

This is the estimated total value of the global Quality Assurance market, of which only around 20 per cent is currently outsourced. That means that companies across the world manage approximately $200 billion-worth of quality assurance for themselves – the massive hidden 'iceberg' of potential.

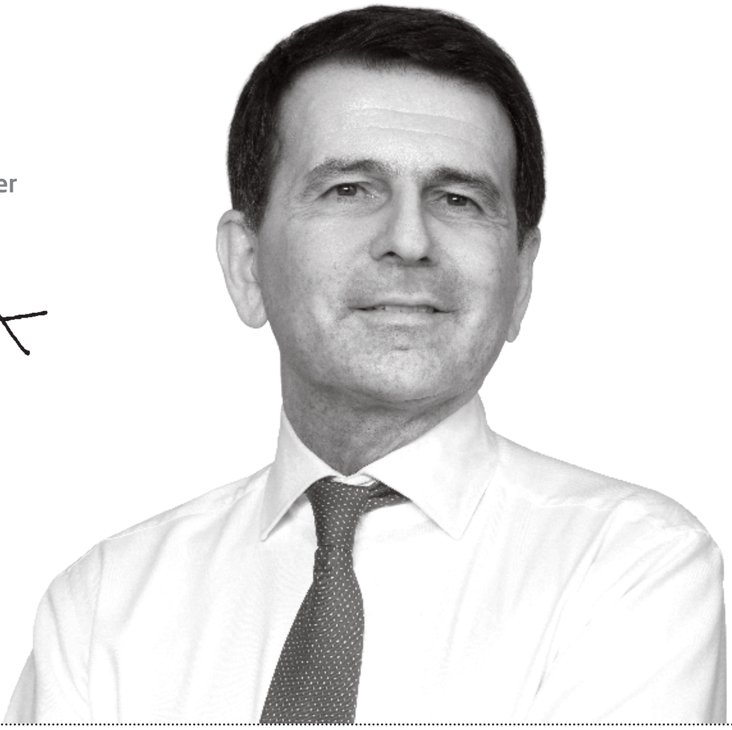
Additionally, in our view, there is significant untapped opportunity beyond the $250 billion, as companies increasingly become aware of systemic risk in their businesses and the need for Total Quality Assurance.

OUR TQA VALUE PROPOSITION



Read more about our TQA value proposition on page 9

André Lacroix
Chief Executive Officer



"

Our global TQA Experts give our clients the ATIC Advantage by delivering our TQA Customer Promise."

LEVERAGING OUR UNIQUE TQA VALUE PROPOSITION

Intertek pioneers the Quality Assurance industry on a global scale with a fully integrated portfolio of Assurance, Testing, Inspection and Certification (ATIC) services. This is what we call Total Quality Assurance and is what clients increasingly want and need in a progressively complex world.

Intertek is the only company to have added the Assurance dimension to the 'TIC' components to offer an integrated ATIC value proposition to its clients.

So what drove us to take this step? We took the simple decision to look at our value proposition from the customer's perspective. And this rapidly revealed to us that TQA is what our customers now require, almost regardless of their size, their industry or their location.

This is for a very simple reason. In the past, companies were primarily focused on the quality control issues around their end-products, raw materials, components and assets – all of which rely on the efficiency and effectiveness of Testing, Inspection and Certification activities.

Importantly, the demand for TIC components will continue to grow in the years to come, benefiting from a number of parallel trends: companies' investments in quality and innovation, for example, as well as ever-strengthening regulatory standards, increased focus on sustainability, accelerating global and regional trade flows, and increasing demand for energy.

Another powerful trend is also at play, however. In our global market place, corporations are sharpening their focus on the management of risk in their increasingly complex supply chain and distribution operations. This is where Assurance comes in – and it is why we have evolved beyond quality control alone to additionally assure the reliability of clients' operating processes and quality management systems.

BUILDING OUR VALUE PROPOSITION

It was this recognition that led us to substantially adapt the Intertek value proposition around a new Customer Promise. This Promise commits us to "Intertek Total Quality Assurance expertise, delivered consistently with precision, pace and passion, enabling our customers to power ahead safely".

Now we can support the existing and emerging TQA needs of our customers in all areas of their extended operations, from R&D, sourcing materials and component suppliers to transportation, distribution, retail and consumer management.

This gives our clients the systemic TQA solution they want and we believe TQA is set to be an increasingly important requirement in the future, as the trading landscape in which our customers operate continues to become more complex and global. And it is already complex – today, almost 60 per cent of GDP is international. Compare this with 50 years ago, when global trade represented only 25 per cent of global GDP.

This burgeoning globalism is driving change in the ways that supply chains are formulated. It is giving corporations the opportunity to focus squarely on their core competencies and take advantage of new, decentralised sourcing and manufacturing opportunities that are driving down their costs.

THE ATIC ADVANTAGE

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

Read more about our full services on page 10

CEO'S REVIEW
continued

However, there is a price to pay – the price of additional complexity in the supply chain, particularly around the ongoing and accelerating shift to multi-tier sourcing.

This is not the only driver of complexity. Consumers, too, are becoming more demanding and selective as they seek greater variety, more sustainable and ethically sourced products, better customer service, faster delivery, heightened quality and enhanced value. This in turn has increased competition, giving rise to increasing numbers of products and brand choices as well as more trade channels and routes to market. As a result, the distribution chain too is becoming ever-more complex.

This additional complexity in both the supply and the distribution chains is heightening the risk of failure at any number of points, and therefore increasing the value for organisations of having granular insight into the risks they face.

Our internal data is telling us that the role of Assurance is increasing significantly. Moreover, the success that we are deriving from the move into Assurance is providing hard evidence that TQA is what customers want and need.

OUR DIFFERENTIATED 5x5 STRATEGY FOR GROWTH

The lead, already two years in the making, is delivering a commercial advantage for Intertek with our TQA Customer Promise lying at the heart of our 5x5 differentiated strategy for growth.

Our 5x5 strategy has one overriding objective – to move the Intertek centre of gravity towards those sectors of our addressable market that will in years to come deliver both the highest rates of growth and the best available margins. Achieving this aim will accelerate our growth and help us maximise our share of that $250 billion 'iceberg' in the fastest and most efficient way possible.

It is by achieving our five medium-to-long-term corporate goals that we believe we will measure progress and achieve against this strategy.

As we are ultimately a people business whose success depends on the knowledge, expertise and commitment of our workforce, the first two goals are about our people and our clients.

Read more about our 5x5 strategy on page 2

LABORATORIES AND OFFICES

1,000+

COUNTRIES

100+

EMPLOYEES

43,000+

Read more about our global scale on page 6

We want:

- Our employees to be fully engaged in a safe working environment
- To deliver a superior customer service in Assurance, Testing, Inspection and Certification

It is by successfully fulfilling these first two goals that the next two, more financially-focused, goals will be facilitated:

- To deliver margin-accretive organic revenue, based on GDP+ organic growth
- To achieve strong cash conversion from our operations

Finally, given our highly cash-generative business model and broad-based investment opportunities, our fifth goal is an important shareholder value-creation accelerator:

- An accretive disciplined capital-allocation policy for Capex and M&A investments

Read more about our experts in our Operating reviews on pages 22 to 29

A CUSTOMER-CENTRIC ORGANISATION

Intertek is uniquely positioned to deliver ATIC solutions with a truly global network: over 1,000 laboratories and offices in more than 100 countries across the world, providing fast and efficient services to customers on a local basis. This is the primary focus of our more than 43,000 employees. In order to ensure we are focused on the needs of our clients at the point of delivery, we operate a decentralised business model.

The real strength of Intertek is in its people, its global team of experts. Indeed, it is both humbling and enormously exciting to recognise through every interaction with them, that our people have the most remarkable expertise, entrepreneurial capabilities and talent for innovation.

Our people give us the foundations we need to support our Customer Promise that sits at the heart of our value proposition. In short, it is our people who consistently set us apart from our competition – and they do so by demonstrating five powerful differentiating attributes:

- The consistent quality and precision of their findings, conclusions and reports
- Their speed of response, delivering the rapid, detailed and accurate feedback that clients demand
- The ability to manage properly customer-centric relationships (summed up best by one employee who recently said to me "the customer is the centre of our universe")
- Deep expertise in their subject areas and incisive understanding of customer requirements
- A proven track record of innovating and anticipating the changing needs of our clients.

> "In such an organisation, it is obvious that the real strength of Intertek is in its people, its experts."

It's in such ways that we aim always to live up to the standards set by our founding forefathers. These most famously include Thomas Edison, the giant of innovation who is not only credited with inventing the first practical incandescent lightbulb, the phonograph and the movie camera, but who also created the forerunner of today's Electrical Testing Laboratories that continue to provide Assurance to consumers through product performance and safety testing. Indeed, when manufacturers apply Intertek's ETL Listed Mark to their products, the letters "ETL" carry with them a long history of innovation, influence, and independence.

A PIONEERING CULTURE

That spirit of innovation continues today as Intertek people continue to drive the global development of the Quality Assurance industry. And it's not just about the innovative capabilities of our people already within the organisation. While our primary focus is on organic growth, we are constantly seeking the right acquisition targets that genuinely complement and add to our existing expertise.

During 2016, for example, we made several strategically important acquisitions and investments. These included ABC Analitic, market leader in the provision of environmental water testing and analytical services in Mexico, and EWA-Canada, a world-leading cyber security business providing security assurance services for products, equipment and networks across multiple industries.

In April 2017, we expanded our global profile in automotive testing with the acquisition of KJ Tech, a leading provider of vehicle, component, lubrication and fuel testing services based in Germany.

And in December 2017, with increasing demand for security Assurance services resulting from the rapid growth in connected devices (Internet of Things or 'IoT'), the increase in data security breaches, and an increasingly diverse range of global certification standards and security requirements, we further strengthened our global footprint in cyber security Certification and Assurance with the acquisition of Acumen Security, headquartered in Maryland, USA.

These acquired businesses are established, recognised and highly regarded, and will continue to operate under their own brands within the Intertek family, while bringing us access to additional areas of expertise that we can take to new countries and customers.

OUR DEPTH AND BREADTH OF TQA EXPERTISE

Customers understand the depth of expertise that our people have; our opportunity is to leverage the breadth of what we have to offer. Again, it is humbling to appreciate the sheer scope of our people's expertise in a range of areas that covers just about the full range of business activities undertaken anywhere on the planet.

The best way of explaining that breadth is to describe in some detail how our services can be applied to the sourcing, production and distribution of a simple product – such as a T-shirt, for example.

Read more on page 18

THE T-SHIRT JOURNEY

Read more about how our experts are at every stage of the lightbulb journey on page 12

We offer our clients the ATIC Advantage, our global TIC expertise combined with our Assurance Difference.

INTERTEK TIC EXPERTISE

This starts well before manufacturing actually begins, with testing of the physical and chemical safety of the materials involved. For example, we can test against the GOTS (Global Organic Textile Standard) on organic cotton. The further Testing, Inspection and Certification processes that we can apply include:

- **High-Volume Instrument Testing:** here, we test factors including the air-permeability, length, strength and colour of the cotton fibres prior to shipment
- **Raw Materials & Pre-Production Inspection:** we help to eliminate any manufacturing variances at later stages in the process by inspecting the quality and quantity of raw materials before production begins
- **Product Testing for Physical and Chemical Safety:** at this stage, we test for a range of the product's physical and chemical safety attributes, including factors such as flammability and the presence of any sharp edges in the finished garment
- **Final Random Inspection:** we carry out a detailed inspection of finished goods before they proceed to shipment
- **Certificate of Conformity:** this is the point at which we certify that goods comply with the importing country's specific health, safety and environmental standards
- **Retail Store Building Testing:** we provide a wide range of Building and Construction services
- **Commercial and Functional Claims:** we carry out tests on final products to ensure that they achieve the standards claimed in promotional materials; these can include factors like 'quick-dry', colour-fastness, thermal resistance and waterproofing.

Testing, Inspection and Certification is required to control quality and safety at the high-risk, regulated points of the supply chain and the urgent desire of our people to develop new solutions throughout is a key differentiator for Intertek: it is in our culture that we should, whenever necessary or desirable, develop effective and original solutions to emerging issues.

OUR ASSURANCE DIFFERENCE

The Intertek difference comes when we complement the physical Testing, Inspection and Certification at the critical points with end-to-end, truly systemic Assurance processes. We achieve this through expert, in-depth audits and assessments of all the systems and operating processes that are involved. These take place in enormous numbers – during 2017, our 3,000 professional auditors carried out more than 100,000 audits across the world, positioning us as significantly the number one compliance auditor globally.

Not only is our growing ability to provide fully bespoke Assurance solutions an important competitive advantage – it is also highly attractive from an earnings-model position, as it is capital-light and delivers margins that are greater than the average across our Group.

Once again, this approach extends far beyond our customers' own premises. Staying with the T-shirt example, we carry out onsite audits and training to ensure the correct usage and treatment of chemicals throughout the entire length of the supply chain. Other Assurance services include:

- **Damage Surveying:** we can inspect cotton for any damage that might have been sustained during transit
- **Mill Qualification Programme:** under this key service, we can evaluate a manufacturing supplier's quality, environmental and social performance, and certify the mill's own in-house lab. This is a particularly important aspect of the quality assurance process, as it provides peace of mind that suppliers are abiding by international standards and legislation on modern-day slavery and child labour
- **Environmental Chemical Management Solutions:** we ensure proper chemical management by undertaking thorough testing of wastewater and sludge as well as onsite auditing and training
- **Ethical Supply Chain Assessments:** we can certify garment factories against a wide range of international standards, including Worldwide Responsible Accredited Production (WRAP), SA8000 (a leading social accountability certification standard) and our own widely recognised Workplace Conditions Assessment (WCA) standard
- **Supplier Qualification Programme:** this is a wide-ranging programme that supports a coherent and truly world-class standard enabling corporations to drive continuous improvement in their benchmarking. This covers areas ranging from product and process quality to site management and training
- **Custom and Trade Partnership against Terrorism:** we help importing businesses set up policies that improve not only their own security practices but those of their supply chain partners too
- **Counterfeiting Assurance:** integrating our Intellectual Property (IP) expertise into our family of Assurance services enables us to determine whether partners in the supply chain pose a risk of counterfeiting our customers' products
- **Benchmarking:** by comparing the features and quality of our customers' products to industry norms, we can enable informed decision-making on factors such as performance claims, design and pricing
- **Cyber Security Assurance:** our cutting edge cyber security solutions, strengthened by our acquisition of EWA-Canada, provide protection against ransomware, increasingly sophisticated phishing scams, distributed denial-of-service attacks and more
- **Lifecycle Assessments:** we use cloud-based technology to deliver a sustainability Assurance solution that enables customers to compute the carbon footprint of their products, processes and business operations.

CEO'S REVIEW
continued

AN INDUSTRY-AGNOSTIC TQA APPROACH

Here, we have only looked at one specific area of the global apparel industry. But while our service portfolio includes services that are specific to individual industries and sectors, Intertek's reach is industry-agnostic. We apply our TQA approach to all of the industries with which we work.

We can demonstrate this by taking another example – a highly appropriate one given our historical connections to Thomas Edison. This time, we look at how we provide a TQA solution in support of the global manufacturing and distribution of a LED lightbulb, as shown on page 12.

Once again, our TIC services are wide-ranging; they embrace physical testing and chemical analysis at the copper mine, Testing and Inspection during manufacturing, packaging Certification for the distributor, battery Testing at the hauliers, and market surveillance Inspection and claims Testing for the retailer.

But this is only half the story. A product with a global market is naturally subject to a wide range of complex risks, which is why we complement these TIC services with our global market Assurance service. This is part of our comprehensive Assurance portfolio that helps our customers identify and mitigate the risks that are intrinsic to their operations, supply chain and distributed quality management operations.

So, at the mine, physical testing and chemical analysis can be underpinned by a Damage Survey, for example. In production, energy efficiency Testing and global safety Certification might be complemented with global market and packaging evaluation Assurance services. And even at the retail end, a market surveillance initiative inspecting product quality might coincide with Assurance services like benchmarking and returns analysis.

The emerging picture is complex enough when we consider relatively simple products like a T-shirt or LED lightbulb. But we are every bit as capable of delivering an end-to-end, integrated TQA service in greatly more complex industries, including automotive manufacturing.

To take a live example, we provide one manufacturer with a wide range of TIC services at every stage of the value chain, from R&D and raw materials, through manufacturing and production processes to import and export, the dealership network, customer experience considerations and into the aftermarket.

Once again, we support the manufacturer at all the same stages with a bespoke range of Assurance services, from regulatory compliance assessments and design validation planning at the R&D stage, through Greenhouse Gas Validation and Verification Failure Analysis during manufacturing and ultimately to Field Performance Data Collection Analysis. We clearly demonstrate our flexibility when it comes to factors like emissions and fuel consumption – for this sort of Assurance work does not take place in the laboratory, but out on the road in ordinary driving conditions.

Our industry-agnostic TQA approach provides our clients with global TIC expertise and an Assurance Difference: the ATIC Advantage delivered by Intertek TQA Experts.

OUR GLOBAL TQA EXPERTS

The key to our continuing sales growth is our responsive culture, decentralised organisation and global network of state-of-the-art laboratories – and above all the depth and breadth of our people's expertise: global TQA subject-matter experts, who know how to innovate and solve challenges that nobody has previously been able to overcome.

These are some of the Intertek strengths that enable us to live and fulfil our Core Purpose of 'Bringing Quality and Safety to Life'. But they would not be so effective without a clearly defined organisational structure based around an operating model that always puts the customer first. We maximise the potential returns accrued from this infrastructure through multiple further factors, including:

- A disciplined and systemic approach to financial performance management
- Our highly cash-generative earnings model
- Our capital-light business model, which enables us to respond and adapt rapidly to the changing needs of our customers and markets
- Our disciplined approach to capital allocation, which enables us to support organic growth through creating new services, developing client relationships in high-margin areas and investing in the most attractive growth opportunities.

LOOKING AHEAD

We believe that the strength of our 2017 results demonstrates 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 structural growth prospects in the global Quality Assurance market.

We are uniquely positioned to seize these attractive growth opportunities, underpinned by the increased complexities of corporate supply and distribution 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 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.

We are on track on our 'good to great' journey, making progress on both performance and strategy.

I am certain that the passion and expertise of our people will continue to be the primary differentiator that makes Intertek a true pioneer in the global Quality Assurance market. In short, I am very excited about what the future holds for Intertek, its employees, shareholders and customers.

Above all our TQA Customer Promise of Total Quality. Assured is providing our clients with the peace of mind they need to grow their business.

André Lacroix
Chief Executive Officer

EXECUTIVE MANAGEMENT TEAM

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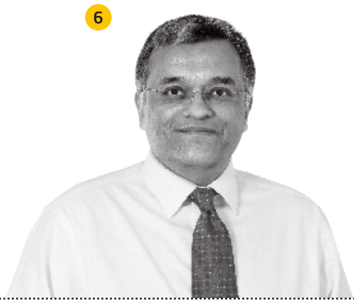

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1 André Lacroix
Chief Executive Officer

See full bio on **page 68**

2 Edward Leigh
Chief Financial Officer

See full bio on **page 68**

3 Ann-Michele Bowlin
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.

4 Alex Buehler
Executive Vice President, Global Resources

Joined Intertek in 2017. Alex has responsibility for Global Resources, comprising our business lines of Industry Services, Minerals, and Exploration & Production. Prior to joining Intertek, Alex was President and CEO of Energy Maintenance Services (EMS) and before this held senior executive management positions at Energy Recovery and Insituform Technologies, Inc. (now Aegion Corporation) in both the US and Europe. Alex has a BS in Civil Engineering and an MBA in Finance.

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

Joined Intertek in 2011. Ian is responsible for the Middle-East, Africa and Global Trade comprising our business lines of Government & Trade Services, Cargo & Analytical Assessment and AgriWorld. 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.

6 Tony George
Executive Vice President, Human Resources

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

7 Ken Lee
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.

8 Patrick Lee
Executive Vice President, North East Asia and Australasia

Joined Intertek in 2018. Patrick is responsible for leading the Group's North East Asia and Australasia region. Prior to joining Intertek, he was CEO of Inchcape plc Greater China and has over 30 years' management experience with a proven track record of success with blue-chip companies including P&G, Coca-Cola and Agfa Gevaert. Before joining Inchcape, Patrick served as the Group General Manager, Sales and Marketing of Kerry Beverages Ltd. Patrick holds a BBA and an MBA from The Chinese University of Hong Kong.

9 Graham Ritchie
Executive Vice President, Europe

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

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

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

11 Julia Thomas
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.

12 Mark Thomas
Group General Counsel

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

13 Gregg Tiemann
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 performance with strong margin-accretive revenue growth.

REVENUE
£1,625.5m

ADJUSTED OPERATING PROFIT
£350.5m

STATUTORY OPERATING PROFIT
£335.5m

BUSINESS LINES

SOFTLINES

HARDLINES

ELECTRICAL & NETWORK ASSURANCE

BUSINESS ASSURANCE

BUILDING & CONSTRUCTION

TRANSPORTATION TECHNOLOGIES

FOOD

CHEMICALS & PHARMA

HEALTH, ENVIRONMENTAL & REGULATORY SERVICES

PRODUCT ASSURANCE

INTERTEK VALUE PROPOSITION

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, the division supports 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 third-party certification.

STRATEGY

Our Total Quality Assurance value 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.

FINANCIAL HIGHLIGHTS 2017

	2017 £m	2016 £m	Change at actual rates	Change at constant rates
Revenue	**1,625.5**	1,465.5	10.9%	6.1%
Organic revenue	**1,607.6**	1,457.9	10.3%	5.5%
Adjusted operating profit	**350.5**	297.7	17.7%	13.2%
Adjusted operating margin	**21.6%**	20.3%	130bps	140bps
Statutory operating profit	**335.5**	281.0	19.4%	
Statutory operating margin	**20.6%**	19.2%	140bps	

COFFEE CONFIDENCE

SERVICES OFFERED

Assurance | Certification

Jeffrey Eves,
Green Services Program Manager, Business Assurance, USA

WHAT WAS YOUR ROLE IN THE PROJECT?

I was the technical lead, setting the programme layout and managing the integrated, risk-based approach we took to project delivery.

WHAT IS THE BACKGROUND?

The Nespresso Company is the world-leader in coffee pods, machines and accessories. As such, it takes its environmental responsibilities very seriously, and wants to ensure that the recycling paths for their capsules are sustainable and effective.

So it has created a global programme, which not only enables materials to be recycled but also allows waste coffee to be used in producing biomass energy. But this mammoth operation, involving more than 100,000 international drop-off points, uses several different 'pathways' in numerous countries across the world.

When Nespresso asked Intertek to develop an assurance process across the entire value chain, the intent was to improve the system by challenging its implementation, enabling them to iron out any inconsistencies and ultimately ensure that performance can be verified with a reasonable level of assurance.

WHAT DID INTERTEK DELIVER?

Intertek developed and assisted with the roll-out of the integrated programme, ranging from brainstorming sessions and workshops through determining the most effective means of combining different processes for the best possible outcomes.

This involved creating new risk-assessment tools and flexible bespoke solutions that give Nespresso a rigorous approach to assess and improve its recycling processes, flexible enough to be used in all countries.

This is now not only delivering the assurance that the system is working to its current maximum capability – it is also enabling continuous improvement for the years ahead.

PRODUCTS continued

INNOVATION

We continue to invest in innovation to deliver a superior customer service in our Products-related businesses:

i2Q

- Customer insight: Customers value fast reports and insights from supplier inspections with differing reporting requirements by client.
- Softlines and Hardlines innovation: Intertek has developed i2Q, a market leading digital inspection solution for supplier product inspections, using big data to generate advanced insights for customers.
- Customer benefit: Provides same-day real-time reporting via Intertek's unique smart protocol and reports that are bespoke for each customer.

Softlines Robotic Automation

- Customer insight: For Softlines customers, speed to market is competitive advantage and they value innovations that can make the testing process faster.
- Softlines innovation: Intertek has introduced a six-axis robot in its fibre content tests, which can be used to speed up processes where there is chemical contamination risk, improving safety for technicians and allowing them to focus on more analytical work.
- Customer benefit: Shortens turnaround time allowing customers to get their products to market faster.

Connected and Automated Vehicle Proving Grounds

- Customer insight: Rigorous testing of autonomous vehicles is required to ensure that the technology is safe for consumers and the public.
- Transportation Technologies innovation: Intertek have partnered with the American Center for Mobility ('ACM') to provide an extensive range of ATIC services for their new 500-acre autonomous vehicle proving grounds.
- Customer benefit: The partnership between ACM and Intertek will create a market-leading centre for autonomous and connected vehicle testing.

2017 PERFORMANCE

In 2017 our Products business delivered an excellent performance with strong margin-accretive revenue growth.

Our organic revenue growth at constant rates was 5.5%, driven by broad-based revenue growth across business lines and geographies. We delivered strong operating profit of £350.5m, up 13.2% at constant currency enabling us to deliver a margin of 21.6%, up 140bps versus last year:

- Our Softlines business reported robust organic growth performance. We are 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. We continue to benefit from strong demand from our customers for chemical testing as well as from a greater number of brands and SKUs.
- Our Hardlines and Toy business continues to take advantage of our strong global account relationships, the expansion of our customers' supply chains into new markets and our innovative technology for factory inspections. We delivered robust organic revenue growth performance across our main markets of China, Hong Kong, India and Vietnam.
- Our Transportation Technologies business delivered stable organic revenue growth as we capitalise on our clients' investments in new powertrains to lower emissions and increase fuel efficiency.
- Our Business Assurance business delivered double-digit organic revenue growth as we continue to benefit from the increased focus of corporations on risk management, resulting in strong growth in Supply Chain Audits.
- We delivered robust organic revenue growth in our Electrical & Network Assurance business 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 revenue growth in our Food business.
- We delivered solid organic revenue 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.
- Driven by the growing demand for more environmentally friendly and higher-quality buildings and infrastructure in the US market, our Building & Construction business reported good organic revenue growth.

2018 OUTLOOK

We expect our Products division to benefit from robust organic revenue 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, the growing demand for quality and sustainability from developed and emerging economies, the acceleration of e-commerce as a sales channel, and the increased corporate focus on risk.

PROTECTING PRODUCERS AGAINST FISH FRAUD

SERVICES OFFERED

Assurance | Testing

Antje Stahl,
Research Associate, Food Services, Germany

WHAT WAS YOUR ROLE IN THE PROJECT?

I was dedicated to this project for a year, planning and organising it as well as carrying out the practical work. This allowed me to be laser-focused on delivering the project.

WHAT WAS THE BACKGROUND?

In the world of food processing, it is vital that manufacturers can prove the authenticity of their products, which means that they contain what the label claims.

This is particularly important for fish fillet: not only is it often difficult to identify a species following the removal of skin and fins, but the wide disparity in value of different species also creates the risk of 'food fraud'. This could involve the substitution of a low-value species, such as catfish, for an expensive species such as sole.

At present, DNA-based methods are the only reliable and widely used means of testing. They can be costly and time consuming but it all depends, however, on the species tested.

WHAT DID INTERTEK DELIVER?

That has now all changed, following Intertek's innovative application of 'MALDI-TOF' mass spectrometry technology – previously used only in the microbial area – to identify fish species by their protein pattern.

It's an approach that has several key advantages over the DNA approach. First, it is quick – the laboratory time involved is typically around 90 minutes. Using our own developed database of fish species also ensures it is highly accurate. And low manpower and maintenance requirements make it cost-effective too.

As a result, we can now give customers the assurance that they are selling the right fish to customers, and that their labelling is correct. The same for importers buying fish with complex supply chains.

TRADE

Broad-based revenue growth across business lines and geographies.

REVENUE
£647.8m

ADJUSTED OPERATING PROFIT
£88.7m

STATUTORY OPERATING PROFIT
£82.8m

BUSINESS LINES

CARGO & ANALYTICAL ASSESSMENT

GOVERNMENT & TRADE SERVICES

AGRIWORLD

SUSTAINABILITY

INTERTEK VALUE PROPOSITION

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/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 **AgriWorld** business provides analytical and testing services to global agricultural trading companies and growers.

STRATEGY

Our Total Quality Assurance value 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.

INNOVATION

We continue to invest in innovation to deliver a superior customer service in our Trade-related businesses:

iDocs

- **Customer insight:** Agriculture export processes are complex and time-consuming with multiple stages of approval and documentation.
- **AgriWorld innovation:** Intertek has developed a cloud-based export documentation system that monitors the export process and provides customers with real-time updates on their documentation progress.
- **Customer benefit:** Fast and real-time information on the progress of their exports enabling clients to take any action required as quickly as possible.

Mercury Decontamination

- **Customer insight:** Mercury contamination puts physical infrastructure assets, such as refineries and pipelines at increased risk of corrosion.
- **AA & Industry Services innovation:** Intertek's experts use advanced technology to detect, monitor and analyse mercury content in very low levels of oil & gas samples as well as measuring the mercury emission into the atmosphere.
- **Customer benefit:** The technology enables our clients to minimise the impact of mercury on their infrastructure and to work safely.

FINANCIAL HIGHLIGHTS 2017

	2017 £m	2016 £m	Change at actual rates	Change at constant rates
Revenue	647.8	584.5	10.8%	5.6%
Organic revenue	629.7	582.7	8.1%	3.0%
Adjusted operating profit	88.7	81.8	8.4%	4.1%
Adjusted operating margin	13.7%	14.0%	(30)bps	(20)bps
Statutory operating profit	82.8	75.4	9.8%	
Statutory operating margin	12.8%	12.9%	(10)bps	

Fuel Tank Inspection Robot

- **Customer insight:** Fuel tank inspections can be costly and time-consuming due to the sensitive environment within the tank and stringent safety requirements.
- **Cargo/AA and Electrical & Network Assurance innovation:** Intertek has partnered with the developers of a fuel tank inspection robot to develop a new inspection process that involves hydrostatic testing, functional safety certification and bespoke evaluations of other features all in a single piece of equipment.
- **Customer benefit:** The combination of all the features offered by one system is unique, enabling our customers to achieve safety and compliance more quickly and efficiently.

2017 PERFORMANCE

Our Trade-related businesses delivered an organic revenue growth of 3.0% at constant rates, driven by broad-based revenue growth across business lines and geographies and we delivered an operating profit of £88.7m:

- Our **Cargo/AA** business reported solid organic revenue growth, reflecting the structural growth drivers in the Crude Oil and Refined Product global trading market.
- Benefiting from new contracts, our **Government & Trade Services** business delivered robust organic revenue growth.
- The continued expansion of the supply chain of our clients in fast growing markets led our **AgriWorld** business to deliver robust organic revenue growth.

2018 OUTLOOK

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

MID-TO LONG-TERM OUTLOOK

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

A QUANTUM LEAP IN MEASUREMENT ACCURACY

Dr Sergei Fedorenko
Business Streams Development Manager, Cargo & Analytical Assessment, Australia

SERVICES OFFERED

Assurance | Testing | Inspection

WHAT WAS YOUR ROLE IN THE PROJECT?

I launched and ran the project because, as a physicist, I was intrigued as to why tonnage assessments of stockpiled materials from coal and rice to fertilisers and copper concentrates were so poor.

WHAT IS THE BACKGROUND?

Businesses that own stockpiles of materials have historically faced significant difficulty in gaining accurate assessments of their weight – and therefore their value. Typical margins of error ranged between +/- 5-7%.

When very large qualities of a high-value material are involved, this can bring about miscalculations worth millions of dollars. The issue therefore has long been the cause of a profound lack of confidence, not just for companies that cannot accurately value their own stock-holdings, but also for financial institutions and potential M&A partners who demand trustworthy valuation data.

WHAT DID INTERTEK DELIVER?

Now, Intertek has developed a new method of measurement based on combining the volumetric profile (width, height and shape) of a stockpile with the compaction force at play. This means the density (and therefore weight) of a layer of materials depends on how far down the stockpile it is.

Over the last three years, the new methodology has been proven in Australia's chemical, agriculture and energy sectors, delivering a quantum leap in accuracy performance of up to 0.01-1%.

As a result of this work, organisations in sectors ranging from mining and power generation to fertilisers and even government can benefit from independent, scientifically proven expertise in asset evaluations and management.

In addition, this revolutionised accuracy means that the number of occasions on which measurement is required may decrease, potentially enabling customers to buy a premium product at a lower overall cost.

RESOURCES

Our Resources-related businesses faced challenging trading conditions in 2017.

REVENUE
£495.8m

ADJUSTED OPERATING PROFIT
£28.5m

STATUTORY OPERATING PROFIT
£4.4m

BUSINESS LINES

INDUSTRY SERVICES

MINERALS

INTERTEK VALUE PROPOSITION

Our Resources division consists of two Business Lines with differing services and customers, but both demonstrating similar cyclical growth characteristics:

- 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 from exploration and resource development, through to production, shipping and commercial settlement.

STRATEGY

Our Total Quality Assurance value proposition allows us to help customers gain peace of mind that their projects will proceed on time and their assets will continue to operate with a lower risk of technical failure or delay. Our broad range of services allow 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.

INNOVATION

We continue to invest in innovation to deliver a superior customer service in our Resources-related businesses:

Intertek PipeAware™

- **Customer insight:** Pipeline asset owners require a way in which to accurately track and monitor vital asset information.
- **Industry Services innovation:** Intertek has developed Intertek PipeAware™, an industry-leading software solution that allows customers to access real-time information on their asset inspection data throughout all stages of manufacturing.
- **Customer benefit:** With Intertek PipeAware™, customers are provided with a unique solution which combines the traceability software with inspection expertise, so customers achieve full transparency into the pipeline manufacturing process.

Drones Deliver Energy Asset Inspection Services

- **Customer insight:** Industrial asset owners require inspections to ensure that their assets are operating safely and reliably.
- **Industry Services innovation:** Intertek has partnered with Unmanned Eagle Eye ('UEE') in the US to develop the use of drone technology as an inspection aid during the capital inspection process.
- **Customer benefit:** Using drones reduces the time that operations must be shut down and improves safety through reduced need for human entry to the equipment or assets being inspected, which are often difficult to reach.

Robotic mine site laboratories

- **Customer insight:** Minerals customers value fast, consistent and accurate testing of their extracted commodities.
- **Minerals innovation:** Intertek is the largest commercial operator of automated robotic mine site laboratories globally, ranging from individual cells to fully integrated highly bespoke laboratory systems.
- **Customer benefit:** By operating complex robotic laboratories for customers, we provide rapid sample throughput, improved efficiency and a comprehensive audit trail, whilst also reducing employees' exposure to hazardous materials.

FINANCIAL HIGHLIGHTS 2017

	2017 £m	2016 £m	Change at actual rates	Change at constant rates
Revenue	**495.8**	517.0	(4.1)%	(8.6)%
Organic revenue	**495.8**	517.0	(4.1)%	(8.6)%
Adjusted operating profit	**28.5**	30.2	(5.6)%	(5.9)%
Adjusted operating margin	**5.7%**	5.8%	(10)bps	10bps
Statutory operating profit	**4.4**	13.1	(66.4)%	
Statutory operating margin	**0.9%**	2.5%	(160)bps	

2017 PERFORMANCE

Our Resources-related businesses faced, as expected, challenging trading conditions and reported an organic revenue reduction of 8.6% at constant currency. We delivered operating profit of £28.5m with our disciplined approach to cost control, which enabled us to expand our margins by 10bps at constant currency:

- Driven by a lower volume of investments in exploration activities from our clients and price pressure in the industry, revenue from **Capex Inspection Services** was lower than last year.
- The demand for **Opex Maintenance Services** remained stable in a competitive pricing environment.
- We saw an improved level of demand for testing activities in the **Minerals** business.

2018 OUTLOOK

While we have seen a reduction in the negative growth rate in the July to December period of 2017, we do not believe that we have reached the trough in the Resources division, and we expect trading conditions to remain challenging in the first half of 2018 with a gradual improvement expected in the second half.

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.

CLARIFYING THE COSTS OF POWER GENERATION

SERVICES OFFERED
Assurance

Nikhil Kumar
Managing Director, Santa Clara (CA) facility, USA

WHAT WAS YOUR ROLE IN THE PROJECT?

I led the project, heading up software and algorithm design and implementation.

WHAT DID INTERTEK PROVIDE?

With deregulation in electricity markets, power generators have been challenged by the need to become 'leaner and meaner' in order to compete and provide favourable returns to their investors.

While operators understand fuel costs and efficiency, one area where the understanding of the underlying nature of costs is particularly weak is power plant operation and maintenance (O&M), which includes a wide variety of activities such as equipment monitoring, replacement, and upgrading.

Moreover, with increased renewable generation, traditional power plants across the world have been forced to change their operations, resulting in increased O&M costs.

Power plants across the world have struggled to determine the effects of this change in operating regime on the equipment and, more importantly, the change in operating cost to set their price and margin. Historically, however, they've had little insight into their costs in real time. In addition, any cost analysis was immediately out of date as it only ever addressed a specific moment.

WHAT DID INTERTEK DO?

Now, thanks to a specialist new Intertek solution called Costcom, all that has changed. Today, growing numbers of plants across the world are implementing this ground-breaking algorithm, which uses machine learning to analyse data streaming from hundreds of sensors.

These plants are not only getting an immediate and accurate view of costs – they can also use Costcom to immediately identify any activities that are less than optimal.

The implications for the global power industry are significant. Not only can plants cut their costs, they can also improve their competitiveness with sharper pricing based on better insight.

And that's a valuable benefit for power generators everywhere.

KPIs - MEASURING OUR STRATEGY

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

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 provide a meaningful and consistent year on year comparison. An explanation and reconciliation of Statutory to Adjusted performance measures is given on pages 40 and 41.

Non-financial KPIs are shown in the Sustainability and CSR report on pages 44 to 61.

DEFINITIONS

- **Constant currency rates**: Growth at constant exchange rates compares both 2017 and 2016 figures at the average and year-end exchange rates for 2017, in order to remove the impact of currency translation from the Group's growth figures.
- **Organic**: Organic measures are used in order to present the Group's results excluding the results of acquisitions and disposals made since 1 January 2016.
- **Operating Profit**: Revenue less Operating costs.
- **Operating Margin**: Operating Profit divided by Revenue.
- **Return on Invested Capital**: Adjusted Operating Profit less Adjusted Taxes divided by Invested Capital.
- **Adjusted Taxes**: Adjusted income tax divided by Adjusted Profit Before Tax multiplied by Adjusted Operating Profit.
- **Invested Capital**: Net Assets less Tax balances, Net debt and Net pension liabilities.
- **Diluted Earnings per Share**: Profit for the year attributable to equity shareholders of the Company divided by the Diluted weighted average number of shares (see Note 7 to the financial statements).
- **Cash flow from Operations**: see Group cash flow statement on page 108.

2017 Adjusted — 2017 Statutory
2016 Adjusted — 2016 Statutory

REVENUE[#] (£m)

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

+7.9%

OPERATING PROFIT[#,1] (£m)

Measures profitability of the Group and includes currency impacts.

+14.2% +14.4%

DILUTED EARNINGS PER SHARE[1] (pence)

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

+14.3% +12.4%

CASH FLOW FROM OPERATIONS[1] (£m)

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

+5.4% +6.6%

ORGANIC REVENUE AT CONSTANT CURRENCY RATES (£m)

Revenue growth, excluding currency movements, acquisitions and disposals.

+2.1%

OPERATING MARGIN[1] (%)

Margin measures profitability as a proportion of revenue.

+90bps **+90bps**

DIVIDEND PER SHARE[2] (pence)

Dividend per share measures returns provided to shareholders.

+14.3%

RETURN ON INVESTED CAPITAL AT CONSTANT EXCHANGE RATES[#,3] (%)

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

+280 bps

\# Revenue, Adjusted Operating Profit and Return on Invested Capital ('ROIC') are re-calculated using 2016 exchange rates to form the basis for Executive Director remuneration, as described in more detail on pages 89 to 90.

1. Adjusted operating profit, adjusted operating margin, adjusted cash flow from operations, adjusted net financing costs and adjusted diluted earnings per share are stated before Separately Disclosed Items, which are described on pages 40 and 41.
2. Dividend per share is based on the interim dividend of 23.5p (2016: 19.4p) plus the proposed final dividend of 47.8p (2016: 43.0p).
3. 2016 ROIC has been prepared using average exchange rates for Adjusted Operating Profit and Adjusted Tax, and year end 2017 exchange rates for Invested Capital. 2016 ROIC at actual rates was 21.7%.

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 75 to 80.

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.
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.

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 2022, 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. This is documented on the following pages.

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. Furthermore, the Directors believe the five-year period appropriately reflects the average business cycles of the business lines in which the Group operates, particularly in relation to capital expenditure investment horizons.

In addition to the bottom-up strategic review process where the prospects of each business line are reviewed, an assessment has been made of the potential operational and financial impacts on the Group of the principal risks and uncertainties outlined in the following pages. The Directors have also assessed certain combinations of these principal risks and uncertainties 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 2022.

MITIGATION	2017 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 approach 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 2016. • 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 2016.
• 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 2016.

PRINCIPAL RISKS AND UNCERTAINTIES
continued

Operational

PRINCIPAL RISK	CONTEXT	POSSIBLE IMPACT
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 and Data Security	*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. *Data security* – a failure to adequately protect the Group's confidential information, customer confidential information or the personal data of the Group's employees, customers or other stakeholders.	• Loss of revenue due to down time. • Potential loss of sensitive data with associated legal implications, including regulatory sanctions and potential fines. • 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	2017 UPDATE
• 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 2016.
• 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 2016.
• 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 2016. • 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. • Internal and external audit testing.	• This risk remains stable compared with 2016. • Additional work being undertaken to ensure adherence to the EU's General Data Protection Regulation ahead of implementation in May 2018.

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.
Regulatory and Political Landscape	A failure to identify and respond appropriately to a change in law and/or regulation, or to a political decision, event or condition which could impact demand for the Group's services or the Group's ability to grow, innovate and/or provide a competitive customer offering in any existing or new industry sector or market.	• Loss of revenue, profitability and/or market share. • Increase to costs of operations, reduction in profitability. • Reduction in the attractiveness of investment in specific business, sectors or markets and/or adverse change the competitive landscape.

Financial

PRINCIPAL RISK	CONTEXT	POSSIBLE IMPACT
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	2017 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 2016. • 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. • Enhanced processes for engagement with suppliers and third parties. • Zero-tolerance approach 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 2016. • Ongoing annual confirmations ensure that staff verify compliance with the Code of Ethics. • Local compliance officers perform due diligence on sub-contractors to check that they have signed the Group's Code. • During 2017, 202 (2016: 163) non-compliance issues were reported through the whistle-blowing hotline and other routes. All were investigated with 36 (2016: 47) substantiated and corrective action taken.
• Monitoring of regulatory environment and political developments. • Analysis of impact of regulatory and political changes on operational SOPs and Group policies. • Membership of relevant associations, e.g. IFIA with related advocacy and liaison activities.	• This risk is new for 2017.
• 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 2016. • '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 2017

+7.9% **+3.0%** Revenue up to £2,769m	**+14.3%** Dividend per share
+14.2% **+10.0%** Adjusted operating profit up to £468m	**+14.4%** Statutory operating profit up to £423m
+14.3% **+10.4%** Adjusted diluted EPS	**+12.4%** Statutory diluted EPS
£27m Acquisitions	**£113m** Organic investment spend
128.1% Cash conversion	**26.7%** Return on Invested Capital

Actual rates Constant rates

"This year we delivered double-digit growth in operating profit and diluted EPS at constant currency. Cash conversion was strong as the focus on working capital initiatives continued to deliver, resulting in good progress in ROIC in the year."

Edward Leigh
Chief Financial Officer

Solid organic revenue growth and a focus on cost and operational initiatives delivered strong margin accretion for the Group.

CONSOLIDATED INCOME STATEMENT COMMENTARY

Revenue for the year was £2,769.1m, up 7.9% (up 3.0% at constant exchange rates), with organic revenue growth of 2.1% at constant exchange rates.

The Group's organic revenue reflected robust growth in the Products division and good growth in the Trade division, while challenging conditions in the oil and gas infrastructure market impacted the Resources division.

The Group's adjusted operating profit was £467.7m, up 14.2% on the prior year (up 10.0% at constant exchange rates).

The adjusted operating margin was 16.9%, an increase of 110bps from the prior year at constant exchange rates. Adjusted organic operating margin at constant rates increased by 90bps as we benefited from positive operating leverage, margin-accretive divisional mix and the restructuring activities in prior years.

The recent storms in the southern regions of the USA disrupted the operations of our clients in the last 10 days of August, in September and October, impacting our Cargo/AA, Building & Construction and Industry Services businesses, and continued to impact our Cargo/AA business in November and December.

These operational disruptions reduced our revenue performance by £6.5m at constant currency over the period from August to December, negatively impacting our Products, Trade and Resources divisions by £1.5m, £4.3m and £0.7m respectively.

The Group remains very focused on cost and margin management. In line with the review linked to the 5x5 strategy announced in March 2016, an impairment of £8.0m has been charged following a full assessment of the Group's IT assets, an impairment of £8.8m has been charged in respect of plant and equipment related to a specific service line and the Group has recognised a further £12.4m restructuring cost.

The Group's statutory operating profit for the year was £422.7m (2016: £369.5m), with statutory operating margin of 15.3%, up 90bps on the prior year.

NET FINANCING COSTS

The Group had an adjusted net financing cost of £28.9m (2016: £22.4m) in the year. This comprised £1.2m (2016: £0.9m) of finance income and £30.1m (2016: £23.3m) of finance expense. The statutory net financing cost of £29.4m included £0.5m (2016: £nil) relating to Separately Disclosed Items.

TAX

The Group effective tax rate on adjusted profit before income tax was 24.5% (2016: 25.3%) with the reduction being driven by a 1% one-off benefit from the net revaluation of deferred tax balances following the US Tax reforms.

The statutory tax charge, including the impact of SDIs, of £86.9m (2016: £75.5m), equates to an effective rate of 22.1% (2016: 21.8%) and the cash tax on adjusted results is 23.0% (2016: 24.3%). The statutory tax charge, excluding the impact of SDIs, is £107.5m (2016: £98.0m).

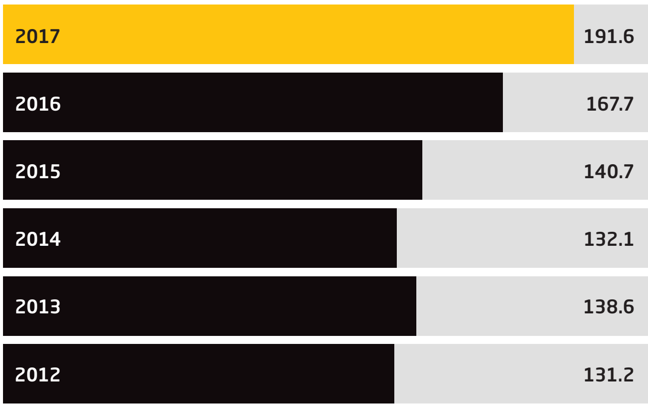
RESULTS FOR THE YEAR

Key financials	2017 £m	2016 £m
Revenue	**2,769.1**	2,567.0
Adjusted Group operating profit	**467.7**	409.7
Adjusted diluted EPS	**191.6p**	167.7p
Statutory Group operating profit	**422.7**	369.5
Statutory diluted EPS	**176.3p**	156.8p
Adjusted cash flow from operations	**596.1**	565.3
Statutory cash flow from operations	**579.2**	543.4
Dividend per share	**71.3p**	62.4p
Dividends paid in the year	**107.0**	88.0

FIVE-YEAR PERFORMANCE

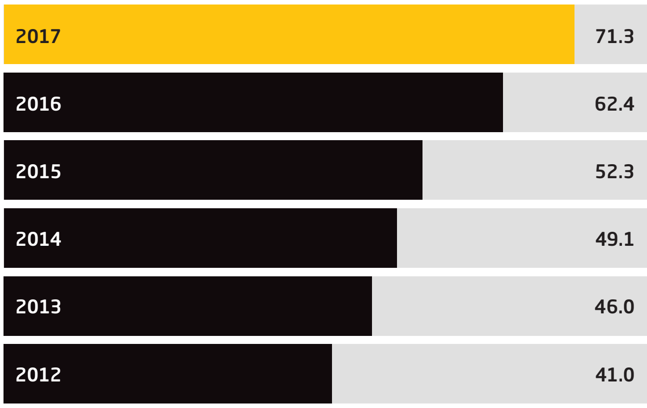
ADJUSTED DILUTED EPS[1] (pence)

+7.9% CAGR[3]



DIVIDEND PER SHARE[2] (pence)

+11.7% CAGR[3]



1. Presentation of results: To provide readers with a clear and consistent presentation of the underlying operating performance of the Group's business, some figures discussed in this review are presented before Separately Disclosed Items (see note 3 of the financial statements). A reconciliation between Adjusted and Statutory performance measures is set out overleaf.
2. Dividend per share for 2017 is based on the interim dividend paid of 23.5p (2016: 19.4p) plus the proposed final dividend of 47.8p (2016: 43.0p).
3. CAGR represents the compound annual growth rate from 2012 to 2017.

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

		Revenue			Adjusted operating profit		
	Notes	2017 £m	Change at actual rates %	Change at constant rates %	2017 £m	Change at actual rates %	Change at constant rates %
Products	2	**1,625.5**	10.9	6.1	**350.5**	17.7	13.2
Trade	2	**647.8**	10.8	5.6	**88.7**	8.4	4.1
Resources	2	**495.8**	(4.1)	(8.6)	**28.5**	(5.6)	(5.9)
Group total		**2,769.1**	**7.9**	**3.0**	**467.7**	**14.2**	**10.0**
Net financing costs	14				**(28.9)**		
Adjusted profit before income tax					**438.8**	**13.3**	**9.5**
Adjusted Income tax expense	6				**(107.5)**		
Adjusted profit for the year					**331.3**	**14.5**	**10.7**
Adjusted diluted EPS	7				**191.6p**	**14.3**	**10.4**

FINANCIAL REVIEW
continued

EARNINGS PER SHARE

The Group delivered adjusted diluted earnings per share ('EPS') of 191.6p (2016: 167.7p). Diluted EPS after SDIs was 176.3p (2016: 156.8p), and basic EPS was 178.6p (2016: 158.5p).

DIVIDEND

The Board recommends a full-year dividend of 71.3p per share, an increase of 14.3%. 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 71.3p represents a total cost of £115.1m or 37% of adjusted profit attributable to shareholders of the Group for 2017 (2016: £100.7m and 37%). The dividend is covered 2.7 times by earnings (2016: 2.7 times), based on adjusted diluted earnings per share divided by dividend per share.

PORTFOLIO ACTIVITIES

In March 2016, the Group announced its 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, which included two strategic priorities relevant to the operational structure of the business:

- to operate a portfolio that delivers focused growth amongst the business lines, countries and services, including a strategic review of underperforming business units.
- to deliver operational excellence in every operation to drive productivity, including re-engineering of unnecessary processes and layers.

During the year, the Group has continued to implement certain non-recurring action plans identified through the portfolio review in specific country and/or business line combinations, consistent with the 5x5 strategy, with a resulting charge of £12.4m in the year. These activities included the termination of certain business lines in some countries; the closure and consolidation of business line locations in certain countries; the re-organisation of various management structures either in-country or across multiple countries in a region; or the fundamental re-organisation of global business lines including direct staff, management and support function structures.

Restructuring charges are included in the SDI section below, in instances where they have been specifically identified as part of the Portfolio review, are non-recurring and meet the IAS 37 criteria, in contrast to restructuring costs for ongoing standard cost efficiency and cost-saving opportunities, which are incurred within Adjusted Results.

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. Reconciliations of the Statutory to Adjusted measures are 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 or fair value gains or losses on financial assets or liabilities, including contingent consideration.

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 2017 comprises amortisation of acquisition intangibles of £16.0m (2016: £14.0m); acquisition costs relating to successful, active or aborted acquisitions of £3.2m (2016: £2.8m); restructuring costs (as described above) of £12.4m (2016: £21.4m); loss on disposal of subsidiaries and associates of £nil (2016: £2.0m); impairment of IT assets related of computer software of £8.0m (2016: £nil); impairment of plant and equipment related to a specific service line of £8.8m (2016: £nil); and a credit for material claims and settlements of £3.4m (2016: £nil), where a large claim was settled resulting in a significant release of excess provision that has been recorded within SDIs due to its size, so as not to distort Adjusted results.

2017 RECONCILIATION OF STATUTORY TO ADJUSTED PERFORMANCE MEASURES

£m	Statutory	SDIs	Adjusted
Revenue	2,769.1	–	2,769.1
Operating profit	422.7	45.0	467.7
Operating margin (%)	15.3%	1.6%	16.9%
Net Financing costs	(29.4)	0.5	(28.9)
Income tax expense	(86.9)	(20.6)	(107.5)
Profit for the year	306.4	24.9	331.3
Cash flow from operations	579.2	16.9	596.1
Basic EPS (p)	178.6p	15.5p	194.1p
Diluted EPS (p)	176.3p	15.3p	191.6p

2016 RECONCILIATION OF STATUTORY TO ADJUSTED PERFORMANCE MEASURES

£m	Statutory	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

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 and associated definitions are disclosed on pages 30 to 31.

Organic revenue at constant currency is presented to show the Group's revenue excluding the effects of the change in the scope of the consolidation (acquisitions and disposals made since 1 January 2016) and removing the impact of currency translation from the Group's growth figures.

Organic revenue at constant currency	2017 £m	2016 £m	Change %
Reported Revenue	**2,769.1**	2,567.0	7.9%
Less: Acquisitions / disposals revenue	**(36.0)**	(9.4)	
Organic Revenue	**2,733.1**	2,557.6	6.9%
Impact of foreign exchange movements	**-**	120.1	
Organic revenue at constant currency	**2,733.1**	2,677.7	2.1%

* Organic revenue excludes acquisitions/disposals over the past two years.

The rate of return on invested capital ('ROIC'), defined as Adjusted Operating Profit less Adjusted Taxes divided by Invested Capital, 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.

ROIC in 2017 of 26.7% compares to 23.9% at constant exchange rates.

Return on Invested Capital at Constant currency	2017 £m	2016 £m	Change %
Adjusted operating profit	**467.7**	425.2	10.0%
Less: Adjusted Tax*	**(114.6)**	(107.6)	6.5%
Adjusted Profit After Tax	**353.1**	317.6	11.2%
Invested capital*	**1,323.6**	1,327.4	(0.3)%
ROIC %	**26.7%**	23.9%	280bps

* Definitions of the above measures are given on the page 30.

ACQUISITIONS AND INVESTMENT

One of the key corporate goals of the Group's 5x5 strategy is delivering an accretive, disciplined capital-allocation policy. As a result the Group invests both organically, and by acquiring or investing in complementary businesses to strengthen our portfolio in the locations demanded by clients. This approach enables the Group to focus on those existing business lines or countries with good growth and margin prospects where we have market-leading positions or to enter new exciting growth areas offering the latest technologies and quality assurance services.

Acquisitions and investments

The Group completed two (2016: three) acquisitions in the year with cash consideration of £27.4m (2016: £34.8m), net of cash acquired of £2.1m (2016: £0.7m).

In March 2017, the Group acquired KJ Tech Services GmbH ('KJ Tech'), a leading provider of vehicle, component and fuel testing services based in Germany.

In December 2017, the Group acquired Acumen Security LLC ('Acumen'), a leading provider of Security Certification solutions for products, headquartered in Maryland, USA.

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

In 2017 £7.8m (2016: £2.0m) was spent in relation to consideration for prior year acquisitions, namely the settlement of the contingent consideration for EWA-Canada Ltd.

Organic investment

The Group also invested £112.9m (2016: £105.5m) organically in laboratory expansions, new technologies and equipment and other facilities. This investment represented 4.1% of revenue (2016: 4.1%).

FINANCIAL REVIEW
continued

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:

	2017 £m	2016 £m	Change %
Cash flow from operations	**579.2**	543.4	6.6%
Add back: cash flow relating to SDIs	**16.9**	21.9	
Adjusted cash flow from operations	**596.1**	565.3	5.4%
Add back: special contributions to pension schemes	**2.8**	2.8	
Cash flow for cash conversion	**598.9**	568.1	5.4%
Cash conversion %	**128.1%**	138.7%	(1,060)bps

The components of free cash flow are summarised below:

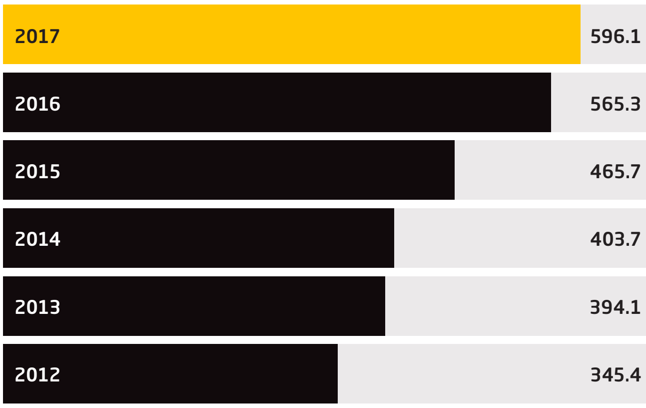
Adjusted free cash flow	2017 £m	2016 £m
Adjusted operating profit	**467.7**	409.7
Add back: depreciation, amortisation and impairment	**94.8**	89.5
Movement in working capital and provisions	**19.7**	52.4
Net capital expenditure	**(109.7)**	(102.5)
Other*	**(130.9)**	(131.0)
Free cash flow	**341.6**	318.1

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

Free cash flow	2017 £m	2016 £m
Statutory operating profit	**422.7**	369.5
Add back: depreciation, amortisation and impairment	**111.6**	89.5
Movement in working capital and provisions	**15.0**	54.7
Net capital expenditure	**(109.7)**	(102.5)
Other*	**(130.9)**	(131.0)
Free cash flow	**308.7**	280.2

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

+11.5% CAGR[1]



1. CAGR represents the compound annual growth rate from 2012 to 2017.

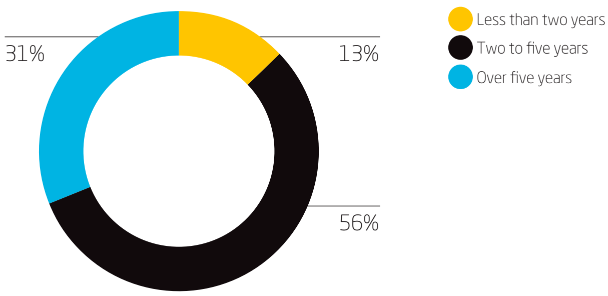
Net debt

Net debt has decreased from £743.7m at 31 December 2016 to £544.1m at 31 December 2017.

In the year, the Group drew on facilities it had in place at 31 December 2016. During the year US$100m of its existing bilateral term loan facility was repaid.

The Group has a well-balanced loan portfolio to enable the funding of future growth opportunities with a maturity profile as shown below.

BORROWINGS BY MATURITY PROFILE



Under existing facilities the Group has available debt headroom of £443m at 31 December 2017. The components of net debt at 31 December 2017 are outlined below:

	1 January 2017 £m	Cash flow[1] £m	Exchange adjustments £m	31 December 2017 £m
Cash	158.8	7.0	(29.9)	**135.9**
Borrowings	(902.5)	150.6	71.9	**(680.0)**
Total net debt	(743.7)	157.6	42.0	**(544.1)**

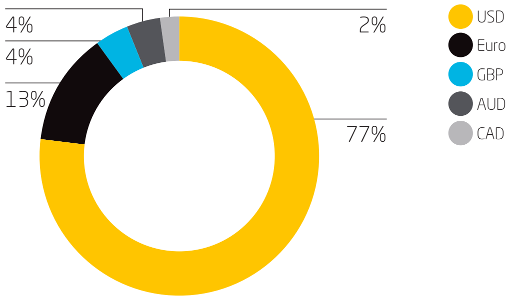
1. Cash flow includes £0.7m of non-cash movements related to amortisation of facility fees (see note 14 of the financial statements).

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 2017, 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.

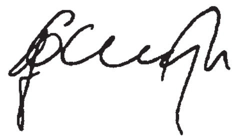
At constant exchange rates, revenue grew 3.0% (actual exchange rates 7.9%) and adjusted operating profit grew 10.0% (actual exchange rates 14.2%).

The exchange rates used to translate the statement of financial position and the income statement into the Group's functional currency, 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	**2017**	**2016**	**2017**	**2016**
US dollar	**1.34**	1.22	**1.29**	1.35
Euro	**1.13**	1.17	**1.14**	1.23
Chinese renminbi	**8.79**	8.51	**8.72**	8.98
Hong Kong dollar	**10.47**	9.49	**10.05**	10.52
Australian dollar	**1.72**	1.70	**1.68**	1.83

SIGNIFICANT ACCOUNTING POLICIES

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



Edward Leigh
Chief Financial Officer

SUSTAINABILITY AND CSR

Sustainability is at the heart of our business. Our Core Purpose is "To bring quality and safety to life". Our Vision is "To be the world's most trusted partner for Quality Assurance".

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

"

I am delighted that so much of what we do for our customers is helping them with their own sustainability strategies, whilst internally we also continue to make progress on our sustainability initiatives."

André Lacroix
Chief Executive Officer

During 2017 we established a set of five group sustainability priorities, linked to our 5x5 differentiated strategy for growth:

1. **Having a positive impact on our people, our suppliers, and the communities in which we operate**
2. **Supporting our customers with our industry-leading Sustainability value proposition**
3. **Improving our non-financial disclosures to strengthen our investment proposition**
4. **Tracking our progress with the United Nations Sustainable Development Goals**
5. **Continuous progress in sustainability through appropriate organisational focus**

Across our business, our people provide Assurance, Testing, Inspection and Certification ('ATIC') services that assist our customers in mitigating the environmental impacts of their products, processes and operations, ensuring their goods are ethically and sustainably sourced, improving the health and safety of their employees, and advancing their contribution to the United Nations Sustainable Development Goals (UN SDGs).

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. Intertek operates a decentralised and customer-centric organisational model that enables our team to innovate to improve our sustainability value proposition on a continuous basis, and direct resources locally towards the most value-enhancing activities, both for the financial performance of the operating unit and for the communities and environment in which they operate.

Each of our countries and business lines define their own sustainability agenda tied to our Group priorities, but specific to their local operations. During 2017, we established a network of Sustainability Champions across our major countries and business lines to develop global connectivity across our sustainability activities. Two networks were created:

- Country network: focused on internal sustainability activities
- Business line network: focused on sustainability services for our customers

The Sustainability Champions meet monthly to discuss progress against our group priorities and share best practice. A newly formed Sustainability Operating Committee reports to me on a monthly basis and provides the Executive Management Team with a quarterly update and the Board with an annual update. Our objective is to make continuous progress in sustainability through appropriate organisational focus.

We recognise we have further to go in our non-financial disclosures and have made significant progress in 2017, particularly in our environmental data collection and reporting.

As a Total Quality Assurance provider, we are in a strong position to align with each of the UN SDGs, both through the internal activities we carry out for our people, our communities and the environment, as well as through the sustainability services we provide to our customers. In this report we are using the UN SDGs as a third party, independent framework to track our country and business line progress in sustainability, and from 2018 onwards, each of our major business lines and countries will provide quarterly updates on the progress they are making toward the UN SDGs with which they have chosen to align.

I am delighted that so much of what we do for our customers is helping them with their own sustainability strategies, whilst internally our passionate and dedicated colleagues are improving the lives of the communities around them and the environments in which we operate.

Ultimately, sustainability is a broad and evolving topic for all our stakeholders – I believe we have made great progress during 2017 and we will continue to make further strides in our sustainability journey during 2018.

This report describes Intertek's sustainability performance in 2017 and highlights some of the work we are doing to help our customers; develop our people; partner with our local communities; reduce our own ecological footprint and track our progress with the UN SDGs.

André Lacroix
Chief Executive Officer

IN THIS SECTION

OUR SUSTAINABILITY VALUE PROPOSITION

In a world where companies are facing an increasing number of challenges driven by growing complexities in their operations, the demand is growing for Total Quality Assurance solutions that extend beyond the quality and safety of physical components, to those that deliver sustainable solutions in the development of products and services for the future.

As a Total Quality Assurance provider, we are in a strong position given our global scale and expertise to support the sustainability objectives of our customers with our Sustainability value proposition. Our Assurance, Testing, Inspection and Certification (ATIC) services cover many industries, from textiles, toys and electronics, to building, heating, pharmaceuticals, petroleum products, food, cargo inspection, exploration and production, and minerals. We work globally with our customers to improve social, ethical, safety and environmental impacts of their services and products that are used by their customers every day.

Our proven supply chain expertise, global network and on the ground local knowledge help our customers with increased transparency to manage social, ethical and environmental risk in their processes and supply chains, whilst supporting their ability to operate effectively and act responsibly. Our customers trust us to ensure the quality and safety of their products, assets and processes, to protect their brands and to help them gain competitive advantage, whilst ensuring they achieve this in an environmentally responsible manner.

Full details of our Sustainability value proposition are listed on our Group website at www.intertek.com/sustainability/services. In this section of the report we have provided some interesting examples of the work we carry out for our customers.

SUSTAINABILITY ATIC SERVICES

Green Leaf Mark

Environmental product claims are coming under scrutiny by regulators and are a growing source of distrust by consumers. Recent studies show that consumers continue to support companies and brands that demonstrate social and environmental responsibility and are increasingly looking for certification marks or labels on products to validate environmental credentials. What's more, manufacturers and retail brands are under greater pressure to ensure products meet standards and have accurate test and analysis data to back up their claims.

Intertek's Green Leaf Mark is proof that a product has been independently tested and found to conform to multiple existing environmental regulations, such as RoHS laws, REACH and Eco Design requirements through one mark rather than multiple marks. The Green Leaf Mark is used on product packaging, in point of purchase displays, product advertising and literature to explain a product's environmental credentials.

Since 2011, Intertek has partnered with a leading Chinese Steel manufacturer to measure the environmental footprint of its carbon steels used in the automotive and packaging industry, and certify the products to the Green Leaf standard. To date, 30 products from 10 categories have been verified and awarded with the Intertek Green Leaf Mark. By receiving these certifications, the company is able to effectively demonstrate its efforts to reduce the adverse environmental impact of its production processes and final products.

Water Footprint Verification Services

Intertek provides Water Footprint Verification Services for its customers covering the evaluation, calculation and documentation associated with both water consumption and quality at customer and supplier sites. In 2017, we provided this service for an appliance manufacturing site in Turkey amongst others. Working with our local offices, Intertek was able to support a verification of the organisations water footprint, which included six manufacturing facilities, offices and ancillary buildings.

As part of the Water Footprint assessment, companies commit to reduce consumption in measurable metrics to minimise stress on fresh-water sources for industrial processes. Water-stress impacts communities globally, where industrial uses of water can divert resources and affect safe potable drinking water availability. Intertek's Water Footprint Verification Services ensure that companies are following acceptable standards for evaluating their water sustainability so that substantiated improvements can be made over time.

Regulatory approvals for innovative biocides and pesticides

Intertek provides clients with regulatory approvals for innovative biocides and pesticides gaining access to global markets and multiple sectors. Introduction of new biocide and pesticide products can replace older and deleterious alternatives, make equipment more efficient and prevent the spread of harmful bacteria and contamination.

Intertek supports the approval of innovative biocide uses in healthcare and food processing industries to prevent outbreak of harmful bacteria, while replacing existing products that may have harmful environmental impacts.

In 2017, Intertek assisted transportation clients by developing approvals for the use of biocides in exterior paints on ships. The use of biocides in paint reduces barnacle attachment, whilst effectively maintaining aqua-dynamics and reducing overall emissions resulting from shipping activities.

Additionally, we also supported the building & construction sector by assisting our clients with the development of biocides for cooling towers, a major contributor to a building's overall energy consumption. By using biocide products to reduce the buildup of organisms and algae, our clients could improve the performance of their cooling towers.

Helping to develop an alternative to fish oil

During 2017, Intertek helped squid oil receive approval as a natural health product ingredient in Canada, offering Canadians a new sustainably-sourced alternative to fish oil. Squid oil is emerging as an alternative sustainably-sourced healthy omega-3 fatty acid. Much of the squid harvested for human consumption does not make it to market, but is discarded as "cut-offs" during food preparation; these "left-over" trimmings are predominantly rich in the healthy omega-3 fatty acids. Thus, squid oil is manufactured solely from by-products obtained during the food production of squid.

Additionally, the management and fishing methods for squid have minimal environmental impacts compared to methods typically used for other fish. The main fishing method employed for catching squid is jigging, which involves equipping fishing boats with bright lights at night to attract large schools of squid to the surface and then deploying a vast number of un-baited hooks just below the surface. As a result, there is virtually zero by-catch, as the fishing method is highly selective, specifically targeting same size specimens, with no impact on the ocean floor or coral reefs.

Intertek assists clients in navigating complicated regulatory approvals for their new, innovative and sustainable alternative products. With the availability of these products, consumers can select brands that reduce their impact to life under water, and minimise wasteful production processes.

Zero Discharge of Hazardous Chemicals

In 2017, Intertek joined the Zero Discharge of Hazardous Chemicals (ZDHC) Programme, a major body which is leading the textile, leather and footwear industries to advance towards zero discharge of hazardous chemicals. As a contributor, Intertek is supporting the programme's vision of achieving the widespread implementation of sustainable chemistry and best practices in the textile, leather and footwear industries to protect consumers, workers and the environment. Intertek delivers comprehensive solutions to enable fashion retailers and brands to fulfil their ZDHC Programme commitments. The solutions include:

- Waste water and sludge testing and sampling services at various key textiles and footwear manufacturing sites;
- Chemical Management System auditing services;
- Training for ZDHC Academy; and
- Manufacturing Restricted Substances Lists management and testing.

ZDHC has approved Intertek to provide waste water and sludge testing services for its members through the ZDHC Provisional Laboratory Acceptance Programme.

In other sections of this report, we have added further examples of our Sustainability value proposition, assisting our customers in their social, ethical and environmental goals.

OUR PEOPLE

Our 43,906 passionate Intertek people work globally for our customers on a daily basis, contributing to the success of our customers' products, services and operations and helping us succeed in Our Vision of being "The world's most trusted partner for Quality Assurance."

To achieve this, 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 the services and solutions for our customers and be engaged in the activities they perform.

In this section we detail the ways in which we engage and inspire our people, ensure they have the frameworks in place for them to succeed in a safe working environment and ultimately make them proud to work for Intertek.

ENERGISING, INSPIRING AND ENGAGING OUR TALENTED PEOPLE

To seize the exciting growth opportunities of our Total Quality Assurance value proposition we continually invest in the growth of our people. We want to provide our people 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 in delivering our strategy and fostering our passionate culture and values throughout Intertek.

Training

During 2017 we developed our own in-house employee training programme – The 10X Way! This was a unique programme as it was designed and delivered internally to over 1,000 Intertek leaders globally. Two-day training workshops were held across three locations in the Americas, Asia Pacific and EMEA and were delivered by our expert faculty from our global leadership team. The content of the workshops was based on internal feedback and developed into engaging and interactive sessions where key tools and best practice was shared.

We continue to roll-out the training across our entire organisation to ensure everyone has the tools, processes and principles to create sustainable growth for all. To supplement the face-to-face event, embed learning and consistently deliver the messaging, we are also developing eLearning modules, available to all 43,000+ employees on our Learning Management System, The 10X Way!

As part of The 10X Way! events and in order to support a highly engaged and high performing workforce of expertise, we have launched a brand new performance and growth conversation, My 10X JOURNEY, which replaces our previous appraisal process and is truly transformational. This new development plan enables quality conversations to clarify expectations, foster continual improvement and inspire people to perform beyond their best.

In addition to The 10X Way! we also provide a variety of in-house and external learning opportunities to provide our employees with the requisite skills and expertise needed to deliver our TQA Customer Promise. We operate across a wide range of sectors requiring different employee technical training – this education and support ranges from apprenticeships and internship programmes through to college, degree and professional qualifications.

UK Living wage

In the UK we are committed to becoming a Real Living Wage employer in accordance with the recommendations of the Living Wage Foundation. We will continue to align our directly-employed staff with the Real Living Wage UK, and are also working towards aligning third party contractor staff to the recommended guidelines.

INCLUSION, DIVERSITY AND GENDER EQUALITY

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.

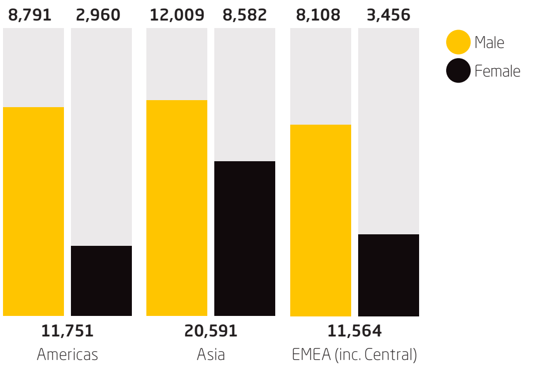
At Intertek we recognise the importance of gender diversity not only in management, but across our business. In line with the Hampton-Alexander Review, in addition to supporting gender diversity on our Board, in June 2017 we contributed our data on the gender balance across our senior executive team and their direct reports:

	Male	Female
Board	70.0%	30.0%
Executive Management Team (Exec)	84.6%	15.4%
Direct reports (DR)	82.7%	17.3%
Combined: Exec + DR	82.9%	17.1%

Data submitted as at 30-Jun-17.

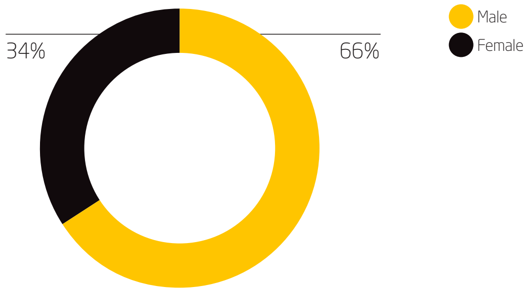
We will continue to promote and endorse fair, consistent and thoughtful working practices that are in accordance with our values.

INTERTEK TQA EXPERTS BY REGION



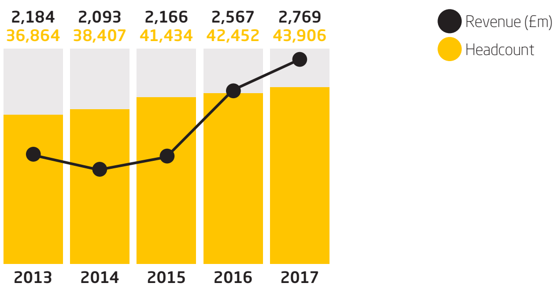
At 31 December 2017 Intertek employed 43,906 people, an increase of 3.4% over the previous year.

INTERTEK TQA EXPERTS 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



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, disabilities, and other protected characteristics. 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. To offer people career growth and progression within the Group, where possible, we fill vacancies from within the company first.

SUPPORTING OUR CLIENTS IN GENDER EQUALITY

Our Sustainability value proposition also supports our clients in achieving gender equality in their own operations:

EDGE Certification Standard

The EDGE Certified Standard was developed with the input of experts in gender equality from leading academic institutions and top multinational companies. The EDGE assessment methodology was developed by the EDGE Certified Foundation and launched at the World Economic Forum in 2011. EDGE has been designed to help companies not only create an optimal workplace for women and men, but also to benefit from it. The methodology uses a business, rather than theoretical, approach that incorporates benchmarking, metrics and accountability into the process.

The EDGE Certified Standard ensures that companies certified to the standard have a structured and systematic approach to measure, track and close the corporate gender gap by looking at both quantitative and qualitative indicators, including:

- Equal pay for equivalent work
- Recruitment & promotion
- Leadership development
- Flexible working
- Company culture

Intertek was the first certification body fully approved to certify companies against the EDGE Standard.

During 2017 amongst others, our team in Mexico certified the Banco de Mexico, the Central Bank of Mexico, to the EDGE Standard.

OUR PEOPLE
continued

DOING BUSINESS THE RIGHT WAY

At the heart of everything we do at Intertek is our vision to be the world's most trusted partner for Quality Assurance. We can only deliver that vision if we maintain the trust and confidence of all our stakeholders, including our shareholders, our customers, our people and the communities and environment in which we operate. Integral to this is our internal risk, control, compliance and quality programme which we call "Doing Business the Right Way".

At Intertek, Doing Business the Right Way means having the highest standards of ethics and integrity in how we conduct ourselves every day, everywhere and in every situation. Our Doing Business the Right Way programme includes processes, tools and training to ensure that:

- our people work in a safe and inclusive environment;
- the services we provide and the contracts we enter into are delivered with integrity and our commitment to Total Quality; and
- we deliver growth that is sustainable by managing our risks and doing the right thing for the longer term.

Key elements of our Doing Business the Right Way programme are described below.

Ethics, integrity and professional conduct

Doing Business the Right Way is our commitment to upholding the highest standards of integrity and professional ethics. This commitment is embedded in the Group's culture by the integrity principles set out in our Code of Ethics ('the Code') available at www.intertek.com/ investors/governance/code-of-ethics, which also covers health and safety, anti-bribery, labour and human rights.

We have a culture in which all issues relevant to our professional conduct and our Code of Ethics can be raised and discussed openly without recrimination. We operate a strict zero tolerance policy regarding any substantial breach of our Code of Ethics and any behaviour that fails to meet our expected standards of integrity.

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, in order to confirm their 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 at all times 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 continuing understanding, they are required to complete our comprehensive online Code of Ethics training course annually. When completing the training, all employees are required to sign a certificate confirming their understanding that any breaches of the Code will result in disciplinary action that may include summary dismissal of the employee concerned.

Whistle-blowing hotline

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, is multi-language and is accessible to all employees 24 hours a day either by phone or by email. Those concerned are encouraged to report any conduct, compliance, integrity or ethical concerns using the hotline. Information posters are present in all of our sites.

If a report is made to the hotline, it is followed up by Intertek's Compliance officers. All reports received are fully investigated by our Group Compliance function, which is independent of our operational businesses and reports directly to our Group General Counsel. Provided there is no conflict of interest, all reports are also notified immediately to our Group Ethics & Compliance Committee which consists of our Group CEO, Group CFO, Group EVP for HR and Group General Counsel. This ensures effective resolution both of individual issues and any systemic or process improvements that can be made to address them.

- During 2017, 202 reports of non-compliance with our Code of Ethics were made to our hotline. Of those reports, 36 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 no environmental incidents;
- there were no reported violations of the rights of indigenous people; and
- there were no cases of discrimination..

HEALTH & SAFETY

One of our five key corporate goals is to ensure that our colleagues are fully engaged in a safe working environment – therefore, managing the health, safety and welfare of our people, clients and third parties connected with the business is a top priority for us. 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 and following its successful implementation during 2016, this year we saw increased adoption of our 'Speak up for Safety' campaign across the whole of Intertek. Additionally we implemented further Health & Safety processes enabling all Intertek sites to report and track Health & Safety activities with our new Global H&S Platform.

In 2017, we achieved a 14% reduction in lost time incidents, a 17% reduction in medical treatment incidents and a total recordable incident rate reduction of 13%.

Sadly, one fatality was recorded in Veracruz in Mexico. This occurred when a grain silo in the port collapsed and fell onto the harbour where our employee was working.

	2017	2016	% change
Near Miss	9,960	6,548	52%
First Aid	857	760	13%
Lost time incidents	101	117	(14)%
Medical treatment incidents	143	173	(17)%
Fatalities	1	0	–
Total recordable incident rate (TRIR)*	0.55	0.63	(13)%

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

We go to great lengths to train all our employees on health and safety matters, including emergency response procedures, 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 preventative and corrective actions, but also to disseminate safety information through training and continual improvement programmes to target specific areas of concern that are identified.

SUPPORTING OUR CLIENTS IN HEALTH AND SAFETY

Our Sustainability value proposition also supports our clients in their health and safety management

Certifying to OHSAS 18001

We can provide our customers with the support they need to be certified as an organisation with high quality health and safety management systems. Intertek provides enterprises with occupational health and safety management system certification services to UK domestic standard GB/T28001 and international standard OHSAS 18001.

In 2018, ISO 45001 is due to be published – this standard is set to replace the popular OHSAS 18001 standard with the same overall purpose – to improve the occupational health and safety performance of an organisation. ISO 45001 will more easily integrate with other ISO Management Systems standards including ISO 9001:2015 and ISO 14001:2015.

As globalisation and global trade continue to escalate, organisations' stakeholders are expecting organisations to be ethical in every aspect of their business, especially in the way they treat employees. ISO 45001 will give organisations an internationally recognised occupational health and safety standard to follow. This standard provides the specification for formal systematic analysis and management of risk; management of regulatory compliance; promotion of safer work practices and evaluation of occupational health and safety performance. This systematic approach facilitates a decrease in the number of incidents and ultimately less disruption to business.

In 2017, Intertek certified PepsiCo in China to the OHSAS 18001 standard amongst other customers. Going forward, Intertek will be working with its customers to ensure a smooth transition to ISO 45001 from OHSAS 18001, whilst also encouraging more organisations to work towards this internationally recognised benchmark in health and safety management.

OUR COMMUNITIES

The role we play in the communities in which we operate is vital to the success of our business. Fostering good relationships provides benefits beyond reputation, but also in recruitment, local education, and ultimately engagement, as our passionate and dedicated colleagues are proud of improving the lives of the people and communities around them.

In this section we have selected some examples from across the world of Intertek of how we have engaged with our local communities during 2017, through community work, education and disaster relief efforts.

CARING COMPANY RECOGNITION

Intertek Hong Kong has been continuously recognised as a Caring Company by the Hong Kong Council of Social Service (HKCSS) and this year is the 6th consecutive year that we received this acclaim. Partnering with Hong Kong Red Cross, Intertek Hong Kong has cultivated good corporate social responsibility through cross-sectoral activities and exchanges, developing community projects that address the needs of the local community. In 2017, Intertek Hong Kong organised and carried out a number of community activities including:

- Blood Donation Day which involved more than 80 Intertek colleagues donating blood to the Hong Kong Red Cross;
- Mid-Autumn Elderly Visit in October 2017 by our Intertek Volunteer Team, during which festival food and supplies were provided for elderly people;
- Participated in charity fund-raising at the Hong Kong Red Cross Carnival; and
- Participating in other environmental protection initiatives and programmes locally.

5 years+ 商界展關懷 caringcompany

CSR GAZETTE

In China, we issue a bi-monthly CSR Gazette. The CSR Gazette is a corporate social responsibility newsletter covering updates on laws, regulations and national standards of China relating to CSR auditing on labour, health and safety, environmental protection and business practice.

With our Sustainability value proposition and experience in CSR auditing, Intertek is well placed to provide relevant and timely updates to its customers, as they look to implement improved practices in their own operations.

The intended audience for the newsletter includes Facility Managers, EH&S (Environment, Health and Safety) Managers, CSR Managers and Internal Auditors that engage in supply chain management in China, as well as vendors, buyers, or associations who are focused on supplier management in China or outside China, especially in the US and EU/UK.

The newsletter contributes to promoting sustainable employment and decent work, and raising awareness of the issues regarding forced labour/modern slavery/human trafficking/child labour.

SCHOOL SUPPLY SANTA

School Supply Santa is a community programme in Michigan, US, that provides students in need with a backpack filled with school related items such as notebooks, markers, pens, and folders to ensure they start the school year out on the right foot with everything they need to grow and learn.

Being aware of this programme, the Intertek Grand Rapids Health & Wellness Committee and Events & Communications Committees teamed up to lead the efforts to all employees across all divisions. Intertek Grand Rapids became a corporate partner of School Supply Santa and received a list of supplies that were needed in their local districts. The committee members created posters, sent emails, and leveraged operations managers to rally employees and communicate the efforts. Following the communications, employees donated supplies and filled collection boxes at Intertek Grand Rapids. Together, they collected 15 backpacks and hundreds of other requested supplies.

The recipients of these supplies are part of the free lunch programme from 20 different schools covering 8 districts in the greater Grand Rapids, Michigan area. Thanks to the combined efforts of all donations, more than 100 students were helped through the programme this year.

LITTLE SCIENTISTS PROGRAMME

Intertek Hong Kong held its first community educational programme, named "The Little Scientists" for young children and their parents in September 2017.

The objective of the programme was to provide the children with a fun and engaging scientific learning experience, including experiments that they could carry out with their parents.

Offering this high-quality Science, Technology, Engineering, and Mathematics (STEM) education helped stimulate the young children's interest in exploring new fields of knowledge and experimental learning.

A total of 30 participants took part, aged 7 to 10, and the feedback received was overwhelmingly positive. We will look to run this programme again in 2018.

TRANSPORTATION DONATIONS

During 2017, Intertek's Transportation Technologies Business donated automobile parts to the National Auto Body Council to support their Recycled Rides programme. Recycled Rides is a unique programme in the US, in which insurers, collision repairers, paint suppliers, parts vendors and others collaborate to repair and donate vehicles to deserving individuals and service organisations in local communities throughout the country. Over 1,000 vehicles have been donated through the National Auto Body Council's Recycled Rides programme since its inception in 2007.

In addition, the Transportation Technologies business also donated parts to technical schools to support education.

HURRICANE MARIA RELIEF EFFORTS

Hurricane Maria was regarded as the worst natural disaster on record in Puerto Rico and Dominica. The tenth most intense Atlantic hurricane on record and the most intense tropical cyclone worldwide of 2017.

As the hurricane hit, our employees in our Houston offices, having just recently suffered from Hurricane Harvey themselves, wanted to assist their fellow colleagues in Puerto Rico.

The team rallied together and made arrangements to secure a container for supplies in the Houston area. An email was sent out to Houston area employees to donate water and nonperishable foods and request for volunteers to help pack the donations. The team were able to fill a large trailer and flatbed truck. The supplies were packed into the container, where it left via truck to Miami. One of our employees volunteered to work from our Florida location, to ensure secure passage of the container to Puerto Rico. On arrival in Puerto Rico the supplies were distributed to our employees.

During 2017, Intertek USA donated $25,000 to the hurricane disaster relief efforts, in addition to employee contributions, as well as providing the much-needed support and assistance to employees and customers.

EXTENDING A HELPING HAND TO FLOOD VICTIMS IN BANGLADESH

Geographically, Bangladesh is in a delta of the three major rivers: Ganges, Brahmaputra, and Meghna — commonly known as the GBM basin. In the recent past, we have observed major floods in Bangladesh during the monsoon seasons of 1987, 1988, 1998, 2004, 2007, and 2016. However, in 2017, the peak water level crossed the highest recorded water levels in Brahmaputra, Teesta, Dharala, and Jamuneswari rivers.

The second spell of floods this year has affected nearly 7.5 million people, according to figures by the National Disaster Response Coordination Centre (NDRCC). Additionally, 10,583 hectares of land have been totally washed away, while another 600,587 hectares of farmland have been damaged.

To help people affected by the flooding, Intertek Bangladesh employees contributed to, and participated in, relief activities to help those affected by the devastating floods in Durgapur Union, Kalihati Upzila in Tangail District. Volunteer teams from Dhaka travelled from almost 150 kilometers away to the flood affected areas to distribute food, drinking water, cooking oil, candles and other essential items to support around 200 flood-affected families.

OUR ENVIRONMENT

Our environmental mission is to provide a better quality of life today and a more environmentally responsible world tomorrow, by continually improving our business performance to minimise the impact our operations have on the environment.

OUR APPROACH

Intertek's primary environmental goal is to work with each of our sites globally to reduce their impact on the environment, through reducing energy consumption and improving their overall sustainability credentials. Intertek plays an important role in raising awareness of Climate Change and National Resource Constraints in its employees, suppliers and customers. As such, our aim is to improve operational and natural resource efficiency in a consistent manner across all of our 1,000 sites, and to establish a global community of sustainability champions who share their site level knowledge and experience for the benefit of others.

To support this effort, our environmental and climate change policy is implemented through country management to ensure compliance with local guidelines and regulations.

To support our environmental goals, and following a thorough review of our 2015 and 2016 reporting of Group emissions, it was recognised that a more flexible and robust reporting tool was required to more accurately carry out site level environmental data tracking. In 2017, Intertek implemented a Global Sustainability Environmental Software platform, which is optimised specifically to provide Intertek with the financial grade reporting, analytics, and auditability to support its site level sustainability initiatives and corporate reporting going forward.

Due to the wider scope and depth of reporting in 2017 and the increased attention to detail and diligence across all Intertek sites globally, our 2017 data is meaningfully different to our previously reported 2015 and 2016 figures. The data gathering has become more accurate and granular, using less extrapolation, hence leading to differences versus the 2015 and 2016 data. Going forward, data should be comparable to the 2017 base year.

As a result of this renewed approach, we have already witnessed a material uplift in the level of engagement across the business regarding Greenhouse Gas (GHG) emissions, with each site now being able to access their own, bespoke GHG data dashboard.

In the Our Sustainability Governance section of this report we introduce our newly-formed Sustainability Operating Committee, Country and Business Line Champions network and sustainability reporting processes. Using our newly-established network, we will focus on reducing our material impacts in our major countries and over time plan to extend our country network to cover more sites and locations globally. At present our country network accounts for 82% of our Scope 1, 2 and 3 GHG emissions.

From 2018 onwards, using our enhanced data tracking, GHG emissions will form part of our quarterly performance discussions, in order to ensure that our environmental footprint is receiving the requisite level of attention at the global, country and site level, and we will be utilising our Country Sustainability Champions network to drive material improvements in our major markets.

In line with this improved practice, we are setting our first carbon reduction target: To reduce our annual CO_2 emissions per employee by 5% by 2020*.

We plan to achieve this through utilising renewable sources of energy; implementing 'green' waste management practices; efficient water management; minimising business travel and operating quality management systems.

In addition, and to support our longer-term objectives, we have defined a four-year plan:

- 2017: Establish a robust financial grade reporting system and process, implement a 2020 target
- 2018 & 2019: Roll-out best practice guidelines to support and promote environmental efficiency and broaden the scope of environmental reporting (i.e. additional scope 3 reporting) based on the materiality of business activities which are relevant to our business, our peers and our key stakeholders
- 2020: Reach our 2020 carbon target and explore implementation of a Science Based Target for future emissions reductions

Through tracking accurately and setting meaningful objective targets, we can ensure that we are minimising our environmental footprint whilst also providing our key stakeholders, including shareholder and customers, with the data they need to understand our performance. In line with this focus, we also intend on externally verifying our data in the 2018 reporting year.

*Against the 2017 base year and excluding Process Emissions.

OUR DATA

Our annual GHG reporting cycle runs from 1 October 2016 to 30 September 2017.

As a Total Quality Assurance provider, we carry out testing on behalf of our clients which involves the direct consumption of fuel or the direct release of emissions through refrigerant testing procedures (Scope 1 – Process Emissions). The tests we perform are required by our clients to help them determine the safety, quality and environmental efficiency of their products and as such, whilst this increases our overall Group reported emissions, it has a positive longer-term impact on the item being tested. For example, we perform tests for automotive manufacturers on their engines, to help them improve efficiency, performance and reduce emissions, however in doing so we will burn fuel both in stationary and mobile environments. Similarly, we are one of very few companies globally which carry out safety testing on refrigerants which are then used in commercial and domestic everyday items.

In the table below, we have specifically split out the Scope 1 "Process Emissions". Where possible we look to reduce the impact of these emissions, for example, in our engine testing lab in the UK, our Transportation Technologies business has implemented several electricity-producing dynamometers, which generate power from the engines being tested, resulting in a reduction in their site Scope 2 emissions and operating costs.

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

		GHG Emissions (tonnes of CO_2e)[1]
Scope 1	Fugitive Emissions	7,186
	Mobile Combustion - Owned Fleet	23,704
	Stationary Combustion	13,722
	Process Emissions	15,523
Scope 2	Purchased and Used Electricity	126,574
	Purchased Heat and Steam	1,621
Scope 3	Energy Related Activities	29,118
Outside of scope	Biomass	157
Total emissions		**217,605**

Intensity ratio	CO_2 per employee
2017	5.08
Average # of employees during reported period	42,828

1. CO_2e – Carbon dioxide equivalent.

For 2017, Intertek's electricity consumption was reported to be 241,991 MWh (5.65 MWh per employee) and gas consumption was reported to be 66,432 MWh (1.55 MWh per employee).

The platform used by Intertek complies with the methodologies outlined by the GHG Protocol "Corporate Accounting and Reporting Standard", the GHG Protocol "Corporate Value Chain (Scope 3) Standard", ISO 14064-1, and the UK Government's "Environmental Reporting Guidelines: Including Mandatory greenhouse gas emissions reporting guidance".

In compliance with the above standards, the platform uses the most up-to-date GHG emission factors available for each country and type of activity. The emission factors are sourced from the relevant government department in each country. Where local emission factors are not available, the platform uses default emission factors provided by the International Energy Agency (IEA), GHG Protocol, the UK's Department for Environment, Food and Rural Affairs (DEFRA) and the US Environmental Protection Agency (US EPA).

ENVIRONMENTAL ACHIEVEMENTS IN 2017

As we operate a decentralised business model, our teams locally look for ways to become more environmentally efficient and reduce the impact of operations on the environment. Below are some examples of our achievements in 2017 and through actively performance managing our GHG emissions in 2018, we hope to make further improvements:

- In Turkey, we have implemented a water recycling system' by re-using the heated water from laboratory machinery. By doing so we have been able to recover 50% of the waste water, thereby reducing our consumption by 4 tonnes of water/per day.
- In India, our team implemented a number of initiatives following World Environment Day, including:
  - Elevator usage restrictions during allotted time slots to reduce power and energy;
  - Celebrating 'No Paper Day' and overall reducing paper usage;
  - Encouraging usage of air purifying plants both indoors and outdoors; and
  - Tree plantation to improve biodiversity.
- In France, we are trialling a scheme with a recycling company whereby they collect waste paper from our sites and in exchange we receive vouchers to buy green office supplies.
- In Australia, we have installed skylights in one laboratory which has reduced the need entirely for lighting during the day. This has delivered both cost savings and GHG emission reductions.
- Globally, we have made a further progress to upgrade lightbulbs to more efficient LEDs, with particular improvements in conversion in Turkey, France, India, USA and Australia.

OUR ENVIRONMENT
continued

SUPPORTING OUR CLIENTS IN ENVIRONMENTAL MANAGEMENT

With our Sustainability value proposition, there are multiple ways in which we support our clients in their Environmental Management goals:

Carbon Footprinting Services

During 2017 Intertek HERS performed a carbon footprint for a North American transport and operations services provider. As part of the assessment Intertek worked with the client to determine year-on-year improvements and how they relate to specific changes and upgrades to their operations. Results were reported in CO_2 equivalent emissions and encompassed improvements such as fuel and fleet changes, warehouse logistics and implementing policies that require efficient movement of materials within operations.

Resource efficiency and adoption of cleaner technologies can positively impact sustainable growth, demonstrated by implementing strategies that increase efficiency in operations and the responsible use of fuel and materials. With the transportation sector contributing over a quarter of the world's GHG emissions, movement of materials, whether in a factory or cross-country is an important part of sustainable consumption and economic growth.

Zero Waste to Landfill Certification

Intertek provides companies with the Zero Waste to Landfill certification, which showcases an organisation's contribution towards improving their sustainability initiatives through their pledge to minimise the amount of waste that enters landfills from their operations.

Zero Waste to Landfill certification provides improved credibility and visibility to an organisation's sustainability efforts. Implementing a Zero Waste to Landfill programme will not only improve the efficiency in manufacturing processes but can also save physical and financial resources through energy conservation and reuse of raw materials.

During 2017, Intertek awarded the Zero Waste to Landfill to Mahindra Group, a leader in the tractor and utility vehicles space, employing more than 200,000 people across the globe. Mahindra was among the first to receive this certification in India which truly demonstrates their commitment to improving the environmental effects their manufacturing process has on the communities in which they operate.

Clean energy

Across the world, our Sustainability value proposition positions us well to support our clients in their development of clean energy solutions, including solar, wind, biofuel and water power. In Mexico, during 2017, along with our Joint Venture partner, Intertek+ABC Analitic have participated extensively in the sampling of the initial conditions of sites where wind farms are to be placed, in order to advise on the appropriateness of the location and impact on the ecosystem. In addition, we have also been involved in monitoring and assessing the environmental impact of the noise generated by the wind turbines.

Ecotoxicology

Intertek provides ecotoxicology services for clients, to assess the toxicity of a variety of different samples that pose a risk to the marine environment, i.e. effluents, crude oils, bulk shipping cargo to name a few. The outcomes of each toxicity assessment are then used by our clients to ensure environmental protection.

In addition to the testing of samples for toxicity, the ecotoxicology division also provides assurance services to assist clients with environmental risk assessments. Specialising in determining the bioavailability of contaminants, our ecotoxicologists provide focused and insightful data analytics to assist our clients in their environmental goals.

During 2017, Intertek's ecotoxicology team have worked with Jacobs for many of the major Oil and Gas companies in the Australasian region in relation to the produced water testing for the offshore oil and gas platforms.

Pollution Prevention Planning Services

Intertek provides industrial and institutional clients with pollution prevention planning services. Some jurisdictions require the testing for wastewater discharge from industrial and institutional facilities for a range of parameters. The strategy behind pollution prevention planning is to address hazardous chemicals that are found in freshwater resources and landfills. Before wastewater is treated, many solid and larger inorganic materials are removed and deposited, untreated, into landfills where previously absorbed pollutants can later leach into soil and groundwater. To manage unwanted chemicals from reaching freshwater resources and landfills, pollution prevention planning, includes testing wastewater when it is discharged from the facility and relating findings back to chemicals, products and infrastructure used.

In Ontario, Canada Intertek's pollution prevention planning services led to the removal of a subject pollutant from cleaning products commonly used in healthcare facilities, among major manufacturers. Additionally, Intertek is also working with a global supplier of laboratory equipment, to identify pollution prevention planning requirements in various countries world-wide so their products can meet customer demand and reduce their contribution of pollutants discharged to the environment.

Pollution prevention effectively incorporates strategies for clean and safe drinking water with controllable activities and wastewater discharge. Intertek supports evaluation and planning for management of freshwater ecosystems that are essential to human health, environmental sustainability and economic prosperity.

TRACKING OUR PROGRESS WITH THE UN SDGs

As a Total Quality Assurance provider, we are in a strong position to align with each of the United Nations Sustainable Development Goals ('UN SDGs'), both through the internal activities we carry out, for our people, our communities and the environment, as well as through the sustainability services we provide our customers.

We are therefore using the UN SDGs as a third party, independent framework to track our country and business line progress in sustainability. From 2018 onwards, each of our major business lines and countries will provide quarterly updates on the progress they are making toward the UN SDGs that they have chosen to align with, providing quantitative and qualitative examples of how they have helped to contribute to the goals.

By way of example, during 2017 we ran a case study with our Building & Construction (B&C) division, to evaluate B&C's performance in internal and external sustainability initiatives vs. the UN SDGs.

By taking this approach, we aim to increase engagement across our business by providing Our People with a framework upon which they can clearly demonstrate the wider positive sustainability contribution that they are making through their daily activities.

We will continue to update vs. the UN SDGs going forward, by providing annual examples of the progress we are making in different business lines.

INTERNAL

2 ZERO HUNGER

B&C provide assurance services for The Ronald McDonald House on a volunteer basis – helping food storage and distribution for the poor

4 QUALITY EDUCATION

B&C is actively involved in the ACE Mentoring Program which is the TOP Program in the USA to promote Quality of Education and exposure into the B&C market sector

5 GENDER EQUALITY

B&C heavily promotes Women in Engineering and actively supports specific projects of the Small Women Owned Businesses initiative

6 CLEAN WATER AND SANITATION

B&C provides extensive consulting for civil engineering design and inspection services on US Army Corp of engineers dams, levees, wastewater treatment plants and clean water supply reservoirs

SUSTAINABLE DEVELOPMENT GOALS

1 NO POVERTY | 2 ZERO HUNGER | 3 GOOD HEALTH AND WELL-BEING | 4 QUALITY EDUCATION | 5 GENDER EQUALITY | 6 CLEAN WATER AND SANITATION | 7 AFFORDABLE AND CLEAN ENERGY | 8 DECENT WORK AND ECONOMIC GROWTH

EXTERNAL

B&C provides assurance on reutilising concrete demolition debris from demolished foundations, columns, floor slabs, and parking lots for reuse as high quality aggregate materials for highways

B&C provide inspection and services on building envelope evolutions to ensure better insulation and energy efficiency

B&C provides extensive assurance and testing in the field of coastal restoration, marine, and wildlife conservation with many prominent state wide projects

B&C provides extensive assurance and testing in the field of "Land Management" which includes halting land lost and its negative impact on the environment. B&C has a dedicated Wetlands consulting group

"Intertek B&C has helped to set Renewable Energy Records in the USA to an all time high of 10% in 2017."

B&C provides extensive assurance and testing to Wind, Solar, and Hydroelectric operators. Recent projects have been some of the largest and most Clean Energy advanced projects in the World

"Intertek B&C has been a key provider of LEED/"Green" building certificates to a record high of 65,000 in the USA in 2017."

B&C employs Leadership in Energy and Environmental Design (LEED) Inspectors to assess the certification of Buildings to LEED status. PSI is a member of the US Green Building Council

OUR SUSTAINABILITY GOVERNANCE

During 2017 we established a set of five group sustainability priorities, linked to our 5x5 differentiated strategy for growth. One of our five priorities is to make continuous progress in sustainability through appropriate organisational focus.

Our objective is to ensure that we provide the organisation with the requisite levels of support and engagement, at the highest levels of the organisation, both for our internal sustainability activities and for the sustainability services we provide our customers.

SUSTAINABILITY OPERATING COMMITTEE

To enhance engagement across our sustainability initiatives, in 2017 we established a network of Sustainability Champions across our major countries and business lines to develop global connectivity across our sustainability activities. Two networks were created:

- Country network:
  - Seeking opportunities to act sustainably, through energy efficiency and cost reductions across energy, water and waste usage
  - Engaging with people locally to drive positive behaviours throughout the organisation, but also through encouraging sustainability engagement with local stakeholders
  - Maintaining best in class internal labour and human rights practices, activity monitoring, and liaising with HR colleagues regarding social sustainability metrics improvements
- Business line network:
  - Taking the lead on engaging the sales organisation within the business line to ensure they are aware of all the sustainability services that can be offered to customers
  - Working with colleagues globally to help develop our suite of sustainability service offerings
  - Help generate new and innovative ways of offering sustainability services to our customers

The Sustainability Champions meet monthly to discuss progress against our group priorities and share best practice. A newly formed Sustainability Operating Committee reports to the Group CEO monthly, and provides the Group Executive Management Team with a quarterly update and the Board with an annual update.

Over time we will expand this network to include more countries and business lines. Our objective is to enhance engagement across our business in sustainability activities, whether this be internally, through the work we do for the environment or communities in which we operate, or externally through the services we provide 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. As each of our countries and business lines define their own sustainability agenda, tied to our Group priorities but specific to their local operations, the objective of our network is to ensure the activities being performed locally are understood and we benefit from best practice globally.

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. Going forward, acquired businesses will be provided access to our Group Environmental Data Software and will be required to submit their environmental data as part of the ongoing reporting cycle.

STEWARDSHIP AND GOVERNANCE

Sustainability and CSR are integrated into Intertek through policy distribution and through our Code of Ethics framework at www.intertek.com/investors/governance/code-of-ethics. 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 32 to 37).

SUSTAINABILITY NETWORK

ETHICAL SUPPLY

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. Our 2017 Modern Slavery Statement can be found at www.intertek.com/about/corporate-governance. 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.

SUPPORTING OUR CLIENTS IN SUPPLY CHAIN RISK ASSESSMENTS

Our Sustainability value proposition also supports our clients in their supply chain risk assessments:

Workplace Conditions Assessment

The Intertek developed Workplace Conditions Assessment (WCA) program provides a powerful, cost-effective solution for companies and facilities seeking to improve workplace conditions efficiently and in accordance with widely accepted industry standards and best practices.

Anchored in Intertek's extensive social compliance expertise, WCA has emerged as an industry-leading tool for evaluating, benchmarking and continuously improving supplier workplace conditions. The program is supported by a web-based platform that automates and streamlines the audit process, increasing efficiencies for all supply chain partners.

WCA addresses the following and more:

- Labour (Child/Forced Labour, Discrimination, Discipline, Harassment/Abuse, Freedom of Association, Labour Contracts)
- Wages and Hours (Wages and Benefits; Working Hours)
- Health and Safety (General Work Facility, Emergency Preparedness, Occupational Injury, Machine Safety, Safety Hazards, Chemical and Hazardous Material, Dormitory and Canteen)
- Management Systems (Documentation and Records, Worker Feedback and Participation, Audits and Corrective Action Process)
- Environment (Legal Compliance, Environmental Management Systems, Waste and Air Emissions)

During 2017, we carried out our WCA programme for Siemens suppliers globally in a number of countries including China, India, Germany, Mexico, United Arab Emirates, USA, Brazil and more.

Mill Qualification programme

In the competitive apparel sector, retailers and brands are increasingly concerned about the quality of the textiles that mills supply. They know it is fundamental to overall garment quality. Today, however, they also appreciate the extent to which social and environmental performance figures into the value equation – especially now that it's apparent that the most socially and environmentally responsible mills deliver more consistently on quality excellence. The key challenge becomes one of accessing reliable data on mill social and environmental performance, including measures related to improved efficiency and overall quality.

The Mill Qualification Program (MQP), developed by Intertek, provides leading suppliers and brands with a new operating environment that integrates sustainability considerations with continuous improvement in the quality performance of fabric mills. The program employs a unified and standardised approach for mill performance measurement in key areas, including social considerations, quality assurance, lab certification and environmental sustainability. The MQP has emerged as an industry-leading tool for evaluating, benchmarking and monitoring mills' performance and ensuring continuous improvement. Its focus on collaboration encourages a partnership between buyers and suppliers in order to create a better understanding of and alignment with sourcing strategies and expectations. During 2017 we carried out Supplier In-house Lab Certification Programmes for a number of customers, including Arcadia and C&A.

The Strategic Report was approved by the Board on 5 March 2018.

By order of the Board.

André Lacroix
Chief Executive Officer

Global Reporting Initiative (GRI) 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 INTRODUCTION

DEAR SHAREHOLDER

As reported in the Chief Executive Officer's review, Intertek has delivered good results as we have continued to pursue our strategy focused on Total Quality Assurance. In line with our progressive dividend policy of sustainably growing the dividend each year whilst maintaining minimum dividend cover of 2.5 times earnings, the Board is recommending a final dividend of 47.8p bringing the total for the year to 71.3p, up 14.3% and increasing the dividend payout ratio to circa 50% in 2018.

The Company remains focused on strong free cash flow generation with the result that net debt at the year end of £544.1m was 26.8% lower than at the end of 2016. With the aim of increasing shareholder value, as well as organic growth, we continue to pursue a disciplined approach to capital allocation. Our strong financial position means we have the flexibility to consider strategic acquisition opportunities in new niche and emerging areas as well as pursuing acquisitions in the core businesses whilst investing in laboratories and equipment to support future growth.

To underpin the successful delivery of long-term sustainable growth and shareholder value, your Board is committed to high standards of corporate governance. The Board is responsible for ensuring the appropriateness and effectiveness of the Group's management and control framework in order to support the delivery of our strategic and business goals, providing leadership to the business on culture, values and ethics, affording strong oversight of risk management and making certain there is alignment with shareholder interests and effective shareholder relations.

The aim of this report is to provide shareholders with a clear perspective of your Board's approach to corporate governance, how we have complied with the UK Corporate Governance Code ('Code') and the work of the Board and its Committees during 2017.

CORPORATE GOVERNANCE DEVELOPMENTS

2017 has been a year of particular focus on corporate governance in the UK with scrutiny from businesses, the government and the wider public. The Board have paid close attention to these developments including the Government's Corporate Governance Green Paper, the BEIS Select Committee inquiry into corporate governance and the FRC's consultation on proposed amendments to the Code. We noted the proposals with interest and are reviewing these to ensure any changes can be implemented in due course and strengthen the governance framework as we continue to operate in an ever-evolving environment.

We remain strongly supportive of the principle of boardroom diversity and have continued to be mindful of the recommendations by the Hampton Alexander Review, which builds on the Lord Davies Review into 'Women on Boards'. The Group also supports the Parker Review 'Beyond One by '21' recommendation in respect of ethnically diverse director representation on boards. More details about the diversity of our Board can be found in the report of the Nomination Committee on page 74.

SUCCESSION PLANNING

Succession planning has continued to be a key focus for the Board. The Nomination Committee maintained its focus on the NED refreshment programme and on evaluating the composition of the Board and its Committees. We have reviewed the necessary skills required to address the evolving and changing needs of our business. It is my intention to continue to ensure that we maintain a Board that works effectively and cohesively under my leadership. The Nomination Committee deliberated on a broad range of candidates to ensure individuals with wide-ranging experience, expertise and attributes were considered to support the existing skills on the Board and to support the continued growth and success of the Group. More information on the role and activity of the Nomination Committee is detailed on pages 72 to 74.

As announced on 2 March 2017, Alan Brown stepped down from the Board on 24 May 2017 after completing six years' service as a Non-Executive Director. We further announced on 27 July 2017 that Michael Wareing, after serving for over six years as the Chair of the Audit Committee and as the Senior Independent Non-Executive Director would step down from the Board on 30 September 2017. I would like to take this opportunity to thank both Alan and Michael for their dedicated service and valuable contribution since joining the Board in 2011.

On 1 July 2017 we welcomed Gurnek Bains and Jean-Michel Valette to the Board as Non-Executive Directors and members of the Nomination Committee and Audit Committee respectively. Gurnek's expertise is in the areas of culture change, executive coaching, board and strategic talent development while Jean-Michel brings

"The Board is committed to the successful delivery of long-term sustainable growth and shareholder value which is underpinned by the highest standards of corporate governance."

Sir David Reid
Chairman

to the Board experience in branded consumer goods, US corporate governance, strategic planning and finance. Graham Allan joined the Board on 1 October 2017 as our new Senior Independent Non-Executive Director and as a member of the Nomination and Remuneration Committees. His background in Asia and consumer goods, and particularly food and beverages will prove invaluable.

PERFORMANCE EVALUATION

In the context of the Board changes during the year and in accordance with the requirements of the Code, 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 continue to operate effectively. Further details on the outcome of the evaluation and its process can be found on pages 71 and 72.

CULTURE

Corporate culture is continually moving up the agendas of investors, our clients and other stakeholders. As such, we believe that the Board should give sufficient time not only to discussing performance and results, but also to understanding the culture and values that underpin a collaborative culture. 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.

During the year, the CEO and his Executive Management 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. As an example, the values supporting the Group and the new brand identity exercise, which was rolled out during the year, were developed using the input from the business and, in conjunction with the 5x5 strategy for growth, have provided the platform to energise our people to enable us to get closer to our customers. The Board will continue to focus on our culture and promoting good governance to support openness and accountability throughout the business.

More detail can be found in the Strategic report on pages 2 and 3.

SHAREHOLDER ENGAGEMENT

Our engagement with shareholders is outlined on pages 97 and 98 and also in the Remuneration report in the letter from the Chair of the Remuneration Committee on page 81. I am interested in hearing the views of our shareholders. Your feedback helps us to ensure that the Board takes these into account when considering the strategic direction of the Group.

Finally, I would like to thank the Board, our Executive Management and all our employees for their endeavours and commitment during 2017.

Sir David Reid
Chairman

IN THIS SECTION

The Code provides guidance on five key areas: Leadership, Effectiveness, Accountability, Remuneration and Relations with Shareholders. This report provides an insight into how, through its actions, the Board and its Committees have fulfilled their governance responsibilities throughout 2017.

LEADERSHIP

COMPLIANCE WITH THE 2016 UK CORPORATE GOVERNANCE CODE ('CODE')

This report has been prepared in order to provide the shareholders and other stakeholders with a comprehensive understanding of our governance framework and to meet the requirements of the Code, the Listing Rules ('LR') and the Disclosure Guidance and Transparency Rules ('DTR'). A copy of the Code is also available at www.frc.org.uk. During 2017, the Company has complied with the provisions of the Code in full. A more detailed explanation of our compliance can also be found on our website at www.intertek.com. The information required to be disclosed in accordance with DTR 7.2.6 can be found in the Other Statutory Information section on pages 99 to 101.

THE BOARD

The Board has the ultimate responsibility to the Company's shareholders for the proper conduct and success of the business through innovative leadership, setting the strategic aims of the Company, its values and standards. The Board also decides and reviews all key policies and regulations, its strategy, operating plans, large 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 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 is ultimately responsible for ensuring that appropriate financial and human resources are in place to achieve its long-term strategy and deliver sustainable performance. Our strategy and progress towards delivering these strategic aims is set out in the Strategic report on pages 2 to 61.

The Board Approval Matrix formally outlines the matters specifically requiring the consent of the full Board. 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 continue to reflect current best practice and satisfy the terms of the Code.

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 refreshed to ensure it continues to meet business needs. An agreed framework of controls enables strategic aims and financial performance to be delivered whilst also allowing risk to be assessed and managed.

Intertek Board of Directors
Biographical details can be found on pages 68 and 69.

Audit Committee

Membership as at 31 December 2017
- Andrew Martin (Chair)
- Jean-Michel Valette
- Lena Wilson

Read more on pages 75 to 80.

Remuneration Committee

Membership as at 31 December 2017
- Gill Rider (Chair)
- Graham Allan
- Dame Louise Makin
- Andrew Martin

Read more on pages 81 to 96.

Nomination Committee

Membership as at 31 December 2017
- Sir David Reid (Chair)
- Graham Allan
- Gurnek Bains
- Dame Louise Makin

Read more on page 72 to 74.

Group Risk Committtee (GRC)

Responsible for 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; 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.

Ethics and Compliance Committee

Responsible for the monitoring of ethical, compliance and HSE issues affecting any part of the Intertek Group.

Investment Committee

Responsible for reviewing significant contracts, leases and acquisitions, undertaking post investment appraisal reviews, overseeing capital expenditure and investments as defined in the Authorities Cascade.

Disclosure Committee

Responsible for assisting the CEO in overseeing the Group's compliance with securities dealing as well as continuous and periodic disclosure requirements.

Executive Management Team

Responsible for Intertek's global operations, the Team meets regularly to discuss and decide business and operational issues. Biographical details of the Team can be found on pages 20 and 21.

Divisional & Country Management

Support Functions

ROLES AND RESPONSIBILITIES

There is a clear division of responsibilities between the running of the Board (a key responsibility of the Chairman) and the day-to-day running of the Company's business (the responsibility of the CEO). These responsibilities have been formalised in writing.

Roles of the Chairman, Chief Executive Officer and Senior Independent Non-Executive Director

ROLE	NAME	RESPONSIBILITIES
Chairman	Sir David Reid	• Leading and governing the Board to ensure its effectiveness in all aspects. • Ensuring the Directors receive accurate, timely and clear information to enable them to discharge their duties. • Ensuring effective two-way communication with shareholders and communicating to all Directors any of the major shareholders' issues and concerns. • Facilitating openness and debate and the effective contribution of Non-Executive Directors.
Chief Executive Officer	André Lacroix	• Proposing and agreeing the strategy with the Board. • Running the day-to-day operation of the business in line with the agreed strategy and commercial objectives. • Promoting and conducting the affairs of the Company with the highest standards of ethics, integrity and corporate governance. • Leading the Executive Management Team.
Senior Independent Non-Executive Director	Michael Wareing (to 30 September 2017) Graham Allan (from 1 October 2017)	• Providing a sounding board for the Chairman. • Being available as an intermediary between other Directors and the Chairman. • Leading the annual performance review of the Chairman. • Being available to meet with shareholders should they have any concerns that have not been resolved through the 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. She also provides updates to the Board on regulatory and corporate governance issues, new legislation, and Director's duties and obligations.

All Directors have access to the advice and services of the Group Company Secretary, including access to independent professional advice at the Group's expense. She ensures that an accurate record of all the Board and Committee meetings is taken and if a member of the Board has any concerns about the Company or any of the decisions taken, the minutes reflect this. 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.

MEETING, ATTENDANCE & INDEPENDENCE

The table on the right sets out the Board and Committee membership and attendance during the year to 31 December 2017. Attendance is shown as the number of meetings attended out of the total number of meetings possible for the individual Director to attend during the year. The Board has reviewed the independence of the Non-Executive Directors, other than the Chairman, and considers that all of them continue to demonstrate independence in both character and judgement.

Board and Committee membership & Meeting attendance

DIRECTOR	BOARD	AUDIT	NOMINATION	REMUNERATION
Sir David Reid Chairman	5/5	–	4/4	–
André Lacroix Chief Executive Officer	5/5	–	–	–
Edward Leigh Chief Financial Officer	5/5	–	–	–
Graham Allan[1] Senior Independent Non-Executive Director	2/2	–	1/1	1/1
Gurnek Bains[2] Non-Executive Director	3/3	–	2/2	–
Alan Brown[3] Non-Executive Director	1/1	1/1	–	–
Dame Louise Makin Non-Executive Director	5/5	–	4/4	3/3
Andrew Martin[4] Non-Executive Director	5/5	4/4	–	1/1
Gill Rider[5] Non-Executive Director	4/5	–	–	3/3
Jean-Michel Valette[6] Non-Executive Director	3/3	2/2	–	–
Michael Wareing[7] Senior Independent Non-Executive Director	3/3	3/3	3/3	2/2
Lena Wilson Non-Executive Director	5/5	4/4	–	–

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

1. Graham Allan was appointed to the Board and joined the Nomination and Remuneration Committees on 1 October 2017.
2. Gurnek Bains was appointed to the Board and joined the Nomination Committee on 1 July 2017.
3. Alan Brown stepped down from the Board and the Audit Committee on 24 May 2017.
4. Andrew Martin joined the Remuneration Committee on 1 October 2017.
5. Gill Rider missed one Board meeting due to illness however she attended the preceding management presentations.
6. Jean-Michel Valette was appointed to the Board and joined the Audit Committee on 1 July 2017.
7. Michael Wareing stepped down from chairing the Audit Committee on 1 March 2017 and stepped down from the Board on 30 September 2017.

LEADERSHIP
continued

Whenever a Director is unable to attend a meeting, they will go through the papers, which have been circulated in advance, and give feedback and discuss any issues with the Chairman.

The Chairman and Non-Executive Directors meet regularly without the Executive Directors or management being present. The Chairman also maintains regular contact with the Senior Independent Non-Executive Director.

BOARD BALANCE & COMPOSITION

As at 31 December 2017, the Company's Board comprised the Chairman, two Executive Directors and seven Non-Executive Directors. Biographical details of individual Directors are set out on pages 68 and 69. The Directors are of the view that the Board and its Committees consist of Directors with the appropriate balance of skills, experience, independence and knowledge of the Group to ensure the business continues to be run effectively and the Board's decision-making is not dominated by any one specific view or individual.

There continues to be a focus on maintaining an effective and complementary Board, whose capability is appropriate for the scale, complexity and strategic positioning of the Group's business.

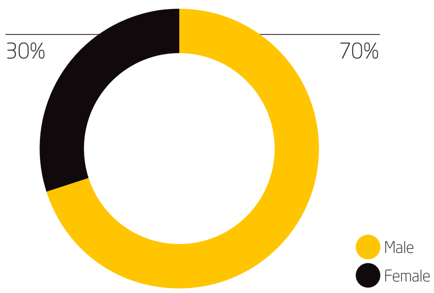
The Nomination Committee is responsible for reviewing the composition of the Board and its Committees. More detail on the process for appointments can be found in the report of the Nomination Committee on pages 72 to 74.

The Chairman is committed to ensuring the Board comprises a majority of independent Non-Executive Directors who constructively challenge and scrutinise the day-to-day management of the business, balanced against the need to ensure continuity on the Board.

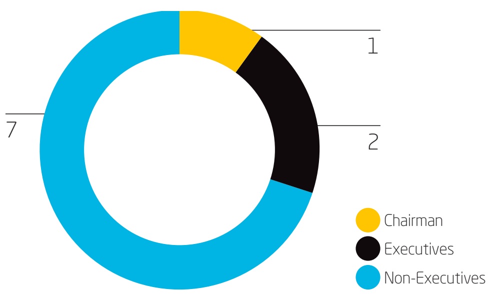
The Non-Executive Directors are appointed for specified terms subject to election and re-election by shareholders at the Annual General Meeting ('AGM') each year, if the Board, on the recommendation of the Nomination Committee, deems it appropriate that they remain in office. The Board recognises the recommended term within the Code and as such, 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 meets 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.

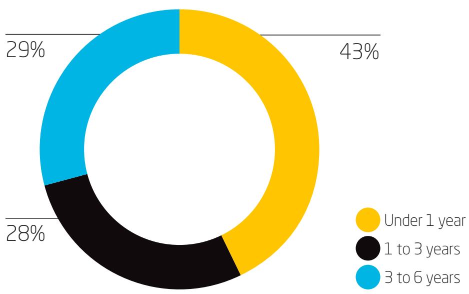
DIVERSITY



COMPOSITION



TENURE NON-EXECUTIVES



EXPERIENCE OF THE BOARD

With a wide range of knowledge and experience from sectors and industries which complement the Company's operations, the Company's Non-Executive Directors bring external perspectives and strong independent insight to the deliberations of the Board and its Committees. The table below shows the professional experience on appointment for new Directors and as at 1 January 2017 for all other Directors.

Professional Experience

DIRECTOR	OUR SECTORS	CONSULTING	RISK MANAGEMENT	CUSTOMER SERVICE/CARE	PEOPLE	FINANCE	INTERNATIONAL	LISTED COMPANY DIRECTOR	PREVIOUS/ CURRENT CHIEF EXECUTIVE	NED EXPERIENCE
Sir David Reid	• • •		•	•	•	•	•	•		•
André Lacroix	• • •		•	•	•	•	•	•	•	•
Edward Leigh	• • •		•	•		•	•	•		
Graham Allan	•	•	•	•	•	•	•	•	•	•
Gurnek Bains	• • •	•	•	•	•		•		•	
Dame Louise Makin	• •		•	•	•	•	•	•	•	•
Andrew Martin	•		•	•		•	•	•		•
Gill Rider	• •	•	•	•	•		•	•		•
Jean-Michel Valette	•	•	•	•	•	•	•	•	•	•
Lena Wilson	• • •	•	•	•	•	•	•	•	•	•

• PRODUCTS • TRADE • RESOURCES

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 adequate time is available 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. In addition to scheduled Board meetings, there was frequent ad hoc contact between Directors to discuss the Group's affairs and the development of its business.

Board agenda items for 2017

Corporate Governance

- Reports of the activities of the Audit, Nomination and Remuneration Committees
- Updates on governance
- Conflicts of interest
- Board, Director and Committee evaluation process
- 2016 Board Effectiveness Review

Strategy & Business Development

- Updates on Group strategy and commercial objectives
- Presentations by regions, country and business lines
- Updates on developments, acquisitions and disposals
- Group IT strategy
- Group M&A strategy
- Group Sustainability strategy

Shareholder Engagement

- IR reports

Risk

- Quarterly Risk, Control, Compliance and Quality reports
- The Group Risk Register

Finance

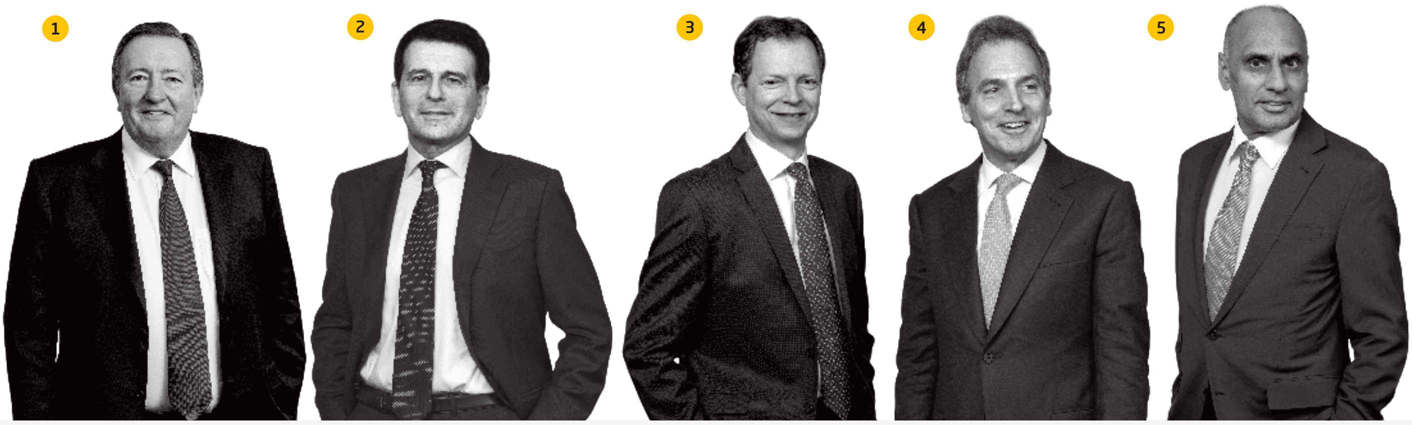
- Approval of full-year results, Annual Report and Accounts, half-year results, the AGM circular and dividends
- 2018 annual budget and five-year plan
- Chief Executive's Business Performance Reports
- Monthly Business Performance Reports to the Non-Executive Directors
- Group funding strategy
- Tax strategy

People Management

- Group People strategy
- Talent mapping and succession planning
- Approval of changes to the composition of the Board and its Committees
- Re-election of Directors at the 2017 AGM
- Board, Committee and Director evaluation process

Since the year end, the Board approved the Annual Report and Accounts for 2017 and has concluded that, taken as a whole, they are fair, balanced and understandable. The Notice of AGM 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 2017.

LEADERSHIP continued



BOARD OF DIRECTORS

Committees as at 5 March 2018

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

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

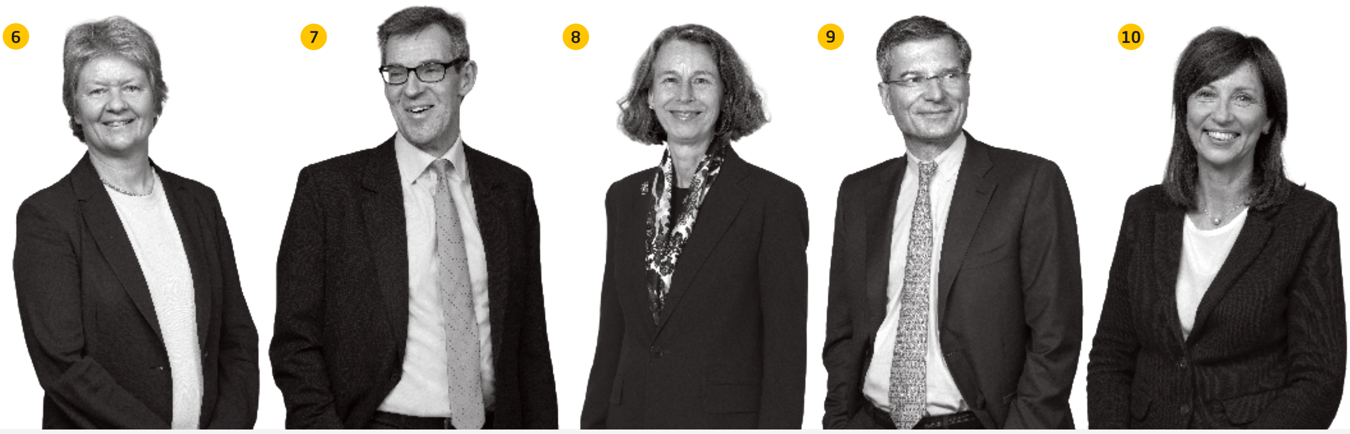
Appointed to the Board as Chief Financial Officer in October 2014. Joined Intertek in March 2013 as the Group's Financial Controller. Prior to that, Edward spent nine years at Dixons Retail Plc, where he held several senior financial management positions, including Divisional & Corporate Development 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 Graham Allan
Senior Independent Non-Executive Director N R

Appointed to the Board as a Non-Executive Director in October 2017. He was the Group Chief Executive of Dairy Farm International Holdings Limited, a pan-Asian retailer and a subsidiary of Jardine Matheson, until August 2017 after serving for five years with the Group. Prior to joining Dairy Farm, he was President and Chief Executive Officer at Yum! Restaurant International and was responsible for global brands KFC, Pizza Hut and Taco Bell in all markets except the US and China. Since 1989, he has held various senior positions in multinational food and beverage companies with operations across the globe and has lived and worked in Australia, Asia, the US and Europe. Graham is also a Board member of IKANO Pte Ltd, an Asian retail and property company. He was previously a Non-Executive Director of InterContinental Hotels Group plc, Yonghui Superstores Co. in China and a Commissioner of Hero Group, an Indonesian retailer.

5 Gurnek Bains
Non-Executive Director N R

Appointed to the Board as a Non-Executive Director in July 2017. Gurnek Bains was the co-founder of YSC, a premier global business psychology consultancy. He led the business as Chief Executive Officer and Chairman for 25 years to a position of global pre-eminence, and a client base comprising over 40% of the FTSE 100. Gurnek has worked extensively with multinational organisations in the areas of culture change, vision and values, executive



coaching and assessment, Board development and strategic talent development. Gurnek is also a Trustee of the School of Social Entrepreneurs. He has a doctorate in psychology from Oxford University.

6 Dame Louise Makin
Non-Executive Director A 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 the Biopharmaceuticals division of Baxter Healthcare, where she was responsible for Europe, Africa and the Middle East. Prior to her time at Baxter, she was Director of Global Ceramics at English China Clay, and in her earlier career, held a variety of roles at ICI between 1985 and 1998. Louise is a Non-Executive Director of Woodford Patient Capital Trust plc, Chair of the 1851 Trust, a Trustee of The Outward Bound Trust and an Honorary Fellow of St John's College, Cambridge. She was previously a Non-Executive Director of Premier Foods plc.

7 Andrew Martin
Non-Executive Director A R

Appointed to the Board as a Non-Executive Director in May 2016. He is a Non-Executive Director of easyJet plc where he is a member of the Audit, Nomination and Remuneration Committees and Chairman of the Finance Committee and IT Governance and Oversight Committee; and a Non-Executive Director of Hays plc and a member of their Audit, Nomination and Remuneration Committees. 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.

8 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 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.

9 Jean-Michel Valette
Non-Executive Director A

Appointed to the Board as a Non-Executive Director in July 2017. Jean-Michel currently serves as an independent advisor in the US to select branded consumer companies and has more than 30 years' experience in management, US public company corporate governance, strategic planning and finance. He is currently the Chairman of Select Comfort Corporation and the Lead Director and member of the Audit Committee of The Boston Beer Company, both US-listed companies. From 2004 to 2012, Jean-Michel was Chairman of Peet's Coffee and Tea, Inc. He has an MBA from Harvard Business School.

10 Lena Wilson CBE
Non-Executive Director A N

Appointed to the Board as a Non-Executive Director in July 2012. Until October 2017, she was the Chief Executive Officer of Scottish Enterprise, Scotland's national economic development agency and a member of Scotland's Financial Services Advisory Board. Prior to this, she was Chief Executive Officer of Scottish Development International (Scotland's international trade and investment arm) and Chief Operating Officer, Scottish Enterprise. Lena was also a Senior Advisor to The World Bank in Washington DC on private sector development for developing countries. She is an Ambassador for the Prince and Princess of Wales Hospice and the Edinburgh Military Tattoo, a visiting professor and advisor to the University of Strathclyde Business School and is a Non-Executive Director of the Royal Bank of Scotland Group plc and ScottishPower Renewable Energy Limited.

EFFECTIVENESS

DIRECTORS' INDUCTION AND DEVELOPMENT

There is a formal and extensive 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 a wealth of 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.

Graham Allan, Gurnek Bains and Jean-Michel Valette all undertook their induction programmes during the year. This included orientation from relevant senior executives from the operations and other functional areas to ensure the development of a deeper understanding and knowledge of Intertek. They also received information about the business operations, internal audit activities, Group risks and management processes.

Gurnek Bains visited various sites in the UK and travelled to Germany with Gill Rider and the Chairman where they were given a tour of the operations and laboratories and met local management in Nuremberg. During Q3, and shortly after the Board trip to Singapore, Graham Allan, Gurnek Bains and Jean-Michel Valette, accompanied by the Chairman, visited Intertek Indonesia's headquarters in East Jakarta. The Country Managing Director of Intertek Indonesia discussed Intertek's business in the region and gave the visiting Directors a guided tour of the Minerals, Petroleum, Food and Environmental laboratories at the Ciracas Facility.

The newly appointed Non-Executive Directors then went on to visit laboratories in China to enable them to see as much of the business as possible. On their two-day visit the Directors met with representatives of the China management team, receiving presentations on the region and their strategic development plans. The visit included tours at our Softlines, Hardlines, Food and Transportation Technologies facilities.

Graham Allan, Gurnek Bains and Jean-Michel Valette on their visit to our Transportation Technologies facility in Shanghai.

Earlier in the year, Sir David Reid visited our facilities in Mexico City. Intertek+ABC Analitic has become the leading solution in the Mexican market for environmental and food testing. Sir David was given a tour of the laboratories where the Intertek+ABC Analitic team conducts chemical testing for food, water, soil analysis, atmospheric/smoke stack emissions and residues. The Chairman went on to visit the Environmental, Softlines, Electrical and Hardlines laboratories at the Intertek Mexico facilities.

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.

BOARD VISIT TO SINGAPORE

In October, the Board travelled to Singapore for its annual overseas visit. During this trip, they met with the Singapore management team as well as the country managers from the South-East Asia region, who gave presentations providing an in-depth overview of the local operations and opportunities. The Board visited the Singapore Technical Centre and were taken through the Total Quality Assurance services Intertek provides as an independent ATIC partner to the oil & gas supply chain. The Board congratulated the Singapore team on their technical competence, high operational standards, commitment to HSE, and enthusiasm and commitment to providing superior customer service with Total Quality Assurance.

The Intertek Board of Directors on their visit to our Singapore Technical Centre.

DIRECTORS' CONFLICTS OF INTEREST

The Board operates a policy to identify, authorise and manage any conflicts of interest to assist Directors in complying with their duty to avoid actual or potential conflicts. The Directors are advised of the process 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 Articles. A formal process is also in place for managing such conflicts to ensure no conflicted Director is involved in any decision related to their conflict.

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. Any conflicts of interests are reviewed when a new Director is appointed, or if and when a new potential conflict arises. During the year, this process operated effectively.

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. The next externally facilitated Board evaluation will be conducted in 2018 and reported in next year's Annual Report and Accounts.

BOARD, COMMITTEE AND DIRECTORS' PERFORMANCE CYCLE

2017 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 – the strategy and strategic agenda having already been agreed at the Board.

Last year's Effective Board Review 2016 was about how the Board was 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 year's Effective Board Review 2017 covers how the Board had continued to deliver sustainable growth and strong returns for our shareholders through the Total Quality Assurance value proposition which forms the core of our 5x5 differentiated strategy for growth.

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

- The Board refreshment programme was concluded successfully during the year for our Non-Executive Directors.
- The Board has been strengthened by the addition of three new members bringing new skills, experience and attributes to bear. They have received a good induction into the business.
- The Board is performing at a high level demonstrating the right behaviours, culture and tone.
- The strong leadership of the CEO with the focus on performance management is continuing to make a real difference. In addition, the leadership have introduced a bold new brand covering the world of Intertek known as "Total Quality Assurance" thereby engaging all our staff on the quality of our service and commitment to our customers to deliver our promise for them, with precision, pace and passion.
- Despite the continuing challenges in the cyclical Oil & Gas industry, the Group results have delivered a strong performance in revenue, earnings and cash.
- The implementation and delivery of the strategy is working well and delivering further value for the business, and as ever there is more to do and to deliver with our forward plan.
- The TSR for the year 2017 has increased by 51.4%, a strong absolute performance and also strong relative to Intertek's peers. Importantly, our return on invested capital has increased in the year to 26.7% from 23.9% at constant rates.
- Governance is seen as strong. There is good engagement with shareholders by senior management and the IR team. The Chairman received good feedback in January 2018 from his discussions with shareholders, who accounted for some 22% of the portfolio.

EFFECTIVENESS
continued

- In 2017, we again received a strong shareholder vote (96.76%) on the approval of our 2016 Remuneration report.
- The enhancement of the risk management and controls processes during 2017, now reporting directly through the CEO, have ensured that risk is owned and operated by management with comprehensive quarterly reports to the Board.
- The quality and level of information and papers for board meetings is good, and the progress on the strategic agenda is reviewed and discussed at each meeting and reviewed again annually. There is good balance and constructive debate at the meetings. There is good communication to the Board between meetings and a good example of this is the weekly updates received by the Board following the storms in the US until the situation had stabilised.
- The Board visit to Intertek's business in Singapore was excellent and gave the Board a thorough review of the region. The CEO also encourages Non-Executive Directors to visit laboratories and management covering the important geographies and business lines.
- Our people continue to be our most important asset and we continue to focus on becoming the best-in-class through talent mapping, talent development and customer-centricity. We believe we can achieve significant competitive advantage as we work through our people programme.
- On sustainability, another area where we are on a journey to best-in-class following a detailed review in December 2016, we have seen further significant progress in 2017. We work globally with our clients to improve the social, ethical and environmental impacts of their services, supply chain and their products. We have further exciting plans for 2018, for our customers, and all our stakeholders.
- Lastly on growth, our Board is totally focused on driving organic sales growth, together with taking advantage of investment and acquisition opportunities. Growth is a key driver and will be accompanied by margin-accretive revenue growth and delivering good returns on capital invested.

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 Code, 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 2018 AGM.

NOMINATION COMMITTEE

DEAR SHAREHOLDER

Succession planning has been a key focus of the Nomination Committee ('Committee') during the year. We continued our focus on the Non-Executive Director refreshment programme, and the ongoing review of the composition of the Board and its Committees. In keeping with this, the Committee carried out a robust recruitment process resulting in the appointment of Gurnek Bains and Jean-Michel Valette in July, and the appointment of Graham Allan in October 2017, further enhancing the range of skills, breadth of experience and diversity on our Board.

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 its Committees.
- Review the results of the performance evaluation process that relates to the composition of the Board and the 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.

For the Committee's terms of reference see www.intertek.com.

MEMBERSHIP OF THE COMMITTEE

The membership of the Committee at the year-end was Sir David Reid (Committee Chair), Graham Allan, Gurnek Bains and Dame Louise Makin. Michael Wareing was a member of the Committee until 30 September 2017 when he stepped down from the Board. With effect from 1 January 2018, Lena Wilson was appointed to the Committee. During the year, the Committee held four formal meetings, although members of the Committee correspond and meet informally on a number of occasions to consider, and meet with, individuals that the Committee had identified as possible

Sir David Reid
Chair of the Nomination Committee

candidates to join the Board. Attendance of members at formal meetings is shown in the table on page 65. The Group Company Secretary attends all the meetings of the Committee. The Committee invites the CEO and the EVP, Human Resources to attend meetings when it deems appropriate.

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 internal annual review into the effectiveness of the Committee.
- Reviewed and appointed recruitment consultants.
- Reviewed the shortlist of candidates against a revised comprehensive and focused requirement of the skills, experience and behaviours of our Non-Executive Directors in the light of our refreshment programme.
- Reviewed the composition of each Committee and approved the appointment of Andrew Martin as a member of the Remuneration Committee on 1 July 2017.
- Reviewed training and development for Non-Executive Directors.
- Recommended to the Board that Gurnek Bains and Jean-Michel Valette be appointed as Non-Executive Directors and as members of the Nomination and the Audit Committees respectively on 1 July 2017.
- Recommended to the Board the appointment of Graham Allan as the Senior Independent Non-Executive Director and a member of the Nomination and Remuneration Committees on 1 October 2017.

SUCCESSION PLANNING

As recommended by Provision B.2.3. of the Code, we are committed to a progressive refreshing of the Board. We have continued our discussions, not just on the qualities and skills required on the Board in the short term but also considered the importance in understanding the evolving needs of the business over the next five to ten years. This is to ensure that the core skills and attributes required of future candidates support the growth agenda of the Group. The Committee continues to ensure that the composition of the Board retains the right balance of skills, diversity, experience, industry and technical knowledge to provide the quality of leadership necessary, to further implement the strategy and achieve the strategic objectives necessary for the long-term success of the Company. The Committee also ensures plans are in place for orderly succession for appointments to the Board, and reviews the succession plans for other senior management positions. Responsibility for making senior management appointments rests with the CEO.

Last year we reported to you our intention to annually review the Board's effectiveness and composition in relation to long-term succession planning. To ensure that the Board comprises a broad range of skills, experience and attributes, the Committee discusses and reviews extensively the skills and capabilities for each Board vacancy as well as outlining the qualities of the individual required to ensure the right fit with the culture and style of Intertek. The Committee has also developed an information pack on Intertek to enable potential candidates to gain a thorough understanding of the Group to ensure that this is a company that they wish to be part of.

In the context of the retirements from the Board, the Committee initiated a search for new Non-Executive Directors. In addition to the specific skills, knowledge and experience deemed necessary, the role specification contained criteria such as competency and personal qualities that would be required for each of the positions. The Committee also paid close attention to ensure that those candidates selected exhibited the right behaviours to fit the culture, values and ethics of the Group and would also be able to allocate sufficient time to the Company to discharge their responsibilities. The Committee separately engaged Egon Zehnder and Russell Reynolds, both external search agencies with no other connection to the Company, to assist with the different selection processes. Russell Reynolds were specifically chosen to assist with the search in the US.

Following this 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 as independent Non-Executive Directors Gurnek Bains and Jean-Michel Valette on 1 July 2017. Gurnek's wide-ranging experience, working with senior leaders across a range of industries internationally, and his thought leadership on culture and leadership development, provides a strong addition to the current skills on the Board and we extended a warm welcome to him as a member of this Committee.

Jean-Michel Valette brings strong US and global management experience, especially in consumer branding and luxury goods companies, which will broaden the international and customer knowledge on our Board. With more than 30 years' experience in management, US public company corporate governance, strategic planning and finance he is well placed as a member of the Audit Committee which he joined on appointment.

We are also delighted to say that Graham Allan became the Company's Senior Independent Non-Executive Director in October 2017. He brings strong management knowledge as a CEO and experience in the pan-Asian market, as well as international experience in consumer and retail business, to complement the current skills on the Board.

Throughout the year the Committee reviewed the composition of each Committee and approved the appointment of Andrew Martin as a member of the Remuneration Committee on 1 July 2017. To further ensure continuity of knowledge and Board dynamics, he also succeeded Michael Wareing as Chair of the Audit Committee on 1 March 2017.

Biographies for all the Directors are available on pages 68 and 69 and a resolution for each new Director will be proposed at the forthcoming AGM for their election.

EFFECTIVENESS
continued

DIVERSITY

We remain strongly supportive of the principle of boardroom diversity, of which gender is an important, but not the only aspect. It is the Company's policy, in line with the Code, 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 and each new appointment must complement existing skills, knowledge and experience.

The Board is mindful of the recommendations by both Lord Davies in his report 'Women on Boards', and the Hampton Alexander Review, which builds on the Davies Review, which encourages FTSE 350 companies to achieve at least 33% women on boards by 2020.

As at 31 December 2017, Intertek had three female members on the Board out of ten (representing 30%). Whilst the Board's wish is to return to a level of at least 33% female representation at Board level, the need to ensure the progressive refreshing of the Board to maintain the correct balance of skills, knowledge and experience remains paramount.

The Group also supports and already complies with the Parker Review 'Beyond One by '21' recommendation that FTSE 100 and 250 company boards should have at least one ethnically diverse director by 2021 and 2024 respectively. Gurnek Bains, currently a Non-Executive Director, fulfils this criterion.

The Company remains committed to providing equal opportunities, eliminating discrimination, and encouraging diversity amongst our global workforce. An analysis of the diversity of the senior leadership group, their direct reports and other employees as at 31 December 2017 is set out on pages 48 and 49 respectively.

CONCLUSION

As Chairman of the Nomination Committee, I believe we have made significant progress in the last six years, and particularly in the last three years, in building a strong PLC board at the Executive and Non-Executive level as well as within the Executive Management Team.

We are a people business and so this will continue to be a key focus on an ongoing basis. An example of our commitment to People is the recent appointment of Gurnek Bains who is a leading expert on "People" and his skills are complementary and add value to the Executive Team in terms of attracting, developing and retaining good people. He is also a thought leader on Leadership Culture.

Similarly, Jean-Michel Valette's vast experience of US and global management and Graham Allan's experience in consumer and retail management pan-Asia including China, as well as in the US, has added complementary perspectives and insight to the Board. These geographies represent over 50% of our global revenues.

Sir David Reid
Chair of the Nomination Committee

ACCOUNTABILITY

The Board has established formal and transparent arrangements to apply the corporate reporting, risk management and internal control principles as set out in the Code. This section outlines the Group's system of internal control and risk management as well as the work of our Audit Committee during the year.

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 and oversight is provided by divisional, regional and functional risk committees. Each risk committee in turn reports to the Group Risk Committee ('GRC').

The Group identifies and tracks its risk environment using a risk register process: the risk committees produce a register of risks in their area of responsibility, and these risk registers are 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. The Group General Counsel presents a quarterly integrated control and compliance risk review to the Board covering matters such as the Group risk register and mitigation action plans, quarterly action plans to address any risk developments and a review of any changes to the Group's risk environment.

COMPLIANCE, WHISTLE-BLOWING AND FRAUD

Intertek is committed to maintaining a culture where issues of integrity and professional ethics can be raised and discussed. The Group's key ethics and integrity policies are set out in the Code of Ethics and a detailed description of the topics covered by the Code of Ethics, its operation during the year and the outcomes of these policies are contained in the Sustainability and CSR report on pages 44 to 61.

To enable all employees, contractors and others representing Intertek to confidentially report suspected breaches of the Code of Ethics, a global hotline system is in place. In addition, 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.

AUDIT COMMITTEE

DEAR SHAREHOLDER

On behalf of the Board, I am pleased to present this year's Audit Committee report. It has been another busy and interesting year for the Audit Committee ('Committee').

As announced last year, I succeeded Michael Wareing as Chair of this Committee on 1 March 2017 and he remained a member until 30 September 2017. I wish to thank Michael for his diligent handover and his exemplary stewardship of the Committee since 2012. In July 2017 we also announced the appointment of Jean-Michel Valette to the Board and to this Committee. His appointment brings a new perspective to the Committee and I am pleased to welcome him aboard.

PricewaterhouseCoopers LLP ('PwC') completed their first full audit for the year ended 31 December 2016, following a smooth handover from the previous auditor. The audit process continues to be effective with PwC establishing positive relationships and providing a good level of service to the Company. During 2017 the Committee's primary focus centred on the accuracy of the Group's financial reporting, together with improvements in internal control activities and risk and compliance matters. This built on new developments in corporate governance and extensive regulatory change in the UK and EU statutory audit reporting, which the Committee had already considered and reported on in the 2016 Annual Report and Accounts. The new legislation introduced mandatory rotation of auditors and tighter restrictions on the provision of non-audit services, as well as setting out requirements in relation to the responsibilities and composition of audit committees.

This report 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.

Andrew Martin
Chair of the Audit Committee

ACCOUNTABILITY
continued

COMMITTEE MEMBERSHIP

The membership of the Committee at the year end was Andrew Martin (Committee Chair), Jean-Michel Valette and Lena Wilson. Alan Brown was a member of the Committee until 24 May 2017 and Michael Wareing remained a member until 30 September 2017. With effect from 1 January 2018, Dame Louise Makin was appointed a member of the Committee. The Board considers that, as a whole, the Committee has the competence and broad experience relevant to the sectors in which Intertek operates. In addition, Andrew Martin has extensive recent and relevant financial experience, particularly gained as the Group Finance Director of Compass Group PLC. An overview of the background, knowledge and experience of the Committee Chair and each of the Committee members can be found on pages 68 and 69 as per the table on page 67.

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. During the year, the Committee held four formal meetings. Attendance of members at meetings is shown in the table on page 65. The Group Company Secretary attends all the meetings of the Committee. At the invitation of the Committee, the Chairman, CEO, CFO, Group Financial Controller and the Group Audit Director attended the meetings. The audit partner and his team attended all meetings held during the year. Other senior executives were invited to attend the Committee meetings as required.

During the year the Committee also ensured that separate meetings with the CFO, 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 entailed the completion of a detailed questionnaire by each of the Committee members, the review and discussion of the results of the evaluation and identifying and agreeing areas for improvement. It was shown that the Committee is able and effective in discharging its duties in accordance with its terms of reference and the requirements of the Code.

ROLE AND RESPONSIBILITIES 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, accounting policies and compliance with accounting standards.

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.

Whistle-blowing and fraud

- Review the adequacy and security of the Company's arrangements for its employees and contractors to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters ensuring that these arrangements allow proportionate and independent investigation of such matters and appropriate follow up action.
- Review the Company's systems and procedures for detecting fraud; for the prevention of bribery and receive reports on non-compliance.

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.

For the Committee's terms of reference, see www.intertek.com.

SIGNIFICANT ISSUES CONSIDERED BY THE COMMITTEE

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

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

Claims

From time to time the Group is involved in various claims and lawsuits incidental to the ordinary course of business. The Committee considered the claims provision which reflects the estimates of amounts payable in connection with identified claims from customers, former employees and others.

The Committee noted that once claims have been notified the finance teams liaise with the business to determine whether a provision is required, based on IAS 37 'Provisions, Contingent liabilities and Contingent assets' ('IAS 37').

The level of provision is subsequently reviewed on a regular basis with the Group General Counsel, taking into account the advice of external legal counsel. The 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 and status of claims reported.

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 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 the activities pursued as part of the restructuring to ensure that the appropriate level of provision is put in place, and that these activities are aligned with the Group's strategy. 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

The provisional recognition of goodwill, intangible assets, other assets and liabilities and estimates of the fair value of consideration transferred for acquisitions made are based on a number of assumptions. In 2017, management concluded its final assessment of these assets and liabilities for acquisitions made in 2016 and presented an update to the Committee. The Committee reviewed management's final accounting paper on acquisitions made in 2016 and 2017, and took 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 cash generating unit ('CGU') level, must be tested annually for impairment under IAS 36 'Impairment' ('IAS 36'), or when there are indicators of impairment.

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 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 157 to 163.

ACCOUNTABILITY
continued

ACTIVITIES DURING THE YEAR

During the year the Committee discussed the following items:

AUDIT COMMITTEE AGENDA ITEMS 2017				
Financial statements and reports	**Feb**	**May**	**Jul**	**Dec**
Full-year results 2016	•			
Annual Report and Accounts 2016	•			
Management highlights memorandum	•		•	
Going concern assessment	•		•	
Fair, balanced and understandable assessment	•			
Review of significant accounting policies				•
Half-year results 2017			•	
Risk Register and Viability Statement process	•			•
External audit				
PwC 2017 audit plan		•		
Audit fee proposal 2017		•		
PwC engagement letter		•		
PwC year-end report and controls update	•			
PwC half-year report and controls update			•	
Intertek assessment of PwC effectiveness		•		
Letter of representation to the auditors	•		•	
Independence confirmation and review of non-audit spend and policy	•		•	
PwC pre year-end report to the Committee				•
Internal Control Environment				
2018 Internal Audit plan and Charter				•
Internal Controls process and sign-off	•			
Internal audit reports		•	•	•
Assessment of Internal Audit effectiveness				•
Core Mandatory Controls and Assurance Map update				•
Other				
2017 Rolling Committee agenda	•			
2016 Evaluation of the Committee and Committee terms of reference	•			
Update on FRC focus areas and letter				•
New IFRS accounting standards update				•

FAIR, BALANCED AND UNDERSTANDABLE ASSESSMENT

The Code provides that through its financial reporting, the Board should provide a fair, balanced and understandable assessment of the Company's prospects.

At the Board's request, the Committee reviewed the Annual Report and Accounts to determine whether it considered that the document, taken as a whole, meets this standard 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 2017, its business model and strategy.

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

- Clear guidance and instruction given to all contributors, including at business line level;
- Revisions as a result of regulatory requirements 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 Code. 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 2017 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

The Statutory Auditors and Third Country Auditors Regulations 2016, which implement the EU Audit Directive and Audit Regulation, has resulted in changes to the Companies Act 2006 and to the Code. Amongst other things, the Company is now required to rotate its auditors every 10 years, to give advance notice of any tendering plans and to cap the non-audit fees paid to auditors at 70% of the three-year average audit fees at Group level, with there being a prohibition on the provision of certain non-audit services.

As noted in this report last year, the Group completed a transparent and independent audit tender process in 2015. Following this process PwC have been the Company's auditors and Ian Chambers the Audit Partner since May 2016.

In line with current regulation, the Company is required to put its external audit process out to tender again in 2025-2026.

The independence of the external auditor is critical for the integrity of the audit. We are satisfied that PwC are fully independent from the Company's management and free from conflicts of interest.

Effectiveness of the external audit

The Committee conducts an annual review to assess the independence and objectivity of the external auditor and the effectiveness of the audit as part of the year-end process. This process is conducted in three parts:

- PwC presents its approach to maintaining audit quality annually to the Committee;
- The views of management and the Directors on PwC's service are obtained via a questionnaire/survey and feedback is presented to the Committee; and
- The key findings and recommendations from both processes form the basis of the assessment of PwC's effectiveness together with the Committee's experience of dealing with PwC during the year.

The survey assessed the effectiveness of the PwC audit across its three main stages; Planning, Fieldwork and Reporting, as well as on transition commitments in the first year of their tenure.

Following this review, the Committee considered in detail the feedback received and concluded, at the meeting held in May 2017, that PwC remained independent and provided a service that was robust and fit for purpose and that the overall audit process was effective. The effectiveness for the 2017 audit of the Group will be reviewed by the Committee in May 2018.

Audit and non-audit fees

The Company has set out a policy on the provision of non-audit work by the external auditor consistent with the Revised Ethical Standard 2016 issued by the FRC and it 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 bookkeeping or other services related to accounting records or financial statements; financial information systems design and implementation; appraisal or valuation services; actuarial services; internal audit outsourcing or co-sourcing services; management functions or human resources services; broker or dealer, investment advisor or investment banking services; legal services which can only be provided by a qualified lawyer; expert services unrelated to the audit that include advocating Intertek's interests in litigation, regulatory or administrative proceedings not precluding the auditors providing factual accounts to explain positions taken during the course of their work; tax services in relation to marketing, planning, or opining in favour of an aggressive tax position or transaction; any other services that, locally, are prohibited through regulation; and personal tax compliance services to members of the Group's management who have a financial reporting oversight role.

In the event that an engagement for non-audit services arises, the policy is designed to ensure that the external auditor is only appointed where it is considered to be the most suitable supplier of the service and the necessary prior approvals have been given in accordance with the policy.

The Committee annually reviews and reapproves the framework of permitted non-audit services as set out in the policy, taking into account any changes in legislation and best practice. PwC also provide an update on the spend for non-audit services against the annual cap twice a year.

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 116:

AUDIT FEE BREAKDOWN FOR SERVICES PROVIDED BY PwC IN 2017

	2017 £m	2016 £m
Total non-audit fees	0.2	0.2
– audit-related services	0.2	0.1
– tax services	–	0.1
– other non-audit services	–	–
Audit fee	3.6	3.1
% of audit fee	5%	6%

The Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Tender Processes and Audit Committee Responsibilities) Order 2014 ('CMA Order') – Statement of compliance

The Company confirms that it complied with the provisions of the CMA Order for the financial year under review.

INTERNAL CONTROLS AND FINANCIAL REPORTING

Doing Business the Right Way is at the heart of what we do and is a key enabler of our 5x5 strategy for growth. The Intertek Core Mandatory Controls ('CMCs') are an integral part of Doing Business the Right Way, and provide the mechanism by which we define, monitor and achieve consistently high standards in our control environment throughout the whole organisation. An updated set of CMCs (v3.0) has been developed reflecting feedback on the existing framework and how the Group's risk environment has evolved during the year.

ACCOUNTABILITY
continued

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 exercise is reviewed and refreshed each year to ensure that it encapsulates all new areas of risk identified and 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. This process is facilitated by the Legal, Risk and Compliance function.

A consolidated assessment is made at regional level for senior leadership approval. An evaluation is then undertaken with Executive Management Team 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's operational and financial structure, and in order to enhance the alignment of the self-assessment to the assurance process.

A detailed verification programme also provides assurance to the Committee and the Board 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.

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 2017, and up to the date upon which these financial statements were approved. No significant failings or weaknesses had been identified.

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 reports to the Committee, Internal Audit provided summaries of each audit performed, with commentary on the robustness of internal control design and operating effectiveness. In 2017, Internal Audit focused on reviews of financial control in a wide range of businesses, as well as regular follow-up activities.

As part of its annual programme, the Committee reviewed the effectiveness of the Group Internal Audit function including feedback from key business stakeholders. An independent review of Internal Audit effectiveness is conducted every three years, with the latest review having been completed in 2016, and the Committee reviewed progress against the recommendations.

PRIORITIES FOR 2018

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

- Continue to monitor the external auditor;
- Continue to facilitate the understanding of the business by the external auditor;
- Ensure that the audit continues to evolve and align with the changes in the business and strategic objectives;
- Continue to develop and refine the CMCs in line with the evolving risk environment of the Company;
- 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 this 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 2022. With the exception of $100m of facilities maturing in 2018, all the current borrowing facilities are expected to be available at 31 December 2018.

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.

Andrew Martin
Chair of the Audit Committee

REMUNERATION REPORT

DEAR SHAREHOLDER

I would like to begin this statement by thanking you for the support you have given our remuneration matters during 2017. The strength of your vote at the 2017 AGM for our 2016 Remuneration report signalled to us that we are implementing a remuneration policy that clearly aligns your interests with those of our business strategy and the leadership team.

Our business continues to have significant opportunities to provide our clients with ATIC services across the three broad economic sectors – Products, Trade and Resources. The sustained focus on Intertek's 5x5 differentiated strategy for growth in 2017 has provided our managers and employees across the world with the tools they need to deliver on Intertek's Total Quality Assurance Customer Promise. This in turn has allowed us to continue improving shareholder returns with our disciplined approach to revenue, margin, and cash and capital allocation.

In 2017 Intertek delivered 7.9% growth in revenue at actual rates (3.0% at constant currency), 14.2% growth in adjusted operating profit (10.0% at constant currency) and 280bps improvement in ROIC which was 26.7%, against stretching performance targets.

On the structure of remuneration, there were no major changes in 2017. We have continued our approach to the annual incentive, using fewer measures, closely aligned to the delivery of our growth strategy. Since 1 January 2016 the annual incentive structure has been based solely on financial performance with three main indicators weighted as shown below:

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

For the annual bonus, this performance resulted in the Remuneration Committee approving an overall payout for Group performance of 100% 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 payout was appropriate and commensurate with the underlying business performance and the Group's culture and values.

Gill Rider
Chair of the Remuneration Committee

The performance of the 2015 LTIP, which was measured based on EPS and relative TSR performance over the three-year period to 31 December 2017, resulted in a payout of 90.87%.

The salary increase for the CEO in 2018 has been set at an inflation-based 2.0%.

As communicated to shareholders in my letter last year, the Committee has completed a review of our CFO, Edward Leigh's remuneration. Following his strong performance since appointment and given both the substantial support he provides to the CEO in delivering our business performance and his increased responsibilities, which now also include leading the IT services function within the Group, the Committee consulted with shareholders during the latter half of 2017 on increasing Edward's base salary to £475,000 (an increase of c.14.1%). The Committee acknowledges that such salary increases are not common in the current climate, however, given both Edward's performance in role and his increased responsibilities, it was felt that the proposed increase was appropriate and in the best interests of the business.

With regards to market positioning, whilst noting that this was not the driving force behind the proposal, we did undertake a detailed review of CFO benchmark data. The increase in base salary positions Edward's base salary at around market median, when compared to companies ranked between 31 and 130 in the FTSE 350, which is in line with our philosophy for executive directors. His total remuneration package (under which incentives will remain unchanged as a percentage of salary for 2018) will be positioned in line with market practice.

Having completed the review, we consulted with the majority of our shareholders and received strong support on the proposed increase. We have therefore implemented the change in his base salary from 1 January 2018.

The elements specifically required to be audited within the bordered sections of pages 89 to 93 have been audited by PwC LLP in compliance with the requirements of the Regulations.

Finally, I hope you will find that you are able to support the level of remuneration we have determined for 2017 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. Where appropriate, 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 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 wellbeing 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 their 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. Were the Committee 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 payout 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.

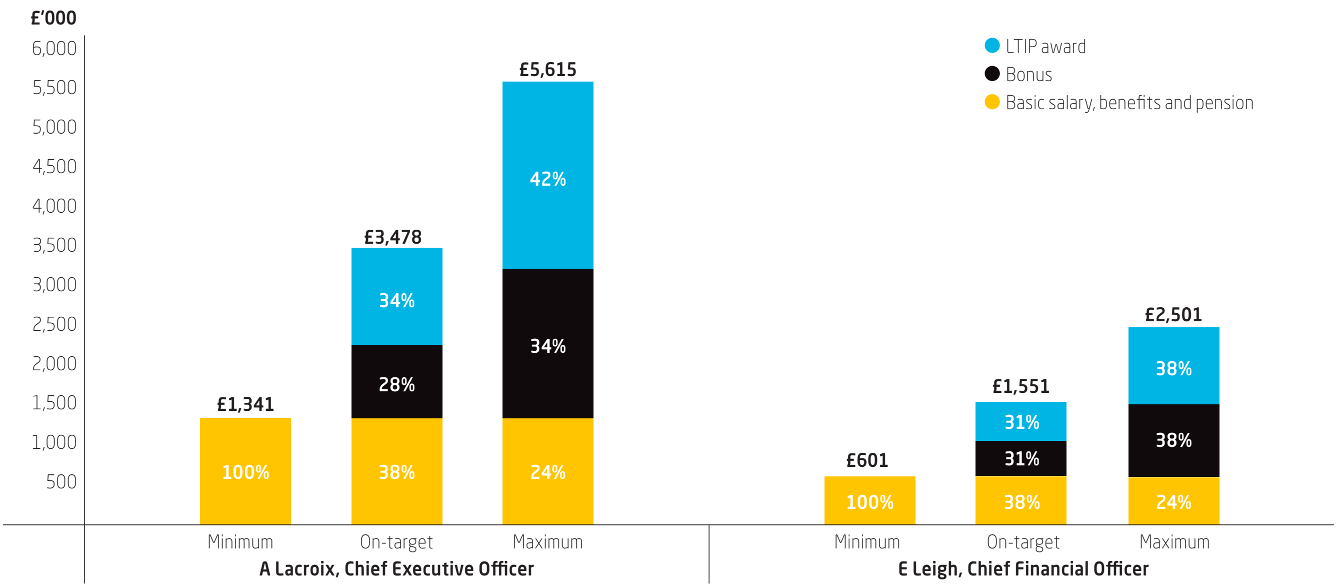
The LTIP is based on EPS growth and TSR performance. EPS is a measure of the Group's overall financial success and TSR provides an external assessment of the Company's performance against the market. It also aligns the rewards received by executives with the returns received by shareholders. A sliding 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 2018 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 2018.
2. The value of taxable benefits is based on the cost of supplying those benefits (as disclosed) for the year ended 31 December 2017.
3. The value of pension receivable by the CEO and CFO in 2018 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 buyout 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) ('buyouts'). Any such awards would reflect the nature, time horizons and performance requirements attaching to the remuneration it is intended to replace. Where appropriate, the Committee retains the flexibility to utilise Listing Rule 9.4.2 for the purpose of making an award to 'buy out' remuneration relinquished when leaving the former employer.

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

REMUNERATION REPORT continued

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

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 2017
Sir David Reid	1 December 2011 Reappointed: 1 December 2017	One month/35 months
Graham Allan	1 October 2017	One month/33 months
Gurnek Bains	1 July 2017	One month/30 months
Dame Louise Makin	1 July 2012 Reappointed: 1 July 2015	One month/6 months
Andrew Martin	26 May 2016	One month/17 months
Gill Rider	1 July 2015	One month/6 months
Jean-Michel Valette	1 July 2017	One month/30 months
Lena Wilson	1 July 2012 Reappointed: 1 July 2015	One month/6 months

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 Committee takes the views of the Group's shareholders very seriously. The policy that was approved by shareholders at the 2016 AGM reflects the extensive discussions 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

The membership of the Committee at the year end was Gill Rider (Committee Chair), Graham Allan, Dame Louise Makin, and Andrew Martin. Michael Wareing was a member until 30 September 2017. With effect from 1 January 2018, Dame Louise Makin stepped down and Gurnek Bains was appointed to the Committee. Meeting attendance is shown on page 65.

Throughout the year, the composition of the Committee was in compliance with the Code. 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 Committee invites the Chairman, CEO and the EVP, Human Resources to attend meetings when it deems appropriate, 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 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.

For the Committee's terms of reference, see www.intertek.com.

REMUNERATION REPORT continued

THE ACTIVITY OF THE COMMITTEE

During the year the Committee discussed the following items:

	FEB	JULY	DEC
Executive Directors' remuneration	•		
The salary for senior management and the determination of the bonus payments for 2016	•		
The TSR and EPS performance results for the 2014 to 2016 share plan award cycles	•		
The 2017 bonus targets and performance measures	•		
Share plan awards for 2017 to 2019 and TSR and EPS performance criteria	•		
Review of market trends in remuneration		•	•
Outcomes from shareholder consultation			•
The remuneration proposals or departure terms for senior employees			•
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	•		
2017 AGM update and Corporate Governance bodies' voting recommendations		•	
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 2017, the Committee received advice from Deloitte LLP ('Deloitte'), who they appointed in 2015 for their particular expertise both at a local and global level, due to the worldwide operations of the Group and, following review, the Committee remains satisfied that their 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 £55,107. 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 2017 were £134,782 which he retained.

STATEMENT OF SHAREHOLDER VOTING

At the 2017 AGM, a resolution was proposed to shareholders to approve the Directors' Remuneration report for the year ended 31 December 2016. This resolution received the following votes from shareholders:

Remuneration report:

	VOTES	%
In favour	124,680,112	96.76
Against	4,176,780	3.24
Total	128,856,892	79.84*
Withheld	420,490	

* Percentage of total issued share capital voted.

At the 2016 AGM, a resolution was proposed to shareholders to approve the Remuneration Policy.

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.

DIRECTORS' REMUNERATION EARNED IN 2017

The table below summarises Directors' remuneration received for 2017 and the prior year for comparison.

		Base salary or fees £'000	Benefits[1] £'000	BIK arising from performance of duties[2] £'000	Pension £'000	Annual bonus[3] £'000	Long-term incentives £'000	Total £'000	Other[4] £'000	Total including joining Mirror Awards £'000
Executive Directors										
André Lacroix	**2017**	**927**	**104**	**–**	**278**	**1,862**	**4,436[5]**	**7,607**	**4,076**	**11,683**
	2016	908	83	–	273	1,282	–	2,546	2,906	5,452
Edward Leigh	**2017**	**414**	**27**	**–**	**83**	**832**	**1,586[5]**	**2,942**	–	**2,942**
	2016	406	30	–	82[6]	573	113[7]	1,204	–	1,204
Non-Executive Directors										
Sir David Reid	**2017**	**320**	**25**	**6**	**–**	**–**	**–**	**351**	**–**	**351**
	2016	320	25	2	–	–	–	347	–	347
Graham Allan	**2017[8]**	**17**	**–**	**–**	**–**	**–**	**–**	**17**	**–**	**17**
Gurnek Bains	**2017[9]**	**25**	**–**	**–**	**–**	**–**	**–**	**25**	**–**	**25**
Alan Brown	**2017[10]**	**33**	**–**	**–**	**–**	**–**	**–**	**33**	**–**	**33**
	2016	69	–	–	–	–	–	69	–	69
Dame Louise Makin	**2017**	**68**	**–**	**–**	**–**	**–**	**–**	**68**	**–**	**68**
	2016	68	–	1	–	–	–	69	–	69
Andrew Martin	**2017**	**78**	**–**	**–**	**–**	**–**	**–**	**78**	**–**	**78**
	2016	35	–	–	–	–	–	35	–	35
Gill Rider	**2017**	**73**	**–**	**–**	**–**	**–**	**–**	**73**	**–**	**73**
	2016	73	–	–	–	–	–	73	–	73
Jean-Michel Valette	**2017[11]**	**29**	**–**	**2**	**–**	**–**	**–**	**31**	**–**	**31**
Michael Wareing	**2017[12]**	**72**	**–**	**–**	**–**	**–**	**–**	**72**	**–**	**72**
	2016	98	–	7	–	–	–	105	–	105
Lena Wilson	**2017**	**68**	**–**	**3**	**–**	**–**	**–**	**71**	**–**	**71**
	2016	68	–	1	–	–	–	69	–	69

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 (£51,890). Taxable benefits for 2016 have been restated to include benefits received in that year for which the amount was not known at the time. 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. 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.
3. 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.
4. As reported in previous years, at the time of joining, the Company had bought out André's existing share awards with his previous employer in two tranches of 91,575 and 91,574 shares vesting in 2016 and 2017 each at an award price of £28. The tranche that vested in 2017 vested at a share price of £42.95 which represents an increase in our Company share price over the two years of over 53%. These awards were one-off awards and are not part of his ongoing remuneration.
5. This relates to the vesting of the 2015 LTIP award. The value shown is based on the share price of £52.01 which was the average share price in the fourth quarter of 2017.
6. The pension contributions for Edward Leigh include the sum of £nil (2016: £17,140) which was paid into the Intertek Group Personal Pension Plan, which is a defined contribution scheme.
7. This figure has been updated to show the actual value of the vested LTIP share awards based on the share price of £38.43 on the date of vesting, as the 2016 Report included figures based on the share price for the final quarter of 2016 (£33.71). The awards were granted on 10 March 2014 prior to Edward Leigh's appointment as CFO on 1 October 2014.
8. Graham Allan's fees relate to the period from 1 October 2017, the date he was appointed to the Board.
9. Gurnek Bains' fees relate to the period from 1 July 2017, the date he was appointed to the Board.
10. Alan Brown's fees relate to the period to 24 May 2017, the date he stepped down from the Board.
11. Jean-Michel Valette's fees relate to the period from 1 July 2017, the date he was appointed to the Board.
12. Michael Wareing's fees relate to the period to 30 September 2017, the date he stepped down from the Board.

ANNUAL BONUS

The annual bonus for 2017 was based solely on financial measures:

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

REMUNERATION REPORT
continued

Overview of the matrix (80% of the award)

		Adjusted 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 payouts occur between each of the points noted above.

The Company's performance resulted in a Group bonus payout of 100% of maximum opportunity. Performance of individual components is shown below.

2017 Company Performance against bonus targets (at 2016 constant currency)

Financial measures	% Weighting	2017 Threshold	2017 Target[2]	2017 Maximum	2017 Actual	Achieved[3]	Weighted achievement
Total External Revenue[1]		£2,540.8m	£2,592.7m	£2,644.5m	**£2,649.4m**		
Adjusted Operating Profit[1]		£412.8m	£425.6m	£438.4m	**£453.6m**		
Revenue/Profit Matrix	80%					100%	80%
Return on invested capital[1]	20%	21.8%	22.0%	22.2%	**24.4%**	100%	20%
Total	**100%**						**100%**

1. Calculated using constant 2016 exchange rates. Adjusted results exclude the impact of Separately Disclosed Items.
2. Target is equivalent to 50% payout.
3. Percentage achieved against maximum targets.

For 2017, the annual bonus outturn in cash and shares is as follows:

	Payable in cash £'000	Deferred Share Award £'000
André Lacroix	**931.2**	**931.2**
Edward Leigh	**416.2**	**416.2**

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. Deferred Shares are subject to continued employment for the three-year vesting period. 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 as it felt that the payouts were reflective of the underlying performance of the Group. 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 2015 are subject to performance for the three-year period ended 31 December 2017. The performance conditions attached to this award and actual performance against these conditions are 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	4%	10%	8.54%	81.73%
Total Shareholder Return	Relative TSR performance against the FTSE 31 to 130 (excluding banks and investment trusts)	Median	Upper quartile	At or above upper quartile[1]	100.00%
Total vesting					**90.87%**

1. TSR performance calculation was calculated by Deloitte; Intertek was ranked 3rd of the 92 members of the comparator group of companies.

The LTIP Share Awards granted in 2015 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	90,440	3,411	93,851	(8,569)	85,282	4,436[1]
Edward Leigh	32,336	1,217	33,553	(3,063)	30,490	1,586[1]
Total vesting						**6,022**

1. The value shown is based on the share price of £52.01 which is based on the average share price in the fourth quarter of 2017.

LTIP SHARE AWARDS GRANTED DURING THE YEAR

The following LTIP Share Awards were granted to the Executive Directors on 20 March 2017:

	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	38.922	58,636	2,282	25%	Three years to 31 December 2019
Edward Leigh	LTIP Share Award	200% of salary	38.922	20,965	816	25%	

The LTIP Share Awards granted in 2017 are conditional share awards subject to performance for the three-year period ending 31 December 2019. This note relates to performance shares only; details of deferred shares granted in 2017 are set out in the table below (Share Plan Awards).

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 2016 Number of shares	Granted in 2017 Number of shares	Award price[1] £	Dividend accrued in 2017[2]	Vested in 2017 Number of shares	Lapsed in 2017 Number of shares	31 December 2017 Number of shares	Date of vesting
André Lacroix									
2015	LTIP Share[4]	90,440	–	–	–	–	–	90,440	Sep 2018
	Dividend	2,105	–	–	1,306	–	–	3,411	
	Mirror share, Tranche B	91,574	–	28.006	–	(91,574)	–	–	May 2017
	Dividend	3,321	–	–	–	(3,321)	–	–	
2016	LTIP Share[6]	71,982		31.084	–	–	–	71,982	Mar 2019
	Dividend	1,188	–	–	1,038	–	–	2,226	
	Deferred Share[6]	17,376	–	31.084	–	–	–	17,376	Mar 2019
	Dividend	286	–	–	250	–	–	536	
2017	LTIP Share[7]	–	58,636	38.922	–	–	–	58,636	Mar 2020
	Dividend	–	–	–	846	–	–	846	
	Deferred Share[7]	–	16,474	38.922	–	–	–	16,474	Mar 2020
	Dividend	–	–	–	237	–	–	237	
Total		**278,272**	**75,110**		**3,677**	**(94,895)**		**262,164**	

REMUNERATION REPORT
continued

SHARE PLAN AWARDS (CONTINUED)

	Type of Award	31 December 2016 Number of shares	Granted in 2017 Number of shares	Award price[1] £	Dividend accrued in 2017[2]	Vested in 2017 Number of shares	Lapsed in 2017 Number of shares	31 December 2017 Number of shares	Date of vesting
Edward Leigh									
2014	LTIP Share[3]	6,576	–	30.41	–	(2,785)	(3,791)	–	Mar 2017
	Dividend	349	–	–		(147)	(202)	–	
	Deferred Share[3]	1,331	–	30.41	–	(1,331)	–	–	Mar 2017
	Dividend	69	–	–	–	(69)	–	–	
2015	LTIP Share[4]	32,336	–	24.74	–	–	–	32,336	Sep 2018
	Dividend	751	–	–	466	–	–	1,217	
	Deferred Share[5]	5,405	–	25.572	–	–	–	5,405	Mar 2018
	Dividend	195	–	–	77	–	–	272	
2016	LTIP Share[6]	25,736	–	31.084	–	–	–	25,736	Mar 2019
	Dividend	424	–	–	371	–	–	795	
	Deferred Share[6]	12,425	–	31.084	–	–	–	12,425	Mar 2019
	Dividend	204	–	–	179	–	–	383	
2017	LTIP Share[7]	–	20,965	38.922	–	–	–	20,965	Mar 2020
	Dividend	–	–	–	302	–	–	302	
	Deferred Share[7]	–	7,362	38.922	–	–	–	7,362	Mar 2020
	Dividend	–	–	–	106	–	–	106	
Total		**85,801**	**28,327**		**1,501**	**(4,332)**	**(3,993)**	**107,304**	

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. 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.
3. Awards vested on 10 March 2017, on which date the market price of shares was £38.43 having been granted on 10 March 2014 on which date the closing market price was £30.46. 50% of the 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 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) and 42.35% of awards vested.
4. 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). As set out on page 90, 90.87% of the awards will vest.
5. Awards will vest on 9 March 2018, having been granted on 9 March 2015 on which date the closing market price was £25.70.
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 at 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. Awards will vest on 20 March 2020, subject to continued employment, having been granted on 20 March 2017 on which date the closing market price was £39.17. Awards were made on a share price of £38.922 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).

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 propriety; a material failure of management in the Company, a discovery of a material misstatement in the audited consolidated accounts or the behaviour of a Director has a significant detrimental impact on the reputation of the Group. 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 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 Committee also retains the discretion to reduce or reclaim payments if the performance achievements are subsequently found to have been significantly misstated.

DIRECTORS' INTERESTS IN ORDINARY SHARES

The interests of the Directors in the shares of the Company as at the year end, or date of ceasing to be a Director, are set out below. Save as stated in this report, during the course of the year, no Director or 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. None of the Non-Executive Directors have share options or share awards.

	Beneficially owned at 31 December 2016 or on appointment	Beneficially owned at 31 December 2017 or on ceasing to be a Director[1]	Outstanding LTIP Share Awards[2]	Outstanding Deferred Shares/Mirror Awards	Shareholding as a % of salary[3]	Shareholding Guideline met?
André Lacroix[7]	249,494	**299,788**	227,541	34,623	1,678	Yes
Edward Leigh[8]	1,976	**4,271**	81,351	25,953	54	No
Sir David Reid	3,356	**5,919**	–	–	n/a	n/a
Graham Allan[4]	–	**-**	–	–	n/a	n/a
Gurnek Bains[5]	–	**-**	–	–	n/a	n/a
Alan Brown[6]	1,808	**1,905**	–	–	n/a	n/a
Dame Louise Makin	715	**852**	–	–	n/a	n/a
Andrew Martin	–	**137**	–	–	n/a	n/a
Gill Rider	249	**395**	–	–	n/a	n/a
Jean-Michel Valette[5]	–	**10,000**	–	–	n/a	n/a
Michael Wareing[9]	3,973	**4,123**	–	–	n/a	n/a
Lena Wilson	699	**836**	–	–	n/a	n/a

1. No changes in the above Directors' interests have taken place between 31 December 2017 and the date of this report.
2. Subject to performance conditions.
3. Based on a share price of £51.90 as at 29 December 2017 being the last trading day and applied to the annual salary for 2017.
4. Appointed on 1 October 2017.
5. Appointed on 1 July 2017.
6. Stepped down from the Board on 24 May 2017.
7. Appointed 16 May 2015 with the guideline to hold 200% of base salary in shares by 16 May 2020, which has been exceeded.
8. 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.
9. Stepped down from the Board on 30 September 2017.

PAYMENTS TO PAST DIRECTORS

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

On leaving the Company Wolfhart Hauser had a pro-rated entitlement to 28,679 LTIP Share Awards from the original award of 46,991 LTIP Share Awards granted to him on 10 March 2014, on which date the closing market price was £30.46. At the date of vesting, following the application of the performance criteria a further 16,534 shares lapsed. Thus a total of 12,145 shares vested on 10 March 2017 at a share price of £38.43.

PAYMENTS FOR LOSS OF OFFICE

No payments were made in respect of loss of office during the year ended 31 December 2017.

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 2016 and 2017 financial year ends. André Lacroix's salary was £912,900 for 2016. In 2017, his salary was increased to £931,158.

	Salary	Bonus	Benefits
CEO (A Lacroix[1])	2.0%	45.2%	25.3%
Average pay based on Intertek's UK employees[2]	5.0%	1.0%	5.1%

1. The percentage change for bonus and benefits for André Lacroix are based on actual amounts earned in 2016 and 2017.
2. The Intertek UK employee group has been selected as the most appropriate comparator group, due to the diverse nature of the Group's global employee population.

RELATIVE IMPORTANCE OF THE SPEND ON PAY

The table below shows the movement in spend on staff costs between the 2016 and 2017 financial years, compared to dividends.

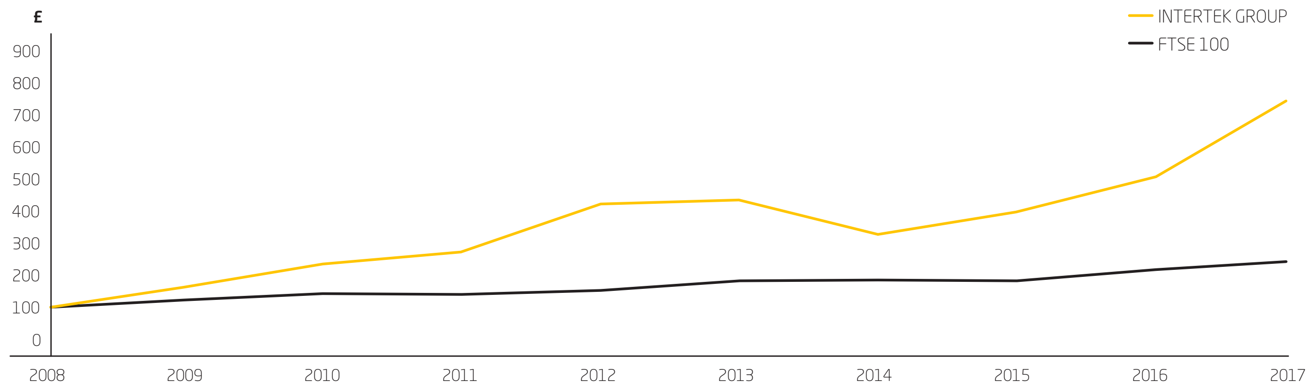
	2017 £m	2016 £m	% change
Staff costs[1]	**1,220.8**	1,140.6	7.0%
Dividends	**107.0**	88.0	21.6%

1. Staff costs are shown at actual rates. At constant currency, staff costs increased by 2.0%, reflecting a 5.0% foreign exchange impact.

PERFORMANCE GRAPH

Consistent with prior years, the graph below shows the TSR in respect of the Company over the last nine financial years, compared with the TSR for the full FTSE 100 Index. The FTSE 100 is selected as the comparator group as it is a good representation of peer group companies. 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 nine 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 payout and LTIP award vesting level as a percentage of the maximum opportunity are also shown for each of these years.

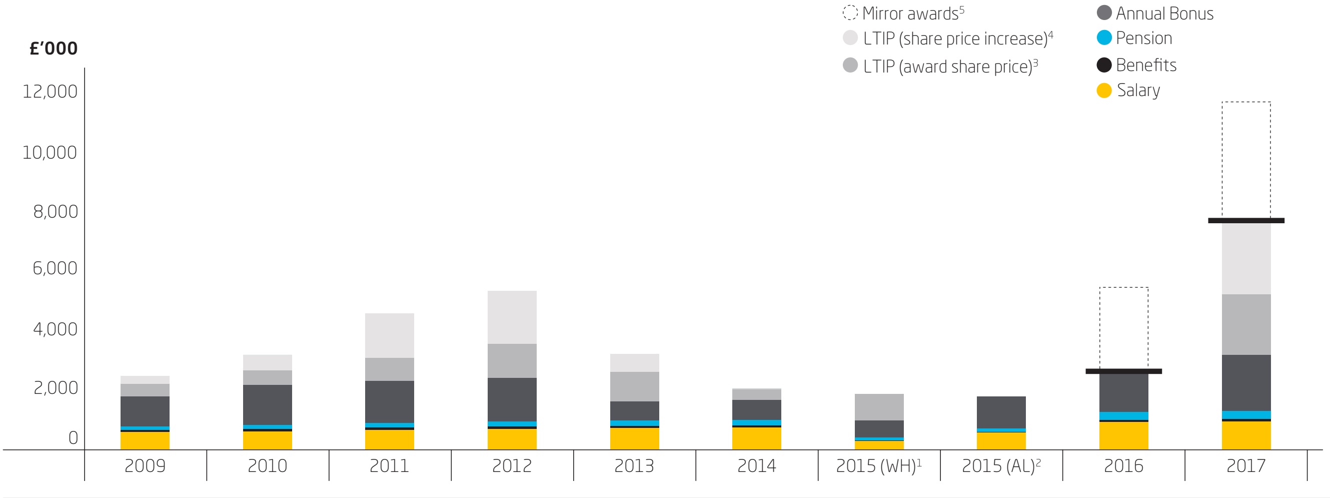
	Year ended 31 December									
	2009	2010	2011	2012	2013	2014	W Hauser 2015	A Lacroix 2015	2016	2017
Total remuneration £'000	2,451	3,164	4,554	5,298	3,195	2,011	876	1,824	5,452[1]	**11,683[1]**
Annual bonus (%)	100.0	96.6	92.3	83.1	34.6	38.4	90.6	96.6	70.24	**100.0**
LTIP award vesting (%)	100.0	100.0	100.0	100.0	81.8	25.2	–	–	–	**90.87**

1. As reported in previous years, at the time of joining, the Company had bought out André's existing share awards with his previous employer in two tranches of 91,575 and 91,574 shares vesting in 2016 and 2017 each at an award price of £28. The tranche that vested in 2017 vested at a share price of £42.95 which represents an increase in our Company share price over the two years of over 53%. These awards were one-off awards and are not part of his ongoing remuneration. Ongoing remuneration would have been £7,607m in 2017 as further detailed in the charts on page 89 and 95.

CEO TOTAL REMUNERATION

The graph below shows the total remuneration of the Intertek CEO over the nine-year period from 2009 to 2017.

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.
5. Mirror Awards – as reported in previous years, at the time of joining, the Company had bought out André's existing share awards with his previous employer in two tranches of 91,575 and 91,574 shares vesting in 2016 and 2017 each at an award price of £28. The tranche that vested in 2017 vested at a share price of £42.95 which represents an increase in our Company share price over the two years of over 53%. These awards were one-off awards and are not part of his ongoing remuneration.

REMUNERATION DECISIONS TAKEN IN RESPECT OF THE FINANCIAL YEAR ENDING 31 DECEMBER 2018

Base salary

Following a review of base salaries, the Remuneration Committee approved a salary increase of 2.0% for the CEO. This is in line with the increase provided to UK employees in the Group.

As set out in further detail in the letter from the Remuneration Committee Chair, following consultations with the majority of our shareholders, the Remuneration Committee approved a 14.1% increase for the CFO from 1 January 2018. This increase was made to recognise his performance in role, the addition of the global IT function to his role, as well as the market benchmarks for his role.

The Executive Directors' salaries are:

	Base salary from 1 April 2017 £'000	Base salary from 1 April 2018 £'000	% increase
André Lacroix	**931**	950	2.0%
Edward Leigh	**416**	475[1]	14.1%

1. The salary increase for Edward Leigh has been applied from 1 January 2018.

Annual Bonus and LTIP awards to be granted in 2018

For 2018, 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 2018 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 adjusted 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 payouts 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 2018, 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 index members 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. Following a review of Non-Executive Directors fees in 2017, minor changes are proposed as set out in the table below:

	2017 £'000	2018* £'000
Board membership		
Chairman	**320**	320
Non-Executive Director	**58**	62
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**	10
Member Nomination Committee	**2.5**	5

* Increase to take effect from 1 April 2018.

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 the Remuneration Policy Annual Report on Remuneration, was approved by the Board on 5 March 2018.

Gill Rider
Chair of the Remuneration Committee

SHAREHOLDER ENGAGEMENT

The Board recognises its responsibility to take account of the interests of stakeholders as outlined in section 172 of the Companies Act 2006.

Our Sustainability and CSR report on pages 44 to 61 sets out our sustainability priorities, our commitment and engagement with our people, the environment and wider communities.

Details of our significant shareholders is disclosed on page 100.

APPROACH TO INVESTOR RELATIONS

The Board is committed to maintaining an active and open dialogue with shareholders and sees this as an important part of the governance process. The Chairman, supported by the Executive Directors, has overall responsibility for ensuring Intertek has regular and effective communication with its investors and throughout the year, the Chairman, Non-Executive Directors and Executive Directors are available to meet with institutional shareholders.

Intertek has a comprehensive annual investor relations programme, aimed at helping existing and potential investors understand the Group's business model, strategy, financial performance and outlook.

This function is managed by the investor relations team in London and includes a wide-ranging programme of events and roadshows throughout the year to update investors and sell-side analysts on the developments of the Group.

INVESTOR RELATIONS PROGRAMME

Investor Materials

The primary form of communication with institutional investors is through our Annual Report, full-year and half-year results updates and Trading Statements. These materials are available on the investor webpages, which includes a wealth of information that may be of interest to shareholders and investors and is supplemented by videos, webcasts, and presentations.

Investor Conferences

Throughout the year, the Executive Directors and the investor relations team attended industry conferences which provide an opportunity to meet a large number of investors. Some of the conferences attended this year include the Berenberg TIC Conference in London, the Exane BNP Paribas CEO conference in Paris and the Credit Suisse Business Services Conference in San Francisco. A full list of conferences attended is outlined in the calendar below.

ESG/SRI Conferences

During the year the investor relations team also attended ESG/SRI conferences which have a specific focus on responsible and sustainable investment.

Investor Roadshows

Following the full-year and half-year results announcements in March and August respectively, the Executive Directors and investor relations team carried out meetings with principal shareholders across London, Edinburgh, New York, Boston, Montreal and Toronto.

JANUARY
- Oddo Lyon IR Forum
- Exane BNP Milan 1st Support Services Investor Forum
- New York Roadshow

MARCH
- Full Year Results 2016
- London, Edinburgh, New York – Annual Results Roadshows
- JP Morgan Chase Paris SRI Conference
- Citi London Pan-European Business Services Conference
- Stockholm Roadshow

APRIL
- Netherlands Roadshow
- Berenberg London UK Corporate Conference
- Frankfurt Roadshow

MAY
- Trading Statement
- Geneva Roadshow
- Zurich Roadshow
- Dublin Roadshow
- JP Morgan Chase London European Business Services Conference

JUNE
- Mid-Atlantic, Toronto, San Francisco. Salt Lake City Roadshows
- Exane BNP Paris European CEO Conference
- Copenhagen Roadshow
- Goldman Sachs London European Business Services, Transport & Leisure Conference

AUGUST
- Half Year Results 2017
- London, Edinburgh, New York, Montreal, Boston – Interim Results Roadshows
- Stockholm Roadshow
- Helsinki Roadshow

SEPTEMBER
- HSBC Frankfurt Business/Consumer Services Conference
- UBS London 20th Annual Business Services Conference
- Kepler Cheuvreux Paris Autumn Conference
- Bernstein London Strategic Decisions Conference

OCTOBER
- Berenberg London (TIC) Testing, Inspection & Certification Conference

NOVEMBER
- Trading Statement

DECEMBER
- Santa Fe, Denver, Chicago Roadshows
- Credit Suisse San Francisco 7th Annual European Business Services Conference

SHAREHOLDER ENGAGEMENT continued

In addition, further roadshows were held in European and US cities, as well as ad hoc investor meetings in other locations across the world.

Corporate Governance roadshow

Intertek's largest shareholders are invited annually to meet with the Chairman to share their views and discuss any corporate governance matters. In 2017, shareholders holding more than 53% of the share register collectively were invited to these meetings.

FEEDBACK ON INVESTOR RELATIONS ACTIVITIES

The Executive Directors and investor relations team receive regular feedback from sell-side analysts and investors during the year both directly and through the Group's Corporate Advisers. The Group Company Secretary also receives feedback on governance matters directly from investors and shareholder bodies.

ANNUAL GENERAL MEETING ('AGM')

The Board welcomes the opportunity to meet with both private and institutional investors at the AGM. The 2017 AGM provided all shareholders the opportunity to question the Board and Chair of each Board Committee on matters put to the meeting. The results of voting at the AGM are published on the Company's website: www.intertek.com/investors.

The 2018 AGM will be held on 24 May 2018 at 9.00 a.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.

DIVIDEND PAYMENTS

Dividend payments to shareholders were made twice during 2017. The 2016 final dividend payment was made on 2 June 2017 to all shareholders present on the register as at 19 May 2017. The 2017 interim dividend payment was made on 13 October 2017 to all shareholders on the register as at 29 September 2017.

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 names of the members of the Board, as at the date of this report, and their biographical details are set out on pages 68 to 69.

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 2017, 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 81 to 96.

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 47.8p per ordinary share (2016: 43.0p) making a full year dividend of 71.3p per ordinary share (2016: 62.4p) which will, if approved at the AGM, be paid on 6 June 2018 to shareholders on the register at the close of business on 18 May 2018.

SHARE CAPITAL

The issued share capital of the Company and the 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 541,211 shares held by the Intertek Group Employee Share Ownership Trust ('Trust') as at 31 December 2017. 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 2017, 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.

At the AGM in 2017 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.

OTHER STATUTORY INFORMATION continued

It is the Board's intention, in line with guidance issued by the Pre-Emption Group, to also propose the renewal of the additional special resolution to allow the Company to allot equity securities up to a further 5% of the Company's issued share capital. This is applicable when the Board determines a transaction 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 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 2017 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 5 March 2018, 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.	10,473,019	6.49
MFS Investment Management	9,547,182	5.92
Mawer Investment Management Ltd	8,110,417	5.03
Marathon Asset Management LLP	8,037,714	4.98
Fiera Capital Corporation	7,107,884	4.40

EMPLOYMENT

Information about the Group's employees, employment of disabled persons and employment practices is contained within the Sustainability and CSR report on pages 48 to 51. Information on employee share schemes is in note 17 to the financial statements.

GREENHOUSE GAS EMISSIONS

Information about the Group's Greenhouse Gas emissions is given in the Sustainability and CSR report on page 54 to 57.

POLITICAL DONATIONS

At the AGM in 2017 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 items are defined in the Act) not exceeding £90,000. During the year the Group did not make such political donations (2016: £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 section 362 to 379 of the Act). Further information is contained in the Notice.

BRANCHES

The Company, through various subsidiaries, has established branches in a number of different countries in which the business operates. The list of related undertakings is available on pages 146 to 151.

AUDITOR

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

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 24 May 2018, 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 61) which provides an overview of the development and performance of the Company's business during the year ended 31 December 2017 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 81 to 96)
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 100)
10. Any contracts for the provision of services by a controlling shareholder	Not applicable
11. Shareholder waivers of dividends	Other statutory information (page 99)
12. Shareholder waivers of future dividends	Other statutory information (page 99)
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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law).

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the 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 Group and Parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Parent Company and enable them to ensure that the financial statements and the Directors' Remuneration Report comply with the Companies Act 2006 and, as regards the group financial statements, Article 4 of the IAS Regulation. 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.

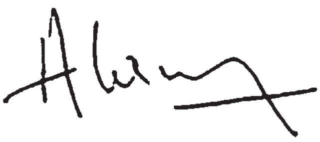
The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

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

Each of the Directors, whose name and functions are listed on pages 68 and 69, confirm that to the best of their knowledge:

- the Group and Parent Company 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 2017 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 62 to 102 and the Group Strategic report comprising pages 2 to 61 have been approved by the Board and signed on its behalf by:



André Lacroix
Chief Executive Officer
5 March 2018

Registered Office
33 Cavendish Square
London
W1G 0PS

Registered Number: 04267576

FINANCIAL STATEMENTS

IN THIS SECTION

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NOTES TO THE FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2017	Notes	Adjusted results £m	Separately Disclosed Items* £m	Total 2017 £m	Adjusted results £m	Separately Disclosed Items* £m	Total 2016 £m
Revenue	2	**2,769.1**	**-**	**2,769.1**	2,567.0	–	2,567.0
Operating costs		(2,301.4)	(45.0)	(2,346.4)	(2,157.3)	(40.2)	(2,197.5)
Group operating profit/(loss)	2	**467.7**	**(45.0)**	**422.7**	409.7	(40.2)	369.5
Finance income	14	1.2	–	1.2	0.9	–	0.9
Finance expense	14	(30.1)	(0.5)	(30.6)	(23.3)	–	(23.3)
Net financing costs		**(28.9)**	**(0.5)**	**(29.4)**	(22.4)	–	(22.4)
Profit/(loss) before income tax		438.8	(45.5)	393.3	387.3	(40.2)	347.1
Income tax expense	6	(107.5)	20.6	(86.9)	(98.0)	22.5	(75.5)
Profit/(loss) for the year	2	**331.3**	**(24.9)**	**306.4**	289.3	(17.7)	271.6
Attributable to:							
Equity holders of the Company		312.3	(24.9)	287.4	272.7	(17.7)	255.0
Non-controlling interest	20	19.0	–	19.0	16.6	–	16.6
Profit/(loss) for the year		**331.3**	**(24.9)**	**306.4**	289.3	(17.7)	271.6
Earnings per share**							
Basic	7			**178.6p**			158.5p
Diluted	7			**176.3p**			156.8p

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

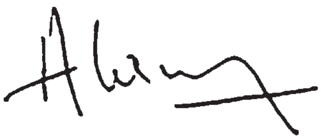
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2017	Notes	2017 £m	2016 £m
Profit for the year	2	**306.4**	271.6
Other comprehensive income			
Remeasurements on defined benefit pension schemes	16	12.6	(5.2)
Items that will never be reclassified to profit or loss		**12.6**	(5.2)
Foreign exchange translation differences of foreign operations		(107.3)	279.5
Net exchange gain/(loss) on hedges of net investments in foreign operations	14	77.3	(194.1)
(Loss)/gain on fair value of cash flow hedges		(16.4)	14.3
Tax on items that are or may be reclassified subsequently to profit or loss	6	(1.7)	2.8
Items that are or may be reclassified subsequently to profit or loss		**(48.1)**	102.5
Total other comprehensive (expense)/income for the year		**(35.5)**	97.3
Total comprehensive income for the year		**270.9**	368.9
Total comprehensive income for the year attributable to:			
Equity holders of the Company		252.2	347.2
Non-controlling interest	20	18.7	21.7
Total comprehensive income for the year		**270.9**	368.9

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2017	Notes	2017 £m	2016 £m
Assets			
Property, plant and equipment	8	420.6	443.3
Goodwill	9	579.6	586.1
Other intangible assets	9	178.2	198.8
Investments in associates		0.3	0.3
Deferred tax assets	6	59.4	48.3
Total non-current assets		**1,238.1**	1,276.8
Inventories		18.3	19.1
Trade and other receivables	11	641.7	651.8
Cash and cash equivalents	14	137.0	175.6
Current tax receivable		17.3	23.0
Total current assets		**814.3**	869.5
Total assets		**2,052.4**	2,146.3
Liabilities			
Interest bearing loans and borrowings	14	(77.1)	(103.4)
Current taxes payable		(46.8)	(55.8)
Trade and other payables	12	(452.2)	(406.8)
Provisions	13	(32.2)	(34.0)
Total current liabilities		**(608.3)**	(600.0)
Interest bearing loans and borrowings	14	(604.0)	(815.9)
Deferred tax liabilities	6	(47.4)	(48.7)
Net pension liabilities	16	(17.8)	(31.8)
Other payables	12	(21.6)	(33.7)
Provisions	13	(9.1)	(13.8)
Total non-current liabilities		**(699.9)**	(943.9)
Total liabilities		**(1,308.2)**	(1,543.9)
Net assets		**744.2**	602.4
Equity			
Share capital	15	1.6	1.6
Share premium		257.8	257.8
Other reserves		(9.5)	35.3
Retained earnings		459.8	273.0
Total equity attributable to equity holders of the Company		**709.7**	567.7
Non-controlling interest	20	34.5	34.7
Total equity		**744.2**	602.4

The financial statements on pages 104 to 151 were approved by the Board on 5 March 2018 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 2017	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 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
At 1 January 2017		**1.6**	**257.8**	**14.6**	**20.7**	**273.0**	**567.7**	**34.7**	**602.4**
Total comprehensive income for the year									
Profit		–	–	–	–	287.4	287.4	19.0	306.4
Other comprehensive (expense)/income		–	–	(28.4)	(16.4)	9.6	(35.2)	(0.3)	(35.5)
Total comprehensive income for the year		**-**	**-**	**(28.4)**	**(16.4)**	**297.0**	**252.2**	**18.7**	**270.9**
Transactions with owners of the company recognised directly in equity									
Contributions by and distributions to the owners of the company									
Dividends paid	15	–	–	–	–	(107.0)	(107.0)	(18.7)	(125.7)
Adjustment arising from changes in non–controlling interest	20	–	–	–	–	–	–	(0.2)	(0.2)
Put option liability over non-controlling interest	10	–	–	–	–	–	–	–	–
Issue of share capital	15	–	–	–	–	–	–	–	–
Purchase of own shares	15	–	–	–	–	(15.6)	(15.6)	–	(15.6)
Tax paid on Share Awards vested*	17	–	–	–	–	(6.8)	(6.8)	–	(6.8)
Equity–settled transactions	17	–	–	–	–	17.5	17.5	–	17.5
Income tax on equity–settled transactions	6	–	–	–	–	1.7	1.7	–	1.7
Total contributions by and distributions to the owners of the company		**-**	**-**	**-**	**-**	**(110.2)**	**(110.2)**	**(18.9)**	**(129.1)**
At 31 December 2017		**1.6**	**257.8**	**(13.8)**	**4.3**	**459.8**	**709.7**	**34.5**	**744.2**

* 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 2017	Notes	2017 £m	2016 £m
Cash flows from operating activities			
Profit for the year	2	**306.4**	271.6
Adjustments for:			
Depreciation charge	8	81.2	76.4
Amortisation of software	9	12.2	13.1
Amortisation of acquisition intangibles	9	16.0	14.0
Impairment of goodwill and other assets	8,9	18.2	–
Equity-settled transactions	17	17.5	16.6
Net financing costs	14	29.4	22.4
Income tax expense	6	86.9	75.5
(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		(0.8)	(0.1)
Operating cash flows before changes in working capital and operating provisions		**567.0**	491.5
Change in inventories		(0.5)	–
Change in trade and other receivables		(22.7)	28.8
Change in trade and other payables		46.0	21.9
Change in provisions		(7.8)	4.0
Special contributions into pension schemes	16	(2.8)	(2.8)
Cash generated from operations		**579.2**	543.4
Interest and other finance expense paid		(28.3)	(29.7)
Income taxes paid		(100.8)	(94.1)
Net cash flows generated from operating activities*		**450.1**	419.6
Cash flows from investing activities			
Proceeds from sale of property, plant, equipment and software*		3.2	3.0
Interest received*		1.2	1.0
Acquisition of subsidiaries, net of cash acquired	10	(27.4)	(34.8)
Consideration paid in respect of prior year acquisitions	13	(7.8)	(2.0)
Sale/(purchase) of Subsidiary		–	2.0
(Purchase)/sale of Associate		–	(3.4)
Acquisition of property, plant, equipment and software*	8,9	(112.9)	(105.5)
Net cash flows used in investing activities		**(143.7)**	(139.7)
Cash flows from financing activities			
Purchase of own shares	15	(15.6)	(6.4)
Tax paid on share awards vested		(6.8)	(5.2)
Drawdown of borrowings		–	0.2
Repayment of borrowings		(151.3)	(170.5)
Dividends paid to non-controlling interest	20	(18.7)	(16.3)
Equity dividends paid	15	(107.0)	(88.0)
Net cash flow used in financing activities		**(299.4)**	(286.2)
Net increase/(decrease) in cash and cash equivalents	14	7.0	(6.3)
Cash and cash equivalents at 1 January	14	158.8	116.0
Exchange adjustments	14	(29.9)	49.1
Cash and cash equivalents at 31 December	14	**135.9**	158.8

The notes on pages 109 to 151 are an integral part of these consolidated financial statements.

Cash outflow relating to Separately Disclosed Items was £16.9m for year ended 31 December 2017 (2016: £21.9m).

Free cash flow of £341.6m (2016: £318.1m) comprises the asterisked items in the above consolidated Statement of Cash Flows.

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 2017 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 152 to 156.

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, and are currently still under review.

IFRS 9 *Financial Instruments* (effective 1 January 2018) – management has completed its analysis of this standard, and identified the following areas of note, though its adoption is not expected to have a material impact. The Group intends to apply the limited exemption in IFRS 9, and will elect not to restate comparative information in the year of initial adoption. As a result, the comparative information provided will, continue to be accounted for in accordance with the Group's previous accounting policy.

- *Classification and measurement of financial assets* – the Group's financial assets comprise trade receivables, accrued income and cash and cash equivalents. The disclosures relating to both trade receivables, accrued income and cash and cash equivalents continue to be applicable and will not be affected by the adoption of IFRS 9. There are no changes to the measurement of financial assets.
- *Impairment of financial assets, by introducing a forward-looking expected loss impairment model* – the Group's primary types of financial assets subject to IFRS 9's new expected credit loss model are trade receivables and accrued income. For trade receivables and accrued income, the Group is expecting to apply the simplified approach permitted by IFRS 9, which requires the use of the lifetime expected loss provision for all receivables. There is no material change expected to the impairment provision of receivables.
- *Hedge accounting* – the Group intends to continue to apply its current IAS 39 accounting and will provide the additional IFRS 7 disclosures required for taking that option.

IFRS 15 *Revenue from contracts with customers* (effective 1 January 2018) – management has completed its analysis of this standard and its adoption is not expected to have a material impact on the timing of revenue recognition based on the Group's current revenue streams. Specifically, the Group's revenue streams are two-fold:

- 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 or test/inspection certificate is issued. The adoption of IFRS 15 has no material impact on the recognition of such revenue.
- On long-term projects the Group records transactions as revenue 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:
  - time incurred is billed at agreed rates on a periodic basis, such as monthly – the current recognition approach is based on timesheets evidencing work done – this is consistent with the "over time" recognition criteria under IFRS 15 using those timesheets as the input basis; or
  - staged payment invoicing occurs, requiring an assessment of percentage completion, based on services provided and revenue accrued accordingly – assessment of percentage completion will continue in the same way – this is in line with the "over time" recognition under IFRS 15.

IFRS 16 *Leases* (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. Management intends to apply the modified retrospective method of transition and will continue to determine the most appropriate treatment under that method on a lease-by-lease basis.

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 will have a material impact on the balance sheet as both assets and liabilities will increase, and 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.

NOTES TO THE FINANCIAL STATEMENTS
continued

1 Significant accounting policies (continued)

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 2017, but do not have a material effect on the consolidated financial statements of the Group.

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

BASIS OF CONSOLIDATION

Subsidiaries
Subsidiaries are those entities controlled by the Group. Control exists when the Group has power to direct the relevant activities, exposure to variable returns from the investee and the ability to use its power over the investee to affect the amount of investor returns. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

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

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

FOREIGN CURRENCY

Foreign currency transactions
Transactions in foreign currencies are translated to the respective functional currencies of Group entities at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities (for example cash, trade receivables, trade payables) denominated in foreign currencies at the reporting date are translated at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are generally recognised in the income statement. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. For the policy on hedging of foreign currency transactions see note 14.

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 2017**	**31 Dec 2016**	**2017**	**2016**
US dollar	**1.34**	1.22	**1.29**	1.35
Euro	**1.13**	1.17	**1.14**	1.23
Chinese renminbi	**8.79**	8.51	**8.72**	8.98
Hong Kong dollar	**10.47**	9.49	**10.05**	10.52
Australian dollar	**1.72**	1.70	**1.68**	1.83

1 Significant accounting policies (continued)

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.

During the year, management reassessed its critical estimates and judgements and resolved that the following disclosure was no longer considered critical, as management does not expect there to be a significant risk of material change to the carrying value of those liabilities within the next year.

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.

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 re-assessment of the uncertain tax provisions for the full year and re-assessment of the recognition and recoverability 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 the power to direct the relevant activities, whether it has exposure to variable returns from the investee and whether it has power over the investee to affect the amount of investor returns. Our original assessments are subsequently revisited on a rolling basis – see 'Basis of Consolidation' policy.

Intangible assets

When the Group makes an acquisition, e.g. KJ Tech Services GmbH and Acumen Security LLC in 2017, management determines initially whether any intangible assets should be recognised separately from goodwill, and the provisional amounts at which to recognise those assets. During the first 12 months of ownership, intangible assets are reviewed to determine whether any additional information exists that supports amendments to that original assessment, including new intangible assets. Management has performed this subsequent review for FIT Italia SRL, EWA-Canada, Ltd and Laboratorios ABC Quimica, Investigación y Análisis, S.A. de C.V during the current year – 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 as to whether it meets the Group definition of this SDI, including an estimate of future costs and the timing of completion – see note 3.

Claims

In making provision for claims, management has used its judgement to assess 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.

NOTES TO THE FINANCIAL STATEMENTS
continued

1 Significant accounting policies (continued)

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 significant material adjustment to the carrying amount of assets and liabilities within the next financial year.

Impairment of goodwill

Following recognition of goodwill as a result of acquisitions, the Group determines, as a minimum on an annual basis, whether goodwill is impaired, which requires an estimation of the future cash flows of the cash generating units to which the goodwill is allocated, as well as assumptions on long-term growth rates and discount rates – 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 and at subsequent reporting periods, 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. Further details and sensitivity analysis are included in note 10.

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. Further details and sensitivity analysis are included in 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 debts have remained unpaid. Further details are included in note 11.

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

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

2 Operating segments and presentation of results

ACCOUNTING POLICY

Revenue

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

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

On long-term projects the Group records transactions as sales on the basis of value of work done, with the corresponding amount being included in trade receivables if the customer has been invoiced or in accrued income if billing has yet to be completed. Long-term projects consist of two main types: (a) time incurred is billed at agreed rates on a periodic basis, such as monthly; or (b) staged payment invoicing occurs, requiring an assessment of percentage completion, based on services provided and revenue accrued accordingly.

Expenses are recharged to clients where permitted by the contract. Payments received in advance from customers are recognised in deferred income where services have not yet been rendered.

OPERATING SEGMENTS

The Group is organised into business lines, which are the Group's operating segments and are reported to the CEO, the chief operating decision maker.

These operating segments are aggregated into three divisions, which are the Group's reportable segments, based on similar nature of products and services and mid- to long-term structural growth drivers. 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 division consists 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 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 third 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 AgriWorld 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 from exploration and resource development, through to production, shipping and commercial settlement.

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 2017 are shown below:

Year ended 31 December 2017

	Revenue from external customers £m	Depreciation and software amortisation* £m	Adjusted operating profit £m	Separately Disclosed Items £m	Operating profit £m
Products	1,625.5	(60.3)	350.5	(15.0)	335.5
Trade	647.8	(19.9)	88.7	(5.9)	82.8
Resources	495.8	(13.2)	28.5	(24.1)	4.4
Total	**2,769.1**	**(93.4)**	**467.7**	**(45.0)**	**422.7**
Group operating profit			**467.7**	**(45.0)**	**422.7**
Net financing costs			(28.9)	(0.5)	(29.4)
Profit before income tax			**438.8**	**(45.5)**	**393.3**
Income tax expense			(107.5)	20.6	(86.9)
Profit for the year			**331.3**	**(24.9)**	**306.4**

* Depreciation and software amortisation of £93.4m includes unallocated charges of £nil.

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.

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	
	2017 £m	2016 £m	2017 £m	2016 £m
United States	863.3	836.1	583.4	648.5
China (including Hong Kong)	528.4	485.0	55.0	61.5
United Kingdom	183.0	173.7	106.5	105.1
Other countries and unallocated	1,194.4	1,072.2	433.8	413.5
Total	**2,769.1**	2,567.0	**1,178.7**	1,228.6

MAJOR CUSTOMERS

No revenue from any individual customer exceeded 10% of total Group revenue in 2016 or 2017.

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 market or fair value gains or losses on financial assets or liabilities, including contingent consideration.

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 identified as part of the Group's strategy that are not expected to recur in those operations. The impairment of goodwill and other assets that by their nature or size are not expected to recur; 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 to provide useful information regarding the underlying performance of the Group's operations.

SEPARATELY DISCLOSED ITEMS

The Separately Disclosed Items are described in the table below:

		2017 £m	2016 £m
Operating costs:			
Amortisation of acquisition intangibles	(a)	(16.0)	(14.0)
Acquisition costs	(b)	(3.2)	(2.8)
Restructuring costs	(c)	(12.4)	(21.4)
Loss on disposal of businesses	(d)	–	(2.0)
Impairment of goodwill and other assets	(e)	(16.8)	–
Material claims and settlements	(f)	3.4	–
Total operating costs		**(45.0)**	(40.2)
Net financing costs	(g)	(0.5)	–
Total before income tax		**(45.5)**	(40.2)
Income tax credit on Separately Disclosed Items		20.6	22.5
Total		**(24.9)**	(17.7)

(a) Of the amortisation of acquisition intangibles in the current year, £4.1m (2016: £3.9m) relates to the customer contracts and customer relationships acquired with the purchase of Moody International Limited ('Moody') in 2011, and £5.1m (2016: £5.0m) relates to the customer relationships acquired with the purchase of PSI Group in 2015.

(b) Acquisition costs comprise £3.6m (2016: £2.5m) for transaction costs in respect of successful, active and aborted acquisitions in the current year, and £0.4m income in respect of prior years' acquisitions (2016: £0.3m cost).

(c) During the year, the Group has implemented various fundamental restructuring activities, consistent with the Group's 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) £2.0m of small non-core businesses were disposed of in 2016.

(e) Consistent with the corporate 5x5 strategy objective of "Superior Technology" announced in 2016, the Group has recorded an impairment of other assets of £8.0m (2016: £nil) following a comprehensive strategic review of the Global IT organisation structure and system finalised in April 2017. This review resulted in restructuring costs of £0.5m included above and £8.0m in relation to the impairment of assets respectively. In addition, £8.8m (2016: £nil) of plant and equipment was impaired in full, related to a specific service line in the Resources division that is no longer an area of focus for the Group.

(f) Material claims and settlements relate to a commercial claim that is separately disclosable due to its size.

(g) Net financing costs of £0.5m (2016: £nil) relate to the change in fair value of contingent consideration and the unwinding of discount on put options related to acquisitions.

NOTES TO THE FINANCIAL STATEMENTS continued

4 Expenses and auditor's remuneration

An analysis of operating costs by nature is outlined below:

	2017 £m	2016 £m
Employee costs	1,220.8	1,140.6
Depreciation and software amortisation	93.4	89.5
Impairment of goodwill and other assets	18.2	–
Other expenses	1,014.0	967.4
Total	**2,346.4**	2,197.5

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

	2017 £m	2016 £m
Included in profit for the year are the following expenses:		
Property rentals	81.4	76.6
Lease and hire charges – fixtures, fittings and equipment	24.5	21.2
Profit on disposal of property, fixtures, fittings, equipment and software	(0.8)	(0.1)

	2017 £m	2016 £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	3.1	2.6
Total audit fees payable pursuant to legislation	3.6	3.1
Audit-related services	0.2	0.1
Taxation compliance services	–	0.1
Taxation advisory services	–	–
Other	–	–
Total	**3.8**	3.3

5 Employees

Total employee costs are shown below:

Employee costs	2017 £m	2016 £m
Wages and salaries	1,037.7	971.9
Equity-settled transactions	17.4	15.2
Social security costs	115.6	108.3
Pension costs (note 16)	50.1	45.2
Total employee costs	**1,220.8**	1,140.6

Details of pension arrangements and equity-settled transactions are set out in notes 16 and 17 respectively.

Average number of employees by division	2017	2016
Products	23,164	22,427
Trade	10,171	9,468
Resources	7,970	7,598
Central	2,001	2,078
Total average number for the year ended 31 December	**43,306**	41,571
Total actual number at 31 December	**43,906**	42,452

The total remuneration of the Directors is shown below:

Directors' emoluments	2017 £m	2016 £m
Directors' remuneration	9.4	7.3
Amounts charged under the long-term incentive scheme	6.0	0.1
Company contributions to the defined contribution schemes	–	–
Total Directors' emoluments	**15.4**	7.4

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 12 months ended 31 December 2017 is £86.9m (2016: £75.5m). The Group's consolidated effective tax rate for the 12 months ended 31 December 2017 is 22.1% (2016: 21.8%).

The income tax expense for the adjusted profit before tax for the 12 months ended 31 December 2017 is £107.5m (2016: £98.0m). The Group's adjusted consolidated effective tax rate for the 12 months ended 31 December 2017 is 24.5% (2016: 25.3%).

Differences between the consolidated effective tax rate of 22.1% and notional statutory UK rate of 19.25% include, but are not limited to: the mix of profits; the effect of tax rates in foreign jurisdictions; non-deductible expenses; the effect of utilised tax losses; and under/over provisions in previous periods.

The Group receives tax incentives in certain jurisdictions, resulting in a lower tax charge to the income statement. Without these incentives the adjusted effective tax rate would be 27.0% (2016: 28.0%). 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).

The new US tax legislation is complex and wide-ranging. Whilst we anticipate that there will be no material effect on the Group's adjusted effective tax rate for the year 31 December 2018 and subsequent years, the impact of the legislation has been estimated at 31 December 2017 and may be further refined prior to 31 December 2018 and subsequent years. For the year 31 December 2017, we have a one-off benefit on the remeasurement of our deferred tax liabilities in respect of intangibles and other assets for the change in the US Federal tax rate from 35% to 21%. Without this benefit, the adjusted effective tax rate would be 25.5% and the consolidated effective tax rate would be 25.3%.

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:

	2017 £m	2016 £m
Current tax charge for the period	94.3	86.4
Adjustments relating to prior year liabilities	(0.2)	(0.3)
Current tax	94.1	86.1
Deferred tax movement related to current year	(9.2)	(0.9)
Deferred tax movement related to prior year	2.0	(9.7)
Deferred tax movement	(7.2)	(10.6)
Total tax in income statement	**86.9**	75.5
Tax on adjusted result	107.5	98.0
Tax on Separately Disclosed Items	(20.6)	(22.5)
Total tax in income statement	**86.9**	75.5

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.

	2017 £m	2016 £m
Profit before taxation	**393.3**	347.1
Notional tax charge at UK standard rate 19.25% (2016: 20.0%)	75.7	69.4
Differences in overseas tax rates	17.6	11.0
Tax on dividends	12.1	10.1
Non-deductible expenses	4.4	4.7
Tax exempt income	(4.5)	(5.6)
US change in tax rate impact[1]	(12.5)	–
Movement in unrecognised deferred tax	(6.5)	(1.7)
Adjustments in respect of prior years	1.8	(10.1)
Other[2]	(1.2)	(2.3)
Total tax in income statement	**86.9**	75.5

1. Of the £12.5m in 2017 relating to the impact of the US tax rate change, £7.5m has been recorded in SDIs, which is where the underlying cost/income driving the associated deferred tax has also been recorded.
2. The Other category contains R&D tax credits of £1.2m (2016: £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 2017 £m	Tax charge 2017 £m	Net of tax 2017 £m	Before tax 2016 £m	Tax credit 2016 £m	Net of tax 2016 £m
Foreign exchange translation differences of foreign operations	(107.3)	–	(107.3)	279.5	–	279.5
Net exchange gain/(loss) on hedges of net investments in foreign operations	77.3	–	77.3	(194.1)	–	(194.1)
(Loss)/gain on fair value of cash flow hedges	(16.4)	–	(16.4)	14.3	–	14.3
Remeasurements on defined benefit pension schemes	12.6	–	12.6	(5.2)	–	(5.2)
Deferred tax assets recognised in other comprehensive income	–	(1.7)	(1.7)	–	2.8	2.8
Total other comprehensive (expense)/income for the year	**(33.8)**	**(1.7)**	**(35.5)**	94.5	2.8	97.3

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 2017 £m	Tax credit 2017 £m	Net of tax 2017 £m	Before tax 2016 £m	Tax credit 2016 £m	Net of tax 2016 £m
Equity-settled transactions	**17.5**	**1.7**	**19.2**	16.6	0.5	17.1

DEFERRED TAX

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets 2017 £m	Assets 2016 £m	Liabilities 2017 £m	Liabilities 2016 £m	Net 2017 £m	Net 2016 £m
Intangible assets	0.8	0.8	(52.7)	(72.0)	(51.9)	(71.2)
Property, fixtures, fittings and equipment	11.6	9.9	(8.7)	(15.3)	2.9	(5.4)
Pensions	3.2	1.4	–	–	3.2	1.4
Equity-settled transactions	8.2	6.0	–	–	8.2	6.0
Provisions and other temporary differences	42.5	46.5	(4.5)	(2.6)	38.0	43.9
Tax value of losses	11.6	24.9	–	–	11.6	24.9
Total	**77.9**	89.5	**(65.9)**	(89.9)	**12.0**	(0.4)
As shown on balance sheet:						
Deferred tax assets*					59.4	48.3
Deferred tax liabilities*					(47.4)	(48.7)
Total					**12.0**	(0.4)

* 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 £18.5m, but the net asset of £12.0m 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 2017 £m	Exchange adjustments £m	Acquisitions £m	Recognised in income statement £m	Recognised in equity and OCI £m	31 December 2017 £m
Intangible assets	(71.2)	4.8	(3.4)	17.9	–	(51.9)
Property, fixtures, fittings and equipment	(5.4)	0.6	–	7.7	–	2.9
Pensions	1.4	–	–	0.8	1.0	3.2
Equity-settled transactions	6.0	–	–	0.4	1.8	8.2
Provisions and other temporary differences	43.9	1.6	–	(6.5)	(1.0)	38.0
Tax value of losses	24.9	(0.6)	–	(13.1)	0.4	11.6
Total	(0.4)	6.4	(3.4)	7.2	2.2	**12.0**

	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)

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:

	2017 £m	2016 £m
Property, fixtures, fittings and equipment	36.0	46.6
Pensions	–	23.9
Intangibles	27.6	24.6
Equity-settled transactions	–	–
Provisions and other temporary differences	12.3	15.0
Tax losses	65.9	77.8
Total	**141.8**	187.9

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

There is a temporary difference of £240.0m (2016: £296.2m) 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.

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:

	2017 £m	2016 £m
Profit attributable to ordinary shareholders	287.4	255.0
Separately Disclosed Items after tax (note 3)	24.9	17.7
Adjusted earnings	**312.3**	272.7
Number of shares (millions)		
Basic weighted average number of ordinary shares	160.9	160.9
Potentially dilutive share awards	2.1	1.7
Diluted weighted average number of shares	**163.0**	162.6
Basic earnings per share	**178.6p**	158.5p
Potentially dilutive share awards	(2.3)p	(1.7)p
Diluted earnings per share	**176.3p**	156.8p
Adjusted basic earnings per share	**194.1p**	169.5p
Potentially dilutive share awards	(2.5)p	(1.8)p
Adjusted diluted earnings per share	**191.6p**	167.7p

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 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
Cost			
At 1 January 2017	98.3	1,079.6	1,177.9
Exchange adjustments	(3.8)	(62.7)	(66.5)
Additions	0.1	91.6	91.7
Disposals	(0.2)	(21.5)	(21.7)
Businesses acquired (note 10)	–	0.6	0.6
At 31 December 2017	**94.4**	**1,087.6**	**1,182.0**
Depreciation			
At 1 January 2017	29.5	705.1	734.6
Exchange adjustments	(2.2)	(43.1)	(45.3)
Charge for the year	3.4	77.8	81.2
Impairments	–	10.2	10.2
Disposals	0.2	(19.5)	(19.3)
At 31 December 2017	**30.9**	**730.5**	**761.4**
Net book value at 31 December 2017	**63.5**	**357.1**	**420.6**

Consistent with the corporate 5x5 strategy objectives announced in 2016, the Group has recorded an impairment of £8.8m of plant and equipment related to a specific service line in the Resources division that was impaired in full and £1.4m relates to computer hardware.

Fixtures, fittings, plant and equipment include assets in the course of construction of £30.3m at 31 December 2017 (2016: £26.9m), 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:

	2017 £m	2016 £m
Freehold	58.4	62.7
Long leasehold	1.8	2.4
Short leasehold	3.3	3.7
Total	**63.5**	68.8

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 2017 £m	Other 2017 £m	Total 2017 £m	Land and buildings 2016 £m	Other 2016 £m	Total 2016 £m
Within one year	73.5	8.0	81.5	65.2	6.1	71.3
In the second to fifth years inclusive	129.0	9.2	138.2	119.9	8.1	128.0
Over five years	80.2	0.8	81.0	74.0	0.8	74.8
Total	**282.7**	**18.0**	**300.7**	259.1	15.0	274.1

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 £8.0m (2016: £4.6m).

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:

	Goodwill £m	Other intangible assets				
		Customer relationships £m	Licences £m	Other acquisition intangibles £m	Computer software £m	Total £m
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
Cost						
At 1 January 2017	1,138.6	351.1	9.4	18.9	167.5	546.9
Exchange adjustments	(60.5)	(30.0)	(0.4)	12.4	(12.9)	(30.9)
Additions	–	4.9	–	–	21.2	26.1
Disposal	–	(0.1)	–	–	(1.4)	(1.5)
Businesses acquired (note 10)	28.1	5.2	–	0.7	0.1	6.0
At 31 December 2017	**1,106.2**	**331.1**	**9.0**	**32.0**	**174.5**	**546.6**
Amortisation and impairment losses						
At 1 January 2017	552.5	238.3	9.4	18.4	82.0	348.1
Exchange adjustments	(25.9)	(9.0)	(0.4)	0.2	(5.4)	(14.6)
Charge for the year	–	14.5	–	1.5	12.2	28.2
Disposal	–	–	–	–	(1.3)	(1.3)
Impairment	–	–	–	–	8.0	8.0
At 31 December 2017	**526.6**	**243.8**	**9.0**	**20.1**	**95.5**	**368.4**
Net book value at 31 December 2017	**579.6**	**87.3**	–	**11.9**	**79.0**	**178.2**

Other intangible assets

The other acquisition intangibles of £11.9m (2016: £0.5m) consist of covenants not to compete and know-how. The average remaining amortisation period for customer relationships is six years (2016: seven years).

Computer software net book value of £79.0m at 31 December 2017 (2016: £85.5m) includes software in construction of £38.5m (2016: £32.0m).

Goodwill

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

	2017 £m	2016 £m
Products	29.0	15.0
Trade	(0.9)	14.3
Resources	–	–
At 31 December	**28.1**	29.3

NOTES TO THE FINANCIAL STATEMENTS
continued

9 Goodwill and other intangible assets (continued)

Goodwill (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.

	2017 £m	2016 £m
Industry Services	14.7	15.8
Business Assurance	12.4	12.2
Food & Agriculture Services	17.3	17.1
Cargo & Analytical Assessment	52.6	54.6
Government & Trade Services	0.8	0.9
Minerals	39.7	40.7
Softlines	6.3	6.2
Hardlines	5.5	5.8
Product Assurance	3.9	4.3
Electrical & Wireless	88.6	71.6
Transportation Technologies	43.1	38.5
Building & Construction	215.3	235.9
Chemicals & Pharma/Health, Environmental & Regulatory	79.4	82.5
Net book value at 31 December*	**579.6**	586.1

* 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% (2016: 1.7% to 2.5%). 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 9.6% to 11.9% (2016: 9.5% to 12.4%).

Sensitivity analysis

None of the reasonable downside sensitivity scenarios on key assumptions would cause the carrying amount of each CGU to exceed its recoverable amount. The sensitivities modelled by management include:

(i) Assuming revenues decline each year by 1% in 2019 to 2022 from the 2018 budgeted revenues, with margins increasing with base assumptions.

(ii) Assuming zero growth in operating profit margins in 2018 to 2022 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 2017

On 31 March 2017, the Group acquired KJ Tech Services GmbH ("KJ Tech"), a leading provider of vehicle, component and fuel testing services based in Germany, for an estimated purchase price of £12.8m (£12.5m net of cash acquired), generating goodwill of £7.6m.

On 8 December 2017, the Group acquired Acumen Security LLC ("Acumen"), a leading provider of Security Certification solutions for products, headquartered in Maryland, USA, for an estimated purchase price of £25.7m (£23.9m net of cash acquired), generating goodwill of £23.4m.

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.

Acumen Security LLC	2017		
Total	**Book value prior to acquisition £m**	**Provisional fair value adjustments £m**	**Fair value to Group on acquisition £m**
Property, plant and equipment	–	–	–
Goodwill	–	23.4	23.4
Other intangible assets	–	–	–
Trade and other receivables	0.8	–	0.8
Trade and other payables	(0.3)	–	(0.3)
Deferred tax liabilities	–	–	–
Net assets acquired	**0.5**	**23.4**	**23.9**

KJ Tech Services GmbH	2017		
Total	**Book value prior to acquisition £m**	**Provisional fair value adjustments £m**	**Fair value to Group on acquisition £m**
Property, plant and equipment	0.6	-	0.6
Goodwill	–	7.6	7.6
Other intangible assets	0.1	5.9	6.0
Trade and other receivables	0.6	–	0.6
Trade and other payables	(0.3)	–	(0.3)
Deferred tax liabilities	–	(2.0)	(2.0)
Net assets acquired	**1.0**	**11.5**	**12.5**

Goodwill and intangible assets

The total goodwill arising on acquisitions made during 2017 was £31.0m. Goodwill in respect of 2016 acquisitions decreased by £2.9m. 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 £6.0m primarily represent the value placed on customer relationships and the deferred tax thereon was £2.0m.

Consideration paid

The total cash consideration paid for the acquisitions in the year was £29.5m (2016: £35.5m), with further contingent consideration payable of £9.0m which is recognised in note 13. Cash consideration includes cash and debt acquired of £2.1m. The estimated purchase price net of cash and debt acquired was £36.4m.

Contribution of acquisitions to revenue and profits

In total acquisitions made during 2017 contributed revenues of £4.8m and a net profit after tax of £0.4m from their respective dates of acquisition to 31 December 2017. The Group revenue and profit after tax for the year ended 31 December 2017 would have been £2,775.6m and £308.5m respectively if all the acquisitions were assumed to have been made on 1 January 2017.

Key assumptions

The key assumptions in deriving the contingent consideration to be recognised include the weighted probability of making a payout (assessed as being between 50% to 100%) and the discount rate used to bring the cash flow back to present values. The discount rates used for the calculation are aligned with the discount rates used for impairment purposes as set out in Note 9.

Sensitivity analysis

It is estimated that an increase of 1% in the discount rate used to calculate the contingent consideration would have decreased the financial liability by £0.3m, and a 1% decrease in the discount rate would have increased the financial liability by £0.3m. It has also been estimated that an increase of 10% in the probability used to calculate the contingent consideration would have increased the financial liability by £1.5m, whilst a decrease of 10% in the probability used would have decreased the financial liability by £1.7m.

NOTES TO THE FINANCIAL STATEMENTS
continued

10 Acquisitions (continued)

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 11 November 2016, the Group entered into an agreement with Laboratorios ABC Quimica, Investigación y Análisis, 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. 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. Cash consideration for these two ventures was £17.9m (£17.3m net of cash acquired) generating goodwill of £15.5m.

The fair value adjustments 12 months from the date of acquisition were:

EWA-Canada Ltd	2017			2016		
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	0.7	–	0.7	0.7	–	0.7
Goodwill	–	16.8	16.8	–	18.8	18.8
Other intangible assets	–	9.5	9.5	–	6.3	6.3
Trade and other receivables	3.0	–	3.0	3.0	–	3.0
Trade and other payables	(2.1)	–	(2.1)	(2.1)	–	(2.1)
Deferred tax liabilities	–	(2.6)	(2.6)	–	(1.7)	(1.7)
Net assets acquired	**1.6**	**23.7**	**25.3**	1.6	23.4	25.0

Other acquisitions	2017			2016		
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	3.4	(0.7)	2.7	3.4	–	3.4
Goodwill	–	14.6	14.6	–	15.5	15.5
Other intangible assets	–	6.1	6.1	–	4.4	4.4
Trade and other receivables	3.8	(0.8)	3.0	3.8	(2.0)	1.8
Trade and other payables	(2.5)	(4.1)	(6.6)	(2.5)	(3.0)	(5.5)
Provisions for liabilities and charges	(0.2)	–	(0.2)	(0.2)	–	(0.2)
Deferred tax liabilities	–	(1.3)	(1.3)	–	(1.0)	(1.0)
Attributable to non-controlling interest	(1.1)	0.1	(1.0)	(1.1)	–	(1.1)
Net assets acquired	**3.4**	**13.9**	**17.3**	3.4	13.9	17.3

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.

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 for trade receivables over 12 months old that are considered likely to be irrecoverable, 25% of balances 6 to 12 months old and specific provision for known doubtful debts regardless of age. 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, after which the trade receivable is written off.

TRADE AND OTHER RECEIVABLES

Trade and other receivables are analysed below:

	2017 £m	2016 £m
Trade receivables	469.5	472.8
Other receivables	51.3	60.0
Prepayments and accrued income	120.9	118.9
Fixed assets held for resale	–	0.1
Total trade and other receivables	**641.7**	651.8

Trade receivables are shown net of an allowance for impairment losses of £24.0m (2016: £23.9m) and are all expected to be recovered within 12 months. Impairment on trade receivables charged as part of operating costs was £8.8m (2016: £8.6m).

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

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

	2017 £m	2016 £m
Under 3 months	397.0	399.9
Between 3 and 6 months	47.4	49.0
Between 6 and 12 months	19.2	27.5
Over 12 months	29.9	20.3
Gross trade receivables	**493.5**	496.7
Allowance for impairment	(24.0)	(23.9)
Trade receivables, net of allowance	**469.5**	472.8

Included in trade receivables under three months of £397.0m (2016: £399.9m) are trade receivables of £340.6m (2016: £349.2m) that are not yet due for payment.

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

Impairment allowance for doubtful trade receivables	2017 £m	2016 £m
At 1 January	23.9	20.0
Exchange differences	(2.0)	3.1
Impairment loss recognised	8.8	8.6
Receivables written off	(6.7)	(7.8)
At 31 December	**24.0**	23.9

Sensitivity analysis

The remaining unprovided amount of receivables is £14.4m for receivables between 6 and 12 months old and £10.7m for receivables over 12 months old. The total amount of these receivables was not impaired because, having given consideration to the nature of the receivables and their historical collection, recovery of the unprovided amount is expected in due course.

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 SDIs as a finance charge.

TRADE AND OTHER PAYABLES

Trade and other payables are analysed below:

	Current 2017 £m	Current 2016 £m	Non-current 2017 £m	Non-current 2016 £m
Trade payables	126.7	107.3	–	–
Other payables	45.5	25.5	17.5	26.1
Accruals and deferred income	280.0	274.0	4.1	7.6
Total trade and other payables	**452.2**	406.8	**21.6**	33.7

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 2017	13.8	19.5	14.5	47.8
Exchange adjustments	(0.1)	(0.3)	(0.7)	(1.1)
Provided in the year:	–	4.8	15.3	20.1
in respect of current year acquisitions	9.5	–	–	9.5
in respect of prior year acquisitions	0.3	–	–	0.3
Released during the year	(1.0)	(5.3)	(1.4)	(7.7)
Utilised during the year	(7.8)	(4.7)	(15.1)	(27.6)
At 31 December 2017	**14.7**	**14.0**	**12.6**	**41.3**
Included in:				
Current liabilities	5.6	14.0	12.6	32.2
Non-current liabilities	9.1	–	–	9.1
At 31 December 2017	**14.7**	**14.0**	**12.6**	**41.3**

The maximum contingent consideration, on a discounted basis, that could be paid in relation to acquisitions is £21.7m.

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 £14.0m (2016: £19.5m) 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 £12.6m (2016: £14.5m) 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; unrealised market or fair value gains or losses on financial assets or liabilities, including contingent consideration; 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 remeasurement 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	2017 £m	2016 £m
Finance income		
Interest on bank balances	1.2	0.9
Total finance income	**1.2**	0.9
Finance expense		
Interest on borrowings	(24.8)	(26.7)
Net pension interest cost (note 16)	(0.7)	(0.8)
Foreign exchange differences on revaluation of net monetary assets and liabilities	(2.0)	5.7
Facility fees and other*	(3.1)	(1.5)
Total finance expense*	**(30.6)**	(23.3)
Net financing costs*	**(29.4)**	(22.4)

* Includes £0.5m (2016: £nil) relating to SDIs.

Analysis of net debt

	2017 £m	2016 £m
Cash and cash equivalents per the Statement of Financial Position	137.0	175.6
Overdrafts	(1.1)	(16.8)
Cash per the Statement of Cash Flows	**135.9**	158.8

The components of net debt are outlined below:

	1 January 2017 £m	Cash flow £m	Non-cash movements £m	Exchange adjustments £m	31 December 2017 £m
Cash	158.8	7.0	–	(29.9)	**135.9**
Borrowings:					
Revolving credit facility US$800m 2021	(242.2)	73.8	–	14.5	(153.9)
Bilateral term loan facilities US$100m 2018	(81.8)	–	–	7.2	(74.6)
Senior notes US$100m 2017	(81.8)	75.1	–	6.7	–
Senior notes US$20m 2019	(16.4)	–	–	1.4	(15.0)
Senior notes US$150m 2020	(122.7)	–	–	10.7	(112.0)
Senior notes US$15m 2021	(12.2)	–	–	1.1	(11.1)
Senior notes US$140m 2022	(114.5)	–	–	10.0	(104.5)
Senior notes US$40m 2023	(32.7)	–	–	2.9	(29.8)
Senior notes US$125m 2024	(102.3)	–	–	8.9	(93.4)
Senior notes US$40m 2025	(32.7)	–	–	2.8	(29.9)
Senior notes US$75m 2026	(61.3)	–	–	5.4	(55.9)
Other*	(1.9)	2.4	(0.7)	0.3	0.1
Total borrowings	(902.5)	151.3	(0.7)	71.9	**(680.0)**
Total net debt	(743.7)	158.3	(0.7)	42.0	**(544.1)**

* Other borrowings of £2.1m (2016: £4.8m) and facility fees.

14 Borrowings and financial instruments (continued)

	1 January 2016 £m	Cash flow £m	Non-cash movements £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)	2.4	(0.6)	(0.3)	(1.9)
Total borrowings	(891.4)	170.3	(0.6)	(180.8)	(902.5)
Total net debt	(775.4)	164.0	(0.6)	(131.7)	(743.7)

BORROWINGS

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

	Current 2017 £m	Current 2016 £m	Non-current 2017 £m	Non-current 2016 £m
Senior term loans and notes	73.9	81.8	604.0	815.9
Other borrowings	2.1	4.8	–	–
Total borrowings	**76.0**	86.6	**604.0**	815.9

Analysis of debt	2017 £m	2016 £m
Debt falling due:		
In one year or less	76.0	86.6
Between one and two years	14.2	81.1
Between two and five years	380.9	391.3
Over five years	208.9	343.5
Total borrowings	**680.0**	902.5

Description of borrowings

Total undrawn committed borrowing facilities as at 31 December 2017 were £443.2m (2016: £412.0m).

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 July 2021. Advances under the facility bear interest at a rate equal to LIBOR, or their local currency equivalent, plus a margin, depending on the Group's leverage. Drawings under this facility at 31 December 2017 were £153.9m (2016: £242.2m).

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 2017 were £74.6m (2016: £81.8m).

NOTES TO THE FINANCIAL STATEMENTS
continued

14 Borrowings and financial instruments (continued)

BORROWINGS (CONTINUED)

Private placement bonds

In December 2010 the Group issued US$250m of senior notes. These notes were issued in two tranches with US$100m repaid on 15 December 2017 at a fixed annual interest rate of 3.2% 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 38.

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:

	2017 £m	2016 £m
Trade receivables, net of allowance (note 11)	469.5	472.8
Cash and cash equivalents	135.9	158.8
Total	**605.4**	631.6

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

	2017 £m	2016 £m
Asia Pacific	127.1	131.5
Americas	180.6	180.4
Europe, Middle East and Africa	161.8	160.9
Total	**469.5**	472.8

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 2017):

2017	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	677.9	777.4	10.5	85.1	164.8	327.5	189.5
Other loans	2.1	2.1	–	2.1	–	–	–
Trade payables (note 12)	126.7	126.7	122.1	2.9	1.3	0.3	0.1
Put option liability over non-controlling interest	8.7	9.2	–	–	–	9.2	–
	815.4	**915.4**	**132.6**	**90.1**	**166.1**	**337.0**	**189.6**
Derivative financial liabilities/ (assets)							
Forward exchange contracts:							
Outflow	–	440.9	440.9	–	–	–	–
Inflow	(1.0)	(441.9)	(441.9)	–	–	–	–
	(1.0)	**(1.0)**	**(1.0)**	**–**	**–**	**–**	**–**
Total	**814.4**	**914.4**	**131.6**	**90.1**	**166.1**	**337.0**	**189.6**

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

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 2017, it is estimated that the impact on variable rate net debt of a general increase of 3% in interest rates would be a decrease in the Group's profit before tax of approximately £5.4m (2016: £9.3m). 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:

2017	Carrying amount £m	Sterling £m	US dollar £m	Chinese renminbi £m	Hong Kong dollar £m	Other currencies £m
Cash	**135.9**	13.7	10.3	24.3	3.4	84.2
Trade receivables (note 11)	**469.5**	43.6	156.6	44.6	14.5	210.2
Trade payables (note 12)	**126.7**	13.6	39.8	17.1	3.5	52.7
2016						
Cash	158.8	4.1	7.6	55.0	1.0	91.1
Trade receivables (note 11)	472.8	44.8	158.6	44.9	14.0	210.5
Trade payables (note 12)	107.3	14.6	30.8	14.9	3.7	43.3

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 2017 was £655.1m (2016: £857.7m).

A foreign exchange gain of £77.3m (2016: loss £194.1m) 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 2017 by approximately £21.6m (2016: £20.8m). 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 2017 £m	Fair value 2017 £m	Book value 2016 £m	Fair value 2016 £m
Financial assets				
Cash and cash equivalents	135.9	135.9	158.8	158.8
Trade receivables (note 11)	469.5	469.5	472.8	472.8
Forward exchange contracts*	1.0	1.0	8.0	8.0
Total financial assets	**606.4**	**606.4**	639.6	639.6
Financial liabilities				
Interest bearing loans and borrowings*	680.0	679.1	902.5	909.9
Trade payables (note 12)	126.7	126.7	107.3	107.3
Put option liability over non-controlling interest	8.7	8.7	8.6	8.6
Total financial liabilities	**815.4**	**814.5**	1,018.4	1,025.8

* Interest bearing loans and borrowing, and derivative assets/liabilities are categorised as Level 2 under which the fair value is measured using inputs other than quoted prices observable for the liability, either directly or indirectly.

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	2017 Number	2017 £m	2016 £m
Allotted, called up and fully paid:			
Ordinary shares of 1p each at start of year	161,386,775	1.6	1.6
Share Awards	3,765	–	–
Ordinary shares of 1p each at end of year	**161,390,540**	**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 3,765 (2016: 24,998) ordinary shares in respect of all share plans.

Purchase of own shares for trust

During the year ended 31 December 2017, the Company financed the purchase of 350,000 (2016: 200,000) of its own shares with an aggregate nominal value of £3,500 (2016: £2,000) for £15.6m (2016: £6.4m) 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, 302,418 shares were utilised to satisfy the vesting of share awards (note 17). At 31 December 2017, the ESOT held 541,211 shares (2016: 493,629 shares) with an aggregate nominal value of £5,412 (2016: £4,936). The associated cash outflow of £15.6m (2016: £6.4m) has been presented as a financing cash flow.

Dividends	2017 £m	2017 Pence per share	2016 £m	2016 Pence per share
Amounts recognised as distributions to equity holders:				
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
Final dividend for the year ended 31 December 2016	69.2	43.0	–	–
Interim dividend for the year ended 31 December 2017	37.8	23.5	–	–
Dividends paid	**107.0**	**66.5**	88.0	54.7

After the reporting date, the Directors proposed a final dividend of 47.8p per share in respect of the year ended 31 December 2017, which is expected to amount to £77.1m. 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 6 June 2018.

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 Scheme and Hong Kong Scheme are funded, 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:

	2017 £m	2016 £m
Defined contribution schemes	(46.9)	(41.6)
Defined benefit schemes – current service cost and administration expenses	(3.2)	(3.6)
Pension cost included in operating profit (note 5)	**(50.1)**	(45.2)

The pension cost for the defined benefit schemes was assessed in accordance with the advice of qualified actuaries. The last full triennial actuarial valuation of The Intertek Pension Scheme in the United Kingdom ('United Kingdom Scheme') was carried out as at 1 April 2016, and for IAS 19 accounting purposes has been updated to 31 December 2017. The last full actuarial valuation of the Hong Kong Scheme was carried out as at 31 December 2016, for local accounting purposes and has been updated to 31 December 2017 for IAS 19 purposes. The Switzerland Scheme was valued for IAS 19 purposes as at 31 December 2017. 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:

	2017 £m	2016 £m
Current service cost	(2.9)	(3.0)
Scheme administration expenses	(0.3)	(0.5)
Net pension interest cost (note 14)	(0.7)	(0.8)
Total charge	**(3.9)**	(4.3)

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:

	2017 £m	2016 £m
Remeasurements arising from:		
Demographic assumptions	1.4	4.1
Financial assumptions	0.2	(26.1)
Experience adjustment	(0.7)	4.1
Asset valuation	11.6	12.9
Other	0.1	(0.2)
Total	**12.6**	(5.2)

Company contributions

The Company assessed the triennial actuarial valuation for the United Kingdom Scheme and its impact on the scheme funding plan in 2018 and future years. In 2018 the Group expects to make normal contributions of £0.8m (2017: £0.8m) and has made a special contribution of £2.0m (2017: £2.8m). The next triennial valuation is due to take place as at 1 April 2019 and 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 2018.

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	114.7	23.1	14.5	152.3
Present value of funded defined benefit obligations	(127.6)	(25.5)	(17.0)	(170.1)
Deficit in schemes	**(12.9)**	**(2.4)**	**(2.5)**	**(17.8)**

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

	2017 £m	2016 £m
Fair value of scheme assets at 1 January	143.5	120.9
Interest income	3.3	3.7
Normal contributions by the employer	1.7	1.9
Special contributions by the employer	2.8	2.8
Contributions by scheme participants	0.5	0.6
Benefits paid	(7.9)	(5.2)
Effect of exchange rate changes on overseas schemes	(3.1)	6.2
Remeasurements	11.6	12.9
Scheme administration expenses	(0.3)	(0.5)
Contribution to fund scheme administration expenses	0.2	0.2
Fair value of scheme assets at 31 December	**152.3**	143.5

16 Employee benefits (continued)

ASSET ALLOCATION

Investment statements were provided by the Investment Managers which showed that, as at 31 December 2017 the invested assets of the United Kingdom Scheme totalled £114.7m (2016: £105.9m) and of the Hong Kong Scheme totalled £23.1m (2016: £21.9m) broken down as follows:

	United Kingdom Scheme		Hong Kong Scheme	
Asset class	**2017 £m**	**2016 £m**	**2017 £m**	**2016 £m**
Equities	54.8	50.4	15.2	14.0
Property	11.2	8.6	–	–
Bonds	–	–	7.9	7.9
Absolute Return Fund*	25.8	25.2	–	–
Liability Driven Investment*	17.2	16.4	–	–
Cash	5.7	5.3	–	–
Total	**114.7**	105.9	**23.1**	21.9

* Investments are included at fair value. The pooled investment vehicles are held under a managed fund policy in the name of the Scheme. Pooled investment vehicles (including the of the Absolute Return Fund / LDI Funds) which are not traded on active markets, but where the investment manager has provided a monthly trading price, are valued using the last single price, provided by the investment manager at or before the year end. The Absolute Return Fund aims to provide positive investment returns in all conditions over the medium- to long-term. The investment managers have a wide investment remit and look to exploit market inefficiencies through active allocation to a diverse range of market positions. The Fund uses a combination of traditional assets and investment strategies based on derivatives and is able to take long- and short-term positions in markets. The LDI Fund provides the hedge against adverse movements in inflation and interest rates. It seeks to match the sensitivity of the Scheme's liability cash flow to changes in interest rates and inflation; it is invested in gilts, swaps, futures, repo contracts and money market instruments.

The United Kingdom Scheme had bank account assets of £0.5m as at 31 December 2017 (2016: £0.3m).

The United Kingdom Scheme invested assets comprise both quoted and unquoted assets, whilst all of the invested assets of the Hong Kong Scheme are unquoted. The Switzerland Scheme is fully insured.

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

	2017 £m	**2016 £m**
Defined benefit obligations at 1 January	175.3	147.8
Current service cost	2.9	3.0
Interest cost	4.0	4.5
Contributions by scheme participants	0.3	0.3
Benefits paid	(7.9)	(5.2)
Effect of exchange rate changes on overseas schemes	(3.6)	7.6
Remeasurements	(0.9)	17.3
Defined benefit obligations at 31 December	**170.1**	175.3

Principal actuarial assumptions:

	United Kingdom Scheme		Hong Kong Scheme		Switzerland Scheme	
	2017 %	**2016 %**	**2017 %**	**2016 %**	**2017 %**	**2016 %**
Discount rate	2.5	2.7	1.8	1.9	0.7	0.4
Inflation rate (based on CPI)	2.3	2.4	n/a	n/a	n/a	n/a
Rate of salary increases	2.3	3.4	4.0	4.0	1.0	1.0
Rate of pension increases:						
CPI subject to a maximum of 5% p.a.	2.3	2.4	n/a	n/a	n/a	n/a
Increases subject to a maximum of 2.5% p.a.	1.8	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	
	2017	2016	2017	2016	2017	2016
Male aged 40	49.0	49.4	n/a	n/a	42.8	42.8
Male aged 65	22.1	22.2	n/a	n/a	19.8	19.8
Female aged 40	50.9	51.5	n/a	n/a	45.4	45.4
Female aged 65	24.0	24.2	n/a	n/a	21.9	21.9

* 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 2017 for the United Kingdom Scheme are the S2PA projected by year of birth, based on the CMI 2016 mortality projection model with a 1.25% long-term annual rate for future improvement. In 2016 the S2PA tables were used, based on the CMI 2015 mortality projection model. For the Switzerland Scheme, the mortality table adopted in both 2017 and 2016 is the BVG2015, 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 2017 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	127.6	–	25.5	–
0.25% rise in discount rate	121.7	(5.9)	24.9	(0.6)
0.25% fall in discount rate	133.9	6.3	26.1	0.6
0.25% rise in inflation	132.8	5.2	n/a	n/a
0.25% fall in inflation	122.6	(5.0)	n/a	n/a

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 £5.8m respectively.

FUNDING ARRANGEMENTS

United Kingdom Scheme

The Trustees use the Projected Unit credit method with a three-year control period. Currently the scheme members pay contributions at the rate of 8.5% of salary. The employer pays contributions of 16.4% of salary, plus £0.2m per year to fund scheme expenses, and has made an additional contribution of £2.0m in 2018 to reduce the deficit disclosed by the 2016 valuation.

Hong Kong Scheme

The Trustees use the Attained Age funding method. The last actuarial valuation was as at 31 December 2016. Scheme members do not contribute to the scheme. The employer pays contributions of 11.5% 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 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 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 awards granted since 7 November 2002.

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.

	2017			2016		
Outstanding Awards	**Deferred Share Awards**	**LTIP Share Awards**	**Total awards**	**Deferred Share Awards**	**LTIP Share Awards**	**Total awards**
At beginning of year	817,586	1,043,719	1,861,305	807,939	879,491	1,687,430
Granted*	317,302	369,342	686,644	379,575	399,994	779,569
Vested**	(193,628)	(93,463)	(287,091)	(271,383)	–	(271,383)
Forfeited	(71,464)	(239,376)	(310,840)	(98,545)	(235,766)	(334,311)
At end of year	**869,796**	**1,080,222**	**1,950,018**	817,586	1,043,719	1,861,305

* Includes 11,173 Deferred Share Awards (2016: 12,015) and 15,691 LTIP Share awards (2016: 16,522) granted in respect of dividend accruals.

** Of the 287,091 awards vested in 2017, 3,765 were satisfied by the issue of shares and 197,083 by the transfer of shares from the ESOT (see note 15). The balance of 86,243 awards represented a tax liability of £3.2m which was settled in cash on behalf of employees by the Group, of which £2.7m was settled by the Company.

Deferred Share Plan

On 9 March 2015 the Remuneration Committee approved the adoption of the Intertek Deferred Share Plan (the 'DSP'). Awards may be granted under the DSP to employees of the Group (other than the Executive Directors of the Company) selected by the Remuneration Committee over existing, issued ordinary shares of the Company only. The DSP was adopted primarily to allow for the deferral of a proportion of selected employees annual bonus into shares in the Company, but may also be used for the grant of other awards (such as incentive awards and buy out awards for key employees) in circumstances that the Remuneration Committee deems appropriate. The initial award under the DSP had a two-year vesting period; any subsequent awards will normally have a three-year vesting period. Awards may be made subject to performance conditions and are subject to normal good and bad leaver provisions and malus and clawback.

NOTES TO THE FINANCIAL STATEMENTS continued

17 Share schemes (continued)

Outstanding Awards	2017 Deferred Share Awards	2017 Total Awards	2016 Deferred Share Awards	2016 Total awards
At beginning of year	117,537	117,537	101,886	101,886
Granted*	44,915	44,915	40,927	40,927
Vested**	(94,313)	(94,313)	(24,376)	(24,376)
Forfeited	(1,985)	(1,985)	(900)	(900)
At end of year	**66,154**	**66,154**	117,537	117,537

* Includes 945 Deferred Share Awards (2016: 1,642) granted in respect of dividend accruals.
** Of the 94,313 awards vested in 2017, 55,041 were satisfied by the transfer of shares from the ESOT (see note 15). The balance of 39,272 awards represented a tax liability of £1.7m 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. 94,895 shares vested in 2017, which included 3,321 shares granted in respect of dividend accruals. 50,294 awards were satisfied by the transfer of shares from the ESOT (see note 15) and the balance of 44,601 awards represented a tax liability of £1.9m which was settled in cash by the Company. Further details are shown in the Remuneration report on pages 81 to 96.

Equity-settled transactions

During the year ended 31 December 2017, the Group recognised an expense of £17.5m (2016: £16.6m), of which £nil (2016: £1.4m) related to restructuring SDIs. The fair values and the assumptions used in their calculations are set out below:

	2017 Awards			
	Deferred Share Awards (DSP)	Share Awards	LTIP Share Awards EPS element	LTIP Share Awards TSR element
Fair value at measurement date (pence)	4,679	3,868	3,860	2,385
Share price (pence)	4,679	3,868	3,860	3,860
Expected volatility	–	–	–	23.9%
Risk–free interest rate	–	–	–	0.15%
Time to maturity (years)	1-3	3	3	3

	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

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

On 1 February 2018, the parent company received dividend income of £120.0m from subsidiaries further increasing its distributable reserves.

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:

	2017 £m	2016 £m
At 1 January	34.7	27.8
Exchange adjustments	(0.3)	5.1
Share of profit for the year	19.0	16.6
Adjustment arising from changes in non-controlling interest	–	1.5
Dividends paid to non-controlling interest	(18.7)	(16.3)
Non-controlling interest from businesses acquired	(0.2)	–
At 31 December	**34.5**	34.7

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:

	2017 £m	2016 £m
Short-term benefits	9.3	8.8
Post-employment benefits	0.8	0.6
Equity-settled transactions	7.2	7.3
Total	**17.3**	16.7

More detailed information concerning Directors' remuneration, shareholdings, pension entitlements 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

	2017 £m	2016 £m
Guarantees, letters of credit and performance bonds	**26.5**	31.4

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 with complex tax laws and regulations. At any point in time it is normal for there to be a number of open years 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. 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 Group is also monitoring developments in relation to the EU State Aid investigation into the UK's Controlled Foreign Company regime. The Group does not currently consider any provision is required in relation to EU State Aid.

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 2017. 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 Finance plc	England	Finance
Intertek Holdings Limited (i)	England	Holding
Intertek Technical Services, Inc. (ii)	USA	Trading
Intertek Testing Services Holdings Limited (i)	England	Holding
Intertek Testing Services Hong Kong Limited (iii)	Hong Kong	Trading
Intertek Testing Services Limited Shanghai (iv)	China	Trading
Intertek Testing Services NA, Inc. (v)	USA	Trading
Intertek Testing Services Shenzhen Limited (vi)	China	Trading
Intertek USA, Inc. (vii)	USA	Trading
Intertek USD Finance Limited	England	Finance
Labtest Hong Kong Limited (viii)	Hong Kong	Trading
RCG-Moody International Limited	England	Holding
Testing Holdings USA, Inc. (ix)	USA	Holding

(i) Directly owned by Intertek Group plc.
(ii) Ownership held in Ordinary and Preference shares; Registered office address is: 25025 I-45 North, Suite #111, The Woodlands, TX 77380, United States.
(iii) Registered office address is: 2/F Garment Centre, 576 Castle Peak Road, Kowloon, Hong Kong.
(iv) 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.
(v) Registered office address is: 3933 US Route 11, Cortland, NY 13045, United States.
(vi) Registered office address is: West side of 1/F and 3,4,5/F of Bldg. 1, 1-5/F of Bldg. 3, Yuanzheng Science and Technology Industrial Park, No. 4012, Bantian Street, Longgang District, Shenzhen, Guangdong, China.
(vii) Registered office address is: CT Corporation System, 5615 Corporate Blvd., Suite 400B, Baton Rouge, LA 70808, United States.
(viii) Registered office address is: 11/F, Unit IJK, Garment Centre, 576 Castle Peak Road, Kowloon, Hong Kong.
(ix) Registered office address is: Corporation Trust Center, 1209 Orange Street, Wilmington, DE 19801, 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 31 December 2017. No subsidiary undertakings have been excluded from the consolidation.

FULLY OWNED SUBSIDIARIES

0949491 B.C. Limited
1620-400 Burrard Street, Vancouver, BC V6C 3A6, Canada

4th Strand, LLC
3000 Northwoods Parkway, Suite 330, Norcross, GA 30071, United States

Acucert Labs, LLP
82/2, Shreyas, 25th Road, Sion West, Mumbai, 400022, India

Acumen Security, LLC
2400 Research Blvd, Suite 395, Rockville, MD 20850, 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

Alex Stewart Assayers Private Limited (ii)
Unit No. D1, Udyog Sadan No.3, M.I.D.C. Central Road, Andheri (East), Mumbai, 400093, India

Alta Analytical Laboratory, Inc. (i)
200 Westlake Park Blvd., Westlake Building 4, Suite 400, Houston, TX 77079, 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

Caleb Brett Abu Dhabi LLC
CB UAE (Private) Ltd, c/o Al Nahiya Group, PO Box 3728, Abu Dhabi, United Arab Emirates

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 U.S. 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, Heudebouville, France

Electrical Mechanical Instrument Services (UK) Limited
Unit 19 & 20 Wellheads Industrial Centre, Dyce, Aberdeen, AB21 7GA, United Kingdom

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 Limited
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

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

23 Principal Group companies (continued)

FULLY OWNED SUBSIDIARIES (CONTINUED)

Global X-Ray Holdings, Inc. (v)
112 East Service Road, Morgan City, LA 70381, United States

H.P. White Laboratory Inc.
3114 Scarboro Road, Street, MD 21154, United States

Hawks Acquisition Holding, Inc
Corporation Service Company, 2711 Centerville Road, Suite 400, Wilmington, New Castle, DE 19808, United States

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

Inspection Services (US), LLC
Corporation Trust Center, 1209 Orange Street, Wilmington, DE 19801, United States

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, Phoenix, Mauritius

Intertek (Schweiz) AG
TechCenter, Kaegenstrasse 18, 4153 Reinach, Switzerland

Intertek Academy A/S
Buen 12, 3, 6000 Kolding, 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 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.
Avenida Las Condes N° 11287 Torre A, oficina 301 A Las Condes, Santiago, Chile

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
Avenida Las Condes N° 11287 Torre A, oficina 301 A Las Condes, 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 Sandefjord, Norway

Intertek Certification France SAS
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 Colombia S.A.
Calle 127A No. 53A-45, Oficina 1103, Bogotá, Colombia

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 127A No. 53A-45, Oficina 1103, Bogotá, 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 Fürth, 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
Stangenstrasse 1, 70771 Leinfelden-Echterdingen, Germany

Intertek DIC A/S
Buen 12, 3, 6000 Kolding, Denmark

Intertek do Brasil Inspecoes Ltda
Av Eng. Augusto Barata s/n, Alamoa, Santos, SP, CEP11095-650, 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 SAS
ZAC Ecopark 2, 27400, Heudebouville, 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

NOTES TO THE FINANCIAL STATEMENTS
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23 Principal Group companies (continued)

FULLY OWNED SUBSIDIARIES (CONTINUED)

Intertek Genalysis Madagascar SA
Saint Denis Terrain II, Parcel 2 Ambatofotsy, Ampandrianomby, Madagascar

Intertek Genalysis South Africa Pty Ltd
Level 3, 235 St Georges Terrace, Perth, WA 6000, Australia

Intertek Ghana Limited
1st Floor Gian, Towers Office, Number 2 Community, Gian Towers Tema, Accra, Accra Metropolitan, P.O. BOX GP 199, Ghana

Intertek Global (Iraq) Limited

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
Stangenstrasse 1, 70771 Leinfelden-Echterdingen, Germany

Intertek Holdings France SAS
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, The Netherlands

Intertek Holdings Norge AS
Oljevegen 2, 4056 Tananger, Norway

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 127A No. 53A-45, Oficina 1103, Bogotá, 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 Sandefjord, Norway

Intertek Inspection Services UK Limited

Intertek International France SAS
67 Boulevard Bessières, 75017, Paris, France

Intertek International Gabon SARL
Quartier Montagne Sainte – Immeuble Dumez, 2éme étage, Libreville, B.P: 13312, Gabon

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
Building 2A, Abay street, Atyrau City, 060002, Kazakhstan

Intertek International Limited

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, The 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, 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, The 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 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 (i)
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, Rotterdam, The Netherlands

Intertek Nominees Limited

Intertek OCA France SARL
Route Industrielle – Centre Routier, 76600, Gonfreville L'Orcher, France

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, Plot No.1-5/11-A, Sector-5, Korangi Industrial Area, 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, The 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 (i)
#91-92 Union Road, Marabella, Trinidad, Trinidad and Tobago

23 Principal Group companies (continued)

FULLY OWNED SUBSIDIARIES (CONTINUED)

Intertek Resource Solutions, Inc.
24900 Pitkin Rd., Ste. 200, The Woodlands, TX 77386, United States

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
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, United Kingdom

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 Technical Services, Inc.
25025 I-45 North, Suite #111, The Woodlands TX 77380, United States

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.
3 Irving Road #05-01 to 05, Tai Seng Centre, 369522, 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.
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 (ii)
5705, 57th Floor, The Center, 99 Queen's Road Central, Hong Kong

Intertek Testing Services NA Limited
1829 32nd Avenue, Lachine QC H8T 3J1, 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 (ii)
5705, 57th Floor, The Center, 99 Queen's Road Central, 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
Oljevegen 2, 4056 Tananger, Norway

IntertekGenalysis SI Limited
c/o Baoro & Associates, Top Floor, Y. Sato Building, Point Cruz, Honiara, Solomon Islands

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
3771 North Fraser Way, Suite 17, Burnaby BC V5J 5G5, Canada

ITS Testing Services (UK) Limited

KJ Tech Services GmbH (ix)
Kirschberg 20, 64347, Griesheim, Germany

NOTES TO THE FINANCIAL STATEMENTS
continued

23 Principal Group companies (continued)

FULLY OWNED SUBSIDIARIES (CONTINUED)

Labtest International Inc.
2107 Swift Drive, No 200, Oak Brook, Illinois, 60523, United States

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]

Materials Testing & Inspection Services Limited

Materials Testing Lab, Inc.
145 Sherwood Avenue, Farmingdale NY 11735, United States

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 (Shanghai) Consulting Co., Ltd
1F, No. 5 Building, 912 Bibo Road, Zhangjiang Hi-Tech Park, Shanghai, 201203, China

Moody Algerie SARL
Cité SERBAT, Bat. B2/C2, N°03, Garidi 1, 16051, Kouba, Wilaya d'Alger, Algeria

Moody Energy Technical Service Co Ltd
Room A201, B-2 East 3rd, Ring Road North Road, Chaoyang District, Beijing, 100027, China

Moody International (Holdings) Limited [iii]

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, Ciudad Autonoma de Buenos Aires, C1010AAX, Argentina

Moody International Holdings LLC
24900 Pitkin Rd., Ste. 200, The Woodlands TX 77386, United States

Moody International LLC [ii]
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 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 (Canada) Inc. [i]
200 Bay Street, Suite 3800, Royal Bank Plaza, South Tower, Toronto ON M5J 2J7, Canada

Professional Service Industries Holding, Inc.
Corporation Trust Center, 1209 Orange Street, Wilmington, DE, 19801, United States

Professional Service Industries Engineering, PLLC
CT Corporation System, 111 8th Avenue, New York, NY 10011, United States

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 [i]
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

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]
3 Irving Road #05-01 to 05, Tai Seng Centre, 369522, 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]
3 Irving Road #05-01 to 05, Tai Seng Centre, 369522, Singapore

Yickson Enterprises Limited [ii]
5705, 57th Floor, The Center, 99 Queen's Road Central, 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%

Admon Labs Servicios Corporativos y Administrativos, S.A. de C.V. (9.99%)
Boulevard Adolfo Lopez Mateos #2259, Atlamaya, Alvaro Obregon, Ciudad de Mexico, C.P. 01760, Mexico

Euro Mechanical Instrument Services LLC (49%)
PO Box 46153, Abu Dhabi, United Arab Emirates

Gamatek, S.A. de C.V. (9.99%)
Alanis Valdez #2308, Industrial, Monterrey, Nuevo Leon, Mexico

GCA Calidad y Analisis de Mexico, S.A. de C.V. (9.99%)
Jacarandas #19, San Clemente, Alvaro Obregon, Ciudad de Mexico, C.P. 01740, Mexico

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 ETL SEMKO KOREA Limited (90%)
5F, Intertek building, Gongdan-ro, 160beon-gil 3, Gunpo-si, Gyeonggi-do, 15845, Republic of Korea

Intertek GM Testing Service Zhuhai Co., Ltd (70%)
55 Guangdong-Macau TCM Park Commercial Service Center, 2522 Huan Dao Bei Road, Hengqin New Area, Zhuhai, Guangdong, China

Intertek Kimsco Co. Ltd. (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%)
P.O Box 3788, Hay Alandalus, Gargaresh, 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 (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 Korea Limited (50%)
1st Fl., Aju Digital Tower, 284-56, Seongsu-dong 2-ga, Seongdong-gu, Seoul 133-120, Republic of Korea

Intertek Testing Services Nigeria Limited (65.93%)
No. 2 Bombay Crescent, Apapa, Lagos, Nigeria

Intertek Testing Services Sichuan Co., Ltd (90%)
No 1, Jiuxiang Blvd, Pharmacy Industry Park, Luzhou National High Technology District, Sichuan, China

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, S.A. de C.V.(vii) (10%)
Jacarandas #19, San Clemente, Alvaro Obregón, Ciudad de Mexico, C.P. 01740, Mexico

Laboratorio Fermi S.A. de C.V. (9.99%)
Jacarandes #15, San Clemente, Alvaro Obregon, Ciudad de Mexico, C.P. 01740, Mexico

Laboratory Services International Rotterdam B.V (75%)
Pittsburghstraat 9, 3047 BL, Rotterdam, The 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, Latvia

Moody International Certification Ltd (40%)
53, Nautic, Triq l-Ortolan, San Gwann, SGN 1943, Malta

Moody International Holdings Chile Ltda (99%)
Avenida Las Condes N° 11287 Torre A, oficina 301 A Las Condes, 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

Moody International Morocco (30%)
28, Rue de Provins, 2 eme etage, Casablanca, Morocco

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

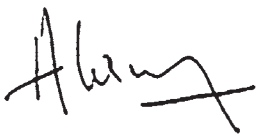
(i) Dormant.
(ii) In Liquidation/Strike off requested.
(iii) Ownership held in class of A shares and B shares.
(iv) Ownership held in class of A shares and E shares.
(v) Ownership held in ordinary and preference shares.
(vi) Shares held in Class A, B, C, D, E and F.
(vii) Ownership held in class I Series 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.
(ix) Ownership held in No.1 shares and No.2 shares

INTERTEK GROUP PLC – COMPANY BALANCE SHEET

As at 31 December 2017	Notes	2017 £m	2016 £m
Fixed assets			
Investments in subsidiary undertakings	(d)	**324.9**	318.1
Current assets			
Debtors due within one year	(e)	187.6	182.4
Cash at bank and in hand		0.3	0.5
		187.9	182.9
Creditors due within one year			
Other creditors	(f)	(164.1)	(39.6)
		(164.1)	(39.6)
Net current assets		**23.8**	143.3
Total assets less current liabilities		**348.7**	461.4
Net assets		**348.7**	461.4
Capital and reserves			
Called up share capital	(g)	1.6	1.6
Share premium	(g)	257.8	257.8
Profit and loss account	(g)	89.3	202.0
Shareholders' funds		**348.7**	461.4

The loss for the financial year was £1.6m (2016: £129.4m profit). The 2016 balance sheet has been re-presented – see note (a).

The financial statements on pages 152 to 156 were approved by the Board on 5 March 2018 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 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
At 1 January 2017		**1.6**	**257.8**	**202.0**	**461.4**
Total comprehensive income for the year					
Loss	(b)	–	–	(1.6)	(1.6)
Total comprehensive income for the year		**-**	**-**	**(1.6)**	**(1.6)**
Transactions with owners of the company recognised directly in equity					
Contributions by and distributions to the owners of the company					
Dividends paid	(c)	–	–	(107.0)	(107.0)
Purchase of own shares		–	–	(15.6)	(15.6)
Tax paid on Share Awards vested		–	–	(6.3)	(6.3)
Equity-settled transactions	(d)	–	–	17.8	17.8
Total contributions by and distributions to the owners of the company		**-**	**-**	**(111.1)**	**(111.1)**
At 31 December 2017		**1.6**	**257.8**	**89.3**	**348.7**

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').

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.

Following a review of the Company's loan arrangements with Group undertakings, these have been re-presented in the 2016 balance sheet as balances due within one year.

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:

	2017 £m	2016 £m
Final dividend paid in respect of prior year but not recognised as a liability in that year	69.2	56.8
Interim dividends paid in respect of the current year	37.8	31.2
Aggregate amount of dividends paid in the financial year	**107.0**	88.0

The aggregate amount of dividends proposed and recognised as liabilities as at 31 December 2017 is £nil (2016: £nil). The aggregate amount of dividends proposed and not recognised as liabilities as at 31 December 2017 is £77.1m (2016: £69.4m).

(D) INVESTMENT IN SUBSIDIARY UNDERTAKINGS

	2017 £m	2016 £m
Cost and net book value		
At 1 January	318.1	308.1
Additions due to share-based payments	17.8	16.6
Recharges of share-based payments to subsidiaries	(11.0)	(6.6)
At 31 December	**324.9**	318.1

The Company has made Share Awards to the employees of its directly and indirectly owned subsidiaries, and as such, the Company recognises an increase in the cost of investment in subsidiaries of £17.8m (2016: £16.6m). Details of the principal operating subsidiaries are set out in note 23 to the Group financial statements.

The Company had two direct subsidiary undertakings at 31 December 2017: 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 WITHIN ONE YEAR

	2017 £m	2016 £m
Amounts owed by Group undertakings	**187.6**	182.4

The amounts owed by Group undertakings represent loans that carry interest based on the denomination of the borrowing currency.

(F) CREDITORS DUE WITHIN ONE YEAR

	2017 £m	2016 £m
Amounts owed to Group undertakings	**164.1**	39.6

The amounts owed to Group undertakings represent loans that 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 loss for the financial year, before dividends paid to shareholders of £107.0m (2016: £88.0m), was £1.6m (2016: £129.4m profit) which was mainly in respect of the timing of 2017 Management and Intellectual Property fees and dividend income in relation to 2017.

The Company has sufficient distributable reserves to pay the 2018 interim dividend and on 1 February 2018, the Company received dividend income of £120.0m to further increase is distributable reserves. When required the Company can receive additional dividends from its subsidiaries from existing reserves.

The Group settled in cash the tax element of the Share Awards vested in 2017 amounting to £6.8m of which the Company settled £6.3m (2016: £4.9m).

During the year ended 31 December 2017, the Company purchased, through its Employee Benefit Trust, 350,000 (2016: 200,000) of its own shares with an aggregate nominal value of £3,500 (2016: £2,000) for £15.6m (2016: £6.4m) 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 £1.5m at 31 December 2017 (2016: £5.9m).

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 AUDIT OF THE FINANCIAL STATEMENTS

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 2017 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 (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); 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.

We have audited the financial statements, included within the Annual Report, which comprise:

- the consolidated statement of financial position as at 31 December 2017;
- the Company balance sheet as at 31 December 2017;
- 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 in equity for the year then ended;
- the Company statement of changes in 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.

Our opinion is consistent with our reporting to the Audit Committee.

BASIS FOR OPINION

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

Independence

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

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group or the Company.

Other than those disclosed in the Directors' Report, we have provided no non-audit services to the Group or the Company in the period from 1 January 2017 to 31 December 2017.

OUR AUDIT APPROACH

Overview

Materiality

- Overall Group materiality: £20.0m (2016: £17.3m), based on 5% of statutory profit before tax.
- Overall Company materiality: £5.1m (2016: £4.9m), based on 1% of total assets.

Audit scope

- We performed full scope audit procedures over 54 legal entities and performed specified audit procedures on a further 19 entities, covering 28 territories in total.
- The Group audit team held regular meetings with component teams, and visited the UK, US, China and United Arab Emirates 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 entities over which audit work was performed accounted for 85% of the Group's revenue and 90% of the Group's statutory profit before tax.

Areas of focus

- Carrying value of goodwill and intangible assets (Group).
- Valuation of current and deferred tax balances (Group).
- Completeness of customer claims (Group).
- Presentation and valuation of acquisitions (Group).

We determined that there were no key audit matters applicable to the Company to communicate in our report.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF INTERTEK GROUP PLC continued

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at areas 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.

We gained an understanding of the legal and regulatory framework applicable to the Group and the industries in which it operates, and considered the risk of acts by the Group which were contrary to applicable laws and regulations, including fraud. We designed audit procedures at Group and significant component level to respond to the risk, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. We focused on laws and regulations that could give rise to a material misstatement in the Group and Company financial statements, including, but not limited to, indirect and direct tax laws, anti-bribery laws and financial reporting regulations.

Our tests included, but were not limited to: understanding management's approach to ensuring compliance with laws and regulations; enquiries with local, regional and Group management; meeting with Group and local legal counsel to discuss legal matters; meeting with internal audit; obtaining legal confirmations; and focusing testing on balances and transactions, in addition to those listed as key audit matters below, that are subject to estimation, such as accrued income. There are inherent limitations in the audit procedures described above and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely it is that we would become aware of it. We did not identify any key audit matters relating to irregularities, including fraud. As in all of our audits we also addressed the risk of management override of internal controls, including testing journals and evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

Key audit matters

Key audit matters are those matters that, in the auditor's professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditor, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. This is not a complete list of all risks identified by our audit.

KEY AUDIT MATTER	HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER
Carrying value of goodwill and intangible assets Refer to the Audit Committee report on page 77 and to note 9 in the financial statements. The Group had £579.6m of goodwill and a further £178.2m of intangible assets recognised on the balance sheet at 31 December 2017. 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, and a significant amount of value is based on the value to perpetuity of the CGUs, 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.

KEY AUDIT MATTER	HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER
Valuation of current and deferred tax balances Refer to the Audit Committee report on page 77 and to note 6 in 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 historical 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, in particular the US Tax Cuts and Jobs Act, 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, and we are in agreement with the 1% effect on the current year tax rate of the US Tax Cuts and Jobs Act and the resulting disclosure.
Completeness and valuation of customer claims Refer to the Audit Committee report on page 77 and to note 13 in 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 we 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 and 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF INTERTEK GROUP PLC continued

KEY AUDIT MATTER	HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER
Presentation and valuation of acquisitions Refer to the Audit Committee report on page 77 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 two acquisitions: KJ Tech Services GmbH and Acumen Security LLC. In addition, the 12-month hindsight period for reassessing the acquisition of FIT Italia SRL, EWA-Canada Ltd and Laboratorios ABC Quimica, Investigación y Análisis, S.A de C.V. 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; • verified that the accounting treatment for each transaction, and any resulting liabilities, is consistent with the accounting standard requirements; and • assessed the reasonableness of the inputs and assumptions used in calculating contingent consideration. We noted no material exceptions through performing these procedures. For the acquisitions made in 2016, 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; and • 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.

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 structure of the Group and the Company, the accounting processes and controls, and the industry in which they operate.

The Group is split into three reporting segments: Products, Trade and Resources and the operations are spread across over 100 countries and approximately 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 50 countries in which PwC are appointed statutory auditor. Of these, 24 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 54 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 and Brazil, there is no statutory audit requirement and so we considered whether procedures needed to be performed to supplement our coverage. We selected 13 entities in the US and Canada and two of the entities in Brazil, representing those with the largest contribution to Group profit, over which we performed specified procedures equivalent to audits of the complete financial information. We also identified a further four 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 73 legal entities in 28 countries, which together accounted for 85% of the Group's revenue and 90% of the Group's profit before tax.

During the year, members of the Group audit team visited the US, China, United Arab Emirates and UK component teams, and we held planning workshops with 10 of the largest in scope component teams, in order to understand and supervise the audit approach in those locations and 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 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 in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	GROUP FINANCIAL STATEMENTS	COMPANY FINANCIAL STATEMENTS
Overall materiality	£20.0m (2016: £17.3m).	£5.1m (2016: £4.9m).
How we determined it	5% of profit before tax.	1% of total assets.
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.	These are a single set of Company accounts for an entity which has no external revenue and takes advantage of the exemption offered under s408 of CA 2006 not to present its income statement in the Company financial statements, which are presented alongside the Group accounts within the annual report for Intertek Group plc. As a result, the materiality calculation has been based on the total assets of this non-trading holding company within the Group.

For each component in the scope of our Group audit, we allocated a materiality that is less than our overall Group materiality. The range of materiality allocated across components was between £1.20m and £7.82m. Certain components were audited to a local statutory audit materiality that was also less than our overall Group materiality.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £900,000 (Group audit) (2016: £900,000) and £900,000 (Company audit) (2016: £900,000) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Going concern

In accordance with ISAs (UK) we report as follows:

REPORTING OBLIGATION	OUTCOME
We are required to report if we have anything material to add or draw attention to in respect of the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting in preparing the financial statements and the directors' identification of any material uncertainties to the Group's and the Company's ability to continue as a going concern over a period of at least twelve months from the date of approval of the financial statements.	We have nothing material to add or to draw attention to. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's and Company's ability to continue as a going concern.
We are required to report if the directors' statement relating to Going Concern in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit.	We have nothing to report.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF INTERTEK GROUP PLC continued

REPORTING ON OTHER INFORMATION

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

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

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

Based on the responsibilities described above and our work undertaken in the course of the audit, the Companies Act 2006 (CA06), ISAs (UK) and the Listing Rules of the Financial Conduct Authority (FCA) require us also to report certain opinions and matters as described below (required by ISAs (UK) unless otherwise stated).

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2017 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements. *(CA06)*

In light of the knowledge and understanding of the Group and Company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report. *(CA06)*

The directors' assessment of the prospects of the Group and of the principal risks that would threaten the solvency or liquidity of the Group

We have nothing material to add or draw attention to regarding:

- The directors' confirmation on page 33 of the Annual Report 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.
- The disclosures in the Annual Report that describe those risks and explain how they are being managed or mitigated.
- The directors' explanation on page 33 of the Annual Report 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 to report having performed a review of the directors' statement that they have carried out a robust assessment of the principal risks facing the Group and 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 UK Corporate Governance Code (the "Code"); and considering whether the statements are consistent with the knowledge and understanding of the Group and Company and their environment obtained in the course of the audit. (*Listing Rules*)

Other Code Provisions

We have nothing to report to you in respect of our responsibility to report when:

- The statement given by the directors, on page 78, that they consider the Annual Report taken as a whole to be fair, balanced and understandable, and provides the information necessary for the 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 obtained in the course of performing our audit.
- The section of the Annual Report on pages 75 to 80 describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.
- The directors' statement relating to the Company's compliance with the Code does not properly disclose a departure from a relevant provision of the Code specified, under the Listing Rules, for review by the auditor.

Directors' Remuneration

In our opinion, the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006. *(CA06)*

RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS AND THE AUDIT

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' responsibilities set out on page 102 the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

Use of this report

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

OTHER REQUIRED REPORTING

COMPANIES ACT 2006 EXCEPTION REPORTING

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

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

APPOINTMENT

Following the recommendation of the Audit Committee, we were appointed by the directors on 25 May 2016 to audit the financial statements for the year ended 31 December 2016 and subsequent financial periods. The period of total uninterrupted engagement is two years, covering the years ended 31 December 2016 to 31 December 2017.

Ian Chambers
(Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors

London
5 March 2018

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 can elect to receive electronic communication in the form of automatic notification by email each time the Company distributes documents, instead of receiving paper copies. This can be done by registering via Shareview at no extra cost, at www.shareview.co.uk. In the event that you change your mind or require a paper version of any document in the future, please contact the Registrar by email or by post.

Access to Shareview allows shareholders to view details about their holdings, submit a proxy vote for shareholder meetings and notify a change of address. In addition to this, shareholders have the opportunity to provide dividend mandates online which in turn facilitates the payment of dividends directly into a nominated account.

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 2017
Results announced	6 March 2018
Ex-dividend date for final dividend	17 May 2018
Record date for final dividend	18 May 2018
Annual General Meeting	24 May 2018
Final dividend payable	6 June 2018
Interim results announced	7 August 2018
Ex-dividend date for interim dividend	4 October 2018
Record date for interim dividend	5 October 2018
Interim dividend payable	19 October 2018

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